



# ANALYSIS

Volume 7, No. 1

## **THE NEW RUSSIA AND ASIA: 1991–1995**

*Herbert J. Ellison*  
*and*  
*Bruce A. Acker*

The International Research and Exchanges Board  
The National Bureau of Asian Research

© 1996 by The National Bureau of Asian Research.

ISSN 1052-164X

Printed in the United States of America.

The National Bureau of Asian Research, a nonprofit, nonpartisan institution, conducts advanced policy research on contemporary and future issues concerning East Asia, Russia, and U.S. relations with the Asia-Pacific region. NBR does not advocate policy positions, but rather is dedicated to providing expert information and analysis for effective and far-sighted policy decisions.

The *NBR Analysis*, which is published five times annually, offers timely reports on countries, events, and issues from recognized experts. The views expressed in these essays are those of the authors, and do not necessarily reflect the views of other NBR research associates or institutions that support NBR.

This report may be reproduced for personal use. Otherwise, its articles may not be reproduced in full without the written permission of NBR. When information from this report is cited or quoted, please cite the author and The National Bureau of Asian Research.

Funding for this publication was provided by the Henry M. Jackson Foundation.

Publishing and production services by Laing Communications Inc., Redmond, Washington.

NBR is a tax-exempt, nonprofit corporation under I.R.C. Sec. 501(c)(3), qualified to receive tax-exempt contributions.

This is the twenty-sixth *NBR Analysis*.

For further information about NBR, call or write:

THE NATIONAL BUREAU OF ASIAN RESEARCH

715 SAFECO Plaza  
Seattle, WA 98185  
Tel: (206) 632-7370  
Fax: (206) 632-7487  
E-mail: [nbr@nbr.org](mailto:nbr@nbr.org)

## FOREWORD

The “New Russia/CIS in Asia,” a project organized by The National Bureau of Asian Research (NBR) under the direction of Professor Herbert Ellison, was initiated in 1992 with the intention of studying the emergence of a new Russian role in Asia after the collapse of communist power and the dismantling of the Soviet Union. In a series of six conferences in Moscow, Almaty, Beijing, Tokyo, Seoul, and Washington, D.C., scholars and policymakers from Russia, Central Asia, Northeast Asia, and the United States viewed the changes in Russia’s relations with its Asian neighbors from various regional perspectives, exploring their impact upon the newly independent states of Central Asia, and upon the traditional powers of the region.

Project participants also tried, at each stage, to follow the fast-moving changes within Russia, recognizing that its new international role was the product of a domestic transformation that accelerated remarkably in late 1991. Communist rule was supplanted by a reforming regime which, in less than four years, gave the country a new constitution, democratic elections, and a market economy. Democratization has brought a cacophony of new voices into foreign policy discussions, while marketization and privatization opened the economy to the world.

This report was coauthored by Herbert Ellison, a professor at the Henry M. Jackson School of International Studies at the University of Washington and NBR’s director of Russian Asian Studies, and Bruce Acker, a specialist on contemporary Russia at NBR. The authors have drawn together and analyzed the research and discussions of project participants. As one might imagine, given the widely varying backgrounds of participants, contradictory views were often expressed, and it would be impossible to present conclusions from the conferences which are agreed upon by all participants. Therefore, while based on the impressive contributions of all scholars participating in the series, the conclusions of this paper are those of the authors and are intended chiefly to reflect the conclusions of the American delegation, though these too were varied.

After the collapse of the Soviet Union, the government of President Boris Yeltsin renounced the remaining communist ideological foundations of Russian foreign policy, recognized the inviolability of the borders of the former republics, and pursued a policy of partnership with the West. The new Russian leaders had high expectations that, as partners of the West and Japan, they could play an active and influential role in the diplomatic, security, and economic affairs of Europe and Asia. Domestically, they hoped that Western support would result in a smooth transition to constitutional democratic rule and a market economy.

Very soon, however, the Yeltsin government was pressed to reexamine its Western orientation. Domestically, the economic transition imposed great insecurity and sacrifice upon the population, spreading doubts about the new economic system. Much of the membership of the powerful Congress of Peoples’ Deputies and Supreme Soviet opposed both the economic and foreign policies of President Yeltsin and sought to cancel the temporary special powers with which he had launched the reforms. They charged him with responsibility for the collapse of the Soviet Union and argued that the boundaries of the new Russian Federation should be expanded anew to include more of the “historic Russian state.”

Internationally, the Russian government was frustrated over its inability to play an influential role in both European and Asian diplomatic efforts and to gain footholds in global markets. In Asia these problems were highlighted by poor Russian-Japanese relations, which remain strained due to disagreement over ownership of the Kurile Islands/Northern Territories. On the Korean Peninsula, Russia initially severed ties with the North Korean communist regime, which left Russia with virtually no influence there. As a result Russia was left out of the most significant strategic and diplomatic effort in post-Cold War Asia—the American-led effort to pressure North Korea to abandon its nuclear weapons program. Russia was also left out of the agreement to supply light-water reactors for North Korea's nuclear industry, a market the Soviet Union had dominated.

The loss of international status combined with domestic opposition pressured the Yeltsin government to shift its focus to Asia and the former Soviet republics. Concerns in the newly independent Central Asian states about border security, the rights of the Russian diaspora, and loss of control over the development of energy resources led Russians of all political views to question Russia's lack of attention to the former Soviet republics and encouraged steps to curb the independence of the Central Asian states. Meanwhile, Russia put aside ideological differences to develop remarkably harmonious relations with China. A number of factors have drawn these two Asian giants together, including the possibilities for economic and military cooperation; concern about conflict in Central Asia; and shared resentment at pressure by the United States regarding human rights, arms sales, and other matters.

These developments in Russian foreign policy have significant implications for U.S. policy towards Russia. The shift in Russian foreign policy was to a large extent a reaction to the country's inability to play an influential role in international diplomacy and the global market. Loss of influence enjoyed during the Soviet period has generated pressure for a restoration of the Soviet regime's control of the former republics, especially in Central Asia. The problems of entering foreign markets have forced the Russian government to focus on export of military technology and weapons to such countries as Iran and China. Arms exports to China have raised concerns in Asia about Chinese expansionist intentions and have raised the specter of an Asian arms race. The authors of this study argue, however, that Russian arms sales will not be large enough to enhance significantly the power of the Chinese military. It is therefore important that American policymakers not overreact to these sales, which the Russians desperately need to support their economy and to maintain employment in military-related industries. In order to insure stability in post-Cold War Asia, the United States should encourage efforts at multilateral cooperation while maintaining existing bilateral agreements with Japan and South Korea until greater multilateralism develops.

Economic difficulties combined with loss of influence internationally have also pressured the Yeltsin government to work toward reintegration of the former Soviet economy and greater control over the oil and gas resources of the former Soviet Union. This is especially true in Central Asia, where Russian actions have slowed the development of fully independent states with independent economies. The independence of Central Asian states is of great concern to Western energy companies, which are anxious to gain access to the wealth of oil and gas resources in the region. Yet Russia is also eager to maintain access to these resources. Russia has been able to use control of the Soviet pipelines, all of which move through Russian territory, to hinder the independent development of energy resources. Russia has also been able to use its control of the energy infrastructure to force the newly independent states of Central Asia to agree to Russian initiatives for peacekeeping, economic integration, and privileges for Russians residing in Central Asia. In addition to hindering independent development of the Central Asian states, Russian hegemony over the former republics belies a more nationalist, expansionist tendency in Russian policy which, if continued, could cause further friction in U.S.-Russian relations.

Despite these trends, the Russian government has not wavered from the basic principles underlying the foreign policy of President Yeltsin and Foreign Minister Kozyrev formulated in the early post-Soviet period. Moscow is still committed to maintaining the borders of the Russian state as those of the Russian Federation. It is still committed to the marketization and privatization of the economy, and cooperation with the West has not been renounced. Yet the past four years have shown that if Russia continues to be isolated from developments in Asia and Europe, its policy will become more threatening to its neighbors and destabilizing to the post-Cold War international order. Therefore it is essential for the West to incorporate Russia into the developing post-Cold War economic and security arrangements, in Europe as well as in Asia. A responsible Russian role in Asia can best be facilitated by the development of cooperative security arrangements which include it and by the effective incorporation of Russia, especially Asian Russia, into the Asian economy.

NBR was joined in the “New Russia/CIS in Asia” project by an impressive group of partner institutions. These consortium members included The Russian Science Foundation (Moscow), the Institute for International Policy Studies (Tokyo), The Institute of East European, Russian, and Central Asian Studies of the Chinese Academy of Social Sciences (Beijing), The Kazakstan Institute of Management, Economics, and Strategic Research (Almaty), and the Institute for Far Eastern Studies of Kyungnam University (Seoul). Each consortium member hosted the conference in its country, selected delegations to participate in the conference, and arranged for scholars to present research from the perspective of the host country. NBR was grateful for the opportunity to co-host the Washington, D.C. conference with the International Research and Exchanges Board (IREX), which recently conducted closely related conferences on Russian-Chinese relations in the Far East and on the relationship between Chinese Central Asia (Xinjiang) and former Soviet Central Asia.

Lead funding for the project was provided by the Rockefeller Brothers Fund. Contributions were also made by The Japan Foundation’s Center for Global Partnership, The MacArthur Foundation, the Henry M. Jackson School of International Studies of the University of Washington, and The Saionji Institute of the U.S.A. Additional funding for the Washington, D.C. conference was given by The Carnegie Corporation of New York, the Starr Foundation, and the U.S. Department of State.

Daniel C. Matuzsewski  
President  
The International Research and  
Exchanges Board

Herbert J. Ellison  
Director, Russian Asian Studies  
The National Bureau of Asian Research



# THE NEW RUSSIA AND ASIA: 1991–1995

*Herbert J. Ellison*

*Bruce A. Acker*

## I

### Introduction

#### *Geopolitical Changes*

Dismantling the Soviet Union reduced the Russian domain in Asia by 18 percent and its population by a spectacular 59 percent, from 75 million to 31 million. Russia became one of six new Asian states, obliged to rethink and restructure its Asian role without its vast Central Asian empire and build a new structure of economic and political relations, both with the traditional regional powers and with five newly independent Central Asian states.<sup>1</sup> The length of Russia's border with China was cut by half, and it now borders only four Asian countries east of the Caspian Sea: Kazakstan, Mongolia, China, and North Korea.

Since early 1992 Russian policy in this new geopolitical setting has undergone major changes. For most of 1992 and early 1993, the leadership accepted the new Russian boundaries without question. It gave little attention to building ties with the new Central Asian states, despite the fact that they contained an ethnic Russian population of 9.5 million. The policy was partly the product of placing an overwhelming priority on partnership with the West, but also of the opposition of Central Asian leaders to Russian democrats during the Gorbachev era.

This policy has gradually been replaced by one that stresses growing involvement in Central Asia. It is motivated by established links with the peoples and cultures of the region, by special ties to Russian ethnic minorities, by economic and security interests, and by competition for influence in the Central Asian region with other states, especially Turkey and China. The result has been a steady expansion of Russian influence in the new states of Central Asia, and in one

---

<sup>1</sup> Central Asia in this paper is defined as the former Soviet republics of Kazakstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Tajikistan. Broader definitions of "Central Asia" exist. As one example, a case can be made for including Azerbaijan in the definition, given that country's cultural ties and geographical proximity to the Moslem world. The significant oil and gas reserves in Azerbaijan also give it common interests with the other five former republics.

Herbert J. Ellison is professor of history and Russian studies at the University of Washington's Henry M. Jackson School of International Studies and director of Russian Asian Studies at The National Bureau of Asian Research.

Bruce A. Acker is a specialist on contemporary Russia at The National Bureau of Asian Research and a graduate of the Russian, East European, and Central Asian studies program at the Henry M. Jackson School of International Studies at the University of Washington.

© 1996 by The National Bureau of Asian Research.

---

*The Yeltsin years have set the stage for a new Russian role in Asia by repudiating the foreign policy traditions of the communist era, by abandoning a vast and costly empire, by building a market economic system, and by replacing a centralized communist dictatorship with democratic federalism.*

---

case (Tajikistan) military intervention. This trend will doubtless continue to raise important issues for Russia, for the new Central Asian states, and for the international community.

### ***Impact of Russian Political Change***

The Yeltsin years have set the stage for a new Russian role in Asia by repudiating the foreign policy traditions of the communist era, by abandoning a vast and costly empire, by building a market economic system, and by replacing a centralized communist dictatorship with democratic federalism.

The democratization of Russian political life has greatly influenced the making of foreign policy, which is now much affected by criticism from the parliament and the press. Both during the period of the Supreme Soviet and in the period of the new parliament created by the constitution of December 1993, the government has faced strong pressures on foreign policy from a wide range of political groups and opinion.

During 1992 and early 1993, the dominant policy leadership was provided by the reformers, strongly pro-Western political leaders who sponsored both radical economic reform and a pro-Western foreign policy. In Asian policy they sought close ties with Japan and Japanese economic aid, for which they were willing to discuss the return of islands which they had held since World War II. Their ideological antipathy to communism discouraged close ties with the Asian communist states, especially North Korea. They regarded ties with the Central Asian states as a detriment to Russian political democratization and economic modernization, and preferred to let them go their own way.

Opposition to this policy came from a broad segment of the political center and right, with different objectives. Opposition to territorial concessions to Japan brought the scuttling of the government's Japan policy in the autumn of 1992. Communist and nationalist opinion was much more favorable to close ties with China, and wished to maintain Russian influence in North Korea. All opposition groups have stressed that Central Asia should be the main concern of Russia in Asia.

The influence of communists and nationalists on Russian policy has been increasingly evident in both security and economic policy, despite the continuity of President and, until recently, Foreign Minister. In Central Asia the influence has been especially important. Russian policy now treats the former Soviet borders as the Russian security frontier, thus justifying both the maintenance of troops and the right of military intervention to meet security threats. The rationale for the policy is to describe the region, or significant parts of it, as highly vulnerable to political destabilization, both from within and from without, and at the same time vital to Russian security. The need to protect the Russian minorities in the region is also offered in justification.



Russian policy has sought to prevent the adoption of independent arrangements for regional political or security cooperation by the Central Asian states, meanwhile supporting arrangements that tie them to Russia. In economic matters, measures have been taken that compromise the sovereign control of some states over their own energy resources. This has taken the form of requiring a financial share for Russian companies in energy development projects with other foreign countries, and of blocking development of oil pipelines that could bypass and compete with pipelines passing through Russian territory, thus reducing Russian control of Central Asian energy resources.

In the new parliament, as in its predecessor, communists and nationalists have supported a very strong Russian role on the Korean Peninsula, seeking simultaneously to expand economic and political ties with South Korea, and to regain Russian influence in Pyongyang, including participation in negotiations for controlling development of nuclear weapons in North Korea.

A similarly strong pressure has been applied to encourage expansion of Russian relations, political and economic, with China. As noted below, these have borne fruit.

### ***Domestic and Foreign Economic Policy***

It was a cliché of Western discussion of Soviet affairs in the communist era that the combination of the command socialist economy and the focus of the state's attention and resources on military power made the country a military giant and an economic pygmy in a dynamic Asia. Conversion to a market economy, though still incomplete, has laid the foundation for building a Russian role in Asia proportionate to the state's size and natural resources. Another important change is the decentralization of state power which has stimulated regional political and economic initiative in Siberia and the Russian Far East. The economic growth of both areas had been severely limited by the tight control from Moscow and by the treatment of the entire region—especially the Far East—as a source of energy and raw materials for the center.

The redefinition of the authority and powers of center and region has advanced very far, and it promises to give the regions (in both Asiatic and European Russia) greater control over their economic resources and greater independence in dealing with foreign partners in the international economy. As with other areas of the country, their growth possibilities continue to be limited by high taxation and tariffs, a weak transportation and communications infrastructure, widespread criminal activity, and other conditions unfavorable to foreign direct investment.

The special importance of the natural resources of Asiatic Russia to its future economic development is evident from a few basic figures. The region provides two-thirds of the oil, 40 percent of the coal, two-thirds of the natural gas, one-third of the timber, and one-half of the hydroelectric power of the entire country. It is also the major storehouse of mineral wealth, not only for Russia, but for much of Asia. Yet the past and current policies of the Yeltsin government in these key areas of economic activity are highly unfavorable to their development.

Negative policies have included: the maintenance of domestic energy prices below world market levels; the manipulation of export licenses and pipeline access to the disadvantage of foreign producers; the restriction of foreign investment in gas production; and many others—measures recently described by one Western journalist as causing an “oil rush in reverse.” A similarly discouraging policy prevails in mining, where Western concerns were granted only two percent of the 8,000 mining licenses issued in 1993 and 1994. When combined with the absence of legal guarantees to development rights for foreign companies discovering mineral deposits, such policies are a profound discouragement to foreign investors. Statistics on the decline of known reserves of oil, gas, and minerals suggest that the discouragement of foreign investors carries a high price, and that price will fall very heavily on Asiatic Russia.

## ***Relations with Regional Powers***

### ***China***

In virtually all cases, Russia has improved its bilateral relations with the main powers of East Asia.

Russian-Chinese relations were recently described in the Russian newspaper *Izvestiia* as guided by “pure pragmatism and a fervent desire to avoid potential conflict. . . .” Beijing was visited by both then Foreign Minister Kozyrev and President Yeltsin in the first year of the new Russian state. Withdrawal of Russian troops from Mongolia in March 1992, followed by a 200,000 troop reduction in the Far East and a December 1992 agreement to withdraw most troops and offensive weapons one hundred miles from the border, appeared to indicate a good start for the new Russian regime’s relations with China.

The creation of independent states from the former Soviet republics of Central Asia posed a challenge to the Chinese position in Xinjiang, but Russia and China appeared to be carefully avoiding competition for influence in the newly independent states.

Trade relations between the two countries expanded rapidly in 1992 and 1993. Russia provided substantial military exports (Su-27 fighters, MiG-31 interceptor aircraft, T-72 tanks, and four submarines). The combination of these sales with the hiring of substantial numbers (between 1,000 and 3,000) of Russian military specialists promised to increase Chinese missile and submarine technology. The increase of Chinese military capabilities by these sales caused deep concern in both Japan and Taiwan. But Russian exports were not only military goods; they included commitments to build a nuclear power plant and a major bridge project.

---

*The creation of independent states from the former Soviet republics of Central Asia posed a challenge to the Chinese position in Xinjiang, but Russia and China appeared to be carefully avoiding competition for influence in the newly independent states.*

---

Trade between Russia and China nearly trebled between 1991 and 1993, with very heavy development of border trade. By the end of 1993 Moscow and regional officials in the Russian Far East, were deeply concerned about the scale of Chinese illegal immigration into the Russian Far East, with estimates of the numbers ranging from 200,000 to 1,000,000 Chinese living in the region. Russia tightened entry requirements and customs procedures, claiming that Chinese had illegally become fulltime residents of Russian towns and cities and had set up agricultural villages on vacant land. The resultant drop in trade brought complaints from regional officials, who noted an increase in unemployment.

In contrast to relations with Japan, relations with China benefited from political trends in Russia, especially the powerful showing of communists and nationalists in the December 1993 and December 1995 parliamentary elections. Nationalists have supported the sales of arms to China—made easier by American restrictions on such sales—as a means of maintaining Russian military production capacity. Communists cite China’s example of strong governmental power and rapid economic growth (not to mention communist rule) as arguments for their own program for Russia.

When Jiang Zemin visited Russia in September 1994 he was the first Chinese president to visit Russia since Mao Zedong. The agreements he signed with President Yeltsin provided that the two countries would cease aiming nuclear missiles at one another, would renounce the use of force in bilateral relations, and would further reduce border troops. There were convincing signs that the two sides found mutual advantages in their economic and security relations, though from the Russian viewpoint much of the effort to strengthen ties with China appeared to arise from a negative motivation—a disappointment in economic and political relations with the West and uncertainty about the effectiveness of Russia's domestic economic reform process.

### *Japan*

With the collapse of the Soviet Union and of communist power, the Russian leaders talked of going beyond the East-West accords of the Gorbachev era to a policy of active partnership with the democratic states. In Asia this meant active partnership with the United States and its allies, including Japan. In contrast to Europe, however, there had been very little progress in restructuring the East Asian security system, and the U.S.-Japan Security Treaty remained the foundation of the U.S.-Asian security system. This fact gave great importance to Moscow's building a new relationship with Japan, which would be needed to achieve changes in a security system designed to contain Russian power.

