

Russia's "Pivot to Asia": The Multilateral Dimension

Stephen Blank

STEPHEN BLANK is a Senior Fellow at the American Foreign Policy Council. He can be reached at <blank@afpc.org>.

NOTE: Sections of this working paper draw on Stephen Blank, "Russian Writers on the Decline of Russia in the Far East and the Rise of China," Jamestown Foundation, Russia in Decline Project, September 13, 2016.

EXECUTIVE SUMMARY

This paper explores the opportunities and challenges that Russia has faced in its economic pivot to Asia and examines the potential roadblocks to its future integration with the region with special regard to multilateral Asian institutions.

Main Argument

Despite the challenges Russia faces, many Russian writers and officials continue to insist that the country is making visible strides forward in its so-called pivot to Asia. Russia's ability to influence the many multilateral projects that pervade Asia from the Arctic to Southeast Asia and increase its role in them represents an "acid test" of whether or not proclamations of the correctness of Russian policy can stand up to scrutiny. Such scrutiny shows that Russia is failing to benefit from or participate in these projects. The one exception, the Eurasian Union, has become an economic disappointment to both Russia and its other members. Russia is actually steadily losing ground to China in the Arctic, Central Asia, and North Korea. Likewise, in Southeast Asia Moscow has promoted and signed many agreements with members of ASEAN, only to fail to implement them practically. Since Asia, as Moscow well knows, is the most dynamic sector of the global economy, this failure to reform at home and implement the developmental steps needed to compete in Asia can only presage negative geoeconomic and geopolitical consequences for Russia as it steadily becomes increasingly marginalized in the region despite its rhetoric and diplomatic activity.

Policy Implications

- Despite a barrage of optimistic positive rhetoric claiming that Russia is pursuing a successful Asian policy, the truth is exactly the opposite: Russia is failing to realize the multilateral projects in which it claims to be participating.
- China is minimizing Russia's role in multilateral projects in Central and East Asia and the Arctic, while maximizing its own leverage. Thus, Russia is becoming a raw materials appendage and very junior partner to China.
- The main reason for this failure lies in Russia's political system, which is suffocating the growth of Russian economic power, which alone would allow it to play a major role in Asia's multilateral projects and security agendas.

Russia has accelerated its earlier “pivot” to Asia. Analysts such as Dmitry Orlov claim that “Russia sees Asia as the most significant and fastest-growing market; political reasons are not as important as economic ones.” Furthermore, given that objective factors, rather than Western actions, are allegedly driving Russia to Asia, the pivot to the East appears to be permanent.¹

This objective has been promoted by several Russian leaders over the past decade. Foreign Minister Sergey Lavrov and former Russian ambassador to South Korea Gleb Ivashentsov both highlighted the fundamental linkage between economic development in Siberia and the Russian Far East and geopolitical outcomes in Russia’s policy toward Asia.² And still others have highlighted the importance of Siberia and the Russian Far East to transport energy resources across the continent, a key component of economic growth.³

¹ Peter Ford, “Will the U.S. and Russia Dance or Duel?” *Christian Science Monitor*, March 4, 2017, <http://www.csmonitor.com/World/2017/0304/Will-the-US-and-Russia-dance-or-duel>.

² See Sergey Lavrov, “The Rise of Asia and the Eastern Vector of Russia’s Foreign Policy,” *Russia in Global Affairs*, July–September 2006, 70, 77. Lavrov argues that “Russia can join the integration processes in the vast Asia-Pacific region only through the economic growth of Siberia and the Russian Far East; in other words, the modernization of these regions is an axiom.” From this, he concludes that “there does not exist any contradiction between the general vector of Russia’s internal development, described as ‘the European choice,’ and the objectives of our policy in Asia. Moreover, our domestic and foreign policy interests converge in Asia as in nowhere else; because without economic progress there cannot be a solid foundation for our policy in this region. In turn, this policy directly depends on the social, economic, and infrastructural, and other development of Siberia and the Russian Far East.” See also Gleb A. Ivashentsov (address at the 5th Jeju Peace Forum, Jeju, August 13, 2009). Ivashentsov states: “In no other region are the internal and external interests of Russia so interconnected as in the Northeast Asia. For the future of Russia as a great power to a great extent depends on the economic, technological, and social uplift of Siberia and the Russian Far East. To achieve that aim, we need the absence of external threats. By Russia’s view such guarantees could be best provided by promoting positive relations with her neighbors.”

³ Vitaly Kozyrev, “Russia’s Security Policy in Asia in Times of Economic Uncertainty” (paper presented at the Annual Convention of the American Political Science Association, Washington, D.C., September 2–5, 2010, 17. Kozyrev observes: “Indeed, the development of the distant Russian territories in Eastern Siberia and the Far East creates another rationale for integration security strategies with East Asia. The exceptional geostrategic role of Russia’s eastern territories along with a substantial portion of the Siberian and Far Eastern region in the spheres of transportation and energy resources distribution in Eurasia, raises the importance of Russia’s policy of turning these Russian territories into a regional hub of both technological and infrastructural development.”

Despite subsequent obstacles, many, though not all, Russian analysts have proclaimed that Russia has achieved its objectives in Asia.⁴ Sergei Karaganov, for example, recently wrote that Russia has “turned itself from a peripheral European country into a great Asian-Pacific Eurasian one.”⁵ Others have stated that although the “Russian Federation’s “critical mass” remains small” in the Asia-Pacific, “the correct choice of a path and the readiness to follow it to the end is a guarantee of ultimate success.”⁶

This official optimism, which evokes Soviet socialist realism, regularly appears in Russia’s Asian policy and is part of the country’s political discourse. However, a more objective assessment suggests that this optimism is misplaced and remains factually unjustified, as this author argued in 2016.⁷ Still, it is worth re-examining this issue given the flood of official optimism.

This paper explores the opportunities and challenges that Russia has faced in its economic pivot to Asia, of which energy development and trade are critical components. The first section assesses Russia’s status in existing multilateral arrangements in Asia. Section two explores Russia’s complex relationship with China and the areas of potential cooperation between the two countries, particularly in the Arctic and Central Asia. The paper then identifies the political

⁴ See Alexander Frolov, “Centers of Power and Multipolarity: A View through Time,” *International Affairs* (Russia) 63, no. 1 (2017). For a dissenting view, see Alexander Gabuev, “A Pivot to Nowhere: The Realities of Russia’s Asia Policy,” Carnegie Moscow Center, April 22, 2016, <http://carnegie.ru/commentary/?fa=63408>.

