

Chapter Fifteen

Artyom Lukin and Tamara Troyakova

The Russian Far East and the Asia-Pacific: State-Managed Integration

Executive Summary

- The success of Russia's engagement with the Asia-Pacific hinges crucially on whether its Far East can be transformed from the country's backyard into its Pacific front gate.
- While in the 1990s Moscow almost completely neglected the Russian Far East, under Vladimir Putin, the central government began to reassert its influence, including in the area of the region's external links. One of the most important developments has become the launch of an array of major state-funded projects designed to boost the economy of the Russian Far East and encourage its integration into the Asia-Pacific. The September 2012 APEC summit in Vladivostok is an important step in that direction, aimed at giving an extra impetus to the Far East and showcasing it to the international community.
- Russia's regional integration has an important demographic dimension as well. The Russian Far East's population decline, which began in 1991, has resulted in the loss of a quarter of its population. Russia needs to diversify its foreign migration sources, as its increasing demographic needs may not be fully satisfied by problematic Chinese or Central Asian immigration. In particular, Moscow might start paying attention to large suppliers of human resources, such as Bangladesh, India, the Philippines, and some other nations in Southeast and South Asia. Thus, the Russian Far East may need more integration with the Asia-Pacific, not just in terms of trade, but also for the sake of increased human inflows to boost its flagging demography.

- Having experienced the chaotic liberalization of external links in the 1990s which threatened national security, the Russian government is now pursuing a state-managed integration of the Russian Far East into the Asia-Pacific economy. The success of this dirigiste strategy depends on the continued availability of considerable financial resources in Russia's development budget, as well as competent and clean governance.

Introduction

Russia belongs to the Asia-Pacific by virtue of having its own Pacific territories, or the Russian Far East. This region has no legal administrative status within the Russian Federation. An expression, "Eastern Siberia and the Far East," is often used to refer to the area east of Lake Baikal, without drawing a clear distinction between "Siberia" and "the Far East." Since 2000, the term "Far East" has been increasingly used to signify the Far Eastern federal district, which is made up of nine territories with the constitutional status of "federal subjects." They are Primorskiy krai, Khabarovskiy krai, Kamchatskiy krai, Sakhalinskaya oblast', Amurskaya oblast', Magadanskaya oblast', the Republic of Sakha (Yakutia), the Jewish autonomous district, and the Chukotskiy autonomous district. Although the Far East occupies more than one-third of Russia's total area, it has only about 6 million residents.

Over the history of the Russian Far East, two alternating patterns have shaped its interactions with the neighboring countries of the Asia-Pacific. The first pattern involves relative freedom in foreign trade and migration flows. The second has restricted external links, with tightened state controls, although the tightness of those controls may vary, from nearly total, as in the Soviet period of the 1930s through the 1980s, to selective restrictions, as in the present day. The logic behind the alternation of these patterns stems from a number of variables, such as international politics, economic situation, and the general condition of Russia's state political system.

During the past twenty years, the Russian Far East's interactions with the Asia-Pacific have dramatically expanded. It is thus important to understand not only Russia's national interests in the Asia-Pacific, but also those of subnational actors in the Russian Far East.

The Historical Experience

Russian expansion across Siberia moved in both northern and southern directions. After the signing in 1689 of the border Treaty of Nerchinsk with China, which blocked Russians' advance into the Amur River basin, their further expansion was directed toward the Northeast, all the way to Alaska. It was not until the middle of the nineteenth century that Russia came back to the Amur Region. By the Treaty of Beijing in 1860 the Russian empire had acquired the southern part of what was to become its Far East, gaining access to the Sea of Japan. According to the American historian John Stephan, "Russia absorbed Priamurye and Primorye by a combination of encroachment, diplomacy, and luck."¹

In 1884, the Transbaykal, Amur, Primorye, and Sakhalin districts were united in a newly created Priamurye governor-generalship. It was the first separate administration for the region, and provided an institutional framework for a regional identity distinct from that of Siberia. Also, the Far East had quite a lot of ethnic and cultural diversity, accommodating not only Russians but also Ukrainians, Estonians, Jews, Germans, as well as Chinese, Koreans, Japanese, and other ethnic groups. Immigration shaped regional development and added a cosmopolitan shade to the region.