Japanese representatives made it clear from the beginning that any fundamental change in the relationship (i.e., a peace treaty or substantial support for development of the Russian economy) would be dependent upon a satisfactory settlement of the dispute over the Northern Territories or, in Russian parlance, Kurile Islands. Following Russian independence, President Yeltsin and Foreign Minister Kozyrev sought to deal with Japan on the basis of the 1956 Joint Declaration by which the Soviet government had agreed to the return of Shikotan and the Habomai group after the signing of a peace treaty ending World War II. However, the Japanese government insisted on the return of all of the islands. The position was certain to block any agreement, for the policy of the Russian Foreign Ministry was vigorously opposed in the Supreme Soviet, the military, and the Security Council. Nationalist sentiment combined with fears of encouraging other irredentist claims against Russia to block any territorial concessions by the autumn of 1992.

In subsequent years, despite two postponed visits to Tokyo by the Russian president and much mutual criticism, there have been improvements in Russian-Japanese relations. Yeltsin apologized for the postponement of his Tokyo visits at the Tokyo Group of Seven (G-7) meetings in July 1993, and promised to remove remaining Russian troops from the disputed islands three months later, a promise which has not been fulfilled.

During the past two years, discussions in Japan have revealed serious concern about the failure to strike a deal with Yeltsin early in his tenure. Japanese businessmen have criticized the Foreign Ministry for causing the loss of business opportunities in Russia. Within the ministry itself there has been concern about Russian support of Chinese military modernization and the possibility of Russian nuclear cooperation with North Korea. There seems little doubt that Japanese policymakers failed to understand the pressures on Yeltsin, which made territorial concessions unthinkable, or to reckon the opportunities foreclosed by making the concessions a prerequisite to agreement on the economic issues so vital to the Russian transition.

Nonetheless Russian-Japanese trade has continued a modest expansion, and Japan has invested substantial funds in two major oil exploration projects off Sakhalin Island. Meanwhile, official rhetoric on both sides has lost its stridency, and discussion of future bilateral cooperation has quietly returned. Japan needs a stable Russia which is willing to cooperate with it in

regional security questions, and economic opportunities in Russia for Japanese traders and investors will continue to grow as the economic and political reforms stabilize and bring growth. Moreover, Japan has more to offer than any other Asian state in the capital and technology that Russia's future economic growth requires.

### *Korea*

Diplomatic ties with South Korea were established by the Soviet government in 1990. In 1991 President George Bush announced a unilateral withdrawal of American nuclear weapons from South Korea, as well as removal of nuclear-armed cruise missiles from U.S. warships in the Pacific. The changed strategic situation removed the basis of Chinese-Russian competition in North Korea and also eliminated Moscow's need for North Korean ports and overflight rights across North Korean territory.

In the Yeltsin era, as under Gorbachev, South Korea is an extremely attractive economic partner for Moscow, though during Russia's turbulent economic conversion the growing Russian reputation for bad debts has soured many deals.

The efforts to establish ties with South Korea led Gorbachev to reduce Soviet commitments to North Korea. With the collapse of communism, the new Russian government accelerated this policy, drastically reducing economic and military commitments to North Korea. Russian leaders hoped that by sharply decreasing ties with Pyongyang, they could, in partnership with the West, better influence strategic and diplomatic affairs on the Korean Peninsula as a whole. However, Russia soon became dissatisfied with the peripheral role delegated to it in negotiations over North Korea's acceptance of the nonproliferation treaty. In Korean policy, as in policy toward Japan, Russian positions during the past two years have been increasingly influenced by nationalist pressures calling for maintaining Russian influence in Pyongyang and for Russian production of the light-water nuclear power reactors that North Korea is to receive in exchange for phasing out nuclear programs with weapons-production potential.

Relegated to a peripheral role, Russia's loss of international status was highlighted and exacerbated. Subsequently, the Russian government has attempted to restore ties to the D.P.R.K.

### *Continued Obstacles*

Looking back over the past four years, one can see a quite impressive recovery and restructuring of the Russian role in Asia and the Pacific. Assuming that Russia's new political structure remains stable and that economic reform, recovery, and expansion continue, there is much reason to hope that Russia will in time be effectively and productively integrated into the Asian economy, and that it will be a strong and cooperative partner in dealing with the major problems of the region, as it has already proved effective in dealings with North Korea.

Yet there remain major policy obstacles to Russia's full economic participation. Even a willing partner such as South Korea (though its bilateral trade with Russia has expanded impressively) continues to hold back from a major expansion of direct investment. Before that comes, whether from South Korea, Japan, the United States, or other countries, Russia will have a considerable distance to go in commercial law, tax policy, legal order, and crime control. There is much about Russia's foreign economic policy today, particularly affecting energy and minerals, that is restraining economic development. The continuing stalemate on the question of agricultural reform is also a severe constraint on Russia's economic recovery.

---

*Perhaps above all the United States, along with Russia's neighbors, should avoid the mistake, evident in several recent academic publications in this country, of omitting Russia from the list of Asian powers.*

---

The United States and other governments will also be watching closely the Russian policies in Central Asia. Other nations have rejected Russian claims to special rights of unilateral intervention in the region but also recognize that Russia has security interests there, and that where outside intervention is genuinely needed (and the need is acknowledged both by the states involved and internationally) Russian action is legitimate. In this view, the full sovereignty of the new states should not be compromised. Such compromise would include not only unilateral military intervention but other actions, such as intervention in international contracts by the governments or representatives of neighboring states.

It is immensely important for states seeking cooperation with the new Russia to be aware of the internal political debates that affect policy, and whose outcome can have quite divergent policy consequences. It is also important to recognize the concerns that exercise all shades of Russian political opinion: the fears for the security of vast territories in the Far East at a time when Russian armed forces are in disarray and when there are limited means of blocking illegal immigration; the uncertainty about the political future of the states of Central Asia; the enormous strains and complexities of the transition to constitutional democracy and a market economy; and many others.

Perhaps above all the United States, along with Russia's neighbors, should avoid the mistake, evident in several recent academic publications in this country, of omitting Russia from the list of Asian powers. Russia is bound to be, once again, a central factor in Asian as in European politics. It remains the unique continental Eurasian power, and it has the resources and population to realize the enormous potential of that position. It seems highly likely that in 15 or 20 years scholars will be writing about the resurgence of the Russian state in much the same way they wrote about Germany and Japan in the 1960s.



## II

### **The Yeltsin Reforms and Russia's Asia Policy**

The creation of a new Russian policy toward Asia since early 1992 has been the product of the collapse of the Soviet Union and the ensuing political revolution inside independent Russia. The collapse came when Moscow agreed to accept the sovereignty, and the right of self-determination, of all of the republics. The newly independent states were then encouraged to join a loose confederation of sovereign states, founded on shared economic and security interests. The Russian government recognized the inviolability of all established republic borders, accepting those of the Russian Soviet Federated Socialist Republic (RSFSR) as the limits of the Russian Federation, claiming sovereignty over all of its peoples, and renouncing sovereignty over ethnic Russians living outside its borders.

Dealings with governments or institutions outside these boundaries constituted, by definition, foreign policy. Subsequent events would demonstrate, however, that it was easier to define the boundaries than to guarantee their acceptance. Russia's long historic ties with the newly independent states, and the presence in them of a population of some 26 million Russians, guaranteed that there would be difficulty gaining full acceptance of the changes. In Central Asia the Russian population, nearly eleven million strong, was mainly in urban centers, playing a role similar to that of, say, French settlers in colonial Algeria. In one case, Kazakhstan, they were as numerous as the titular Kazak population and concentrated on the northern border with Russia.

#### ***A Western Model for Russia***

The democratic reformers who led the new Russian state set out to build a new political and economic system on a Western model. They were committed to constitutional democratic rule and a market economy. The foreign policy that developed from these assumptions sought partnership primarily with Europe, the United States, and Japan. On January 2, 1992, Russian Foreign Minister Andrei Kozyrev stated that "the developed countries of the West are Russia's natural allies."<sup>1</sup> This foreign policy orientation was based on the presumed ideological compatibility of the aims of the new Russian state with those of the West. Government policymakers assumed that partnership with the leading capitalist countries would facilitate foreign aid, as well as foreign investment, in the struggling post-Soviet economy. Furthermore, they expected that a reduced security threat from the West would have domestic benefits and that Russia could still play a great power role in world affairs, cooperating with the Western powers.

#### ***Domestic Complications***

The Yeltsin government's reforms faced formidable obstacles, high among them the constraints imposed by the inherited Soviet constitution. Though Yeltsin was voted special powers by the Supreme Soviet (parliament) in November 1991, the language of the constitution made him wholly dependent upon that body. After the dissolution of the Soviet Union, the parliament asserted its constitutional rights in an increasingly aggressive fashion, and the majority of its membership rejected President Yeltsin's reforms. Elected by rigged elections in the Gorbachev era, the parliament's members were mainly communist and nationalist.

There was, therefore, a powerful bloc within the parliament, led by its chairman, Ruslan Khasbulatov, determined to resist the reforms of the Yeltsin government. The result was a pro-

---

<sup>1</sup> Andrei Kozyrev, "A Transformed Russia in a New World," *Izvestiia*, January 2, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 1 (1992), pp. 22-23.

tracted struggle over power and policy between the president and his reformers in the executive, and the communists and nationalists who dominated the parliament. In foreign policy, the communists and nationalists rejected the dismantling of the Soviet Union and pushed for the restoration of Russian ties with the former Soviet republics. In economic policy, the parliament undermined the government's attempts at market reforms, insisting on large subsidies for failed socialist industrial and agricultural enterprises and simultaneously blocking efforts to achieve macroeconomic stability and to privatize economic ownership. With both the power and policy of the president under constant attack, and without a functional constitution, the economic reforms of the Yeltsin government were subject to extensive distortion and delay.

---

*A widespread perception developed that these economic problems were caused by the shock therapy, which was supported by Western international banks and other agencies, combined with the loss of economic ties to the former Soviet republics.*

---

Parliamentary subversion of the president's program seriously exacerbated the unavoidable difficulties of conversion from a socialist command economy to the market. The severity of the problems soon led to disenchantment with the new economic system. The decline in industrial production was massive. Inflation soared as the government liberalized prices and allowed the currency to become convertible. Criminal activity increased rapidly, facilitated by the inability of the state to enforce its new laws. Privatization of the economy brought new opportunity and vastly improved supplies of consumer goods, but also a wealthy new elite, many of whom were former Soviet bureaucrats and factory managers, and a pervasive criminal element that imposed a costly tribute system on the economy. Without prior demonopolization, privatization of Soviet industry did not result in any significant increase in competition. A widespread perception developed that these economic problems were caused by the shock therapy, which was supported by Western international banks and other agencies, combined with the loss of economic ties to the former Soviet republics. Finally, the expected Japanese and Western aid did not materialize on anything like the scale anticipated, making western models appear less attractive than they had been initially. The Yeltsin government was therefore faced with mounting pressure to modify its economic policies and reintegrate economically with the former Soviet republics.

### ***Pro-Western Policy under Attack***

Disenchantment with the West was strengthened by frustration over the difficulties of integration into the world economic, diplomatic, and security structures. Russia was not admitted to the Asia-Pacific Economic Cooperation (APEC) forum, and waited long for improved trading rights with the European Union. Russian leaders expressed grave misgivings about extending the North Atlantic Treaty Organization (NATO) eastward to fill the security needs of the new era, seeing that organization as an instrument of the Cold War. Additionally, Russian attempts at conflict mediation, particularly in the former Yugoslavia and North Korea, met Western disagreement or resistance on several occasions. Furthermore, Russian efforts to market nuclear technology and military hardware abroad drew criticism, and in some cases the threat

of sanctions, from the United States.<sup>2</sup> These and other moves by the West, such as the European Union's prohibition against the import of Russian aluminum, led to claims of Western discrimination against Russian products.

Western attempts to block Russian exports at a time when hard currency was desperately needed, combined with disappointment with Western aid and investment, generated much skepticism about the West's desire to encourage the rebuilding of Russia. Moreover, the expected post-Cold War peace dividend did not materialize, due primarily to the difficulty of providing for soldiers returning from Eastern Europe. Russian leaders were becoming increasingly conscious of conflicts between their national interests and those of Western Europe, the United States, and Japan.

These frustrations have served to increase opposition to President Yeltsin's Western-oriented approach to economic reform and foreign policy, while at the same time decreasing the government's eagerness to push forward with such policies. Furthermore, the policies seemed to have been discredited after the strong showing of nationalists and communists in the December 1993 elections. So far, Yeltsin has not renounced the goal of cooperation with the West, nor is he likely to do so. However, the Yeltsin government has become less accommodating to the West and more interested in economic reintegration with Central Asia and cooperation with the countries of East Asia, where relations with China have been given particular emphasis.

Yeltsin's opponents in Russia have had tremendous impact on his government's foreign policy priority shifts. In the initial stages, Yeltsin's communist and nationalist opponents subverted market reforms, making Western aid and investment more difficult to obtain. The result was that cooperation with the West became less appealing to Russia. Additionally, problems with westernization of domestic and foreign policy have led to increasing pressure on the president to renounce, or at least temper, his policy of partnership with the West. As a result of this pressure, Russia's leadership found it increasingly necessary to modify its policies. The December 1995 parliamentary elections, in which democrats again fared poorly, showed that the general population, and consequently many in parliament, did not accept the redefinition of Russia as a state with a market economy, a democratic constitution, and territory limited to the former RSFSR. Consequently, the government has been under pressure to reconsider these policies.<sup>3</sup>

The former Supreme Soviet, and the new parliament, have taken concrete measures to pressure Yeltsin to redirect foreign policy. For example, in December 1992 the parliament, exceeding its constitutional mandate, passed a resolution calling for the Russian government to extend sanctions to Bosnia and Croatia; urged a Russian veto in the United Nations Security Council of military intervention in the conflict; and called for humanitarian aid to what remained of the former Yugoslavia.<sup>4</sup> In January 1993, parliamentary leaders traveled to Belgrade to assure the Serbian government that the Russian parliament would soon vote to stop the sanctions against rump Yugoslavia.<sup>5</sup>

---

<sup>2</sup> We have in mind primarily sales to Iran and India. Arguably, military and nuclear equipment and technology are the only significant areas (along with fossil fuels) where Russian products can be competitive on the world market.

<sup>3</sup> Ironically, adjustment of its policies to take into consideration the will of the population could result in a government less considerate of the will of the population, at least as it is democratically determined.

<sup>4</sup> Maksim Yusin, "Supreme Soviet Preparing to Review Russian Foreign Policy," *Izvestiia*, December 18, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 51 (1992), pp. 16-17.

<sup>5</sup> Suzanne Crow, "Processes and Policies," *Radio Free Europe/Radio Liberty Research Report*, vol. 2, no. 20 (May 13, 1993), p. 49. Hereafter, RFE/RL will be used to designate Radio Free Europe/Radio Liberty.



---

*Despite the fairly consistent policy line of the Ministry of Foreign Affairs, there has been a considerable expansion of policymaking roles outside the Foreign Ministry, which has made it difficult to conduct a coherent, unified policy toward the West, the former republics, and Asia.*

---

### **Foreign Policy under the New Constitution**

Under the constitution adopted in December 1993, the parliament, which now consists of a Duma, or lower house, and a Federation Council, or upper house, is no longer the supreme power. Nor does it have control over the appointment of the foreign minister. While these changes have freed Yeltsin from the earlier structure of parliamentary controls, the parliament still has significant influence on foreign policy. Deputies still can, and do, pass foreign policy resolutions, ratify treaties, conduct committee hearings on foreign affairs, and participate in diplomatic missions.<sup>6</sup>

Yet parliamentary and popular opposition have not been the only factors blocking the implementation of the Yeltsin-Kozyrev policies. Despite the fairly consistent policy line of the Ministry of Foreign Affairs, there has been a considerable expansion of policymaking roles outside the Foreign Ministry, which has made it difficult to conduct a coherent, unified policy toward the West, the former republics, and Asia. Procedures for the development and implementation of foreign policy have not yet been clearly established.<sup>7</sup> In November 1992 Yeltsin delegated to the Foreign Ministry the authority to monitor other government bodies with responsibility for foreign activity in order to insure uniformity of policy. In December 1992 Yeltsin took this power away from the Foreign Ministry and granted it to the Security Council.<sup>8</sup> In March 1995 coordinating power was given back to the Foreign Ministry.<sup>9</sup> However, when Yeltsin threatened to dismiss Kozyrev in October 1995, he offered as a reason his minister's inability to maintain control of the foreign policy-making process.<sup>10</sup> Other groups which have played an essentially independent role in foreign policy-making include the Security Council, the army and military-industrial complex, and the Oil and Gas Ministry.

The Security Council, established in May 1992 by the Russian Federation Law on Security, has broad powers to formulate domestic and foreign policy relating to security issues.<sup>11</sup> In December 1992 Yeltsin ordered the Security Council to create a Foreign Policy Commission with the authority to "coordinate efforts to draft resolutions concerning the country's foreign policy." Soon after the creation of the Foreign Policy Commission, there was a significant shift in policy which reduced emphasis on relations with the West. For example, in January 1993 Deputy Foreign Minister Valerii Churkin suggested imposing sanctions against Croatia. In the same month, Yeltsin instructed the Foreign Ministry to begin improving relations with Iraq and to push for

---

<sup>6</sup> Jan S. Adams, "Who Will Make Russia's Foreign Policy in 1994?" *RFE/RL Research Report*, vol. 3, no. 6 (February 11, 1994), p. 36.

<sup>7</sup> Such was the assessment of Suzanne Crow in May 1993 in "Processes and Policies," *op. cit.*, p. 48. It does not appear that procedures have been cleared up since then.

<sup>8</sup> Suzanne Crow, *Ibid.*, p. 48.

<sup>9</sup> Yekaterina Akopova, "President Takes Ministry Under His Protection," *Kommersant-Daily*, March 16, 1995 and Maksim Yusin, "Three Presidential Decrees that Will Transform the Foreign Ministry," *Izvestiia*, March 17, 1995, in *The Current Digest of the Post-Soviet Press*, vol. 47, no. 11 (1995), pp. 7-8.

<sup>10</sup> Kozyrev eventually resigned as foreign minister in January 1996.

<sup>11</sup> Suzanne Crow, "Processes and Policies," *op. cit.*, p. 50.

---

*The Russian oil and gas industry has played an influential role in the conduct of Russian foreign policy, particularly in the former republics.*

---

the lifting of sanctions against that country. In a speech to the a group of industrialists comprising the Civic Union in late February 1993, Yeltsin stated: "The time has come for the appropriate international organizations to grant Russia special powers as the guarantor of peace and stability on the territory of the former Union."<sup>12</sup> It is difficult to judge whether the Ministry of Foreign Affairs would have made these shifts independent of the increased role of the Security Council. However, the Security Council did have an explicit mandate to direct the country's foreign policy.

In addition to the Security Council, the Ministry of Defense and the military-industrial complex have played a significant role in Russian foreign policy-making. In October 1993 Defense Minister Pavel Grachev declared in Helsinki that Russian troops would remain in Latvia and Estonia as long as discrimination against the Russian minority continued in these countries.<sup>13</sup> While it could be argued that Grachev's public statements were made with the full support of Yeltsin and Kozyrev, other trends indicate that the military is not acting in accord with the Yeltsin-Kozyrev policies. For example, Russian troops have been participating in armed disputes in the former republics without the consent of the high command. The 14th Russian Army was involved in the 1992 conflict between Moldova and the Transdniester Republic, apparently without orders from Grachev. In 1992 and 1993, heavily armed Russian troops sided with South Ossetian and Abkhaz separatists in their attacks on Georgian troops.<sup>14</sup> Similar lack of control is evident in the illicit sale of weapons to China. Local military commanders and managers of the military-industrial complex are projecting Russian power beyond the borders of the Russian Federation in spite of the policy of the Foreign Ministry.

### ***The Role of the Regions in Foreign Policy***

Another source of independent Russian foreign policy-making has been regional leaders, who often attempt to assert their interests over those of Moscow. The role of regional leaders has been particularly important in Russia's relations in Asia. The most notable example is former regional chief administrator of the Sakhalin oblast, Valentin Fedorov. Fedorov, who initially won a seat in the Sakhalin parliament in 1990 by challenging Soviet colonial appropriation of Sakhalin's resources, directly challenged both Gorbachev and Yeltsin on a number of issues. He repeatedly criticized the government for proposing to cede the disputed Kurile Islands to Japan in 1991 and 1992 and encouraged islanders to protest the surrender of territory. In the area of oil and gas exploration, Fedorov hired Palmco, a joint U.S.-Korean firm, to explore the reserves off Sakhalin Island. Meanwhile, the Russian parliament awarded a bid to a U.S.-Japanese consortium, overruling the Sakhalin executive. Fedorov's efforts to buck Yeltsin won him considerable approval among Russian nationalists.<sup>15</sup>

---

<sup>12</sup> *Ibid.*, pp. 51-52.