⁵ Sergei Karaganov and Elisabeth Hellenbroich, “Russia’s Victory, New Concert of Nations,” *Russia in Global Affairs*, March 31, 2017, <http://eng.globalaffairs.ru/pubcol/Russias-Victory-new-Concert-of-Nations-18641>.

⁶ Vladimir Petrovsky, “Russia and Asia-Pacific Economic Integration: Seeking a ‘Point of Entry,’” *Far Eastern Affairs* 43, no. 4 (2015): 10.

⁷ Stephen Blank, “Russian Writers on the Decline of Russia in the Far East and the Rise of China,” Jamestown Foundation, Russia in Decline Project, September 13, 2016; and Paul A. Goble, “Decline, Decay, and Disintegration: Russia’s Future in the 21st Century,” in *Russia in Decline*, ed. S. Enders Wimbush and Elizabeth M. Portale (Washington, D.C.: Jamestown Foundation, 2017).

roadblocks that hinder Russia's integration into both Asia and international organizations at large and highlights potential partners for Russia's integration into the region.

How Does Russia Fit into Multilateral Projects in Asia?

To determine the validity of the arguments made by optimistic Russian analysts, we must first define Russia's objectives in Asia because tenacity in pursuit of its objectives also characterizes Russian policy. Russian official documents and commentary have repeatedly postulated the goals of persuading Asian (and Russian) audiences that Russia is a great, independent, sovereign, Asian power or power in Asia.⁸ Therefore, Russia espouses the creation of benevolent bilateral and multilateral relationships with Asian governments and international organizations to promote and validate Moscow's long-standing contention of being an indispensable pole of a multipolar world that must be consulted on all major issues in world politics.⁹ Thus, an acid test of the success claimed by official institutions is the progress of these multilateral and bilateral economic and political ventures. As Ekaterina Koldunova of the Moscow State Institute of International Relations wrote in 2016, Russia previously shunned such endeavors, or if it talked them up, did not follow through practically. Rhetorical rather than practical integration with Asia predominated.¹⁰ However, many commentators argue that by hosting the Asia-Pacific Economic Cooperation (APEC) in 2012, subsequently presenting its enhanced

⁸ Stephen Blank, "Is Russia a Great Power in Asia?" in *Great Powers and Geopolitics: International Affairs in a Rebalancing World*, ed. Aharon Klieman (New York: Springer International, 2015), 161–82.

⁹ Ministry of Foreign Affairs (Russia), "Foreign Policy Concept of the Russian Federation," December 1, 2016, http://www.mid.ru/en/foreign_policy/official_documents/-/asset_publisher/CptICkB6BZ29/content/id/2542248.

¹⁰ Ekaterina Koldunova, "Russia's Involvement in Regional Cooperation in East Asia: Opportunities and Limitations of Constructive Engagement," *Asian Survey* 56, no. 3 (2016): 539–43.

agenda for dialogue with the Association of Southeast Asian Nations (ASEAN), and offering regional energy, infrastructure, and space proposals, Russian policy vigorously contributes to multilateral Asian institutions.¹¹ Indeed, one recent account admits that only as the problem of developing Siberia and Russian Asia came urgently into focus did Moscow begin to grapple seriously with the issues of multilateral economic projects in Asia.¹²

Outstanding examples of such Asian projects are the multilateral and intercontinental trade and economic blocs from the Arctic to the South China Sea that are proliferating across Asia. These projects represent the latest iterations of the effort to forge lasting geoeconomic, and hence geopolitical, bonds between Europe and Asia. Though none are complete, some, most notably China's Belt and Road Initiative (BRI) or expanded intercontinental trade through the Northern Sea Route (NSR), are already happening. Parallel to these initiatives, we see efforts to forge continental trading blocs like the Eurasian Economic Union (EEU) from the former Eurasian Economic Community or the failed effort to establish the Trans-Pacific Partnership (TPP). Last, there is the alternative of highly improved bilateral economic-political relationships that could display real Russian progress. Moscow, therefore, persistently attempts to persuade Asian states, including India, to invest in Russian Asia, particularly in energy projects.¹³ Such investments supposedly would enable Russia to use its energy resources, arms sales capabilities, and capacity

¹¹ Koldunova, "Russia's Involvement in Regional Cooperation in East Asia," 534–38.

¹² Koldunova, "Russia's Involvement in Regional Cooperation in East Asia," 540.

¹³ "Dal'neu Vostoku ishchut novykh investorov" [The Far East Searches for New Investors], *Kommersant*, March 20, 2017.

to initiate or participate in major projects of intercontinental trade routes in order to engage Asia more fully.¹⁴

Yet today there is scant sign of success. Bilateral economic ties with countries like India, China, and Japan still fall far short of Moscow's hopes and goals.¹⁵ One recent account openly proclaims the "low status of Russia in Japan's economic priorities."¹⁶ Russia also remains excluded from numerous regional initiatives. Although the future of the TPP is uncertain, China and Japan are promoting rival versions of a comprehensive Asian trade pact. Japan and Australia want to bring the United States back into a revised TPP, whereas China vigorously promotes a Regional Comprehensive Economic Pact (RCEP).¹⁷ Yet neither proposal includes Russia.¹⁸ Although Russia, China, and four Central Asian states are discussing a free trade agreement for Central Asia, this long-standing idea has gone nowhere due to Sino-Russian differences. In any case, a completed agreement would not offset the effects of Russia's exclusion from the RCEP or TPP. Indeed, Putin suggested as much in his speech to the UN General Assembly in September 2015. He attacked the creation of regional economic blocs that exclude Russia but then added that Russia not only supports integrating the EEU with China's BRI but also wants to integrate the

¹⁴ Kent E. Calder, *The New Continentalism: Energy and Twenty-First-Century Eurasian Geopolitics* (New Haven: Yale University Press, 2012).

¹⁵ Bobo Lo, "New Order for Old Triangles? The Russia-China-India Matrix," French Institute of International Relations, *Russie.Nei.Visions*, no. 100, April 2017; and D.V. Strel'tsov, "Russo-Japanese Relations in the Second Decade of the Twenty-First Century," *Russian International Studies* 1, no. 1 (2016): 131–49.