At the end of the nineteenth and the beginning of the twentieth centuries, the Russian Far East was largely open to contacts with foreign countries. Labor resources were formed by migration not only from the European part of Russia, but also by migration from China, Korea, and Japan. However, growing international

¹ John J. Stephan, *The Russian Far East: A History* (Stanford: Stanford University Press, 1994), 47.

presence and the openness of the Far Eastern market caused controversy. There were public debates that revolved around whether the region should maintain the free trade zones along the Chinese frontier and in regional ports. As a result, in 1913, the free trade zone along the Sino-Russian frontier was abolished.

During the early Soviet period in the 1920s, the Far East existed as a relatively autonomous economic area with porous external borders. However, in the 1930s, the model of full state control was introduced into the region, closing it off from the neighboring countries. The Soviet system imposed an economic structure that concentrated on the development of the natural resources of the region for the needs of the national economy. With the accelerated development of mining and defense industries, the region was turned into a war fortress.

Under the Soviet Union, the region had very limited economic and human ties with the outside world.² Nikita Khrushchev's visit in 1959 to Sakhalin and Vladivostok was a chance in the context of his attempt to decentralize the Soviet economy. He famously promised that Vladivostok would be the second San Francisco someday. Some growth in the regional engagement with the outside world took place in the 1970s and 1980s. For example, the Vladivostok-based Far Eastern Shipping Company became a major freight carrier in the Pacific. The Soviet Far East reached a new high in its exports of timber, fish, and minerals, and imports of industrial equipment and consumer goods. The signing of a number of trade agreements between the Soviet Union and Japan was the focus of an export-oriented strategy. An outline for future development of the Sakhalin offshore oil and gas deposits was conceived at that time.

In 1986, Soviet leader Mikhail Gorbachev proclaimed a new era of engagement with the Asia-Pacific region during his Vladivostok visit. He stressed that the Cold War era was ending and the

² For example, Vladivostok, the region's biggest city and its main seaport, was officially closed to foreigners until 1991.

Soviet government would seek to open up the region and develop it as part of a broader Asia-Pacific economy. Although still state-owned, the Far Eastern enterprises were allowed some freedom to begin trade interactions with foreign partners.

1990s: The Retreat of the State

While for most of the Soviet period the Far East existed virtually isolated from the international environment, the situation abruptly changed in the early 1990s, when the Soviet regime collapsed. In the 1990s, the Russian Far East enjoyed almost full liberalization in its external relations, especially in trade. This was due to several factors, of which the most important was the radical shift in the nation's political and ideological paradigms, resulting in the dominance of market liberalism.

Moreover, the financially struggling central government virtually abandoned many of its obligations to the Russian Far East, which had always heavily relied on subsidies and aid from Moscow. This forced the region to survive on its own. Liberalizing contacts with the neighboring Asia-Pacific countries was then seen as a way for the Far Eastern territories to subsist, with the promise of boosting their economies by hooking up to East Asia's booming markets.

The shedding of Moscow's controls over external contacts was also caused by the general breakdown of the state apparatus in the 1990s. The government could not have managed international links of the remote region even if it had wished to do so. Positive changes in international politics played a role, too. After the end of the Cold War, Russia did not have to worry any longer about military threats from its Asia-Pacific neighbors. The United States and Japan were declared most valued partners of the democratic Russia, while relations with China became fully normalized.

However, the *laissez-faire* model of international integration, as practiced in the Russian Far East in the 1990s, proved to be a failure. Although it enriched some businessmen and helped certain

sectors of the population make their livings, this model was leading to the region's degradation rather than stimulating its development. The lifting of trade and border barriers while the state and law enforcement institutions were extremely weakened resulted in predatory overexploitation of the region's natural resources, exacerbated corruption and transnational crime, and ultimately threatened Russia's national security on its eastern borders.

2000s: The Return of the State

From the early 2000s onward, the shift to controlled and managed international integration has been taking place in the Russian Far East. Its main characteristics are as follows:

- 1) strengthened controls over foreign trade, especially in the exports of the region's main staples, such as fish and timber;
- 2) restrictions on certain imports from neighboring countries, such as a crackdown on "shuttle trade" with China conducted by individual petty merchants and the imposition of prohibitive tariffs on imported cars;³
- 3) tougher rules on foreign labor migrants;
- 4) implementation of major infrastructure and industrial projects, largely through government-related funding, with many of the projects aimed at the Asia-Pacific markets.