<sup>13</sup> Gennady Charodeyev and Konstantin Eggert, "Pavel Grachev is Blackmailing Riga and Tallinn on His Own Initiative," *Izvestiia*, October 22, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 42 (1993), p. 22.

<sup>14</sup> See various reports in the July 22, 1992, issue of *The Current Digest of the Post-Soviet Press*, vol. 44, no. 25 (1992), pp. 1-6 and Besik Urigashvili, "Parliamentary Opposition Demands Radical Actions," *Izvestiia*, February 25, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 8 (1993), p. 15.

<sup>15</sup> Kathryn Brown, "Sakhalin's Valentin Fedorov Makes Nationalist Allies," *RFE/RL Research Report*, vol. 1, no. 38 (September 1992), pp. 33-38.

## ***Energy and Foreign Policy***

The Russian oil and gas industry has played an influential role in the conduct of Russian foreign policy, particularly in the former republics. While in some disputes the oil and gas industry seems to have been acting in accord with the goals of the Ministry of Foreign Affairs, other actions have been taken independent of or, in at least in one case, in direct contradiction to the Foreign Ministry stance. In June 1993, for example, several days after the Estonian parliament adopted very restrictive residency requirements, the delivery of natural gas to the Baltic states was halted.<sup>16</sup> Cutting off gas supplies to the Baltics was clearly a warning to the Baltics not to discriminate against the Russian population there.

This action, if not directly ordered by Yeltsin, certainly would have been supported by him to counter what he called a practice of ethnic cleansing. Later that year, roughly a month after Turkmenistan signed a memorandum with Iran expressing the intention to build a gas pipeline from Turkmenistan through Iran to Europe, the Russian gas company Gazprom shut off Turkmen gas exports to Europe through Russia.<sup>17</sup> In the case of Turkmenistan it is less clear that Gazprom was acting in accord with the desires of the Foreign Ministry, since Turkmenistan was the only former republic to sign an agreement on dual citizenship and had recently become one of the first republics to allow for the permanent placement of Russian troops on its territory.<sup>18</sup> However, the possibility that Gazprom was acting with Kozyrev's approval should not be discounted, since at about the same time Turkmen exports were shut off the foreign minister announced that Russia should be willing "to transfer economic advantages into the political realm."<sup>19</sup> Since Turkmenistan has frequently shown reluctance to follow Russia's lead in the Commonwealth of Independent States (CIS), Kozyrev may have supported Gazprom in this effort. An instance in which the oil and gas industry is in direct conflict with the Foreign Ministry is over the agreement between foreign oil companies, the republic of Azerbaijan, and the privatized Russian oil company LUKoil to drill on the Caspian shelf off the shores of Azerbaijan. Kozyrev initially said the contract was illegal, while Prime Minister Viktor Chernomyrdin, formerly head of Gazprom, supported the contract, presumably because it included LUKoil. Kozyrev backed off of his initial objections, but recently once again stated his opposition to the deal.

## ***The Shift to Asia***

Opposition pressure and the division of decision-making responsibility have not been the only factors pushing the Yeltsin government to adjust its foreign policy. A very important and persistent concern is the 26 million ethnic Russians who live beyond the borders of the Russian Federation. The Russian government is concerned, as any government of a Western democracy would be, about protecting the rights of its fellow Russians abroad. Another factor is economic pressure: the breakup of the Soviet Union into 15 independent states led to the interruption of economic ties essential to the proper functioning of many enterprises. Economic reintegration with former Soviet republics, particularly those of resource-rich Central Asia, thus became a major Russian foreign policy goal. Finally, security concerns, particularly those emanating from instability in the former republics, have led Russia to play an increasingly active role in the security of much of the former Soviet Union beyond the borders of the Russian Federation. Central Asia has been the object of increasing Russian interest in this sphere as well.

---

<sup>16</sup> "Russian Gas Deliveries to Baltic Region Halted," *Izvestiia*, June 30, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 26 (1993), p. 17.

<sup>17</sup> Stephen J. Blank, "Energy, Economics, and Security in Central Asia: Russia and its Rivals," publication of the Strategic Studies Institute of the U.S. Army War College, May 10, 1995, p. 14.

<sup>18</sup> Pavel Shinkarenko, "Twenty-One Agreements are Signed in Ashgabat," *Rossiiskie vesti*, December 25, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 52 (1993), p. 15.

<sup>19</sup> Aleksandr Bekker, "Migration is Becoming a Problem of State Security," *Sevodnya*, November 13, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 46 (1993), p. 21.

Frustration with the West, opposition to Western-oriented policies, historical ties with Central Asia, and opportunities for cooperation with China have resulted in a Russian foreign policy increasingly focused on Asia. Russia is at once looking to East Asia for allies and alternate models of economic development and pushing its interests more assertively in Central Asia. In January 1993, almost exactly a year after his foreign minister championed alliance with the West, Yeltsin indicated that Russian foreign policy was shifting away from its Western orientation.<sup>20</sup> Successful political, military, and economic cooperation with China is in stark contrast to the stumbling blocks in relations with the West and Japan. In Central Asia, mutually beneficial bilateral agreements in the areas of security guarantees and economic cooperation have combined with threatening gestures from Russia, particularly concerning energy issues, to give Russia a greater role in these five states.

Comments by Yeltsin and trends within the government indicate a potentially significant shift in relations with the West and the CIS. In a February 1995 speech to the Federal Assembly, the upper house of the new Russian parliament, Yeltsin claimed that:

Attempts to take advantage of [the difficulties in establishing Russian statehood and a crisis in the economy] are being made by forces abroad that fear the restoration of Russia's might on the basis of democratic market reforms. Those forces are not foregoing the temptation to push our country away from its historical boundaries and minimize its international role. There have been attempts to restrain the CIS countries' natural desire for integration on a new basis and to impede the restoration of mutually advantageous economic and other ties.<sup>21</sup>

In referring to the forces abroad, Yeltsin did not specifically point his finger at the West. However, he did describe a renewed effort to restore ties with former Soviet republics, defend his country's borders against foreign aggression (where the aggression was coming from was not specified), and assert Russia's role as an important actor in international diplomacy. The implication of this policy is that international forces bent on destroying the country will be vic-

---

*. . . while warning of the limits of partnership with the West, [Primakov] has not renounced a policy of cooperation with the West and is not likely to do so.*

---

torious if Russia does not act in a more resolute manner. In the same speech, while claiming that partnership with the United States was among Russia's chief priorities, Yeltsin took a decidedly threatening tone toward NATO in stating that "it is disturbing that certain forces in the West are trying to carry out a regrouping of influence in the Euro-Atlantic region. . . . A new split on the European continent would not be in the interests of Russia or in the interests of Europe as a whole."<sup>22</sup> There has also been significant discussion in the Russian press about the increasing power of the security ministries and the Security Council in Russian foreign policymaking at the expense of the influence of the Foreign Ministry. The conclusion of many Russian and Western observers is that these groups are more conservative and less inclined to support cooperation with the West.

<sup>20</sup> Itar-Tass, January 30, 1993, cited in Suzanne Crow, "Processes and Policies," *op. cit.*, p. 52.

<sup>21</sup> *Rossiskaia gazeta and Rossiiskie vesti*, February 17, 1995, as translated in *The Current Digest of the Post-Soviet Press*, vol. 47, no. 8, (1995), p. 13.

<sup>22</sup> *Ibid*, p. 14.

Similar accusations have been made about the new foreign minister, Evgenii Primakov, who replaced Kozyrev in January 1996. Primakov stresses that Russia needs to act like a great power with its own sphere of influence, analogous to the territory of the former Soviet Union. An Arabist by education, Primakov has a strong interest in developing relations with countries to the south. Consequently, he advocates increased integration of the CIS and a more vigorous policy toward Russia's southern neighbors. Yet fears that Primakov is a hard-liner are misguided. The direction he advocates for the course of Russia's foreign policy is very much in line with Yeltsin's. A former director of the Institute for International Economics and International Relations, he was a staunch reformer in the Gorbachev period. Furthermore, while warning of the limits of partnership with the West, he has not renounced a policy of cooperation with the West and is not likely to do so.

### *Continuity of Policy*

Despite the change in foreign policy emphasis and signs of reduced cooperation with the West, the Yeltsin government to date has not wavered from the basic principles underlying its foreign and domestic policies. It remains committed to maintaining the borders of the Russian Federation as those of the new Russian state. Marketization of the economy and privatization of industry continue and are finally beginning to have an impact on production. Economic transformation continues despite initial concerns that Prime Minister Chernomyrdin would discourage the reforms begun by the government of Yegor Gaidar and that former privatization minister Vladimir Polevanov would renationalize certain industries. Although Yeltsin and leaders of other parties have been more forceful in denouncing the West when they consider Russia's interests to have been compromised, cooperation with the West has not been renounced. In other words, the fundamental purpose of the Yeltsin government's policies has not changed—those policies continue to give high priority to cooperation with the West. It is important to note in conclusion, however, that the policy continuity has been the result of a continuity of presidential leadership and ideas. At least half, and probably substantially more, of the Russian leadership throughout the Yeltsin era has been markedly anti-Western in its foreign policy outlook. Both communists and nationalists, highly successful in the December 1995 elections, have made irredentism—the reconsolidation of the territory of the Soviet Union—the central theme of their foreign policy statements. While the present constitutional arrangements and the current president constrain the advocates of such views, the election of a communist or nationalist president would make possible significant shifts of policy. In Russia's Asia policy the main impact would be felt by the Central Asian states.



### III

## Russia and the Newly Independent States of Central Asia

Russia's relations with Central Asia are one of the most important issues in its post-communist foreign policy. The foundation for a new policy was laid when the leaders of the Russian Federation recognized the independence of the Central Asian states by supporting the creation of the Commonwealth of Independent States on December 21, 1991. The action was taken on the assumption that these republics would still be tied to Russia by the structure of the CIS, which would manage common economic and security interests. The early meetings of the CIS states focused precisely on these pivotal issues, though with little success. By May 1992 Russia had begun to set up a separate Ministry of Defense, and by November 1993 all of the Central Asian states except Tajikistan had adopted their own currencies, abandoning the shared ruble.

### *Central Asia and the Russian Foreign Policy Agenda*

In the early months after the collapse of the Soviet Union, Russian leaders seemed to take little interest in the former Soviet republics of Central Asia or, for that matter, in other Soviet successor states. The legacy of Russian ties to Central Asia was seen as a hindrance to Russia's new policy directions, and Russian democrats remembered bitterly that Central Asian leaders had supported the old order during the August 1991 coup. Since long-term economic development and security were dependent on close cooperation with the West and Japan, to which the new Russia was tied by its commitment to democracy and market economy, Russia would look to Central Asia only when its immediate interests were at stake.<sup>1</sup> Reintegration of the former republics, to the extent that it was necessary, would occur purely on a voluntary basis.<sup>2</sup>

The advocates of this Western-oriented policy were called Atlanticists. Their intellectual critics and policy rivals, called Eurasianists, stressed Russian interests in the Transcaucasus and Central Asia, and the importance of ties with the powers of Asia. In this view, the new states of Central Asia were vital not only because of their extensive political, economic, and cultural ties with Russia, but because of their role in Russian security. If Russia were not actively involved with the newly independent states on its southern border, there would be a danger of instability within these states and of confrontation with Islamic states seeking to extend their influence into the vacuum created by the withdrawal of Russian power. Moreover, given the animosity of much of the Islamic world toward the West, it was considered important that Russia not be identified with the Western powers and lose independence in dealing with the Islamic states of South and Southwest Asia. In economic matters, the Eurasianists argued that the Soviet legacy of economic ties gave Russia a unique advantage in helping the Central Asian states shift from a socialist to a market economy.<sup>3</sup> This view, which was expressed in an August 1992 program put forward by the Council for Foreign and Defense Policy, was held by such influential people as Russian State Counselor Sergei Stankevich and former chairman of the parliament's Committee for International Affairs and Foreign Economic Relations, Evgenii Ambartsumov.<sup>4</sup>

---

<sup>1</sup> Alexander Rahr, "'Atlanticists' versus 'Eurasians' in Russian Foreign Policy," *RFE/RL Research Report*, vol. 1, no. 22 (May 29, 1992), pp. 17-22.

<sup>2</sup> Vladislav Chernov, "Russia's National Interests and Threats to its Security: Boris Yeltsin Approves Russian Federation's Foreign Policy Concept," *Nezavisimaia gazeta*, April 29, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 17 (1993), pp. 13-15.

<sup>3</sup> Alexander Rahr, *op. cit.*, pp. 19-20.

<sup>4</sup> Suzanne Crow, "Competing Blueprints for Russian Foreign Policy," *RFE/RL Research Report*, vol. 1, no. 50 (December 18, 1992), pp. 45-50 and "Ambartsumov's Influence on Russian Foreign Policy," *RFE/RL Research Report*, vol. 2, no. 19 (May 7, 1993), pp. 36-41.

A more hardline group, composed of communists and nationalists, advocated the reconsolidation of the domain and power of the former Soviet Union. Communist Party leader Gennadii Zyuganov denied any intention to use coercion to achieve his purpose (which the nationalists did not), but insisted that the territory of the Soviet Union was the legitimate territorial successor of the historic Russian state.<sup>5</sup> Russia was therefore justified in reasserting Russian control over the Central Asian republics.<sup>6</sup> In contrast to the more moderate Eurasianist position, which maintained that Russia's interests did not always coincide with the West's and that Russia could be a useful ally for the Central Asian states, Zyuganov and other communists, together with Russian nationalists, argued that Russia's mission was to challenge the West<sup>7</sup> and regain dominance in the former union republics.<sup>8</sup>

### ***The Yeltsin Foreign Policy Shift***

Over the course of the four years since the collapse of the Soviet Union, the Yeltsin/Kozyrev foreign policy has shifted from a purely Atlanticist view toward a more Eurasian position. Aside from security questions and economic interests, a major factor has been the fact that nearly eleven million ethnic Russians reside in the region, six million in Kazakhstan alone.<sup>9</sup> Both the number and the distribution of ethnic Russians in Kazakhstan are a challenge to acceptance of the Soviet-era boundaries of the new Russian Federation. Most of the Russian population in Kazakhstan resides in the north, adjacent to the Russian Federation, where they are the dominant group. There, as in other former Soviet republics, Moscow has claimed the role of protector of the rights of the Russian population.

The leverage that Russian leaders can apply to the Central Asian states has many elements, consisting both of the internal conditions within these countries and of Russia's economic and political power, which can be used to influence political decisions in these countries.

Internal conditions include the confusion created by the abrupt transition to independence (which none of the states had actively sought) and the severe economic and political dislocation that followed. Lacking independent armies, or the financial and technical resources with which to build them, they soon had to turn to Russia for military assistance and security guarantees. In energy affairs they were either dependent on Russian energy imports or, for those well-endowed with their own oil and natural gas, dependent upon Russian pipelines to reach world markets. For the management of much of their economy they were still crucially dependent on Russian specialists, and equally dependent on Russia and other CIS states for markets and imports. Finally, all of the Central Asian states have quite mixed populations, which poses major challenges to efforts to form a new sense of nationhood, and creates an invitation to intervention by neighboring states, most importantly Russia.

On the Russian side, there have been many motivations for playing an active role in Central Asia. A major motivation is Russian security, since there is much potential for unrest in Central Asia (as in the Transcaucasus) to spill over into the Russian Federation due to the large numbers of Russians living in the region and the significant Moslem population in the Russian Federation. Russian leaders have also demonstrated considerable concern about the expanding influence of neighboring states—especially China, Pakistan, Iran, and Turkey—in the region. And they have become increasingly competitive with Western investors to exploit Central Asia's rich

---

<sup>5</sup> Stephen E. Hanson, "Finding the 'Russia' Behind Russian Asian Policy," paper presented at the Washington, DC, conference of the "New Russia/CIS in Asia" project, October 5–6, 1995.

<sup>6</sup> Alexander Rahr, *op. cit.*

<sup>7</sup> *Ibid.*

<sup>8</sup> Stephen E. Hanson, *op. cit.*

<sup>9</sup> Martin Klatt, "Russians in the 'Near Abroad,'" *RFE/RL Research Report*, vol. 3, no. 32 (August 1994), p. 40.

---

*In sum, Russian leaders have significant levers with which to exert their influence on a vulnerable group of new Central Asian states, and many motives for doing so.*

---

energy resources. In sum, Russian leaders have significant levers with which to exert their influence on a vulnerable group of new Central Asian states, and many motives for doing so.

The Yeltsin government has tried to assert its interests in Central Asia without departing from its original definition of the borders of the Russian state. Russian involvement in Central Asia has so far been justified by concern for human rights and the need to support cooperative security.<sup>10</sup> In this sense, Yeltsin's policies toward Central Asia are not neo-imperialist: rather the government has primarily played the role of benign hegemon, which is the position encouraged by the more moderate of the Eurasianists. The Russian government's intention to play a more assertive role in Central Asia is apparent in comments like those of Andrei Kozyrev, who, addressing Russian troops stationed in Tajikistan in November 1992, stated: "In order to protect Russia's borders, we must try to achieve political stability in the states of Central Asia."<sup>11</sup> A year later, Kozyrev used imperialist rhetoric to point out the danger of "losing geopolitical positions that took centuries to conquer."<sup>12</sup> Such statements have led many to question whether Russia is attempting to assert its imperial power once again in Central Asia.

### ***International Repercussions of Russian Central Asian Policy***

Russia's approach to Central Asia is immensely important to the countries of the Middle East, East Asia, Europe, and the United States. Vast reserves of fossil fuels are located in the region, particularly in Turkmenistan and Kazakstan. In the opinion of one scholar, the stable development of energy resources in Central and Southwest Asia is as important to the West as turning back the Iraqi threat to Kuwait.<sup>13</sup> Access to energy is crucial to the economic development and security of the West, Russia, and the countries of Northeast Asia. The Chinese, for example, are eager to develop a pipeline from Central Asia to China to help supply the vast energy needs of Chinese industry. Japan has also proposed a pipeline running from Turkmenistan through Uzbekistan and China to Japan to reduce its dependence on Middle Eastern oil.<sup>14</sup>

An additional concern of the neighboring states is regional stability. This is particularly true of China, whose energy-rich Xinjiang has a majority population of Turkic Uighurs, as well as other Turkic peoples, and feels vulnerable to Turkic nationalism in former Soviet republics. China also expects that stability and economic development in the region will potentially be a great benefit to the western regions of China, which have not yet benefited from the economic boom in eastern China.<sup>15</sup>

---

<sup>10</sup> Stephen E. Hanson, *op. cit.*

<sup>11</sup> Igor Rotar, "Moscow is Trying to End the Tajik Civil Conflict," *Nezavisimaia gazeta*, November 11, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 45 (1992), p. 18.

<sup>12</sup> "Polgoda nazad Rutskoii skazal mne: Ia ikh nenavizhy 'etikh krasno korichnevnykh,'" ("Six Months Ago, Rutskoii Said to Me: I Despise them, 'those Red-Browns.')" Interview with Andrei Kozyrev in *Izvestia*, October 8, 1993, p. 3.

<sup>13</sup> Robert M. Cutler, "Central Asia in US Policy: Between Engagement and Commitment," paper presented at the Washington, DC, conference of the "New Russia/CIS in Asia" project, October 5-6, 1995.

<sup>14</sup> OMRI Daily Digest, June 6, 1995.

<sup>15</sup> Comments made by participants at the conference "The Dynamics of Economic Development in the Central Asian Region," Urumqi, Xinjiang Province, China, August 28-30, 1994; sponsored by the International Research and Exchanges Board (IREX); the Institute of East European, Russian, and Central Asian Studies of the Chinese Academy of Social Sciences; the Xinjiang Social Sciences Research Association; and the Xinjiang Academy of Sciences.