¹⁶ Strel'tsov, "Russo-Japanese Relations," 138.

¹⁷ Robin Harding, Tom Mitchell, and Michael Peel, "China and Japan in Tug of War to Shape Trade Pact," *Financial Times*, March 14, 2017.

¹⁸ Anton Tsvetov, "Russia's Asian Trade Game," *Diplomat*, February 8, 2017.

EEU with the European Union.¹⁹ Putin’s willingness to integrate the EEU with BRI is an acknowledgment of China’s dominance of Central Asian external trade and investment and that Moscow must now accommodate Beijing.²⁰ This is significant, given that Moscow previously opposed this idea, lest it engender Chinese domination of Central Asia.²¹ Indeed, Putin’s special representative to the Shanghai Cooperation Organisation (SCO), Ambassador Kirill Barskii, had stated the following: “With regard to the SCO’s regional economic cooperation....we will not consider it in the future. Integration of the Eurasian region should be that of forming a customs alliance/union under the leadership of the Eurasian Economic Union, which is currently being formed, and which could have cooperative relations with the SCO.”²²

Russia had and still has no alternative to Chinese dominance of Eurasia. Writers who extol the geoeconomic and geopolitical benefits of BRI for Russia almost explicitly accept Chinese dominance in Eurasian economics, an outcome that inevitably entails the advent of Chinese political hegemony as well.²³ Therefore, Russia still advocates Central Asian or Eurasian trade zones as cardinal points of its integrationist rhetoric. In particular, Moscow wants to forge a linkup of the EEU with ASEAN, since it cannot effectuate this connection unilaterally.²⁴

¹⁹ Vladimir Putin (statement at the 70th Session of the UN General Assembly, New York, September 28, 2015), 10, https://gadebate.un.org/sites/default/files/gastatements/70/70_RU_EN.pdf.

²⁰ Bruce Einhorn, “Russia, China, and Japan Fill the Trump Trade Gap,” *Bloomberg Businessweek*, December 1, 2016; and Alexander Gabuev, “Eurasian Silk Road Union: Towards a Russia-China Consensus?” *Diplomat*, June 5, 2015.

²¹ Zhao Huasheng, “China-Russia Relations in Central Asia,” *Asan Forum*, November 22, 2013, <http://www.theasanforum.org/china-russia-relations-in-central-asia>.

²² Zhao, “China-Russia Relations in Central Asia.”

²³ Glenn Diesen, “Russia, China and ‘Balance of Dependence’ in Greater Eurasia,” Valdai Discussion Club, Valdai Papers, no. 63, March 2017.

²⁴ Tatiana Flegontova, “Russia’s Approach and Interests,” in “Economic Order in the Asia-Pacific and Russian Interests,” Valdai Discussion Club, Report, March 2017, 9–12; “Moving towards a Strategic Partnership for

Can Russia Partner with China?

Many Russian policymakers and scholars believe that China has the potential to be a strong partner in advancing regional goals. The veteran foreign policy analyst Viktor Kremenyuk, for example, wrote that Russia “is successfully crowding out the United States from its position as China’s No. 1 partner, and over time could become that country’s quasi-ally.”²⁵ However, the Sino-Russian relationship has varied between one of cooperation and one of competition. One area in which this dynamic is highly visible is the exploration and extraction of energy resources in the Arctic. The Arctic is viewed by the Russian government as its energy storehouse for the balance of the century and therefore as a vital source of energy exports to Asia.²⁶ Consequently, Russia’s Arctic, Asian, and energy policies contain several overlapping areas.

Energy Development in the Arctic

As temperatures rise and the rich resources in the Arctic become more accessible, the tension among near Arctic countries is also increasing. As Jeremy Maxie and David Slayton noted, “Russia’s extensive extended continental shelf” posits the country as one of the key areas to watch in the quest for Arctic resources.²⁷ However, lest one think that maritime routes, such as the NSR,

Mutual Benefit,” Sochi Declaration of the ASEAN–Russian Federation Commemorative Summit, May 20, 2016; and Vladimir Putin (speech at the Belt and Road Forum for International Cooperation, Beijing, May 14, 2017), <http://en.kremlin.ru/events/president/transcripts/speeches/54491>.

²⁵ V. Kremenyuk, “U.S. Foreign Policy in a Presidential Election Year,” *International Affairs* (Moscow), no. 5 (2008): 47.

²⁶ Dmitry Medvedev, “Basics of the State Policy of the Russian Federation in the Arctic for the Period till 2020 and for a Further Perspective,” *Rossiyskaya Gazeta*, September 18, 2008, <http://www.arctisearch.com/Russian%2BFederation%2BPolicy%2Bfor%2Bthe%2BArctic%2Bto%2B2020>.

²⁷ Jeremy Maxie and David Slayton, “Russia’s Arctic Dreams have Chinese Characteristics,” National Bureau of Asian Research, October 17, 2016.

offer Russia compensatory opportunities in the energy domain, the facts say otherwise. First, Russia is not investing sufficient resources to counter the threats that climate change present to its territories. The *Siberian Times* reported a real threat of the actual collapse of buildings in Siberia's permafrost territories by 2050.²⁸ Moreover, as long as energy prices stay in the \$50–\$60 range, the expected Arctic energy bonanza cannot materialize. That deprives Russia of opportunities to revive its civilian and commercial infrastructure, further negating prospects for commercially exploiting the Arctic. Indeed, cooperative ventures have stalled due to the collapse of energy prices, which makes multilateral energy cooperation impractical given the inherently high prices of Arctic hydrocarbons. Second, the U.S. imposition of sanctions on the financing of Russian Arctic projects has further reduced the potential for cooperation. Consequently, only China is now investing in Russian Arctic energy projects.²⁹

In 2015–16, despite rising global and Arctic temperatures, commercial exploitation of the NSR actually declined. Fewer than 40,000 tons of cargo were shipped via this route in 2015, down from over a million in 2014. This trend reflected declining oil prices, which negate the advantage of Arctic energy exploration; sanctions on Russia; and major recessions in Europe, Russia, and East Asia.³⁰ Moreover, 75% of shipping via the NSR was Chinese, another sign of Russia's decline in Eurasia relative to China.³¹

²⁸ "Warning of 'Collapse' of Buildings in Siberia's Permafrost Cities in Next 35 Years," *Siberian Times*, December 28, 2016.