While in the 1990s Moscow almost completely neglected the Russian Far East, largely leaving the region to its own devices, under Putin, the central government began to reassert its influence, including in the area of the region's external links. One of the most important developments has become the launch of an array of major projects designed to strongly boost the economy of the Russian Far East and encourage its integration into the Asia-Pacific in a more efficient and sustainable manner. In December 2007, the Russian government approved a program for economic and social

³ The imported cars are mainly second-hand vehicles from Japan.

development of the Far East and Trans-Baikal region, committing to invest more than 1 trillion rubles (approximately 30 billion U.S. dollars) over six years, an unprecedented sum for the region.⁴ The money is to be spent on the construction and modernization of transportation, energy, and other kinds of infrastructure, as well as launching new industrial production. The bulk of the efforts and funding is focused on Vladivostok, the venue for the Asia-Pacific Economic Cooperation summit in 2012. The government even adopted a special program under the title, “Vladivostok City as a Center for International Cooperation in the Asia-Pacific Region.”

When, at the APEC leaders’ meeting in Sydney in September 2007, Putin announced the decision to host APEC 2012 in Vladivostok, many, both in Russia and abroad, expressed their bewilderment, questioning the wisdom of choosing a Far Eastern city with almost nonexistent infrastructure over Moscow and Saint Petersburg for hosting a high-profile international event. Explaining the decision to bring APEC to Vladivostok, Putin and other top Russian leaders emphasized that it was aimed at giving an extra impetus to the Far East and showcasing it to the international community.

Although “the Far Eastern program” was formally launched in 2007, during the “fat years” of a booming economy, Moscow did not abandon or suspend its implementation, even when the global crisis of 2008-09 hit Russia’s economy hard. The government reaffirmed its commitment to invest billions of dollars in the Far East, and large-scale construction continued apace, especially in Primorskiy krai and Vladivostok.⁵ The most visible projects include,

⁴ Pavel Minakir, Olga Prokapalo, “Programmy i strategii razvitiya rossiyskogo Dal’nego Vostoka” (*The programs and strategies for development of the Russian Far East*), *Problemy Dal’nego Vostoka (Far Eastern Affairs)*, (2011), 5: 98.

⁵ At the beginning of 2009, some government officials suggested that, in order to save money, the venue for the APEC summit should be moved from Vladivostok to Saint Petersburg, where all the necessary facilities for hosting major international events were already in place. However, the proposals were rejected by Russia’s top leadership.

among others, the construction of a large, state-of-the-art university campus,⁶ two big sea bridges,⁷ a petrochemical plant, an oil pipeline from Eastern Siberia, a natural-gas pipeline from Sakhalin Island, and the reconstruction and enlargement of the Vladivostok airport. Furthermore, in 2009, some new projects were approved by the government, such as an automobile assembly plant in Vladivostok⁸ and two big shipyards to be built in the south of Primorskiy krai. The massive influx of government money helped the Far East to weather the economic crisis of 2008-09 with less pain than most other Russian territories.

In 2009, the government started subsidizing passenger air travel on the most popular routes connecting Far Eastern cities with Moscow, Saint Petersburg, and Sochi. Travelers under the age of twenty-three and over sixty are entitled to air tickets at half their regular price. The high cost of travel from the Far East, along with low average incomes, had made it impossible for many residents of the region to make trips to the western part of the country. Many Far Easterners, especially among the youth, had never visited their national capital, while regularly traveling to nearby China, Japan, and South Korea. Thus, one of the main goals of the subsidized air fares is to overcome the isolation of the Far East from the rest of the country and reinforce the Russian identity of the region's population.

Indicative of how much attention Moscow is now paying to the Far East and its main city, Vladivostok, has been the high frequency of visits by top government officials. For instance, in 2011

⁶ Located on the picturesque Russkiy Island off Vladivostok, the world-class campus will house Far Eastern Federal University and be capable of accommodating up to 50,000 students. The university is designed as an education and research center of academic excellence that would be able to attract students and scholars not only from Russia, but from the Asia-Pacific, as well. The university construction is scheduled to be completed by the time of APEC Leaders' meeting in early September 2012, so that its facilities can be used as the summit venue.

⁷ The bigger bridge, more than 3 kilometers long, will link Vladivostok to Russkiy Island, while the smaller one will connect two main parts of the city across the bay.