Finally, the question of Russia's approach to Central Asia raises important issues about the nature of the Russian government and Russian foreign policy. As Professor Rajan Menon argues, whether Russia is a benign hegemon or a neoimperialist power is not a trivial matter. If Russia chooses the latter role, the Central Asian states will be obliged either to accept Moscow's terms or seek outside protection. Such a course could quickly revive tensions with the United States reminiscent of the Cold War era.<sup>16</sup>

### ***Foreign Policies of the Central Asian States***

The governments of the newly independent Central Asian states have exploited expanded international interest and activity in their region to forge independent foreign policies. To increase their economic independence from Russia they have given high priority to the integration of their economies into the broader regional economy by means of multilateral and bilateral agreements. By November 1992, Azerbaijan, Uzbekistan, Turkmenistan, Kyrgyzstan, Kazakstan, and Tajikistan had officially joined Iran, Pakistan, and Turkey in the Economic Cooperation Organization (ECO).<sup>17</sup> The member countries of the ECO have so far agreed to cooperate in oil extraction,<sup>18</sup> initiate air routes between capitals, expand railroad links, and expand satellite communications systems.<sup>19</sup> In addition to the ECO integration, efforts have been undertaken by Turkey to expand economic ties with Kazakstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Azerbaijan. At a summit in Ankara in October 1992, the six countries agreed to establish common communications links and visa-free travel and facilitate the circulation of capital between the countries.<sup>20</sup> However, the desire not to appear to threaten Russian interests in the region has reportedly slowed the pace of cooperation.<sup>21</sup>

The former republics of Central Asia have also negotiated numerous bilateral agreements with Iran and Turkey. The most important have been the agreements between Turkmenistan and Iran to construct pipelines from Turkmenistan through Iran to Europe. Iran has also offered to provide \$49 million to help reconstruct the Caspian port of Aktau in Kazakstan.<sup>22</sup> In the summer of 1995, Turkish Prime Minister Tansu Ciller visited the republics of Kazakstan, Uzbekistan, Turkmenistan, and Kyrgyzstan and signed a number of potentially significant bilateral agreements, including one for Turkey to provide a \$300 million credit to Kazakstan which would be used, among other purposes, to support the privatization of the Kazak agrarian sector.<sup>23</sup>

In addition to promoting cooperation with the countries of the Middle East, the Central Asian states have all worked at cultivating relations with China. In the first half of 1992, Kazak Prime Minister Sergei Tereshchenko and Presidents Islam Karimov of Uzbekistan and Askar Akayev of Kyrgyzstan all made trips to Beijing. Each president signed agreements to encourage Chinese

---

<sup>16</sup> Rajan Menon, "Central Asia's Foreign Policy and Security Challenges: Implications for the United States," *NBR Analysis*, vol. 6, no. 4 (1995), p. 14.

<sup>17</sup> Aleksei Portansky, "Meeting in Teheran Called 'Historic,' but not Everyone Agrees with the Free Market System," *Izvestiia*, February 18, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 7 (1992), p. 16 and Maksim Gan, "Central Asian Republics Join Islamic States' Trade Bloc," *Izvestiia*, November 30, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 48 (1992), p. 18.

<sup>18</sup> Asal Azamova, "Who Is Strengthening the CIS?" *Moskovskie novosti*, May 17, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 19 (1992), p. 3.

<sup>19</sup> Sergei Kozlov, "The Second Meeting of the Leaders of the OEC's Member Countries," *Nezavisimaia gazeta*, July 14, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 28 (1993) p. 15.

<sup>20</sup> Vladimir Khovratovich, "Turkey Strengthens Position in Southern Republics of Former USSR," *Izvestiia*, November 3, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 44 (1992), p. 21.

<sup>21</sup> Aidyn Mekhtiyev, "Central Asian Commonwealth Could Become Alternative to CIS," *Nezavisimaia gazeta*, October 21, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 2, (1994), pp. 22-23.

<sup>22</sup> OMRI Daily Digest, August 15, 1995.

<sup>23</sup> OMRI Daily Digest, August 16, 1995.

investment in and trade with their respective countries.<sup>24</sup> Not surprisingly, given the extent of Chinese interests in Central Asia, Chinese leaders have reciprocated. In April 1994 Prime Minister Li Peng toured Central Asia accompanied by foreign policy advisors and 70 business leaders. Important results included a protocol to build a pipeline from Turkmenistan through China to Japan and an agreement with Kazakstan on border demarcation.<sup>25</sup>

Finally, establishing cooperation with the West has been important for the Central Asian states. Most significant in this regard have been agreements between Western oil companies and the governments of Kazakstan and Turkmenistan. Most attention has been given to Chevron's joint venture with Kazakstan to develop the Tengiz oilfields in western Kazakstan. Also potentially very important has been the inclusion of Uzbekistan in the North Atlantic Treaty Organization's (NATO) Partnership for Peace. Both of these American initiatives have received criticism from Russian government officials, political leaders, and the press as a threat to Russian national interests.

### ***Russian Response to the Foreign Policy of the Central Asian States***

The Russian government and press show much concern about the growth of Central Asian ties with neighboring states, especially Turkey, Iran, and Afghanistan. Initially, the focus was upon Turkish influence. Meetings that included Turkey and the five Central Asian republics were often portrayed in the Russian press as an effort by Turkey to establish a greater Turkestan which could give Turkey a predominant position in Central Asia at the expense of Russia. The Russians also feared the possible growth of Iranian influence in the region.

Over the course of the last year or so, the general concern about possible Turkish or Iranian control of Central Asia seems to have abated. One likely reason is that Russia is undoubtedly more confident that it will remain Central Asia's dominant partner. The easing of Russian concerns is tied to several factors. First, the Central Asian states need Russian economic ties and security assistance. Second, Russia has been able to use its economic levers effectively to encourage the Central Asian states to follow its direction. In addition, the neighboring states, particularly Turkey, Iran, and China, are unable and unwilling to assert their will in the region at the expense of Russia. These countries have become dependent on cooperation with Russia, especially in the area of arms sales. Russian support to China and Iran has included the sale of nuclear technology. Russian trade is particularly important to Iran at a time when the arms it seeks are unavailable from Western sources.

Russia's more relaxed view of cooperation among Turkey and the Central Asian states can be seen in its muted reaction to an August 1995 meeting in Ankara, Turkey of these states. The response may be explained by the fact that Russia hosted a summit of the Turkic-speaking countries the following month, perhaps expecting to coopt the process of Turkic cooperation. The Open Media Research Institute (OMRI) reports that the August meeting "was longer on rhetoric than on substance," which was also the case at previous summits.<sup>26</sup>

In July 1993, Russia, Ukraine, and Belarus signed a "Statement on Urgent Measures to Deepen Economic Integration" which would encourage the preservation of a single economic space in

---

<sup>24</sup> Yury Savenkov, "Alma-Ata Tries to Take the Lead," *Izvestiia*, February 28, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 9 (1992), p. 15; Yury Savenkov, "A. Kozyrev's 30 Hours in Beijing," *Izvestiia*, March 16, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 11 (1992), p. 15; and Yury Savenkov, "Bishkek and Beijing: Ties that Go Back 2,000 Years," *Izvestiia*, May 15, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 20 (1992), p. 18.

<sup>25</sup> Keith Martin, "China and Central Asia: Between Seduction and Suspicion," *RFE/RL Research Report*, vol. 3, no. 25 (June 24, 1994), p. 30.

<sup>26</sup> OMRI Daily Digest, August 29, 1995.

which goods, services, and capital could move freely.<sup>27</sup> Russian Deputy Prime Minister Aleksandr Shokhin explicitly stated that Kazakhstan could not be included in economic agreements signed by the Slavic states because it had already joined the ECO, which had its own common market, customs union, and trade bank.<sup>28</sup> President Nursultan Nazarbayev of Kazakhstan maintained that links between Central Asia and the ECO benefit all countries of the CIS by opening up previously unavailable trade routes to South and East Asia.<sup>29</sup> Whether any of these agreements will yield significant results is questionable.

Shokhin's exaggeration of the cooperation among the ECO states shows Russian fears of Central Asian participation in the ECO. At that time, no customs union, common market, or trade bank had been set up, although they were apparently being considered. More recently, however, the January 1995 signing of the "Declaration on Expanding and Deepening Russian-Kazak Cooperation," the creation of a customs union between Russia, Belarus, and Kazakhstan,<sup>30</sup> and similar agreements with other Central Asian countries in the fall of 1995,<sup>31</sup> suggest that Russia no longer considers it impossible for the Central Asian states to participate in multilateral economic agreements that include Russia while at the same time participating in other organizations that do not.

Similar concerns have been expressed in Russia about multilateral forums set up by the Central Asian republics themselves. While initial meetings of the Central Asian leaders in 1992 resulted in virtually no substantive agreements,<sup>32</sup> more substantial meetings were initiated in 1993 and 1994. In January 1993 the Central Asian Regional Union (CARU) was established at a meeting in Tashkent. The leaders emphasized closer economic ties, agreed to meet regularly, and discussed the possibilities for military cooperation between the countries. Coming several months after the first meeting of the Turkic-language states in Ankara, the establishment of CARU was seen in the Russian press as an attempt to create a united Turkestan.<sup>33</sup> Like the reaction to the expansion of ECO, the reaction to CARU demonstrates that Russian policymakers continue to have much difficulty accepting the foreign policy independence of the Central Asian states. Their reaction also exaggerates the potential of CARU. Differences between the Central Asian states make unification extremely unlikely, and even a united Central Asia would represent no serious threat to Russia, but would need Russian help to maintain its security.

In addition to the CARU, recent meetings between the presidents of Kazakhstan, Kyrgyzstan, and Uzbekistan have developed into a relatively permanent forum. In July 1994, Presidents Nursultan Nazarbayev, Askar Akayev, and Islam Karimov agreed to a partnership which included mechanisms to coordinate and monitor agreements made between the countries. In February 1995 the three presidents formed an Interstate Council, a Council of Foreign Ministers, and a Central Asian Bank for Cooperation. At present, these agreements do not inhibit Central Asian participation in the CIS. In fact, Central Asian leaders continue to participate actively and purposefully in the CIS, primarily to maintain ties with Russia while increasing cooperation among themselves and other regional partners. In other words, regional multilateral organiza-

---

<sup>27</sup> Irina Demchenko, "Heads of Government of Three Slavic Republics Agree on Integration Once Again," *Izvestiia*, July 13, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 28 (1993), p. 12.

<sup>28</sup> Interview with Deputy Prime Minister Aleksandr Shokhin in *Megapolis-Express*, no. 28 (July 21, 1993), in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 28 (1993), p. 14.

<sup>29</sup> Sergei Kozlov, *op. cit.*, p. 15.

<sup>30</sup> Boris Sherman, "Russia and Kazakhstan Will Create Joint Armed Forces," *Sevodnya*, January 21, 1995, in *The Current Digest of the Post-Soviet Press*, vol. 47, no. 3 (1995), pp. 27-28 and Sergei Rybak, "Customs Union Created," *Nezavisimaia gazeta*, January 31, 1995, in *The Current Digest of the Post-Soviet Press*, vol. 47, no. 5 (1995), pp. 22-23.

<sup>31</sup> Various OMRI Daily Digests, fall 1995.

<sup>32</sup> Martha Brill Olcott, "Central Asia's Catapult to Independence," *Foreign Affairs*, vol. 71, no. 3 (Summer 1992), pp. 126-127.

<sup>33</sup> Semyon Novoprudsky, "A New Turkestan," *Nezavisimaia gazeta*, January 6, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 1 (1993), p. 3.

tions and bilateral agreements with Russia are more important for the new states of Central Asia than the maintenance of the Commonwealth as a whole.

As they have nurtured new relationships with their southern neighbors, the states of Central Asia have not forgotten their need for Russia. With the exception of Turkmen President Saparmurad Niyazov, the Central Asian leaders have signed every important CIS agreement, promoted cooperation with Russia publicly and often, and entered into numerous bilateral agreements with the great power to the north. While Russia's strength has allowed it to dictate terms on a number of occasions, it is also true that Russian power is seen by many Central Asian leaders as a protection for their security and independence. Furthermore, Central Asian industry is closely tied to Russian enterprises, and Russia is likely to remain the most important export market for Central Asian goods well into the future. Kazakhstan in particular is highly integrated into the economy of the Russian Federation. One-third of the country's population lives in single-industry cities which are dependent on the markets of Russia and other European CIS states.<sup>34</sup>

Russia's ties to the newly independent states of Central Asia seem to have grown recently due to the relative success of the Russian economy and the slow development of communications links to the south. This is especially true of Russia and Kazakhstan. On the enterprise level, integration of the Kazak and Russian economies is not likely to decrease significantly, especially given the recent offer to Russian corporations to take over the management of Kazak enterprises, reportedly to increase their efficiency and productivity.<sup>35</sup> The January 1995 Declaration on Expanding and Deepening Russian-Kazak Cooperation proposes the creation of a common market for goods, services, capital, and manpower; the coordination of foreign economic policy; and the formation of a joint armed forces. It is not surprising that Kazak President Nazarbayev has been at the forefront in pushing cooperation with Russia, since Kazakhstan, with its large Russian population, strong economic ties, and long border with Russia, has the most to gain by maintaining and increasing its ties with Russia. However, Nazarbayev is not alone in urging greater cooperation with Moscow. In a June 1994 interview in the Russian newspaper *Nezavisimaia gazeta*, Uzbek President Karimov stated, "I personally cannot envisage Uzbekistan's future without Russia."<sup>36</sup>

At the same time that cooperation with Russia remains an important goal from the point of view of the Central Asian states, Russia has increasingly shown interest in expanding its influence in Central Asia. As Russia's foreign policy focus has moved eastward, Central Asia has become an important concern for policymakers. The most tangible issue for the average Russian is the nearly eleven million ethnic Russians living in the countries of the region. In addition to the Russian diaspora, regional security and control of Central Asia's energy resources, which has tremendous significance for Russia and the world economy, are the most important issues for Russia in Central Asia.

### ***Russia and the Russians in Central Asia***

Broadly speaking, the Russians of Central Asia have a more favorable legal position, as an ethnic minority, than Russians in the Baltic states, yet their status and opportunities have declined markedly since the creation of the new states.<sup>37</sup> Russian emigration from the Central Asian republics has been considerable. In 1992 five percent of the Russian population left

---

<sup>34</sup> Robert M. Cutler, *op. cit.*, p. 4.

<sup>35</sup> OMRI Daily Digest, August 28, 1995.

<sup>36</sup> Interview with Islam Karimov, *Nezavisimaia gazeta*, June 21, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 25 (1994), pp. 22-23.

<sup>37</sup> Igor Torar, "Slavs in Central Asia," *Nezavisimaia gazeta*, April 29, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 17 (1993), p. 12.



---

*The Russian government clearly sees the borders of the Central Asian republics as the outer limits of its own security frontier.*

---

Uzbekistan and Kyrgyzstan, while four percent left Turkmenistan. Tajikistan, which at the time was in the midst of a civil war, lost more than 75 percent of its Russian population. As Martha Brill Olcott points out, many Russians consider it a violation of their human rights when they are not offered the same privileges they held as Soviet colonizers. Therefore they consider requirements such as the need for employees of the Uzbek government to learn Uzbek to be discriminatory. It is felt that emigration would be even greater if it were not so difficult to resettle in Russia.<sup>38</sup>

The governments of Central Asia have gone to considerable length to curb Russian emigration. Turkmenistan has allowed its Russian population dual citizenship.<sup>39</sup> In June 1994 Kazak President Nazarbayev was reportedly so concerned about Russian emigration that he stated "it is necessary, without delay, to adopt a new law on languages and eliminate any discrimination against the Russian language."<sup>40</sup> Kyrgyzstan has set up a holding company to help enterprises with a large proportion of Russian employees. By a decree of Akayev, Kyrgyzstan's bankruptcy law will not be applied to 29 primarily Russian enterprises. Akayev also decreed that there was to be a fair representation of Russian speakers in power-wielding bodies throughout the country.<sup>41</sup> The combination of genuine need and deference to Russian interests is apparent in the efforts of the Central Asian governments to keep the Russian population from emigrating. Russians have been vital to the development of industrial and political structures in these states, and Central Asia has need of the expertise of the Russian elites. At the same time, the governments of the region recognize their dependence on Russia and the levers Russia has at its disposal to pressure them to treat its Russian minorities well.

The fact that it is necessary to decree representation of Russian speakers in bodies of power suggests that the Russian population in Kyrgyzstan was being denied representation. Similar claims have been made about Kazakhstan. In the Kazakhstan parliamentary elections of March 1994, 200 candidates were not allowed to register, and the group Russian Community, the largest Russian organization in the country, was not allowed to enter any candidates. The government's response was that radicals of all stripes must not be allowed in parliament.<sup>42</sup> Yet what constitutes a "radical" in Central Asian politics is not at all clear. In fact it seems that the presidents of all of the republics, with the exception of Tajikistan, have the ability to prohibit participation by any party that disagrees with government policy. There is some irony in the fact that Russia supports autocrats like Nazarbayev and Karimov, who maintain stability which protects the Russian population in the region, while at the same time these leaders deny Russians, among others, the right to organize politically.

---

<sup>38</sup> Martha Brill Olcott, *op. cit.*, p. 125.

<sup>39</sup> Vladimir Kuleshov, "Migrants' Rights Are Protected," *Izvestiia*, January 4, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 1 (1994), pp. 7-8.

<sup>40</sup> Vladimir Ardayev, "Nazarbayev Proposes Some Adjustments," *Izvestiia*, June 15, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 24 (1994), p. 13.

<sup>41</sup> Yevgeny Denisenko, "Russians on the Threshold of 'Rush Hour'," *Nezavisimaia gazeta*, June 16, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 24 (1994), p. 13.

<sup>42</sup> Sergei Kozlov, "Central Electoral Commission Reproached for Bias," *Nezavisimaia gazeta*, February 11, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 6 (1994), pp. 25-26.

### ***Central Asia and Russian Security Policy***

The Russian government clearly sees the borders of the Central Asian republics as the outer limits of its own security frontier. Comments by Yeltsin and Kozyrev about the need for Russia to play an active role in maintaining stability in Central Asia in order to protect the borders of Russia clearly attest to this fact.<sup>43</sup> In addition to the problem of the Russian minority in the region, the spread of Islamic fundamentalism into Central Asia is of great concern to Russia, which fears that fundamentalism might spread to its own Moslem population via the former republics. Initially, Iranian-sponsored fundamentalism was seen as the major threat. However, for the most part the Central Asian population has not been inclined toward the Iranian version of Islamic fundamentalism and does not share Iran's Shiite tradition. Additionally, with the exception of Tajikistan, Central Asian governments have successfully coopted or outlawed fundamentalist Islamic movements. Finally, Iran itself has been much less active in Central Asia than was initially expected, due to its limited ability to provide economic assistance and its deference to Russian interests in the region.

A far greater threat than Iranian-sponsored fundamentalism is the encroachment of Islamic fundamentalism into Tajikistan from neighboring Afghanistan. Tajikistan, along with southern Kyrgyzstan and eastern Uzbekistan, is a tremendously unstable region. The very attempt by the Soviet government to define borders in the region was bound to breed discontent in a region where clan and ethnic loyalties are significantly stronger than national loyalty. Stalin's delineation of borders further aggravated matters by purposely dividing up ethnic groups to ensure that nationalist sentiment would not develop in the republics. The collapse of the Najibullah regime in April 1992 reopened the civil war in Afghanistan. The reemergence of the Islamic opposition in Afghanistan after the collapse of the Najibullah regime encouraged the Tajik Islamic opposition and provided it with a source of weapons and refuge in northern Afghanistan.

Due to the intensity of the conflict and the importance Russia places on stopping the spread of Islamic fundamentalism near its borders, the Tajik border has received more attention and resources than any other area of conflict in the former Soviet republics. At a July 1992 meeting in Tashkent, the CIS foreign and defense ministers agreed to coordinated measures to strengthen security on the Tajik-Afghan border. Russia allocated 1,200 troops for protection of the border. At roughly the same time, Turkmenistan and Tajikistan delegated protection of their borders to Russia.<sup>44</sup>

In July 1993, 24 border guards and 200 civilians were killed in a two-day span by Tajik militants crossing the border from Afghanistan. This action increased the level of concern of both Russia and the Central Asian states. At a Moscow summit the following month, Russian and Central Asian leaders agreed that the Tajik-Afghan border, as a CIS border, must be defended collectively. In September an agreement was signed between Turkmenistan and Russia to keep Russian troops in Turkmenistan, with the latter assuming full responsibility for support. Meanwhile, the Russian Federation Supreme Soviet demanded that the Russian government resume talks with the Afghan leadership to find ways to end the Tajik conflict. Many Supreme Soviet deputies had previously blamed the Russian Foreign Ministry for the collapse of the Afghan government (which had been installed by the Soviet Union) and the resultant chaos in the region. Since that time, Russian officials, including the foreign minister, have met with Afghan leaders on several occasions.