²⁹ Elizabeth Wishnick, *China's Interests and Goals in the Arctic: Implications for the United States* (Carlisle Barracks: U.S. Army War College Press, 2017), 36–40.

³⁰ Paul Goble, "Cargo Shipping on Northern Sea Route Collapses—and Most of It Is Now Chinese," *Window on Eurasia*, February 15, 2016.

³¹ Goble, "Cargo Shipping on Northern Sea Route Collapses."

Thus, the promise of an intercontinental trade route through the NSR redounding to Russia's benefit looks to be a chimera. Foreign investment is limited mainly to Chinese investment in Russian energy projects that primarily benefit China, and Russia's domestic infrastructure is clearly at considerable risk.³² Indeed, after investing huge sums in Petropavlovsk, China now seeks to build its transportation logistics hub to Russian Arctic ports and energy centers in northern Kazakhstan, not Russia.³³ The long-term consequences of these trends are stark and were already visible twenty years ago. In 1998 the Kazakh political scientist Nurbulat Masanov wrote that, if Central Asian goods did not go through Russia, its territorial integrity and economic development would be endangered by China.³⁴

The EEU: Russia's BRI?

The EEU, Russia's own regional economic bloc, faces formidable economic and political challenges. The current crisis with Belarus underscores the trade bloc's lack of political cohesiveness and Moscow's politically unbalanced and dominant role. Moreover, Russia's declining economy has dragged down all of Central Asia. The EEU represents an effort to limit China's trade with Central Asia and force local consumers to pay more for inferior Russian goods.

³² Wishnick, *China's Interests and Goals in the Arctic*, 36–40.

³³ "China Seeks Access to Russian Ports via Kazakh Logistics Hub," <http://www.kaztag.kz>, March 13, 2017, retrieved from BBC Monitoring.

³⁴ Genrikh A. Trofimenko, "The Central Asian Region: U.S. Policy and Problems with Oil and Gas Exports," *Ssha*, no. 11 (1998), available in English from FBIS-SOV, October 6, 1998.

Yet the EEU cannot compete with BRI and has had to accept subordination to it, nor can it compete with or substitute for the RCEP or TPP.³⁵

Yet even if the EEU were successful as an alternative to Chinese- or U.S.-led trade organizations, recent Russian studies show that Russia actually benefits very little from it, and instead must subsidize some of the poorer members. Therefore, the EEU will largely be a geopolitical, not a geoeconomic project, and barring major reform will have relatively little economic utility for Moscow.³⁶ Indeed, it now faces great difficulties because the devaluation of the ruble has forced further devaluations across Central Asia and trade rows among member states. The EEU has thus not restored Russia's economic or even political position in Central Asia, let alone Asia more broadly.³⁷ Member states' share in Russian trade only grew 0.5% from 2010 to 2016, while the dollar value fell from \$64 billion to \$39 billion.³⁸

Therefore, the EEU cannot be the engine for the geoeconomic or geopolitical integration of Central Asia around Russia, which itself increasingly depends on Chinese investment and support. Nonetheless, Putin advanced just such a proposal in 2015 and 2017 as a means of overcoming Russia's economic crisis and the political isolation of the country due to its aggression in

³⁵ Li Ziguo, "Eurasian Economic Union: Achievements, Problems and Prospects," China Institute of International Studies, August 19, 2016, http://www.ciis.org.cn/english/2016-08/19/content_8975486.htm; and Flegontova, "Russia's Approach and Interests," 12.

³⁶ Maxim Bratersky, "Isolationism versus Geopolitics: The Dual Role of the Eurasian Economic Union in Global Governance," *International Organizations Research Journal* 11, no. 2 (2016): 43–51; and Inna Andronova, "Eurasian Economic Union: Opportunities and Barriers to Regional and Global Leadership," *International Organizations Research Journal* 11, no. 2 (2016): 7–19.

³⁷ Sibren De Jong, "Why Countries Are Not Rushing to Join Putin's Union," *EUobserver*, May 27, 2016; and "Is Kazakhstan Getting Eurasian Union Blues?" EurasiaNet, March 9, 2016.

³⁸ Anton Barbashin, "Russia's Slow Pivot Away from Europe," *Intersection*, March 24, 2017, <http://intersectionproject.eu/article/russia-europe/russias-slow-pivot-away-europe>.

Ukraine.³⁹ But these remain tired proposals. Despite the emphasis on developing transportation infrastructure from 2001 to 2011, the actual share of investment in this sector remained around 2.5% of GDP, far below the targeted 4.0%.⁴⁰ Likewise, despite plans to invest \$43 billion in a Europe-Asia transport corridor through China and Europe, where Russia would play a profitable but not directing role as a medium for intercontinental trade, many such projects have been announced and failed since 1991.⁴¹

China's Presence in Central Asia

If its own trade bloc is unsuccessful, can Russia catch the wind from China's sails, as Putin said in 2012?⁴² Typifying Russia's enforced official optimism, several Russian writers now argue either that BRI is fundamentally different from Russia's integration efforts in the former Soviet Union or that these projects are complementary.⁴³ But the evidence suggests a third alternative: China is utterly self-interested and relentlessly subordinating Russian interests to its own goals, as well as being driven by a more genuine market logic that respects economic realities. In 2014, Chinese investors announced interest in a high-speed Moscow-Kazan railway that would go to

³⁹ Vladimir Putin (speech at plenary session of the 19th St. Petersburg International Economic Forum, St. Petersburg, June 19, 2015); and Putin (speech at the Belt and Road Forum for International Cooperation).

⁴⁰ Katri Pynnöniemi, "Much Ado about Nothing: The EU's Transport Dialogue with Russia," Finnish Institute of International Affairs, Briefing Paper, no. 81, May 2011, 7.

⁴¹ Kira Kalinina, "Russia to Invest \$43bn in Europe-Asia Transport Corridor," *Russia Beyond the Headlines*, March 2, 2017.

⁴² Vladimir Putin, "Vladimir Putin on Foreign Policy: Russia and the Changing World," Valdai Discussion Club, February 27, 2012.

⁴³ Timofey Bordachev, Anastasiia Kazakova, and Andrei Skrib, "Institutions for a Peaceful Eurasia," *International Organizations Research Journal* 11, no. 2 (2016): 20–28; and Igor Makarov and Anna Sokolova, "The Eurasian Economic Union and the Silk Road Economic Belt: Opportunities for Russia," *International Organizations Research Journal* 11, no. 2 (2016): 29–42.