⁸ One of the main motives to launch the manufacturing of cars in Vladivostok was to compensate the region for the loss of access to relatively cheap cars from Japan, whose imports were drastically cut by prohibitive customs duties in 2009.

alone, President Dmitriy Medvedev visited Vladivostok once, while Prime Minister Putin traveled there two times, and his first deputy, Igor Shuvalov, visited the city repeatedly over the year.

However, Moscow also took a measure that undermined a key sector of the region's foreign trade and hurt some groups in the Far East. Starting from January 2009, in order to provide protectionist support for the struggling Russian car manufacturing industry, the government slapped prohibitive tariffs on most types of imported autos.⁹ This significantly reduced the imports of vehicles from Japan, a business which, by some estimates, had directly and indirectly employed up to 100,000 people in the Russian Far East, particularly in Vladivostok, and given many people access to relatively cheap, high-quality autos. The government actions triggered mass protests culminating in Vladivostok in December 2008. The protesters convened a rally outside the regional government building, then drove their cars around the city and blocked the main city artery.¹⁰ Nevertheless, the federal authorities would not back down and refused to reverse the decision on the new levies. Instead, they swiftly airlifted to Vladivostok a special riot-police unit from Moscow to quell the unrest.¹¹

This is a case in point of how regional and national economic interests may diverge. While many people in the Far East view imported Japanese cars as a profitable and vital business, Moscow considers the inflow of highly competitive autos as a serious threat to the domestic car-making industry, which provides jobs to millions in the European part of the country in industrial cities like Tolyatti, the location of Avtovaz, Russia's biggest national

⁹ In July 2009, the introduction of strict phytosanitary inspection on all imported vehicles served as another barrier to the car trade.

¹⁰ There are different estimates as to how many people took part in the protests. Official figures put the number at no more than 200, while some of the protesters alleged there were 10,000 of them. However, it was undoubtedly the biggest mass protest in the Russian Far East since the 1990s.

¹¹ Since then, no large-scale protests have been reported in Vladivostok. While there were mass opposition rallies in Moscow in the winter of 2011/12, very few people took to the streets in Vladivostok and other Far Eastern cities.

automaker. When the government had to choose between the economic interests of a remote region and the survival of densely populated industrial areas in the core of Russia, the choice had actually been predetermined.

As one further step to increase the state's involvement in managing the Far East's economy, plans have been unveiled in early 2012 to establish a giant State Company for the Development of the Far East and Eastern Siberia. The company, which is expected to be headquartered in Vladivostok, will report directly to the Russian president. It is to be granted a special legal status, as well as tax exemptions, and is expected to consolidate the most valuable government-owned assets in the Far East and Eastern Siberia.¹²

Finally, in May 2012, the newly elected President Putin created a special government ministry for the development of the Far East. The ministry will be headed by the former Khabarovsk governor Viktor Ishayev, who will simultaneously continue to serve as the presidential envoy for the Far East. Viktor Ishayev has long actively advocated the need for more government investment in the Far East to promote its industrialization and modernization.

However, the growth of state presence in the Far East will not be able to bring the desired results if it is not accompanied by serious efforts to make governance in the region more competent and less corrupt. Official corruption has been especially serious in Primorskiy krai, the most populous and developed territory of the Russian Far East. This has clearly been one of the major barriers to business investment in the region, both foreign and domestic. The governor of Primorskiy kray, Sergei Darkin, whose nearly eleven-year rule was widely associated with rampant graft, was finally fired by Moscow in March 2012.¹³ The new Kremlin-appointed Governor Vladimir Miklushevskiy, who had previously served as deputy

¹² Kirill Mel'nikov, Alexandr Gudkov, Alexandr Panchenko, "Vsy vlast' v Sibiri" (All the Power in Siberia), *Kommersant* (April 20, 2012), available at: <<http://kommersant.ru/doc/1919404>>.

¹³ In April 2012, the chairman of the regional legislature, one of Darkin's closest cronies, was detained on charges of fraud.

minister of education and then as rector of the Far Eastern Federal University, pledged that he would make “decriminalization” of the region one of his main priorities. This gives some new hope that the Russian Far East will become more attractive for private business and investors.