---

<sup>43</sup> See, for example, Chapter II, footnote 12 and footnote 11 of this chapter.

<sup>44</sup> Natalya Pachegina, "CIS President Yeltsin Intends to Make Russian Policy More Active," *Nezavisimaya gazeta*, July 28, 1992, and Vladimir Kuleshov, "Joint Border Troops Created," *Izvestiia*, July 28, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 30 (1992), p. 19.

Another result of these events was an aggressive campaign by Kozyrev to assert Russia's right to defend the southern CIS border. On a two-day trip to Afghanistan, Tajikistan, and Kyrgyzstan in early September 1993, he affirmed that Russia was prepared to assume full responsibility for stability in the region. In an article in *Nezavisimaia gazeta* several weeks later, he claimed that Russia had proposed peacekeeping cooperation with the United Nations and Council for Security and Cooperation in Europe (CSCE), but to no avail. While again denying imperial ambitions, he asserted that no other organization was going to keep the peace for Russia in this unique geopolitical space.<sup>45</sup> Finally, in the aforementioned October 8 interview with *Izvestiia*, Kozyrev stressed the importance of developing peacekeeping forces to stop the danger of "losing geopolitical positions that took centuries to conquer."<sup>46</sup> This statement, which implied Russian imperialist motives in Central Asia, came immediately after the Yeltsin government had dissolved the Soviet-era parliament and apparently defeated the communist/nationalist opposition. Kozyrev was espousing nationalist goals at the same time Yeltsin was defeating the nationalist opposition.

Whatever the attitudes or rhetoric of the Russian government, it was clear that the Central Asian states needed Russian help to defend their borders. The chaos in northern Afghanistan and the threat of Islamic fundamentalism to Tajikistan demonstrated this need. And neighboring Kyrgyzstan, with an army of 5,000–7,000 could neither protect its Tajik border nor halt illegal immigration from China.<sup>47</sup> Kazakstan recently reached an agreement with the Russian Federation to patrol its Chinese border.

### ***Russia and Central Asian Energy Resources***

In addition to security and the status of the Russian population, control of the energy supplies of the Newly Independent States has been a major issue in Russian-Central Asian relations. The fact that most of the fossil fuel deposits in the former Soviet Union outside of Russia are located in Central Asia is extremely significant to the development of Russian relations with the Central Asian states. Russian leaders have sought to influence the management and disposition of Central Asian energy resources in several ways. One of these has been to use pipeline access and subsidized fuel sales as a means to pressure former republics to submit to various Russian demands. Russia has sold fossil fuels at below world prices to those countries that follow Russia's policy and has raised prices to the world level for countries that refuse to agree to the Russian position in a particular dispute. Russia is also concerned about losing its position as a supplier of gas and oil to both the former Soviet republics and Western Europe. As the predominant oil producer among the former republics, Russia has been able to dominate in the competition for foreign markets. The dominance is significantly enhanced by the fact that all pipelines on the territory of the former Soviet Union pass through Russian territory, allowing Russia to charge transit fees or stop the flow of oil from those republics which produce oil and gas.

In November 1993, one month after Iran agreed to support the construction of a gas pipeline from Turkmenistan through Iran to Europe, Gazprom reportedly shut off Turkmen gas exports to Europe and blocked all of Kazakstan's oil exports from May–August, 1994.<sup>48</sup> Gazprom's reaction to the Turkmenistan-Iranian deal suggests that the oil and gas industry plays a significant role in the conduct of Russian foreign policy. In a related issue, Stephen Blank, citing "unconfirmed reports," states that Russia has demanded sizable percentages of Kazak oil and gas

---

<sup>45</sup> Andrei Kozyrev, "For All Practical Purposes, Russia Has Been Alone in Shouldering Burden of Peacekeeping in Conflicts Along its Periphery," *Nezavisimaia gazeta*, September 22, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 38 (1993), pp. 29–30.

<sup>46</sup> Interview with Andrei Kozyrev, *Izvestiia*, October 8, 1993, *op. cit.*, p. 3.

<sup>47</sup> Vyacheslav Ya. Belokrenitsky, "Russia and Greater Central Asia," *Asian Survey*, vol. 34, no. 12 (Dec. 1994), p. 1094.

<sup>48</sup> Stephen J. Blank, "Energy, Economics, and Security," *op. cit.*, pp. 12–13.

revenues and stipulated that Kazakhstan ship its oil in Russian tankers in return for the right to use Russian pipelines.<sup>49</sup> Blank's assertion seems to have been confirmed by the recent agreement for Chevron and Kazakhstan to each sell a ten percent share of the Chevron-Tengiz oilfield development to LUKoil.<sup>50</sup>

Despite Russian pressure, several factors have encouraged independent development of Central Asian energy resources. First, foreign companies like Chevron and British Petroleum are aiding in the exploration and extraction of fossil fuels, primarily in Kazakhstan and Turkmenistan. Until very recently these joint ventures have not involved Russian oil companies. Lack of a Russian stake in the ventures excludes Russia from oil profits which used to go to the Soviet government. Yet from the Russian point of view the competition is not only for profits, but also for influence. The Russian government is concerned that Western political influence will follow Western capital, and that a result of the involvement of Western oil companies in the region would mean a loss of Russian influence.

---

*Yet while it is clear that Russia is using control over the energy economy to pressure Kazakhstan and Turkmenistan for an expanded Russian role in their energy economies, there is little evidence of Russian intention or capacity, under the Yeltsin government, to restore anything resembling the broader structure of political, economic, and social control that characterized the old Soviet empire.*

---

Initially, Russia feared the development of pipelines from Central Asia through Iran and Turkey to the Mediterranean or, potentially, through China to the Pacific. Agreements have been signed by Azerbaijan and Turkey and by Turkmenistan and Iran to construct pipelines to Europe which would bypass Russia. However, these pipelines will be very expensive to lay, and to date no construction has begun. Moreover, Russian policymakers are aware that building a pipeline through Russia using Gazprom equipment would cost significantly less than a pipeline through Iran and Turkey.

More recently, Russia has also offered to help build the proposed pipeline from Turkmenistan through Iran and Turkey to Europe. Whether Russia "tried to cut itself in" on the deal<sup>51</sup> or simply "agreed to take part in the construction"<sup>52</sup> is somewhat difficult to assess and depends on how one analyzes Russian motives in general. However, Stephen Blank's assertion that Russia is obstructing work on the project, thereby damaging Turkey's vital interests, misses the point that construction of the pipeline was only a dream before Russian involvement. Construction may still be extremely unlikely, but it does not seem accurate to argue that Russian involvement made completion of the project any less likely. Presumably, the Russian government receives some satisfaction from the fact that Turkey and Iran did not have the capital to finance the project on their own. In any event, it would actually be quite reasonable for Russia to withhold support for a pipeline through Iran and Turkey as long as Turkey continues to place restrictions on passage of Russian tankers from the Black Sea through the Turkish Straits.

---

<sup>49</sup> *Ibid.*, p. 12.

<sup>50</sup> OMRI Daily Digest, November 3, 1995.

<sup>51</sup> Stephen J. Blank, "Energy, Economics, and Security," *op. cit.*, p. 14.

<sup>52</sup> Vyacheslav Ya. Belokrenitsky, *op. cit.*, p. 1107.



Blank contends that Russia uses control over energy resources as the main lever in a policy aiming at reasserting its imperial hegemony over Central Asia. According to Blank, whoever controls the energy economy will be able to determine the destiny of Central Asia. Russia therefore blocks independent energy production, hinders the activities of foreign firms in Central Asia, and uses its pipeline monopoly to control exports from the region.

Yet while it is clear that Russia is using control over the energy economy to pressure Kazakhstan and Turkmenistan for an expanded Russian role in their energy economies, there is little evidence of Russian intention or capacity, under the Yeltsin government, to restore anything resembling the broader structure of political, economic, and social control that characterized the old Soviet empire.

The Russian relationship with Central Asia has experienced a pendulum swing since the collapse of the Soviet Union, from a sudden creation of independent states and the disintegration of a shared economic and security system, to a broad revival of economic and security ties. Both within and outside the Russian government, and in quite varied political circles, it is now accepted that Russia must rebuild a structure of security cooperation, rebuild and expand economic ties, and protect the interests of the large Russian minorities resident in the region. The motivation is provided by security concerns, economic interests, and the legacy of political and cultural ties with the region. It is strengthened by competition for regional power with the states bordering on Central Asia, from Turkey to China. Russian leaders are attempting to limit Turkish efforts to build economic and political ties in the region, to block the radical Islamic thrust from Afghanistan, to control Chinese immigration, and even to limit the growth of policies and institutions drawing together the states of the region independently of Russia. The power vacuum resulting from the Soviet collapse is fast being replaced by the reassertion of Russian hegemony.

The resurgence of Russian power and influence in the region has had a mixed reception from the East Asian states and the United States. Russian claims to a broad right of intervention in the role of security guarantor have been questioned by American and European leaders, as have the Russian efforts to manipulate or control the development and management of Central Asian energy resources, and block the formation of regional and international organizations for economic and security collaboration. And while the Central Asian leaders have many reasons to welcome closer ties with Russia, especially economic and security ties, they are also jealous of their independence and fearful of the increasing influence of aggressive Russian nationalist groups who would, if allowed, press for reintegration of part or all of Central Asia into an expanded Russian state. In these matters the increased strength of communists and nationalists in Russian political life—both groups supporting the rebuilding of the territory of the Soviet Union—is a matter of great concern for the Central Asian leaders, and potentially, for a much broader community of states.

## IV

### Russian-Chinese Relations Since 1991

#### *The Background*

A quarter century of severe conflict between the Soviet Union and China reached a climax with U.S.-Chinese cooperation against the Soviet Union in the 1970s and early 1980s. However, rapidly improving relations during the Gorbachev period led to reconciliation of the two powers during the Soviet president's visit to Beijing in May 1989. This process was interrupted by Chinese fears of the revolutionary changes of the Gorbachev era, which included East European revolutions in the summer and autumn of 1989 and the collapse of the Soviet Union in 1991. The Chinese were concerned about the challenge of Russian democracy, the attitudes of Russian democratic leaders to Chinese communism, and the threat of the newly independent Central Asian states to Chinese control of Turkic minorities in Xinjiang.

China did not figure in the early foreign policy planning of the democrats who dominated in the early Yeltsin era. Instead, foreign policy focused on cooperation with the West and, in Asia, reconciliation with Japan, the key American ally in Asia and potentially a major source of economic aid and direct investment for Russia.

#### *Changing Priorities: From Japan to China*

But the situation changed rapidly due to Russian disappointment with relations with Japan and concern about the power vacuum in Central Asia. As a result, Russia developed a new sense of the importance and potential of its relationship with China, reinforced by the growing disillusionment of Yeltsin and his democratic allies with Western support, by strong pressure from a broad array of centrist, communist, and nationalist political leaders, and by the interest of the leaders of the military-industrial complex in arms exports to China. In addition, the military wished to complete the process, begun during the Gorbachev period, of reducing conflicts and thereby reducing the cost of military deployments along the Chinese border.

As a result of these pressures and concerns, relations between China and Russia have developed very constructively. Most border issues have been resolved; trade between the two countries, especially along the border, has grown considerably; and military cooperation, particularly Russian arms sales to China, has benefitted both countries. Potential sources of conflict, particularly the competition for influence in Central Asia, Chinese immigration into the Russian Far East, and continued differences over border delineation, have been downplayed. Key questions surrounding cooperation between Russia and China include: (1) Why has there been such a strong emphasis in Russian policy on building positive relations with China? (2) Will increased Russian-Chinese cooperation, particularly in the military sphere, be advantageous or disadvantageous to the interests of other states? (3) How has the collapse of the Soviet Union effected China's foreign policy? (4) What are the implications of a weakened Russia, combined with a more independent, confident, and potentially powerful China, on U.S. policy in Asia? (5) What is the potential for renewed conflict between Russia and China, and how might such conflict effect Russia's and China's neighbors and American interests in Central and East Asia?

#### *Expanding the Relationship with China*

At the present time the possibility for conflict between the two countries seems remote. In June 1995 the Russian Duma approved the Sino-Russian border agreement, which was signed

by the foreign ministers in September 1994.<sup>1</sup> Both sides have also agreed to renounce the use of force against the other, discontinue aiming nuclear missiles at the other, and significantly reduce the size of border troops. Military cooperation has replaced the confrontation of the Cold War period. Central to this cooperation has been Russian arms sales to China. These sales have included 24 Su-27 fighters, MiG-31 interceptors, surface-to-air missiles, tanks,<sup>2</sup> and four submarines.<sup>3</sup>

In addition to billions of dollars in arms sales, trade between the two countries in consumer and industrial goods has been significant. Total bilateral trade in 1994, a year in which border trade was curtailed, reached \$5.1 billion. For the first seven months of 1995, total bilateral trade was \$2.74 billion. Border trade has been most notable, despite difficulties associated with barter trade, Russian resentment over low-quality Chinese goods, and the influx of Chinese traders into the border regions.<sup>4</sup> In 1994, after the Russian government placed restrictions on Chinese crossing the border, due to concerns about the growing number of Chinese in this sparsely populated region, trade dropped dramatically. In the first half of 1994, Russian exports to China dropped by 34.3 percent, while imports from China were cut almost in half.<sup>5</sup> However, by mid-1995 trade had again begun to increase, with money instead of barter reportedly dominating the exchange.<sup>6</sup>

### ***Foundations of the New Relationship***

There are a number of factors driving Russia and China closer to each other. For Russia, the increase in attention to China has been part of the general shift in foreign policy away from the view that Russia is primarily a European power to the view that Russia is a Eurasian power. With greater attention paid to the east, and with Japanese-Russian relations stalemated, it was natural that China would take on greater importance in Russian foreign policy. In addition to the long common border and the possibilities for economic and military cooperation, both countries share a resentment over what they both view as U.S. attempts to force its own policy objectives on them. China and Russia have both been frustrated and angered by what they deem to be excessive U.S. pressure in areas such as arms sales and technology transfer. Russia is further threatened by the specter of an active North Atlantic Treaty Organization expanding into Eastern Europe. China, meanwhile, complains about U.S. pressure on its human rights and trade policies.<sup>7</sup>

---

*At a time when the domestic market for Russian arms production  
has been severely reduced, arms sales to China have been essential.*

---

Yet beyond the resentment and frustration toward the United States, Western Europe, and Japan, objective factors were quite likely to push Russia and China closer together. One of these

---

<sup>1</sup> Robert Ross, "China, the New Russia, and the Stability of Asia," paper presented at the Washington, DC, conference of the "New Russia/CIS in Asia" project, October 5-6, 1995.

<sup>2</sup> *Ibid.*

<sup>3</sup> Kathy Chen, "China Buys Russian Submarines, Raising Tension Level in Region," *Wall Street Journal*, February 9, 1995, p. A12 (Western edition), and Sheila Tefft, "Russian President's Visit May Boost China Trade," *Christian Science Monitor*, December 16, 1992, p. 2.

<sup>4</sup> Lee Hockstader, "Russians Fear Invasion of Chinese Traders," *Washington Post*, May 18, 1994, p. A1.

<sup>5</sup> Lev Arkadyev, "Russia Will Supply China with \$200 Million Worth of Equipment," *Sevodnya*, September 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 36 (1994), p. 13.

<sup>6</sup> Robert Ross, *op. cit.*

<sup>7</sup> *Ibid.*

has been the complementarity of the Chinese and Russian markets. There is great demand for Russian military equipment in China, and Beijing has the capability of paying for most sales in hard currency.<sup>8</sup> At a time when the domestic market for Russian arms production has been severely reduced, arms sales to China have been essential. China is also one of the few markets in Europe or Asia for which there is a demand for Russian industrial goods and technology. China is Russia's main export market for finished industrial goods, and Russia has agreed to transfer technology to various Chinese industries.<sup>9</sup> Meanwhile, China has the ability to provide Russians in Siberia and the Far East with large quantities of inexpensive consumer goods.<sup>10</sup>

In addition to economic cooperation, both countries share a desire to reduce tension along the border in order to focus their attention elsewhere. Russia at the current time simply cannot afford to maintain border troops and arms at the level of the earlier Sino-Soviet confrontation. With the threat along the Russian border reduced, China is better able to focus its resources on economic modernization and to assert its interests in the Asia-Pacific region. The reduced threat not only means that China can move forces previously concentrated on the Russian border to other purposes, but also that China is no longer dependent on the United States for support against Russia and therefore can afford to be more assertive in its relationship with the United States and its Asian neighbors.<sup>11</sup>

### ***Is China a Security Threat to Russia?***

Despite this increased assertiveness and increased access to Russian military arms and technology, China is unlikely to pose a major threat to Asian security in the near- to medium-term future for a number of reasons. First, China has very limited capability to threaten other major Asian states.<sup>12</sup> Furthermore, as China's economic development becomes further dependent on trade with and investment from other countries in Asia, it is developing a greater stake in maintaining stability in the region and cooperative relations with its neighbors.<sup>13</sup> In addition, arms sales from Russia, while central to the Russian-Chinese relationship, are too insignificant to alter the balance of power in Asia. Since 1991, as Karl Eikenberry points out, while the Chinese bought 24 Su-27s from Russia, Malaysia acquired 18 Russian MiG-29 aircraft and 8 McDonnell Douglas Hornet fighters. Meanwhile, the Japanese air force owns 158 F-15J and F-15DJ fighters.<sup>14</sup> Finally, given the long see-sawing history of Russian-Chinese relations, the Russians are unlikely to sell equipment or technology to the Chinese that would strengthen China to the point where it could threaten Russia's military. Reports of sales that could potentially alter the balance of power in Asia should be viewed skeptically. For example, a mid-1992 report in the *US Naval Institute Proceedings* claimed that the deal for Ukraine to sell an aircraft carrier to China had been finalized.<sup>15</sup> The sale was never made.

However, even though the sale of weapons systems that would enhance China's power projection capabilities would not be in Russia's best interest (and Russia has agreed not to sell such technology),<sup>16</sup> it is possible that the technology will be transferred. Russia at the present

---

<sup>8</sup> *Ibid.* Ross may not be entirely accurate on this issue. Russian press reports have complained several times about arms traded for food or consumer goods. Perhaps these deals have been illicit, and official trade is primarily an exchange of arms for currency.

<sup>9</sup> Robert Ross, *op. cit.*

<sup>10</sup> It is not entirely clear that the Russians really want cheap consumer goods. It seems that having primarily low-quality Chinese goods on the market might only outrage Russian consumers, not endear them to the Chinese.

<sup>11</sup> Robert Ross, *op. cit.*

<sup>12</sup> Karl W. Eikenberry, "Does China Threaten Asia-Pacific Regional Stability," *Parameters: US Army War College Quarterly*, vol. 25, no. 1 (Spring 1995), pp. 82-103.

<sup>13</sup> Robert Ross, *op. cit.*

<sup>14</sup> Karl W. Eikenberry, *op. cit.*, p. 91.

<sup>15</sup> Reported in *RFE/RL Research Report*, vol. 1, no. 37 (September 18, 1992), p. 65.

<sup>16</sup> Patrick E. Tyler, "Russia and China in Military Pact," *The New York Times*, November 10, 1993, p. A4.

time has little control of its military experts with state secrets, and many military experts are currently being employed by China. Furthermore, the CIA has reported that the Russian government has lost the ability to control fully its arms exports.<sup>17</sup> The Russian government implicitly admitted in the summer of 1994 that it no longer had control when it expressed concern that China was preferring to buy Russian weapons illegally.<sup>18</sup>

### ***Regional Security and the Russian-Chinese Relationship***

Russian arms sales to China, both legal and illegal, have increased concerns among China's neighbors about a shift in the strategic balance in Northeast Asia and the danger of an arms race in Asia. A July 1992 op-ed piece in the *Washington Post* claimed that the dangers of an escalating arms race in the region were "frighteningly clear for Tokyo" and that Japan and Taiwan were being backed into a "dangerous corner."<sup>19</sup> Japan's warnings to Russia and China to halt the sales have had no effect, but they do show Japanese concern. Bush and Clinton Administration support for U.S. arms exports have done little to curb this incipient arms race. Indeed, China's acquisition of Russian weapons seems to have increased demand for military hardware in the region. Taiwan, for example, purchased 150 American F-16s in the last year of the Bush Administration. Therefore, while the effect of Russian sales to China is overstated, the potentially destabilizing supply of arms and weapons technology to the region should be of great concern.