Beijing. Yet while the original memorandum of understanding envisaged the route passing through Siberia, China later revealed that the line would go instead from Astana, Kazakhstan's capital, through Xinjiang, bypassing Russia and cutting travel time by two-thirds. And this is supposed to be a "model project of Russo-Chinese cooperation."⁴⁴ Other options for Sino-European trade likewise bypass Russia altogether, going instead through Central Asia and the Caucasus. More broadly, given that maritime intercontinental trade from which Russia is absent remains vastly cheaper than overland trade, land routes account for less than 1% of total cargo between China and Europe.⁴⁵

If Russia cannot control Central Asian energy and trade flows, its entire geoeconomic and geostrategic platform will have no basis for economic competition with any country in East Asia, least of all China, which is clearly displacing Russia across Eurasia. The success of Moscow's economic plan is contingent on the extensive development of Siberia and Russian Asia as major energy centers, along with Russia's ability to play a major strategic role in Asia and to exercise genuine sovereignty (at least in economic terms) over Siberia. This reasoning applies to any Russian failure to integrate economically with Asia and make Russian Asia a genuinely prospering zone. The acquiescence to China's economic dominance in Central Asia, as is now being counselled as a necessary and desirable accommodation to reality, could entail highly negative geopolitical consequences for Russia.⁴⁶

⁴⁴ Makarov and Sokolova, "The Eurasian Economic Union and the Silk Road Economic Belt," 33–34.

⁴⁵ Makarov and Sokolova, "The Eurasian Economic Union and the Silk Road Economic Belt," 34.

⁴⁶ Diesen, "Russia, China and 'Balance of Dependence' in Greater Eurasia."

Russian leaders have long known that failure to compete economically in East Asia entails serious disadvantages both at home and in Central Asia. For example, in the early 2000s, then deputy prime minister and finance minister Alexei Kudrin warned that if Russia fails to become “a worthy economic partner” for Asia and the Pacific Rim, “China and the Southeast Asian countries will steamroll Siberia and the Far East.”⁴⁷ China would then also steamroll Russia in Central Asia too. As a result of the failure to reform its economy, Russia increasingly has little or no choice but to rely more on China, especially since the invasion of Crimea, even if it resents doing so. Indeed, even if Russian academic discourse and political rhetoric have invoked ties to Asia much more since 2010, “these discussions, especially those that did not result in immediate recommendations for policymaking, remained in the academic domain, with Russia’s policy actions in East Asia lagging behind.”⁴⁸

Political Roadblocks to the Way Forward

The results of Russia’s pivot to Asia speak for themselves. Alexander Gabuev of the Carnegie Moscow Center reports that in 2015 “Russian companies did not carry out a single public offering or debt placement on Asian exchanges.”⁴⁹ Moreover, that same year, Russian trade with China, Japan, and South Korea collapsed, with recovery unlikely. This was driven by the economic slowdown in China; the collapse of commodity prices, which hit Russia particularly hard because

⁴⁷ Presidential Bulletin, Interfax, available in English from FBIS-SOV, August 21, 2001; and “Asia and the Russian Far East: The Dream of Economic Integration,” Asiain.com, Special Report, November 2002, 3–6.

⁴⁸ Koldunova, “Russia’s Involvement in Regional Cooperation in East Asia,” 546.

⁴⁹ Gabuev, “A Pivot to Nowhere.”

of its dependence on energy exports; and the devaluation of the ruble, which forced a drop in purchasing power and imports.⁵⁰ In fact, as Gabuev demonstrates, Asian businesses and governments are unwilling to invest in Russia in general because of the terrible state of its economy, as well as their recognition that, rhetoric aside, Asia is actually a relatively low priority for the Russian bureaucracy.⁵¹ Not even Putin spends the time necessary to convince Asian governments or investors of the positive benefits awaiting them from such investments.⁵² Given that U.S. sanctions further inhibit even those Asian states that wish to expand business ties with Russia, Moscow's Ostpolitik faces a rocky road.⁵³

Russian Asia remains underdeveloped as energy projects with Asia are stalling. Russia stands outside Asian production and trade networks, and its bureaucracy remains oriented to Europe. The country has done little to materialize the rhetoric of the 2012 APEC summit, and its economic ties to Asia still cannot compare to intraregional economic ties, as shown by the TPP and RCEP examples. Integration with Asia thus remains more virtual than actual.⁵⁴ Dmitri Trenin, director of the Carnegie Moscow Center, in 2015 celebrated the arrival of a Eurasian economic-political network stretching "from Shanghai to St. Petersburg."⁵⁵ Yet in June 2016 he wrote the following:

⁵⁰ Gabuev, "A Pivot to Nowhere."

⁵¹ Gabuev, "A Pivot to Nowhere."

⁵² Gabuev, "A Pivot to Nowhere."

⁵³ Author's conversation with an Asian ambassador, Washington, D.C., March 30, 2017.

⁵⁴ Koldunova, "Russia's Involvement in Regional Cooperation in East Asia," 552–54; and Gabuev, "A Pivot to Nowhere."

⁵⁵ Dmitri Trenin, "From a Greater Europe to a Greater Asia?" *Global Times*, February 26, 2015.

The dream is over. Eurasia—as another name for the former Russian empire, then the Soviet Union, and finally the former USSR—is no longer useful as a description of a geopolitical and geo-economic region. The rump “little Eurasia” of the Eurasian Economic Union is a modest economic arrangement unlikely to evolve into a close-knit unit. Thus Russia stands alone, partly in Europe, partly in Asia, while the country itself belongs to neither.⁵⁶

Moreover, Trenin acknowledged that one cannot discuss a Russian strategy for Asia but rather individual approaches to different states “that need to be harmonized.”⁵⁷ In other words, the state can neither domestically transform the Russian Far East nor generate external support for such a transformation.

Indeed, a major cause of the failure of Moscow’s plans for the Russian Far East and its larger integration into Asian economic organizations and production chains derives from the nature of the state and its bureaucracy. Because Asian investment in the Russian Far East is largely a matter of granting licenses to state firms in China, these projects have met political opposition and delays in Russia from their inception. Any project is forecast to take five to seven years of preparation before it moves forward. The energy pipelines to China and the projects involving South Korea discussed in the next section exemplify such delays.⁵⁸ And while the government officially welcomes foreign investment, Russian leaders are clearly ambivalent, often regarding it as a potential threat to Russia’s sovereignty or interests.