The Demographic Challenge

When discussing the issues of the Russian Far East’s interaction with the Asia-Pacific, the subject of demography often comes up. It is not uncommon to read or hear that the relatively small population of the Russian Far East (6.3 million) inevitably invites “demographic pressure” from the neighboring densely populated countries, such as China and Korea, posing an imminent geopolitical threat to Russia. Thus, it is argued, Russia should be very cautious in opening its Far East to contacts with its Asian neighbors to avoid “demographic invasion.”

Indeed, Russia is experiencing an unprecedented crisis of depopulation. Among Russia’s regions, its Far East has been most badly hit. Its population decline began in 1991, when the Far Eastern residents started to leave the area for the territories west of the Ural Mountains. In 1993, this migration outflow was exacerbated by fewer births and more deaths, as the entire Russia entered a period of population decline. As a result, the Russian Far East has now lost about a quarter of its population. Medvedev, visiting the region in July 2010, identified falling population as “the most alarming and dangerous trend.”¹⁴

Meanwhile, the government has quietly abandoned its previous plans to increase the Russian population in the Far East through attracting ethnic Russians from the former Soviet republics, apparently having recognized their unfeasibility. Since 2006, when the federal program for the resettlement of compatriots was adopted, just a few

¹⁴ *Transcript of the Meeting on Social and Economic Development of the Russian Far East and Cooperation with the Asia-Pacific Countries* (Khabarovsk, July 2, 2010), available at: <<http://kremlin.ru/transcripts/8234>>.

migrant families have arrived in the Far East. This should come as no surprise. The Russian migrants that do come to the country prefer to settle in the more developed areas than in the Far East. The latest “Strategy for Economic and Social Development of the Far East and Baikal Region,” which was signed by Putin in December 2009, says nothing about increasing the population with new settlers, focusing instead on encouraging existing Russian residents to stay in the region through “creating comfortable living conditions” and “achieving average Russian level of social and economic development.”¹⁵

How can the Russian Far East compensate for its dwindling working-age population? Some experts believe that only neighboring China can help it cope with a mounting demographic crisis. According to sociologist Zhanna Zayonchkovskaya, there is no alternative to Chinese immigration. She even predicts that, by the mid-21st century, the Chinese are likely to become Russia’s second-largest ethnic group after Russians themselves.¹⁶

However, many Russians view Chinese immigration as a national security threat rather than a blessing for the country’s economy. Talking of an imminent Chinese demographic expansion, they point to the stark imbalance in population densities between the depopulating Russian Far East and northeastern China, which has more than 100 million people. They argue that China will naturally be driven to fill this “demographic vacuum.”

Nevertheless, a number of prominent China experts in Russia think that Chinese demographic expansion is a myth. There are no signs that the Chinese seek to settle in the Russian Far East. Indeed, the number of Chinese citizens entering Russia has been decreasing since 2000.¹⁷ Russia’s Far East is not a particularly at-

¹⁵ *Strategy for Economic and Social Development of the Far East and Baikal Region for the Period until the Year 2025* (December 2009), available at: <<http://www.government.gov.ru>>.

¹⁶ Zhanna Zayonchkovskaya, “Immigratsiya: al’ternativy net?” [Immigration: there is no alternative], in V. Mukomel’, E. Pain (eds.), “Nuzhny li immigranty rossiyskomu obshchestvu” [Does the Russian Society Need Immigrants?] (Moscow: Fond Libera’naya Missiya, 2006), 30.

¹⁷ Victor Larin, “KNR glazami dal’nevostchnika” (The PRC as viewed by a Russian Far East resident), *Mezhdunarodnie protsessy (International Trends)*, (2010), 1:125, 128.

tractive place for Chinese immigrants. We should also remember that China itself will very soon face a shortage of a young workforce. China's population of fifteen- to twenty-four-year-olds has already peaked and will continue to shrink over the next decade.¹⁸ In addition, as China's economic boom is leading to wage increases, Chinese workers will have more reasons to stay at home rather than venturing into a cold and alien Russia.