The countries of the region have yet to develop multilateral security structures to deal effectively with these troubling trends. Currently American security arrangements are based on Cold War bilateral agreements with Japan and South Korea. Yet, in comparison to the Soviet period, Russia's foreign policy goals are drastically altered, and its ability and desire to use military force as an instrument of diplomacy are very limited. Given these vast changes, a reexamination of existing security arrangements in Asia is in order. The specter of an arms race in Asia increases the need for multilateral security organizations which include China and Russia. As Robert Ross points out, these arrangements will have to consider China's foreign policy objectives. Since China is an increasingly open society which needs the economic cooperation of surrounding states, there is now a greater possibility of engaging China in constructive multilateral arrangements. However, China no longer faces a Soviet threat and thus can afford to act more assertively and independently in the region. Therefore, constructive engagement with China will require a willingness to accommodate China's objectives.<sup>20</sup>

In the post-Soviet period, the United States must recognize a paradox. On the one hand, China recognizes that fuller integration into the Asian system is in its best interests. On the other, without a current threat from Russia, China is less dependent on others to support its security and therefore is more likely to use its military and economic weight to assert its interests. It would seem that security structures need to be developed which recognize these facts.

Regarding the U.S. position on Russian-Chinese relations, as long as Yeltsin or some other moderate leader is in power, official Russian arms sales to China are unlikely to alter the strategic balance in Asia and therefore should not be of significant concern to the United States. Russia needs the hard currency, but is not willing at this point to compromise its own security by allowing the transfer of weapons and weapons technology (for example, intercontinental ballistic missile technology or sophisticated warning systems) that would dramatically increase

---

<sup>17</sup> John J. Fialka, "U.S. Fears China's Success in Skimming Cream of Weapons Experts from Russia," *Wall Street Journal*, October 14, 1993, p. A12.

<sup>18</sup> Pavel Felgengauer, "China and Russia Almost Trust Each Other," *Sevodnya*, July 13, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 28 (1994), p. 23.

<sup>19</sup> Jim Hoagland, "An Arms Race in East Asia," *Washington Post*, July 14, 1992, p. A13.

<sup>20</sup> Robert Ross, *op. cit.*



China's military potential vis-à-vis Russia. However, a serious concern for the United States is the possibility of illicit arms and technology transfer, including advanced missile, submarine, or warning system technology, to China. Acquisition of advanced Russian technology could destabilize the region and potentially pose a direct threat to the United States. Since the Russian government is concerned about these illicit arms sales, halting the transfer of destabilizing technology can best be done by supporting political and economic stability within Russia. The sooner Russia regains control of its military, and the sooner the Russian economy ends its dependence on the military-industrial complex, the less likely it will be that China will acquire Russian military technology that would allow it to alter drastically its force capabilities.

It is important that the United States not overreact to Russian arm sales to China, especially at the official level. We must also convince other countries in the region not to overreact. Japan, Korea, and Taiwan are understandably concerned about Chinese military potential and intentions. However, acquisition of Russian arms and military technology will not significantly alter China's capabilities.

### ***Other Scenarios***

The above analysis assumes that Russia's leaders will continue to support constitutional government and a market economy, and defer to international law and cooperate with other countries in their foreign policy. But other scenarios are possible. What would happen if there were increased instability in Russia, or if the communists or nationalists came to power? In the first instance, instability in Russia would increase the likelihood of illicit transfer of Russian arms and technology to China and would clearly not be in anyone's interest. The Chinese themselves, while potentially gaining militarily, argue that they need economic and political stability on their northern and western borders: they are correctly concerned that instability in southern Siberia or Central Asia would spill over into Chinese territories inhabited by ethnic minorities who are poor by Chinese standards and potentially susceptible to Islamic fundamentalism. Instability within China decreases the country's ability to focus on economic development and would encourage the further development of the repressive security apparatus. Furthermore, China is hoping that it can raise the living standards of these remote regions by integrating them into the developing economies of Siberia and Central Asia.<sup>21</sup>

While destabilization is certainly one possibility for the future of Russia, a more likely scenario is a political victory by nationalist or communist parties. Given that these politicians generally support a more Asia-focused foreign policy and a halt in cooperation with the West, it would seem likely that Russian cooperation with China, including military cooperation, would increase. However, hard-line politicians would soon find themselves in direct conflict with China. While the current government is concerned to limit Chinese influence in Central Asia and the Russian Far East, communists and nationalists have raised the specter of a Chinese takeover of these territories.<sup>22</sup> A communist- or nationalist-controlled Russian government might redeploy Russian troops along the Sino-Russian and Sino-Central Asian borders. The Russians have already asserted that the borders of the former Soviet Union constitute their security frontier. On that basis they have arranged to deploy troops along the Chinese-Kazakhstan border and in Tajikistan. Concerns about Chinese territorial intentions in Siberia and the Russian Far East would

---

<sup>21</sup> Comments by Xu Kui at the Washington, DC, conference of the "New Russia/CIS in Asia" project, October 5-6, 1995, and by participants at the conference "The Dynamics of Economic Development in the Central Asian Region," Urumqi, Xinjiang Province, China, August 28-30, 1994, sponsored by IREX; the Institute of East European, Russian, and Central Asian Studies of the Chinese Academy of Social Sciences; the Xinjiang Social Science Research Association; and the Xinjiang Academy of Social Sciences.

<sup>22</sup> According to David Bachman at the Washington, DC, conference of the "New Russia/CIS in Asia" project, the fear of Chinese infiltration in Siberia has made Russia's eastern regional leaders less inclined to press their interests against Moscow's.

also lead to increased troop deployment along the Russian border with China. In this case, the peace dividend which the Chinese currently enjoy from the reduced threat to the north would evaporate, and the Chinese military would be forced to increase its forces in these border areas, raising the possibility of conflict.

In the area of economic policy, a nationalist or communist government would likely increase restrictions on border trade with China and take steps to evict Chinese from Russian territory. Moscow would attempt to assert its economic interests on the Central Asian republics, gaining further control of energy resources in the region. Therefore it would be unlikely that China would receive any benefit from the independent development of Central Asia's vast energy resources. Furthermore, China is banking on the marketization of the Russian and Central Asian economies. Russia becomes a less appealing partner for China if efforts to stabilize the economy based on market principles are averted.

A potential source of conflict between Russia and China was apparent at the Washington, DC, conference of the "New Russia/CIS in Asia" project. Zhao Changqing, a specialist on Central Asia at the Chinese Academy of Social Sciences, argued that China does not consider Central Asia to be in its sphere of influence. However, he also stated that China hopes that the Central Asian states could become its economic partners. On the other hand, Russia clearly considers Central Asia to be in its sphere of influence.<sup>23</sup> Furthermore, from the Russian nationalist and communist point of view, political influence is dependent on economic influence. Increased Central Asian economic ties with China would lead to increased political influence by China at the expense of Russia, and would likely inspire renewed Russian efforts to maintain hegemony in the region.

---

<sup>23</sup> Comments by Zhabaikan Abdildin and Sergei Rogov at the Washington, DC, conference of the "New Russia/CIS in Asia" project, October 5-6, 1995.

## V

**Russia and Japan*****The Island Barrier***

The most prominent issue in Russian-Japanese relations since the fall of the Soviet Union has been the territorial dispute over a group of islands northeast of the Japanese island of Hokkaido,<sup>1</sup> which were occupied by the Soviet Union at the end of World War II and remain under Russian control today. Russia refuses to yield control of the islands, while Japan regards them as Japanese territory which must be returned. The dispute has been a major focus of Russian-Japanese relations during the Yeltsin era, as it was before. It has been a serious barrier to cooperation between the two countries, continuing to postpone completion of a World War II peace treaty and inhibiting efforts to develop a new economic and security relationship. Yet no resolution seems possible in the near term due to domestic pressure in both countries not to concede to the other's demands.

---

*. . . despite the fact that no progress has been made in negotiations over the status of the islands, there has been a marked increase in Japanese aid and investment in Russia during recent years. It seems that whatever the initial position of the Foreign Ministry regarding a link between territorial concessions and economic cooperation, the islands dispute is not a major factor in current Japanese economic relations with Russia.*

---

In both countries, popular opinion and influential political elites have pressured the government to maintain firm positions. Russian popular opinion until recently has been strongly against making any territorial concessions to Japan. Russian policymakers have been divided, with the Foreign Ministry initially favoring territorial concessions and military and parliamentary leaders and members of the Security Council firmly opposed to returning any of the islands. The position of the Yeltsin government was initially favorable to compromise on the islands, but has since shifted to a position of no concessions. In Japan, popular sentiment is strongly against economic aid to Russia until the islands are returned.

A widespread view in the American press and academic journals maintains that the Japanese Ministry of Foreign Affairs officially linked Russia's recognition of Japanese sovereignty over the islands with large-scale economic aid and investment in Russia.<sup>2</sup> This conclusion is supported by statements of Japanese critics of the Foreign Ministry's policy. For example, the

---

<sup>1</sup> In Russia, these islands are considered to be part of the Kurile chain and they are therefore referred to as "the Southern Kuriles." In Japan, the islands are not considered to be part of the Kuriles, and the disputed territory is referred to as the "Northern Territories." In this paper, the islands (Shikotan, Iturip, Kunashir, and the Habomai chain) are referred to as the Southern Kuriles simply because that is what they are most commonly called in recent American writing on the subject.

<sup>2</sup> For example, David E. Sanger, "Recriminations Fly in Japan on Collapse of Yeltsin Visit," *The New York Times*, September 11, 1992 and Richard deVillafraña, "Japan and the Northern Territories Dispute: Past, Present, Future," *Asian Survey*, vol. 33, no. 6 (June 1993), p. 610-624.



governor of Hokkaido argued that the Japanese government, by tying economic cooperation and the return of territory, “aimed to gain 100 points, and eventually got zero.”<sup>3</sup> According to *The New York Times*, bureaucrats in the Japanese Ministry of International Trade and Industry (MITI) have also been critical of what they see as a policy that stresses territorial gains at the expense of economic cooperation.<sup>4</sup>

However, there is reason to be skeptical about such assertions. The view that the Foreign Ministry is placing territorial gain above economic aid is not supported by statements emanating from the ministry itself. Furthermore, despite the fact that no progress has been made in negotiations over the status of the islands, there has been a marked increase in Japanese aid and investment in Russia during recent years. It seems that whatever the initial position of the Foreign Ministry regarding a link between territorial concessions and economic cooperation, the islands dispute is not a major factor in current Japanese economic relations with Russia.

### ***Yeltsin Initiatives***

Initially President Yeltsin favored a compromise settlement with Japan on the islands. In the months immediately following the dismantling of the Soviet Union, he supported the approach of Foreign Minister Andrei Kozyrev, who favored negotiating with Japan for the eventual return of the southernmost islands, Shikotan and the Habomai group. The policy was based on two important aims of Russian foreign policy in the initial months after the fall of the Soviet Union. The first was to cooperate with other countries on the basis of international agreements instead of engaging them in ideological competition. To this end, Yeltsin proposed to abide by the 1956 Joint Declaration, in which the Soviet Union had agreed to transfer Shikotan Island and the Habomai chain to Japan once a peace treaty between the two countries officially ending World War II was signed. The Russian government viewed the 1956 Joint Declaration as a legally binding agreement, even though a peace treaty still has not been signed.<sup>5</sup> The second aim of Russian policy in the first half of 1992 was to obtain support from Japan to help with the economic transition. Yeltsin apparently hoped that by offering territorial concessions he would encourage greater Japanese involvement in the economic transformation. This conciliatory policy continued through early August 1992, when Deputy Prime Minister Mikhail Poltoranin traveled to Tokyo to prepare for Yeltsin’s visit scheduled for September. Poltoranin reaffirmed Russia’s willingness to abide by the 1956 declaration and return Shikotan and the Habomai chain after the conclusion of a peace treaty. The deputy prime minister also expressed his government’s willingness to negotiate the future status of Kunashir and Iturup.<sup>6</sup>

### ***Stalemate***

However, Poltoranin’s comments turned out to be among the last of the Russian government’s conciliatory statements on the Kurile Islands. Soon thereafter, the government indicated that it was no longer willing to transfer any territory to Japan. Despite Poltoranin’s assertion that Yeltsin would visit Tokyo in September as planned, the Russian president cancelled his trip to Japan just three days before he was scheduled to leave. As his Western-oriented domestic reforms came under increasing criticism, Yeltsin did not have the political support to agree to Japanese sovereignty over any territory controlled by Russia. Not coincidentally, the hardening of Russia’s policy toward Japan came at a time when Russian leaders were expressing skepticism about the

---

<sup>3</sup> David E. Sanger, “Recriminations Fly . . .,” *op. cit.*

<sup>4</sup> *Ibid.*

<sup>5</sup> Richard deVillafranca, *op. cit.*, p. 621.

<sup>6</sup> Vasily Golovnin, “Mikhail Poltoranin Rejects Referendum on Southern Kuriles,” *Nezavisimaia gazeta*, August 2, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 32 (1992), p. 18.

promises and usefulness of foreign economic aid. Moreover, even the return of two islands, as provided in the 1956 declaration, would not meet the Japanese demand for the return of all four.<sup>7</sup>

In May 1993 Yeltsin again postponed a planned trip to Japan. According to a Japanese government official, the Japanese could not ignore the territorial issue, while Yeltsin was not prepared to discuss the return of the islands.<sup>8</sup> Yet the Japanese official failed to recognize, at least in his public comments, that the concessions Japan was requiring were not politically feasible for Yeltsin, especially since it was not clear what Russia had to gain by ceding the territory.<sup>9</sup>

Meanwhile, in the face of declining popularity and impending elections, Prime Minister Kiichi Miyazawa felt that he could not back down from his established policy on the islands.<sup>10</sup> The cancellation of one visit and the postponement of the other offended both Japanese leaders and Japanese voters, making compromise on the territorial issue even less likely.<sup>11</sup>

### ***Opposition at Home***

In the summer of 1992, as Miyazawa was facing popular pressure to maintain a firm position, Russian military and parliamentary leaders intensified their pressure on Yeltsin. In the context of Russia's fractured foreign policy decision-making, with each bureaucracy pursuing its own policy and protecting its interests,<sup>12</sup> the military was able to scuttle Yeltsin/Kozyrev policy initiatives toward Japan. As early as May 1992, Defense Minister Pavel Grachev stated that Russia would not remove its armed forces from the disputed islands. Grachev's statement surprised the Japanese, who believed that Yeltsin, in a recent meeting with Foreign Minister Michio Watanabe, had promised complete removal of the troops. The Russian Foreign Ministry attempted to appease the Japanese by claiming that Yeltsin had only promised troop reductions, not complete withdrawal.<sup>13</sup> Soon after Yeltsin's first cancelled visit, Commander of the CIS Forces Evgeny Shaposhnikov sent a letter to Kyodo News Service informing the Japanese that demilitarization of the Southern Kuriles would be reconsidered.<sup>14</sup>

At the same time that Russian military leaders were expressing disagreement with demilitarization, parliamentary pressure not to return territory to Japan increased dramatically in the summer of 1992. In a July 28 parliamentary hearing, the position of most deputies was diametrically opposed to that of the Foreign Ministry. Parliamentarian Oleg Rumyantsev called for Yeltsin to cancel his visit scheduled for September.<sup>15</sup> On August 25, the Supreme Soviet Joint Committee on International Affairs and Foreign Economic Relations adopted a resolution that

<sup>7</sup> Richard deVillafranca, *op. cit.*, p. 621 and Steven Erlanger, "Yeltsin is Resistant on Island Dispute with Japan," *The New York Times*, September 3, 1992. (*The New York Times* article implies that the visit would be cancelled, although it was not officially postponed until September 10). The view that any territorial concessions to Japan would be politically unaffordable to Yeltsin was stressed by Konstantin Sarkisov and other Russian participants at the Moscow conference of the "New Russia/CIS in Asia" project, June 17-19, 1993, and succeeding conferences.

<sup>8</sup> David E. Sanger, "Yeltsin Angers Japan by Again Cancelling Visit," *The New York Times*, May 7, 1993, p. A4.

<sup>9</sup> Comments by Konstantin Sarkisov and Sergei Rogov at the Moscow conference of the "New Russia/CIS in Asia" project and succeeding conferences.

<sup>10</sup> David E. Sanger, "Moving to Secure an Aid Package, Yeltsin Proposes a Visit to Tokyo," *The New York Times*, April 15, 1993, p. A6.

<sup>11</sup> Comments by Masahiro Fukukawa and Shigeki Hakamada at the Moscow conference of the "New Russia/CIS in Asia" project, June 17-19, 1993.

<sup>12</sup> Comments by Sergei Rogov at the Tokyo conference of the "New Russia/CIS in Asia" project, November 10-11, 1994.

<sup>13</sup> Sergei Agafonov, "Tokyo Not Satisfied with Moscow's Explanation," *Izvestiia*, May 26, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 21 (1992), p. 16.

<sup>14</sup> Sergei Agafonov, "Accelerated Demilitarization of Southern Kuriles Could be Postponed," *Izvestiia*, October 19, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 42 (1992), p. 16.

<sup>15</sup> Pyotr Oshmarin, "The Kuriles: Parliamentarians and Diplomats Fail to Reach Agreement Again," *Nezavisimaia gazeta*, July 30, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 30 (1992), pp. 6-7.

---

*Given the precarious position of his government, Yeltsin could not ignore the demands of military leaders, moderate democrats, and presumably the majority of voters, who were strongly against any negotiations with the Japanese over Russian-controlled territory.*

---

“unilateral recognition of any form of Japanese sovereignty over any part of Russian territory is extremely dangerous. . . . others who lay claim to Russian land, of whom there are quite a few, will immediately pounce on us.”<sup>16</sup>

The increasing importance of the Security Council in Russian foreign policy decision-making provided a third significant challenge to the position of Kozyrev and the Foreign Ministry. According to Konstantin Sarkisov of the Russian Institute of Oriental Studies, Yeltsin’s decision to cancel his first trip to Japan came immediately after a meeting of the Security Council. The decision seems to have been a setback for the position of Foreign Minister Kozyrev, who had advocated at least the return of Shikotan and the Habomais, and points to an increase in the influence of the Security Council in foreign policy decision-making. According to Sarkisov, “To cancel a visit just three days before is a disaster. . . . It will cause grave damage.”<sup>17</sup>

Yet too much stress should not be placed on the influence of the Security Council in the decision to cancel Yeltsin’s trip. The Supreme Soviet was increasing its opposition to concessions to Japan, the military was becoming increasingly vocal in its assertion that the Southern Kuriles were important to Russia’s defense, and even moderate democrats were imploring Yeltsin not to cede any territory.<sup>18</sup> Given the precarious position of his government, Yeltsin could not ignore the demands of military leaders, moderate democrats, and presumably the majority of voters, who were strongly against any negotiations with the Japanese over Russian-controlled territory.

### ***Beyond the Islands***

Despite Yeltsin’s unwillingness to negotiate the transfer of territory to Japan, the Russian president has made several friendly gestures to the Japanese since the summer of 1993. At the G-7 meetings to discuss a Russian aid package held in Tokyo in July 1993, Yeltsin personally apologized for his two canceled visits and stated that relations with Japan “constitute one of the highest priorities of Russian foreign policy.” The Russian president reportedly stated that “it is in our power to remove the obstructions of the past.” At the same G-7 meetings, Prime Minister Miyazawa reciprocated the amicable tone by assuring Yeltsin that Japan would not demand the immediate return of all four islands.<sup>19</sup> Several months later, at a Russian-Japanese summit in Tokyo in October, Yeltsin apologized for Russian treatment of Japanese prisoners of war during World War II and promised that the remaining Russian troops would be removed from the disputed islands. However, he gave no schedule for troop withdrawal; at the time withdrawal

---

<sup>16</sup> Tatyana Malkina, “Parliament Recommends that President Restrict Himself,” *Nezavisimaia gazeta*, August 26, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 34 (1992), p. 16.

<sup>17</sup> Daniel Sneider, “Yeltsin’s Move to Cancel Tokyo Visit Hints at Shift in Long-Range Asia Policy,” *Christian Science Monitor*, September 11, 1992, p. 1.

<sup>18</sup> Stanislav Kondrashov, “Trials and Tribulations of Making Peace with Japan,” *Izvestiia*, August 14, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 33 (1992), pp. 15–17.