⁵⁶ Dmitri Trenin, “Russia’s Asia Strategy: Bolstering the Eagle’s Eastern Wing,” French Institute of International Relations, *Russie.Nei.Visions*, no. 94, June 2016, 7.

⁵⁷ Trenin, “Russia’s Asia Strategy,” 9.

⁵⁸ Vasily Kashin, “Why Russia’s ‘Pivot to China’ Was All Talk and Little Action,” *Moscow Times*, June 1, 2016.

Attempts at International Integration

Gabuev notes that Deputy Prime Minister Igor Shuvalov’s team fought hard to overcome resistance to Russia’s joining China’s Asian Investment Infrastructure Bank. Nonetheless, the government failed to win a role for Russia among the bank’s senior leadership.⁵⁹ Likewise, despite grandiose plans for connecting Russian initiatives with BRI, since the agreement with China was signed, “nothing has been really achieved.”⁶⁰ Skepticism clearly is warranted about other such programs—for example, calls for setting up an economic space including ASEAN, the SCO, and the EEU.⁶¹ This skepticism also applies to the BRICS (Brazil, Russia, India, China, and South Africa), an organization that was supposed to provide vital political and institutional support for a restructuring of the global economic order. Thus, a recent Russian analysis admits:

In the past several years even as Russia’s activism in building economic alliances across the globe has increased appreciably, the role of the BRICS in these efforts of Russian diplomacy lacked vigor. Indeed, despite the creation of the New Development Bank and some of the initiatives to boost economic ties between the BRICS members, there is a sense that BRICS is starting to encounter limitations to further integration.⁶²

Nevertheless, the author simultaneously argues that the BRICS, because of the members’ domination of their own regional trading blocs, may form alliances with other trading blocs or regional trade agreements and serve as an “aggregating platform” similar to what the TPP was intended to be.⁶³ While Russian foreign policy characteristically aspires to think big, it is matched

⁵⁹ Gabuev, “A Pivot to Nowhere.”

⁶⁰ Gabuev, “A Pivot to Nowhere.”

⁶¹ “Russia Proposes Broader Asia Trade Space,” Interfax, May 24, 2016, retrieved from BBC Monitoring, May 24, 2016.

⁶² Lo, “New Order for Old Triangles?” 21; and Yaroslav Lissovlik, “Re-thinking the BRICS: On the Concepts of BRICS+ and BRICS++,” Valdai Discussion Club, February 7, 2017.

⁶³ Lissovlik, “Re-thinking the BRICS.”

by an equally characteristic failure to implement these visions. For if the EEU is to be Russia's trading bloc and the basis for its successful pivot to the East, how does that square with China's growing domination of Central Asia and the subordination of the EEU to BRI? And if the BRICS grouping is stagnating and hitting the limits of its practical importance, how does that comport with the grandiose vision of the BRICS as the vast engine of a global economic restructuring?⁶⁴ In other words, new proposals such as the "BRICS plus," which aims to encompass ever more regions, seem oblivious to ongoing practical realities and emerging geoeconomic and geopolitical trends.⁶⁵ Certainly, it is difficult to see how the BRICS members go from their present state, which in Russia's case means a stagnating, overmilitarized, excessively resource-dependent, and technologically backward economy, into a "full-length format and the creation of a working mechanism for cooperating strategically to solve key political and economic issues."⁶⁶

Potential Partnerships to Advance Russia's Integration with Asia

Any Russian success in forging large-scale economic deals will most likely occur on a bilateral and partial basis rather than as a result of the country's more grandiose regional or continental plans. Even Russia's bilateral accomplishments might fall below expectations.⁶⁷ Yet two areas that exhibit the most potential are the Korean Peninsula and ASEAN.

⁶⁴ Lissovnikov, "Re-thinking the BRICS"; and Yaroslav Lissovnikov, "BRICS Plus: New Technology, New Vision For Economic Integration," Valdai Discussion Club, March 23, 2017.

⁶⁵ Lissovnikov "BRICS Plus."

⁶⁶ Georgy Toloraya and Roman Chukov, "BRICS to Be Considered?" *International Organizations Research Journal* 11 no. 2 (2016): 97–112.

⁶⁷ Tsvetov, "Russia's Asian Trade Game"; Lo, "New Order for Old Triangles?"; and Strel'tsov, "Russo-Japanese Relations," 131–39.

The Korean Peninsula

Since Tsarist times, Russia has pursued an “iron silk road” connecting the Trans-Siberian Railway to a projected trans-Korean railway. More recently, it has proposed a trans-Korean gas pipeline to provide energy to North and South Korea, supplant Pyongyang’s need for nuclear energy, and facilitate regional peace.⁶⁸ Russia has also long sought to build the requisite political network for supporting these projects.⁶⁹ These projects are closely linked to the economic development of Russian Asia and the enhancement of Russia’s position on the Korean Peninsula and in Northeast Asia more generally.⁷⁰

Based on these proposals, Russia not only hopes to become a major energy provider to North Korea and a major supplier to South Korea. It would also like to gain influence over the economics and politics of both states and become a real and vital contributor to peace and stability across the peninsula. Moscow has long held talks with Seoul about providing gas to South Korea, and it has also raised the issue of directly supplying North Korea with gas from Sakhalin.⁷¹ The outbreak of war on the Korean Peninsula would virtually preclude any hope of the Russian Far East’s peaceful development and expose Russia to intense risks that could only undermine both its internal development and quest for great-power status. Russia thus regards war in Korea as a geopolitical nightmare that must be avoided by all available means.

⁶⁸ Stephen Blank, “Economics and Security in Northeast Asia: The Iron Silk Road, Its Context and Implications,” *Global Economic Review* 31, no. 3 (2002): 3–24.

⁶⁹ Samuel S. Kim, *The Two Koreas and the Great Powers* (Cambridge: Cambridge University Press, 2006), 89.

⁷⁰ Liudmilla Zakharova, “Russia–North Korea Economic Relations,” in *Joint U.S.-Korea Academic Studies: Rethinking Asia In Transition—Security Intentions, Value Gaps, and Evolving Economic Relations*, ed. Gilbert Rozman (Washington, D.C.: Korea Economic Institute of America, 2016), 211–24.