China may neither be able nor willing to provide Russia's Far East with sufficient migration inflows. Indeed, there may come a time when Russia would actually want more Chinese migrants to alleviate the labor shortage in the Far East, but they will not be coming anymore. Which countries, then, could act as demographic donors for the Russian Far East? It seems that, over the short term, only the former Soviet Union republics of Central Asia – Uzbekistan, Kirgizstan, and Tajikistan – could play such a role. They still retain some historical, cultural, and language bonds with Russia. These poor countries, with extremely high unemployment, have an abundant supply of young people, who look to Russia as an attractive destination. Today, one can see many more Central Asians than Chinese on the Vladivostok streets. According to some estimates, their total number in Primorskiy krai has already exceeded the number of Chinese migrants. In recent years, the number of marriages between Russian females and male migrants from Central Asia has been steadily increasing in the Far East, whereas marriages between Russians and Chinese are virtually absent.¹⁹

Some Russian demographers believe that even Central Asia will not be able to satisfy Russia's, and its Far East's, needs in imported labor.²⁰ Russia has to think about diversification of its foreign migration sources. In particular, it might pay attention to big suppliers

¹⁸ E. Wong, "China's Export Economy Begins Turning Inward," *The New York Times*, June 24, 2010.

¹⁹ Personal interview with Sergei Pushkaryov, Chairman of the Advisory Council of the Federal Migration Authority (Primorskiy krai, Vladivostok, July 6, 2010).

²⁰ Interview with Alexander Vishnevskiy, Director of the Institute of Demography, Higher School of Economics (Moscow, January 15, 2010), available at: <http://slon.ru/articles/234753/?sphrase_id=76755>.

of human resources such as Bangladesh, India, the Philippines, and some other nations in Southeast and South Asia. For example, representatives from Bangladesh and India have already shown some interest in sending their labor migrants to the Russian Far East.²¹ From this perspective, the Russian Far East may need more integration with the Asia-Pacific, not just in terms of trade, but also for the sake of increased human inflows to boost its flagging demography.

Conclusion

The success of Russia's engagement with the Asia-Pacific hinges crucially on whether its Far East can be transformed from the country's backyard into its Pacific front gate. After years of virtual neglect in the 1990s and early 2000s, Moscow has been stepping up efforts to boost the development of the Far Eastern territories.

Apart from an evident need to raise the living standards of the region's population, Moscow pursues strategic and foreign policy goals:

- 1) strengthening sovereign control over Russia's Far Eastern areas;
- 2) sending a clear message to foreign actors that Russia is serious about its Asia-Pacific ambitions;
- 3) turning the Far Eastern territories, particularly its southern parts, into modern and efficient hubs to expand Russia's exchanges with the Asia-Pacific economies; and
- 4) improving the demographic situation in the Russian Far East.

The current increase of the state presence in the Russian Far East's economy and its external relations has a number of causes. First, Putin succeeded in consolidating the state-driven political system, enabling Moscow to reassert its leverage over Russian regions, some of which sometimes verged on separatism in the 1990s. Second, vast financial reserves accumulated by Russia during the era of booming economy and high oil prices made it possible to embark on major infrastructure, industrial, and image-boost-

²¹ Personal interview with S. Pushkaryov, *op. cit.*

ing projects in the Far East. Third, the strategic environment has changed. In the 1990s, China was still perceived by many Russians as a relatively underdeveloped country that could pose danger only in terms of poorly controlled migration inflows. In the 2000s, it has finally become clear that China is growing into a full-fledged great power, perhaps even a superpower, in the not-so-distant future and this may present a big challenge to Russia and its Far East.

Geopolitics has always been the central government's underlying concern when dealing with the Far East. Due to the region's remoteness from the country's core, sparse population, poor infrastructure, as well as the presence of big and ambitious powers in its neighborhood, Moscow always has to be very careful about how the Far East's external relations are conducted. A complete liberalization of foreign contacts may lead to the loss of effective sovereignty over the area, whereas the region's isolation would perpetuate its economic backwardness. That is why the Russian government has now made a choice in favor of controlled and selective international integration with neo-mercantilist overtones. This means Russia will open or restrict external links in specific sectors and industries in accordance with its national interests as defined by Moscow. It is believed that only the state's leading and proactive role, including massive government investments, can ensure the development of the Russian Far East and its inclusion in the Asia-Pacific economic system as an equal participant, rather than a mere supplier of raw materials.

The eventual success of this strategy by no means looks assured. It depends on two main conditions. First, Moscow must have sufficient financial resources to provide sustainable, long-term funding for the costly development programs in the Far East. Second, and perhaps even more important, competent policies and good governance are essential, lest the efforts and money be spent in vain.