TRADE & INTEGRATION KEY TO RUSSIAN FAR EAST GROWTH, 
SAYS WORLD BANK

Far East International Economic Forum keynote speech by 
World Bank Vice President Shigeo Katsu

KHABAROVSK, Russia, September 30, 2008—The World Bank today urged the Russian Far East to boost its growth and achieve higher standards of living for its 6.5 million people by expanding its trade and integration with dynamic markets within Russia and across the Asia-Pacific Region.

In his keynote address today to the Russian Far East International Economic Forum, taking place this week in Khabarovsk, Russia, World Bank Vice President for Europe and Central Asia Shigeo Katsu stressed that trade and economic integration, supported by investments in infrastructure, social development, and environmental protection, will be central to fulfilling the 2020 Russian Far East regional development strategy. He pointed out that hosting the APEC summit in 2012 is a sign of the enormous potential of the Russian Far East.

“APEC’s member countries account for 2.5 billion people with a combined GDP of $19 trillion,” said Katsu. “It is no accident that the APEC summit will be held in Vladivostok in 2012. My main message is that your neighborhood is key to your potential.”

According to Katsu, the Russian Far East’s size, mineral riches and economic potential are enormous. “The Far East Okrug accounts for more than a third of the territory of the Russian Federation. The proven gas reserves at the Kovyktai in the neighboring Irkutsk region are one of the largest in the world – with 2 trillion cubic meters. And there are also additional, large oil reserves in Chukotka, Kamchatka, and Sakhalin that are presently surveyed. Yet the living standards of the Far East’s relatively small population – 6.5 million – have not yet reflected this huge, potential wealth.”

He attributes this gap between resource wealth and social outcomes to poor market access. Katsu explains that the issue is not just about movement of people but of commodities. He stresses that there is enormous potential in the Okrug to increase production of metals, gas, and coal, and other resources, as well as enhance trade in services, provided there is better availability of reliable transportation to the largest market centers.

Katsu adds that Okrug is also surprisingly sparse in terms of connectivity of even existing resource centers with urban, market agglomerations, with extremely limited connections with the rapidly expanding Chinese markets.
“The good news is that location is opportunity,” stressed Katsu. “The Russian Far East can exploit opportunities and significantly accelerate its growth and achieve high standards of living for its people. Others have done it, and so can you. Trade overcomes major geographic obstacles. I cannot overemphasize this issue. Without trade and exchange of goods and capital, ideas and know-how, as well as mobility of people, regions and countries inevitably fall behind.”

He added that, “The importance of trade as a factor of long-term growth is now a well documented fact in development economics. Every major development success story involved a sustained expansion of trade facilitated by logistics and interconnectivity with its neighbors and larger markets. This is especially the case with countries with difficult geographic disadvantages – such as Australia, Canada, Sweden, and countries in Central Asia.”

The question is how to implement these priorities in an environmentally and socially sound way, according to Katsu. He pointed out that this will require significant financing, technical, and institutional expenditure of resources and implementation challenges that the Far East should not have to bear alone. According to the transport strategy of the Ministry of Transport, upgrading rail, air, road, marine transport (including improving connectivity with other regions) would cost USD 15.5 billion equivalent of 387.5 billion Rubles in the region for 2010 to 2015 alone.

He stressed that the World Bank can be of assistance at three levels – local, regional, and international – in line with its current strategy of partnership with the Russian Federation.

Katsu emphasized two particular areas of development priority for the region:

- **Fostering inter-connectivity** between people and trade within the Okrug and with neighboring markets, especially China, is of critical importance. In order to grow, the Far East must integrate – via infrastructure and trade – both internally and with the nearest internal markets of China, Japan, and Korea, which will hugely expand its potential trade and growth opportunities. Just focusing on the internal market is not enough and would result in missing major trade and development opportunities. This is especially relevant in the Khabarovsk region.

- **Improving social services** for the people of the Far East is pivotal for its population and to attract new residents. Good schools, hospitals, social assistance packages, and basic communal services are vital for people, especially in areas of harsh climate. People everywhere and always migrate to places where they can educate their children, where health care is good, and where they can see an economic future.

“The Russian Far East clearly has great potential,” concluded Katsu, “and the world will see this at the 2012 APEC meeting. For its part, the World Bank stands ready to help.”

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