⁷¹ ITAR-TASS, June 24, 2010, available in English from FBIS-SOV, June 24, 2010; and Ko Soo-Suk and Sarah Kim, “Russia May Supply Natural Gas to North Korea,” *Korea JoongAng Daily*, April 20, 2015.

Victor Cha's account of the six-party talks confirms the centrality of the railway and pipeline proposals for Russia's negotiating position on the Korean crisis. But he also demonstrates that neither the United States nor other stakeholders see Russia's presence as particularly important. He characterizes Russia as the forgotten partner or bit player of "peripheral" importance.⁷² Furthermore, and entirely characteristically, Russian diplomats obsessively revisited the idea of a gas pipeline and railway as the solution to any problem in these talks.⁷³

Increasing strain with South Korea. The gas pipeline project, as well as South Korea's corresponding vision of itself becoming a transcontinental logistics hub, appears to be at risk as a result of North Korea's nuclear and missile tests and the ensuing sanctions that have been imposed since 2014. South Korea has had similar ideas of becoming an entrepôt for Central Asia and a transcontinental shipping and rail hub for trade between Asia and Europe, so its interests to some degree have overlapped with those of Russia.⁷⁴ But that ended with Moscow's silence concerning the North's missile and nuclear tests. Those tests led Seoul to withdraw from a joint logistics project with North Korea and Russia—a decision that undermined then president Park Geun-hye's Eurasia Initiative, which would have unified logistics and energy shipments across Korea and ultimately all the way to Europe. A railroad between Russia's border town of Khasan and North

⁷² Victor Cha, *The Impossible State: North Korea Past and Future* (New York: Ecco, 2012), 345–69.

⁷³ Cha, *The Impossible State*, 369.

⁷⁴ Matteo Fumagalli, "Growing Inter-Asian Connections: Links, Rivalries, and Challenges in South Korean–Central Asian Relations," *Journal of Eurasian Studies* 7, no. 1 (2016): 39–48; and "Putin in Seoul Pushes New 'Silk Road' via North Korea," AsiaOne, November 13, 2013, <http://news.asiaone.com/news/asia/putin-seoul-pushes-new-silk-road-north-korea#sthash.P9YBBZSK.dpuf>.

Korea's ice-free port of Rajin was an essential precondition for this grand design and would have secured an international sales route for Siberian energy, including coal.⁷⁵

Moscow's refusal to pressure Pyongyang has estranged Seoul while not inducing Pyongyang to foster the further development of these projects. Despite those sanctions on North Korea imposed by the United Nations, Russia successfully carved out exemptions for Russian coal deliveries to the port of Rajin in North Korea, along with other exports to China and South Korea.⁷⁶ These projects, however, remain essentially frozen, and with them Moscow's grand design for the Korean Peninsula. South Korea's domestic crisis leading to the impeachment of Park in March 2017 also contributed to the stagnation of major economic projects with Russia.

Slowing progress with North Korea. At the same time, absent any agreement on these pipeline and railway projects, Russia will lose whatever influence it still has over North Korea. This is a particularly dangerous scenario because of the concurrent possibility that North Korea could cause collateral damage to Russia without Moscow being able to do anything to mitigate that situation.⁷⁷ Thus, despite considerable diplomatic activity and progress during 2014–16 in engaging North Korea to upgrade trade and allow for progress on the Khasan-Rajin railway that was to be part of the larger project to connect the Trans-Siberian Railway with a trans-Korean

⁷⁵ Stephen Blank and Younkyoo Kim, "Putin and Korea's 'Silk Road Express': Russia's Game on the Korean Peninsula," *Korea Observer* 45, no. 4 (2014): 599–626.

⁷⁶ "Russia Carved Out Exceptions to North Korean Sanctions," Radio Free Europe/Radio Liberty, March 3, 2016.

⁷⁷ Alexander Zhebin, "The Balance of Forces on the Korean Peninsula: Sanctions against Pyongyang Have Not Always Been Calculated," *Nezavisimaya Gazeta Online*, April 1, 2015, available in English from FBIS-SOV, April 1, 2015.

railway, Russia has little to show for its efforts as the situation in and around North Korea becomes increasingly dangerous.⁷⁸

China's burgeoning role in the Arctic and on the Korean Peninsula. Russia's failures in the Arctic and on the Korean Peninsula are linked to China's economic and strategic advantages. Beijing has long grasped the desirability of access to North Korean ports in order to exploit the Arctic commercially, and its gains have come largely at Moscow's expense. Although both Russia and China share the use of the port at Rajin that connects to the railway, Moscow fears that China may use this port to gain access to the Arctic and thereby minimize its commercial exposure in the developing NSR. Meanwhile, China has also gained access to another North Korean port at Chongjin on the East China Sea. While China is partly interested in North Korea's ports to gain access for its northeastern provinces, the Arctic connection is clearly prominent in Russia's thinking.

The most significant Arctic-related shipping development in China is the leasing of North Korea's port of Rajin by Hunchun Chuangli Haiyun Logistics Ltd, based in neighboring Jilin Province in northeastern China. Rajin lies on the far northeastern tip of North Korea, near its border with Russia. The company is private, but the lease was agreed on "in cooperation with six Chinese ministries and the Jilin provincial government." In 2008 a 10-year lease was signed for Rajin's pier 1. This granted China access to the Sea of Japan for the first time since 1938. Although the Arctic was not mentioned in media reports about the lease, Chinese scholars presumably view Rajin as a potential Arctic hub. According to several Chinese analysts, the opening of Arctic shipping routes will be beneficial for the Tumen River area. In late 2011 the lease was extended

⁷⁸ For the fullest account of economic ties between Russia and North Korea, see Zakharova, "Russia–North Korea Economic Relations."

for another 20 years. A year later, Hunchun Chuangli's parent company, Dalian Chuangli Group, was granted 50-year leases on Rajin's piers 4, 5, and 6.⁷⁹

Chinese observers were no doubt concerned about China being excluded from the Russian–North Korean project. For example, Zhou Yongsheng, a professor at the Institute of International Relations of China Foreign Affairs University, urged China's inclusion.⁸⁰ However, given Russia's difficulties in getting North Korea to participate in this venture and China's progress on BRI, one should not be excessively optimistic about Russia's chances here. With the Russian–North Korean project now suspended and China's Arctic reach growing, the primacy of China's economic ties to North Korea is uncontested and provides Beijing with major leverage over the entire North Korean issue.