<sup>19</sup> James Sterngold, “Yeltsin Arrives in Tokyo as Aid Plan is Prepared,” *The New York Times*, July 9, 1993, A5.

seemed unlikely, given the fact that after the armed conflict with the Supreme Soviet in early October, Yeltsin needed the support of military leaders.<sup>20</sup>

In any event, such proposals by Yeltsin have been continually undermined by his own government and the various Russian bureaucracies.<sup>21</sup> The Ministry of Defense has successfully hindered the implementation of Yeltsin/Kozyrev initiatives. Prime Minister Viktor Chernomyrdin, one month after Yeltsin's meeting with the G-7 leaders in Tokyo (at which the president pledged to remove obstructions to relations with Japan), drew considerable negative reaction in Japan with his statement that the four islands of the Kurile chain claimed by Japan would never be returned.<sup>22</sup>

### ***Japan Reconsiders***

Recently the Japanese government has reduced pressure on Russia to cede territory. This change seems to have been influenced by developments in Russian domestic politics and foreign policy in Asia. In January 1993 President Yeltsin stated, "The recent series of state visits to South Korea, China and now to India are indicative of the fact that we are moving away from a Western emphasis" in our foreign policy.<sup>23</sup> The statement implied the possibility of a new strategic relationship between Russia and other Asian countries which would exclude Japan. The Japanese were particularly concerned about Russian arms sales to China.<sup>24</sup> And a report in the Japanese weekly *Shukan Bunshun* claimed to cite a Russian Defense Ministry document showing that Russian nuclear scientists and missile experts were working on the North Korean nuclear weapons program. Chief of Staff Kolesnikov claimed the report was a forgery, but the response to the report suggested Japanese concern about dangers in the post-Cold War strategic realignments in Asia.<sup>25</sup>

Undoubtedly, another factor influencing Japan's decision to lessen pressure on the Yeltsin government to cede territory is the unstable nature of democratic rule in Russia. The Japanese have apparently become resigned to the fact that there is simply too much domestic pressure on the Russian president for him to cede territory to Japan. According to an *Izvestiia* article published soon after the December 1993 elections, Japanese foreign policy specialists concluded that the Gorbachev/Yeltsin initiatives to alter Soviet and Russian policy toward the islands had come to an end.<sup>26</sup>

There was also increasing concern in Japan about the possibility of the Yeltsin government being replaced by a less desirable alternative. The concern arose after the December 1993 elections in which the nationalist and communist parties were quite successful. Vladimir Zhirinovskiy, whose Liberal Democratic Party (LDPR) won roughly 25 percent of the vote in the elections, said in an interview with a Hamburg radio station: "Fifty years ago the Japanese survived Hiroshima and Nagasaki. Have they perhaps forgotten about that? We can arrange new

<sup>20</sup> David E. Sanger, "Yeltsin, in Tokyo, Avoids Islands Issue," *The New York Times*, October 14, 1993, p. A7.

<sup>21</sup> See, for example, comments by Sergei Rogov at the Tokyo conference of the "New Russia/CIS in Asia" project, November 10-11, 1994.

<sup>22</sup> Maksim Yusin, "Moscow Toughens Position in Territorial Dispute with Japan," *Izvestiia*, August 19, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 33 (1993), pp. 13-14.

<sup>23</sup> Itar-Tass, January 30, 1993, cited in Suzanne Crow, "Processes and Policies," *RFE/RL Research Report*, vol. 2, no. 20 (May 13, 1993), p. 52.

<sup>24</sup> Jim Hoagland, *op. cit.*, p. A13.

<sup>25</sup> Sergei Agafonov, "One Hundred Sixty Russian Nuclear Engineers and Missile Experts Helped North Korea Create a Nuclear Bomb," *Izvestiia*, Jan 27, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 5 (1994), pp. 12-13.

<sup>26</sup> Sergei Agafonov, "Japanese Think Yeltsin's Attempt to Break Deadlock in Bilateral Relations Has Fizzled," *Izvestiia*, February 22, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 8 (1994), pp. 31-32.



Hiroshimas and Nagasakis. I will use nuclear weapons without hesitation.”<sup>27</sup> Japanese fear of nationalist control of the Russian government has given Yeltsin what Peggy Falkenheim Meyer characterizes as “leverage of the weak.”<sup>28</sup>

### ***New Patterns of Trade and Investment***

Political instability, disreputable business practices, and the inability of Russian firms to pay their debts have significantly inhibited Japanese investment in the Russian economy.<sup>29</sup> These factors, which affect all international investors in Russia, discouraged Japanese investment.<sup>30</sup>

The territorial dispute has also played a role in keeping Japanese private investment in Russia low by postponing governmental agreements regulating trade and investment between the two countries, and protecting Japanese investments and guaranteeing favorable tariff rates. According to a spokesman for Mitsubishi Corporation, the absence of a trade agreement “makes investing in Russia much harder.”<sup>31</sup>

Nevertheless, after a sharp drop in trade in 1992,<sup>32</sup> there has been an increase in trade between Russia and Japan and in Japanese investment in Russia. Exports to Japan have typically consisted of natural resources such as coal, timber, fish, metals, and petroleum products, while imports from Japan are primarily machinery, pipe, petrochemicals, and consumer goods.<sup>33</sup> Japan, as Russia’s largest customer for fish and timber and its largest supplier of marine navigation equipment,<sup>34</sup> has become an important trading partner for Russia.<sup>35</sup>

While large Japanese companies still view Russia as an unreliable partner, trade by small and medium-sized Japanese firms has been brisk. Much of this trade, estimated at the level of hundreds of millions of dollars, is undetected in the official statistics. It is also reported that most of this exchange consists of one-time deals. Russians, for example, buy cars, and the Japanese buy Russian fish.<sup>36</sup> Therefore, this sort of trade is unlikely to have any positive impact on the Russian economy, especially since most of the money earned by Russian traders stays abroad.

Despite Japanese public opposition, aid to Russia grew significantly in 1993.<sup>37</sup> In March of that year, the Japanese government agreed to give Russia a \$100 million low-interest loan to help the Russians buy food and medical supplies.<sup>38</sup> A larger \$400 million loan was negotiated in April. The next month, Japan committed \$1.1 billion in trade insurance and an additional \$700 million in various types of assistance to Russia.<sup>39</sup> In July of the same year, at a Tokyo meeting of

<sup>27</sup> Maksim Yusin, “LDPR Leader Threatens Japan with Nuclear War,” *Izvestiia*, December 16, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 50 (1993), p. 10.

<sup>28</sup> Peggy Falkenheim Meyer, “Russia’s Post-Cold War Security Policy in Northeast Asia,” *Pacific Affairs*, vol. 67, no. 4 (Winter 1994–95), p. 511.

<sup>29</sup> Judith Thornton, “Russia in Asia: A View from the Pacific,” paper presented at the Washington, DC, conference of the “New Russia/CIS in Asia” project, October 5–6, 1995. This view had also been expressed by Professor Seizaburo Sato at the Tokyo conference, November 10–11, 1994.

<sup>30</sup> Clayton Jones, “Russia’s Resources Lure Japanese,” *Christian Science Monitor*, December 15, 1992, p. 6.

<sup>31</sup> David P. Hamilton, “Yeltsin Pleads for Japanese Investment,” *Wall Street Journal*, October 13, 1993.

<sup>32</sup> Sergei Agafonov, “Trade is Quietly Shrinking,” *Izvestiia*, February 6, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 6 (1993), pp. 18–19.

<sup>33</sup> See for example “Russia and Japan: Trade Relations,” *Sevodnya*, October 2, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 40 (1993), pp. 34–35.

<sup>34</sup> Judith Thornton, *op. cit.*

<sup>35</sup> For additional details, see Chapter 7.

<sup>36</sup> Sergei Agafonov, “Trade with Japan Flourishes, but Statistics Know Nothing About It,” *Izvestiia*, June 24, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 25 (1994), p. 24.

<sup>37</sup> This view was expressed by Shigeki Hakamada at the Tokyo conference of the “New Russia/CIS in Asia” project, November 10–11, 1994.

<sup>38</sup> Richard L. Holman, “Russia to Get Japan Loan,” *Wall Street Journal*, March 18, 1993, p. A12.

<sup>39</sup> David E. Sanger, “Yeltsin Angers Japan,” *The New York Times*, May 7, 1993, p. A7. Details on the breakdown of this package were provided by Mr. Shin Maruo of the Institute for International Policy Studies in Tokyo.

the G-7 to discuss aid to Russia, Japan joined in the collective commitment of a \$43.4 billion financial aid package. It was at these meetings that Yeltsin apologized for his two cancelled visits and claimed that relations with Japan “constitute one of the highest priorities of Russian foreign policy,” and Miyazawa told the Russian president that Japan was no longer demanding immediate negotiations leading to the return of the islands.

In November 1994 Russian First Deputy Prime Minister Oleg Soskovets and Japanese Foreign Minister Yohei Kono signed a number of agreements in Tokyo that, according to *The New York Times*, raised economic cooperation to a new level. Japan agreed to assist Russian entrance into the World Trade Organization and to reschedule \$180 million in trade insurance debt. Perhaps most importantly, the two governments agreed to establish a bilateral trade commission.<sup>40</sup>

Recent developments indicate that Japanese economic activity in the Russian Far East is growing in both the public and private sectors. MITI has guaranteed a \$2.9 billion credit for Japanese investment, primarily in the energy sector. Japanese firms have also discussed possibilities for providing credits for the Tumen River development project and are exploring the possibility of significant investment in the Russian port of Khasan.<sup>41</sup> These efforts support the conclusion that Japan separates economic relations with Russia from the territorial issue.

Most of the Japanese investment in the Russian economy to date has been in the oil and gas sector. Japanese companies have taken part in two major oil exploration projects off Sakhalin Island. Japan's Sodeco and Exxon plan to extract oil in three areas northeast of Sakhalin.<sup>42</sup> Another agreement to develop a major deposit off Sakhalin involves Royal Dutch/Shell, McDermott, Mitsui, and Mitsubishi in a plan to invest \$10 billion in the project. The terms of this agreement are quite favorable to Russia, as the consortium has agreed to give Russia a \$50 million bonus, \$100 million to improve living conditions on Sakhalin Island, and \$160 million to Russian companies that conducted geological surveys.<sup>43</sup> In a deal of smaller scope, a consortium of Japanese metallurgical and trading firms has agreed to provide \$700 million in credits to Russia's Gas Industry Concern for the purchase of pipe and machinery. This offer was made in September 1992, almost immediately following Yeltsin's first cancelled trip,<sup>44</sup> indicating that in the oil and gas sector, Japanese companies were little affected by the Southern Kuriles dispute.

### **Sources of Friction**

Among other significant issues, Japanese fishing in Russian territorial waters has been a contentious problem in Russian-Japanese relations. Russian patrol boats and helicopters have on numerous occasions in the past several years chased Japanese boats from waters off the Southern Kuriles which Russia claims are its own.<sup>45</sup> The Russian government has suggested that Japanese fishermen be allowed by the Japanese government to pay for rights to fish off these islands as in other Russian waters. According to *Sevodnya*, this approach is supported by Hokkaido authorities and Japanese fishing cooperatives,<sup>46</sup> but paying for fishing rights would imply Russian ownership of the territory, which the Japanese government is not willing to admit.

---

<sup>40</sup> “Japan Pacts with Russia,” *The New York Times*, November 28, 1994, p. D3.

<sup>41</sup> Judith Thornton, *op. cit.*

<sup>42</sup> *Ibid.*

<sup>43</sup> Agis Salpukas, “Group Sets Oil Project for Russia,” *The New York Times*, March 24, 1994, p. C4.

<sup>44</sup> Sergei Agafonov, “Russian Gas Industry Gets \$700 Million in Japanese Loans,” *Izvestia*, September 18, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 38 (1992), p. 21.

<sup>45</sup> Vladimir Abarinov, “Japanese Fishermen again Intrude into Russian Territorial Waters,” *Sevodnya*, March 31, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 13 (1994), pp. 24–25.

<sup>46</sup> Vasily Golovnin, “Japanese Echo of Shots off Southern Kuriles,” *Sevodnya*, August 20, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 33 (1994), p. 26.



---

*In general, popular opinion in both countries continues to be strongly against increased cooperation with the other, but neither country can ignore the other, and there are important benefits to both from increased cooperation.*

---

An additional issue which has raised quite a stir in Japan is Russian dumping of radioactive waste in the Sea of Japan. Only three days after Yeltsin's fairly successful visit to Tokyo in October 1993, a Russian naval ship dumped hundreds of tons of low-grade nuclear material 190 kilometers southeast of Vladivostok, due west of the Japanese city of Hakodate on Hokkaido. Japanese Prime Minister Morihiro Hosokawa denounced the dumping, and initial Russian press reports expressed concern that this incident would negate the good will engendered by Yeltsin's visit. The Russian government countered that it had informed the International Atomic Energy Agency of its plans, and the Russian ambassador to Japan said that it was impossible for Russia to stop dumping waste at sea at the time. A Japanese research vessel reported no unusual levels of radioactivity in the region, lessening concern on the part of the Japanese government.<sup>47</sup>

The nuclear dumping did seem to negate the popular good will toward Russia created by Yeltsin's visit.<sup>48</sup> In general, popular opinion in both countries continues to be strongly against increased cooperation with the other, but neither country can ignore the other, and there are important benefits to both from increased cooperation. Japan needs a stable Russia that is willing to cooperate strategically; the possible gains to Japanese companies from participation in the Russian economy are immense as long as Russia continues along a path toward a stable market economy. To this end, it seems that Japan has decided that cooperation with (as opposed to pressure on) the Russian government is the most fruitful long-term policy. For Russia, even though the possibility of Japanese economic aid is not as enticing as it was in early 1992, increased trade with Japan and Japanese investment could still give a significant boost to the Russian economy, support market reforms, and raise the technological level of Russian industry. While significant disputes such as the territorial issue and nuclear dumping seem to be deadlocked, official rhetoric has softened, and both countries are looking for ways to improve relations without having to make concessions on the most contentious issues.

### ***Problems of Security in Northeast Asia***

Several participants in the "New Russia/CIS in Asia" project stressed the importance of the territorial dispute to the broader diplomatic and security issues in Northeast Asia, arguing that such a conflict between two of the major regional powers made it more difficult to build a new system of multilateral security.<sup>49</sup> In addition, the broader body of commentary in the United States and Russia notes that stalemate with Japan will further encourage Russian cooperation with China, especially in a context of increased Russian dissatisfaction with Western policy. Tsuyoshi Hasegawa warns that the emergence of a conservative Sino-Russian alliance would be "a night-

---

<sup>47</sup> David E. Sanger, "Nuclear Material Dumped off Japan," *The New York Times*, October 19, 1993.

<sup>48</sup> Comments by Masahiro Fukukawa at the Moscow conference of the "New Russia/CIS in Asia" project, June 17-19, 1993.

<sup>49</sup> Tsuyoshi Hasegawa, "Russia and Japan: Old and New Issues," and Donald Hellmann "Power, Passivity and Stalemate: The Paradox of Japan's Relations with the New Russia in Asia," papers presented at the Washington, DC, conference of the "New Russia/CIS in Asia" project, October 5-6, 1995. This point was also stressed by Mikhail Nosov of the Institute for the Study of the USA and Canada at the Seoul conference, May 25-26, 1995.

mare scenario.”<sup>50</sup> According to both Japanese and Russian commentators, despite lack of American concern over the Russian military presence in the Far East, Russian forces in the region continue to threaten the stability of Northeast Asia.<sup>51</sup>

Given the importance of Russian-Japanese relations to the security of Northeast Asia, some commentators argue for a direct U.S. role in settling the territorial dispute.<sup>52</sup> They contend that the United States is the only country in a position to broker a settlement, and that resolution of the territorial issue will facilitate needed revisions to the regional security system along with much-expanded Japanese involvement in the Russian economy, which should benefit the security of the region.

Yet the territorial dispute is hardly the only factor inhibiting greater Japanese involvement in the Russian economy. The slow pace and uncertain course of the market reforms, combined with Russian debt to Japan, make massive Japanese investment in the Russian economy highly unlikely, regardless of what happens with the territorial dispute. Furthermore, from the Russian point of view, U.S. interests in the resolution of the conflict are suspect due to the U.S.-Japan security relationship and the consistent U.S. support for Japanese claims to sovereignty over the islands.

Despite these problems, Tsuyoshi Hasegawa advises that the United States play an active role in Northeast Asia, seeking to reduce tensions between Russia and Japan. He suggests that the policy should be one that supports the development of a democratic, market-oriented Russian Far East and finds ways to incorporate the region into the Asia-Pacific community. A precondition for such action is the recognition that Russia continues to have a significant role to play in Asia. Finally, he advises that the United States should encourage Japan to support Russia's economic and political transformation. As long as the central government rules an economically stagnant, diplomatically isolated, and insecure Russia, it will not be able to sell any territorial concessions to the public, the political opposition, and the vested bureaucratic interests. Conversely, only a stable, confident, prosperous Russia will be able to cede territory to Japan.<sup>53</sup>

The results of this study show that America must also play a role in the region by maintaining its bilateral security treaty with Japan. This arrangement has not been made obsolete by the collapse of the Soviet Union, against which the alliance was originally designed. From the Japanese perspective, the Russian military threat in the Far East has not diminished significantly with the end of the Cold War. Many Japanese still consider Russia to be expansionist.<sup>54</sup> Others focus on the danger inherent in Russia's well-armed but demoralized military forces which retain considerable political influence in the Far East.<sup>55</sup> Furthermore, continued instability in the Russian Far East is likely to lead to a greater role for the military in the region, which would heighten the suspicion of all countries with interests in Northeast Asia.<sup>56</sup> Russian commentators also recognize that the U.S.-Japan security alliance is an important stabilizing factor in Northeast Asia in the post-Cold War era.<sup>57</sup> Finally, from the United States' point of view, breaking the link with Japan would lead to one of two scenarios, both of which would be potentially destabilizing. Either Japan would seek alliance with other countries to protect itself from what it still views as a threat

---

<sup>50</sup> Tsuyoshi Hasegawa, *op. cit.* (Elsewhere in this paper, we argue that such an alliance is highly unlikely, since China would quickly find numerous sources of confrontation with a nationalist Russian government.)

<sup>51</sup> Presentation by Mikhail Nosov at the Seoul conference of the “New Russia/CIS in Asia” project, May 25–26, 1995, and comments by Takashi Murakami of Hokkaido University at the Tokyo conference, November 10–11, 1994.

<sup>52</sup> See, for example, Donald Hellmann, *op. cit.*

<sup>53</sup> Tsuyoshi Hasegawa, *op. cit.*

<sup>54</sup> Comments by Shigeki Hakamada at the Seoul conference, *op. cit.*

<sup>55</sup> Comments by Takashi Murakami at the Tokyo conference, *op. cit.*

<sup>56</sup> Tsuyoshi Hasegawa, *op. cit.*

<sup>57</sup> Comments by Konstantin Sarkisov at the Moscow conference and Mikhail Nosov at the Seoul conference, *op. cit.*

from Russia, or it would attempt a separate Japanese policy, which would likely lead it to develop a nuclear weapons arsenal.<sup>58</sup> Multilateral security systems will remain elusive as long as the Southern Kuriles/Northern Territories dispute remains contentious. With the current domestic opposition both in Japan and in Russia to a negotiated settlement of the territorial dispute making normalized relations impossible, Japan will continue to look for ways to protect itself from Russia.

---

<sup>58</sup> Tsuyoshi Hasegawa, *op. cit.*

## VI

### Russian-Korean Relations

#### *Hopes and Disappointments*

In most respects, Russia's Korea policy has mirrored other trends in Russian foreign policy development. Initially, the strategy of the Yeltsin government was to ally itself with South Korea, which abides by international law and has a market economy, and renounce the Soviet Union's ties with North Korea, which operates outside international law and has no economic potential. Russia's hope was to increase its influence in the region and encourage investment and trade with South Korea. Unfortunately for Russia, neither of these hopes was realized. Russian influence on the Korean Peninsula is currently negligible, and economic ties with the Republic of Korea (R.O.K.) have had little impact on the Russian economy.

---

*As a result of this net loss of influence on the Korean Peninsula, Russia was left on the sidelines during the most significant East Asian diplomatic and strategic confrontation of the early post-Cold War era—the effort to pressure North Korea to terminate its nuclear weapons program.*

---

As a result of this net loss of influence on the Korean Peninsula, Russia was left on the sidelines during the most significant East Asian diplomatic and strategic confrontation of the early post-Cold War era—the effort to pressure North Korea to terminate its nuclear weapons program. Russian frustration over its loss of influence has highlighted the country's general loss of prestige and power in Asia since the collapse of communism, precipitated considerable opposition to the course of Russian policy toward the Koreas, and increased tension between Russia and the United States. Opposition pressure, combined with the Yeltsin government's own frustration over its inability to influence events on the Korean Peninsula, has led Russia to modify its policy toward the Korean Peninsula.