ASEAN

In Southeast Asia, Russia has been very active both economically and militarily (through arms sales). Moscow believes that the EEU can harmonize integrative processes across all of Eurasia to include as a first step economic cooperation with ASEAN along two tracks. The first is joint research to establish an EEU-ASEAN free trade zone.⁸¹ Second, the EEU is pursuing free trade agreements with any individual ASEAN state.⁸² Such agreements are deemed essential,

⁷⁹ Linda Jakobson and Jingchao Peng, "China's Arctic Aspirations," *SIPRI Policy Paper*, November 2012, 7–8.

⁸⁰ Yonhap, November 28, 2013, available in English from FBIS-SOV, November 28, 2013.

⁸¹ Mikhail Galuzin, "Russia's Engagement into the Asia-Pacific Affairs," Valdai Discussion Club, December 19, 2016; Flegontova, "Russia's Approach and Interests," 9–12; "Moving towards a Strategic Partnership for Mutual Benefit"; and Koldunova, "Russia's Involvement in Regional Cooperation in East Asia," 534–54.

⁸² Galuzin, "Russia's Engagement into the Asia-Pacific Affairs."

given Southeast Asia's rapid growth and the urgent need for Russia to balance its relations with all of Asia and avoid excessive dependence on China.⁸³

In this context, Moscow has scored some major successes, particularly in its arms deals with Vietnam and Indonesia.⁸⁴ These accomplishments, albeit in a niche market, show that Russia can navigate sensitive issues, an ability that could be replicated in other areas. However, despite ambitious agreements, diplomacy, enhanced academic interest, and the recent arms sales agreements, “these discussions [among Russian experts] especially those that did not result in immediate recommendations for policymaking, largely remained in the academic domain, with Russia's policy in East Asia lagging behind.”⁸⁵

Conclusions

As Koldunova argues, Russia still has much work to do to integrate Siberia and the Russian Far East with the rest of Russia, simultaneously raising those regions' economic level to that of their prospective Asian partners. Thus, domestic reconstruction remains an unfulfilled priority. Russia must move beyond proposals that have not been implemented to develop economic ties with Asia.⁸⁶ Koldunova also observes that Western sanctions will impel Russia toward Asia. China remains the most likely direction of that reorientation, with energy relations being the most visible

⁸³ Dmitry Suslov, “A Pivot Towards Asia, Integration, and Mega-Regions: Balancing Russia's APR Policy,” Valdai Discussion Club, June 9, 2016.

⁸⁴ Hendra Manurung, “The Impacts of Indonesia and Russia Trade Relations on Indonesia's Maritime Security,” *Journal of International Studies* 12 (2016): 1–14.

⁸⁵ Koldunova, “Russia's Involvement in Regional Cooperation in East Asia,” 546.

⁸⁶ Koldunova, “Russia's Involvement in Regional Cooperation in East Asia,” 552.

economic sign of closer ties. Yet it remains an open question how successful Russia's plans to integrate Eurasia will be. Given China's own reluctance to coordinate its Central and East Asian policies with third parties, how viable can Russia's ties to China be, and can Russia escape subordination or entrapment by China?⁸⁷ Key areas, such as the Arctic, the Korean Peninsula, and Central Asia, will continue to be causes of tension unless the two countries can clearly articulate policies that are harmonized and transparent.

Given the ongoing unwillingness and inability of Russian leaders to reform their economy's structural deficits or cut their losses stemming from Ukraine, it seems more likely than not, as Anton Barbashin recently wrote, that "in the short term or midterm perspective China will not be able to become an alternative to Europe." He added that "we can already see what the principles of such an alternative will be—none other than 'Russia as a resources appendage of China.' No Eurasian integration can give any valid economic boost to Russia."⁸⁸

Notwithstanding the entrenched dogma of official optimism, Russia's problems in Asia are self-generated and inhere in its current economic-political system. It is not because of Washington or Brussels, or the stars, that Russia remains marginalized in Asia and has failed to develop or utilize its capabilities effectively to promote itself as an Asian power. When Russia fully grasps that only by its own exertions can it join Asia, then perhaps it will make progress.

⁸⁷ Koldunova, "Russia's Involvement in Regional Cooperation in East Asia," 553.

⁸⁸ Barbashin, "Russia's Slow Pivot Away from Europe."

The Asia-Pacific has reached a unique moment in its energy security outlook. As a result of the commercial viability of new supplies, the region's changing energy demand, and breakthroughs in technology, conversations are no longer dominated by concerns over tight markets and high prices. Within this context, strengthening transregional energy cooperation could contribute to bolstering regional trade, geopolitical alliances, and the development of clean energy. However, stakeholders have disagreed on the specific tactics, policies, and tools that will help nations meet their energy and environmental security goals. Maximizing the benefits of this era of economic growth and energy abundance will require dedicated leadership and innovative policies.

A Collaboration between the National Bureau of Asian Research (NBR) and the Center for Energy Governance and Security (EGS) of Hanyang University

To explore these issues, NBR and EGS have partnered to examine options for policymakers to increase transregional cooperation and achieve energy security goals. Activities include working papers and policy briefs, roundtables and workshops, and private briefings. The partnership between NBR and EGS aims to enhance conversation around the shared interests of energy security in the Asia-Pacific and better incorporate specific considerations for the United States, South Korea, and other countries into ongoing dialogues.

About the Center for Energy Governance and Security of Hanyang University

EGS conducts dynamic research on today's global energy issues while bringing together groups of energy experts from the United States and major countries in the Asia-Pacific (South Korea, China, Japan, Singapore, and Australia). Furthermore, building upon a comprehensive network base from all three sectors (government, business, and academia), global energy governance, energy security, and region-specific issues of significance to the region will be actively explored and discussed.

About the National Bureau of Asian Research

NBR conducts advanced independent research on strategic, political, economic, globalization, health, and energy issues affecting U.S. relations with Asia. Drawing upon an extensive network of the world's leading specialists and leveraging the latest technology, NBR bridges the academic, business, and policy arenas.

NBR and EGS are grateful to the National Research Foundation of Korea for its support of these activities [grant number NRF-2015S1A3A2046684].