#### *Courting the South*

Throughout most of 1992 the Yeltsin government followed a policy that consistently placed cooperation with South Korea well above maintaining the former Soviet Union's relations with the Democratic Peoples' Republic of Korea (D.P.R.K.). Boris Yeltsin's policy continued the efforts begun during the Gorbachev era to increase cooperation with South Korea, with which the Soviet Union established official relations for the first time in 1990. In March 1992, Foreign Minister Andrei Kozyrev visited Seoul and assured the South Koreans that Moscow had stopped selling weapons to North Korea and had ended technical assistance to the North Korean nuclear power program.<sup>1</sup> In November of that same year, President Yeltsin led a delegation to Seoul which included Defense Minister Pavel Grachev, Foreign Minister Kozyrev, and Minister of Foreign Economic Affairs Petr Aven. At these meetings Yeltsin and R.O.K. President Roh Tae

---

<sup>1</sup> Sergei Mushkaterov, "Moscow Stops Selling Offensive Weapons to DPRK," *Izvestiia*, March 19, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 11 (1992), p. 16.

Woo signed a Treaty on Principles of Relations, which proposed building Russian-South Korean relations on the basis of the common ideals of freedom, democracy, and commitment to a market economy. In a speech to South Korea's National Assembly, Yeltsin expressed the Russian government's intention to work as a partner with the R.O.K. and Russia's desire to play a role in the formation of a new Northeast Asian security system.<sup>2</sup> Grachev and his South Korean counterpart signed a memorandum calling for regular exchanges of military and defense officials,<sup>3</sup> as well as an agreement to construct a pipeline from the Russian region of Yakutia to South Korea (contingent on the agreement of North Korea). In an effort to win the trust of the South, the "black box" flight recorder from Korean Air Lines flight 007, downed by the Soviets in 1983 when it accidentally entered Soviet airspace near Sakhalin, was turned over to Korean officials.<sup>4</sup>

### **Poor Returns**

Despite hopes that improved relations with the R.O.K. would benefit Russia's economic transformation, economic cooperation between Russia and South Korea remains modest. Russian trade with South Korea increased by 40 percent from 1993 to 1994, reaching \$1.25 billion worth of goods, mostly in raw materials, and imported \$950 million worth of electronic equipment, textile products, and furniture. But South Korean investment in the Russian economy, despite the technological and input complementarities of the two economies,<sup>5</sup> has been quite small. As of February 1995, South Korean firms had only invested about \$25 million in the Russian economy.<sup>6</sup> Through January 1995, South Korean firms had invested only \$2.48 million in Khabarovsk region, roughly two percent of the total foreign investment in the region.<sup>7</sup>

In tangible terms, the policy of the young Russian government had a devastating impact on North Korea. Along with a threat by Yeltsin in November 1992 to annul Russia's military alliance with North Korea, Russia virtually halted military cooperation and arms exports to the North.<sup>8</sup> In addition, Russia has rejected the Soviet Union's trade policies based on barter and subsidies to the North and is now demanding hard currency for its oil, coal, and food. Since barter trade with the Soviet Union comprised fully 50 percent of North Korea's total trade, Russia's trade policies have caused considerable hardship in North Korea.<sup>9</sup>

### **Challenges to the Southern Focus**

Yet during this same period, members of Yeltsin's government showed concern over Russia's loss of influence in North Korea. In late July 1992, a Ministry of Foreign Affairs statement stressed that Russia would not give in to foreign pressure that aimed to put Russia in conflict with the D.P.R.K.<sup>10</sup> The next month, Deputy Foreign Minister Georgii Kunadze asserted, "Moscow and Pyongyang are long-time partners in various areas of human activity. And we believe there is

<sup>2</sup> Vasily Kononenko, "In Seoul, B. Yeltsin Proposes 23 Projects for Economic Cooperation with South Korea," *Izvestiia*, November 19, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 46 (1992), p. 15-16.

<sup>3</sup> Yury Glukhov, "Shift in Priorities," *Pravda*, November 24, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 47 (1992), p. 21.

<sup>4</sup> Vasily Kononenko, *op. cit.*

<sup>5</sup> Judith Thornton, "Russia in Asia: A View from the Pacific," paper presented at the Washington, DC, conference of the "New Russia/CIS in Asia" project, October 5-6, 1995.

<sup>6</sup> Sergei Kudasov "The Bazaar Syndrome, or How We Do Business with South Korea," *Rossiiskie vesti*, February 7, 1995, in *The Current Digest of the Post-Soviet Press*, vol. 47, no. 6 (1995), pp. 29-30.

<sup>7</sup> Judith Thornton, *op. cit.*

<sup>8</sup> Vasily Kononenko, *op. cit.*

<sup>9</sup> Byoung-Lo P. Kim, "Kim Jong Il's Leadership and Political Changes," paper presented at the Seoul conference of the "New Russia/CIS in Asia" project, May 25-26, 1995.

<sup>10</sup> Georgy Stepanov, "Russia Doesn't Want to Make One-Sided Choice in Seoul's Favor," *Izvestiia*, July 31, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 31 (1992), pp. 16-17.



no need to sever our relations.” Russia, Kunadze continued, would still support North Korea if the latter were subjected to unprovoked aggression.<sup>11</sup>

Along with concerns expressed by some members of his own government, opposition to Yeltsin’s Korea policy came from a variety of other domestic sources beginning in 1992. As with all foreign policy issues, the communists were most sharply critical of Yeltsin and Kozyrev. A September 1992 article in *Pravda*, for example, asserted that Russia should not forget its history of cooperation with the D.P.R.K. and must not resort to American tactics of repeatedly pressuring North Korea.<sup>12</sup> In April 1992, members of the more conservative Russian communist parties traveled to Pyongyang to celebrate the 80th birthday of Kim Il Sung, and asserted that communism was still flourishing in countries that were properly led by communist parties.<sup>13</sup> Significantly, the representatives of Genadii Zyuganov’s Communist Party of the Russian Federation, which did well in the December 1995 elections, did not participate in this event, indicating their unwillingness to support the North Korean regime.

---

*No matter how useful continued subsidy of the North Korean economy and military might be to Russian influence on the Korean Peninsula, it is clear that Russia cannot afford to support North Korea when it cannot even manage to pay its own troops.*

---

Questioning of the Yeltsin/Kozyrev position was not limited to the communist press. A November 1992 article in *Izvestiia* argued that Russia’s policy toward the Koreas was held captive to the myth that economic ties to South Korea could have significant benefit for the Russian economy.<sup>14</sup> The implication was that Russia, having renounced its ties to the North in order to benefit from the economic potential of the South, had given up its influence on the peninsula but had gotten nothing in return. At the Moscow conference of the “New Russia/CIS in Asia” project in June 1993, Vasily Mikheev of the Institute for Russian-Korean Studies, in a presentation that was generally not critical of Russian policy, stressed Russia’s need to maintain official ties with both Koreas in order to play an effective role in the diplomacy on the peninsula.<sup>15</sup>

### ***Seeking a New Relationship with the North***

With the Russian government recognizing that it had given up virtually all of its influence on the Korean Peninsula, there has been a moderate warming in the relationship between Russia and the D.P.R.K. since Yeltsin’s November 1992 statements. During a January 1993 visit to Pyongyang, Deputy Foreign Minister Kunadze claimed that relations were improving from the low ebb of the previous year. Kunadze asserted that both sides needed each other economically.

---

<sup>11</sup> Gennady Charodeyev, “Russia Prepares to Sign Treaty with South Korea,” *Izvestiia*, August 13, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 32 (1992), pp. 18–19.

<sup>12</sup> Igor Vladov, “Russia and the Two Koreas,” *Pravda*, September 15, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 37 (1992), pp. 17–18.

<sup>13</sup> Anna Ostapchuk, “North Korean Masses Still Love Kim Il Sung,” *Nezavisimaia gazeta*, April 25, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 17 (1992), p. 15.

<sup>14</sup> Sergei Agafonov and Igor Golembiovsky, “Without Illusions but with Hope for the Future,” *Izvestiia*, November 12, 1992, in *The Current Digest of the Post-Soviet Press*, vol. 44, no. 46 (1992), pp. 13–15.

<sup>15</sup> Vasily Mikheev “On Some Problems of the Relationships between Russia and the Two Korean States,” paper presented at the Moscow conference of the “New Russia/CIS in Asia” project, June 17–19, 1993. This point was also made by a South Korean participant, Yong-Chool Ha of Seoul National University.

The deputy minister also stressed the need for Russia to “preserve its relations with the D.P.R.K.—an important factor in the security structure of Northeast Asia [in order to] be of interest to the international community as a useful and necessary partner in the region.”<sup>16</sup> The Yeltsin-approved April 1993 foreign policy concept also stressed the need for Russia to maintain its influence in Pyongyang.<sup>17</sup>

Yet support for the D.P.R.K. has been heavily qualified. In March 1994 Deputy Foreign Minister Panov qualified his assertion that his government would continue to abide by the Soviet-North Korean security treaty by saying that Russia alone would make the final determination as to whether a particular act of aggression against the D.P.R.K. was provoked.<sup>18</sup> In terms of economic cooperation, while a number of contracts for specific ventures have been signed, relations have been limited by the fact that the great majority of Russia’s trade is based on market relations and conducted in convertible currency.<sup>19</sup> No matter how useful continued subsidy of the North Korean economy and military might be to Russian influence on the Korean Peninsula, it is clear that Russia cannot afford to support North Korea when it cannot even manage to pay its own troops.

### ***Challenge from the North***

The collapse of communist power in Eastern Europe and the loss of support from Russia have intensified North Korea’s economic problems, weakened its military strength, and delegitimized its brand of radical communism,<sup>20</sup> a process which began during the Gorbachev era. When Soviet Foreign Minister Eduard Shevardnadze raised the possibility of the Soviet Union establishing diplomatic relations with Seoul to his North Korean counterpart in September 1990, North Korea responded that the Soviet-North Korean Treaty would become null and void and the D.P.R.K. would be forced to move ahead with its nuclear weapons program.<sup>21</sup> Further isolated and threatened by Yeltsin’s cessation of support, the North Korean regime announced its withdrawal from the Nuclear Nonproliferation Treaty in March 1993, using one of the few cards at its disposal to strengthen its military position and force other countries to negotiate with it.<sup>22</sup>

Following this announcement, the United States initially attempted to get other nations to agree to multilateral economic sanctions against the D.P.R.K. After this attempt failed, due primarily but not exclusively to Chinese unwillingness to impose sanctions, the United States was forced to negotiate with the North. The result of these negotiations was a framework agreement, signed by the United States and North Korea in October 1994, in which the D.P.R.K. agreed to freeze its nuclear program, allow international monitors to inspect critical nuclear waste sites, and dismantle the main facilities of its nuclear program. In return, the United States, Japan, and South Korea agreed to provide North Korea with alternative sources of fuel, including oil and light water nuclear reactors. The latter is to be built by the Korea Peninsula Energy Development Organization (KEDO) and financed primarily by South Korea and Japan.<sup>23</sup>

---

<sup>16</sup> Aleksandr Zhebin and Vadim Tkachenko, “Kunadze Flies to Pyongyang via Beijing,” *Nezavisimaia gazeta*, February 17, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 8 (1993), pp. 13–14.

<sup>17</sup> Vladislav Chernov, “Russia’s National Interests and Threats to its Security,” *Nezavisimaia gazeta*, April 29, 1993, in *The Current Digest of the Post-Soviet Press*, vol. 45, no. 17 (1993), pp. 13–15.

<sup>18</sup> Gennady Charodeyev, “Treaty with Pyongyang on Military Assistance Still in Force,” *Izvestiia*, March 31, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 13 (1994), p. 25.

<sup>19</sup> Vasily Mikheev, *op. cit.*

<sup>20</sup> Byoung-Lo P. Kim, *op. cit.*

<sup>21</sup> Manwoo Lee, “Pyongyang and Washington: Dynamics of Changing Relations,” paper presented at the Seoul Conference of the “New Russia/CIS in Asia” project, May 25–26, 1995.

<sup>22</sup> Stephen J. Blank, “Korean and Asian Security from the Fall of Communism to the Aftermath of the Framework Agreement: An American View,” *Korean Journal of Defense Analysis*, vol. 7, no. 2 (Winter 1996), pp. 113–139; and Vasily Mikheev, *op. cit.*

<sup>23</sup> Lee, *op. cit.*

## ***Russian Frustration***

The fact that the diplomatic effort to solve the crisis over North Korea's withdrawal from the Nuclear Nonproliferation Treaty was led by the United States increased the frustration of the Russian government and the opposition to the Yeltsin/Kozyrev-designed Korea policy. The Russian government's proposals for a multilateral conference were ignored by the countries involved, especially North Korea (the D.P.R.K. wishes to avoid the formation of a multilateral forum of which it could become a target). An article in *Nezavisimaia gazeta* in April 1994 complained, "When Warren Christopher asserts that Washington, together with Tokyo, Seoul and Beijing 'will take coordinated actions,' he is evidently 'forgetting' that, without Russia and the DPRK, no actions can lend stability to the Korean peninsula."<sup>24</sup> Even Kozyrev himself complained that the United States was ignoring Russia in the efforts to resolve the North Korean nuclear issue. He claimed that a multilateral conference would have been more effective than United Nations sanctions and complained that despite promises to the contrary, Christopher had distributed a sanctions proposal to the UN Security Council without consulting Russia.<sup>25</sup>

Russian communists and nationalists were more adamant in their condemnation of the United States. A *Pravda* article of March 1994 warned that the conflict over the North Korean nuclear program was triggered by the United States as part of the U.S. effort to expand its geopolitical influence.<sup>26</sup> A similar statement was made by Russian parliamentarians who condemned the new world order led by the United States which was placing unfair demands on Russia's traditional ally.<sup>27</sup>

---

*The agreement between the United States and North Korea, therefore, had a significant impact on Russia's sense of its place in the post-Cold War world. Having inherited the mantle of a former superpower, Russia now feels diplomatically and economically isolated.*

---

In addition to being critical of the process for resolution of the dispute, both the Russian government and its critics were angered and insulted by the KEDO agreement for South Korea to provide the light-water nuclear reactors to the North. Russia was hoping to play a role in the modernization of the North Korean nuclear industry, a market in which the Soviet Union had held a dominant position.<sup>28</sup>

The agreement between the United States and North Korea, therefore, had a significant impact on Russia's sense of its place in the post-Cold War world. Having inherited the mantle of a

---

<sup>24</sup> Valery Vladislavlev, "Russia and the DPRK Nuclear Problem," *Nezavisimaia gazeta*, April 29, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 17 (1994), p. 21.

<sup>25</sup> Interview with Andrei Kozyrev, *Izvestiia*, June 18, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 24 (1994), pp. 14–15.

<sup>26</sup> Boris Zanegin, "Troubled Peninsula," *Pravda*, March 16, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 11 (1994), p. 25.

<sup>27</sup> Aleksandr Chudodeyev, "Russian Foreign Ministry Rejects Possibility of Aiding Kim Il-Sung," *Sevodnya*, March 31, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 13 (1994), p. 25.

<sup>28</sup> Aleksandr Platkovsky, "Washington Reconciles with Pyongyang," *Izvestiia*, October 20, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 42 (1994), pp. 21–22 and Vasily Golovnin, "Pyongyang Rejects South Korea's Gift," *Sevodnya*, March 15, 1995, in *The Current Digest of the Post-Soviet Press*, vol. 47, no. 11 (1995), p. 27.

former superpower, Russia now feels diplomatically and economically isolated. The Russian Federation has lost many ties with former Soviet allies in Asia, but has not been able to forge a constructive new role for itself in post-Cold War Northeast Asia. The government has neither the resources nor the consistency of policy that would allow it to influence events in the region. Nor has Russia received any encouragement from the other powers to play a constructive role. Exclusion from the negotiations over the North Korean nuclear issue, on top of exclusion from APEC, highlights Russia's isolation. Criticism of the negotiations over North Korea's nuclear capabilities, and of the United States in particular, came from all groups involved in Russian foreign policy, from the Western-oriented Foreign Ministry to the various communist groups. From the Russian point of view, doors are being closed in Europe and in Asia. This fans Russian chauvinism and increases the strength of the nationalist and communist voices in Russian domestic and foreign policy-making.<sup>29</sup>

### ***Challenges to Northeast Asian Security***

The situation on the Korean Peninsula has significant ramifications for U.S.-Russian relations and for the future of American military involvement in Northeast Asia. The fact that both American and Russian initiatives to resolve the North Korean nuclear problem on a multilateral basis failed shows the limits of a multilateral approach to resolving regional security issues. In addition, since North Korea remains both a threat to the South and an obstacle to multilateral cooperation, the U.S. military presence in South Korea is still an essential part of the overall security structure of Northeast Asia. South Koreans remain concerned over Russian support of the North Korean military, as shown by their outrage over a deal reported in the Japanese press to sell 40 decommissioned Russian submarines to the North.<sup>30</sup> Yet the South Koreans are not only concerned about the D.P.R.K. and Russia. There is also a feeling in the South that a significant withdrawal by the United States would lead to a vacuum which China and Japan would try to fill.<sup>31</sup>

This does not mean that the U.S.-South Korean and U.S.-Japan security agreements should be the only guarantors of Northeast Asian security, or that multilateral initiatives should not be pursued. Rather, the current bilateral agreements should remain in place while a new system of multilateral security is developed. While China and North Korea continue to resist the implementation of a multilateral system, showing the current futility of Russian proposals to immediately convene such a forum, the only long-term solution for a guaranteed peace in Northeast Asia is the inclusion of all countries of the region into a cooperative security framework. Russian participation in such a system is a prerequisite for the development of a confident and consistent Russian foreign policy in Asia.

---

<sup>29</sup> For example, comments by Petr Gladkov and Konstantin Sarkisov at the Tokyo conference of the "New Russia/CIS in Asia" project, November 10-11, 1994.

<sup>30</sup> According to *Sevodnya* a Japanese scrap metal firm bought three dismantled submarines without weapons and sold them to North Korea. Vasily Golovnin, "Decommissioned Submarines Heading from Russia to DPRK through 'Eastern Garden'," *Sevodnya*, January 22, 1994, in *The Current Digest of the Post-Soviet Press*, vol. 46, no. 3 (1994), pp. 27-28.

<sup>31</sup> Kook-Chin Kim, "A Multilateral Security Regime in Formation in Northeast Asia," and Chung-in Moon, "Economic Interdependence and the Implications for Security in Northeast Asia," papers presented at the Seoul conference of the "New Russia/CIS in Asia" project, May 25-26, 1995.

## VII

### Russian Asia in the Asian Economy

#### *Difficult Transition*

The emergence of an independent Russian state has created new opportunities for integration into the economy of the Asia-Pacific region. The opening of the former Soviet Union to the outside world has been accompanied by increased economic cooperation between Russia and the countries of Northeast Asia. Deliberate attempts to increase economic relations with Asian economies have been accompanied by an unintended decline in Moscow's control over the regions of the Russian Federation, allowing for a degree of regional autonomy in foreign economic policy. Local and regional attempts at economic integration into the Asian economy have in part been necessitated by the drastic decline in central government financial support for established industries as well as a decline in the ability of the regional economies to provide for the needs of the local population. The instability caused by the collapse of the economy and the central political authority has raised considerable hurdles to foreign involvement in the Russian economy as a whole and in the regional economies east of the Urals.

During the Soviet period, the economy of Eastern Russia was based on the extraction of natural resources for the Soviet economy, the support of Russian military personnel in the region, and the development of the military-industrial complex to support that force.<sup>1</sup> The socialist economy was so structured that the region's trade was based on export of raw materials to the Soviet republics and satellites west of the Urals.<sup>2</sup> Furthermore, since much of the regional industry was developed to support the armed forces, Russian Asia was dependent on other regions to supply it with consumer goods. There were few economic ties between Russian Asia and the dynamic countries of Asia.

The local population, whose living standards were below the national average, resented the fact that the region was used as a resource appendage of the Soviet state. This resentment, which began to be expressed openly during the *perestroika* era, led to increasing discontent east of the Urals and to the election of regional leaders espousing greater autonomy. The growing strength of regional grievances also encouraged the formation of organizations such as the Siberian Agreement, a regional association of representatives of Siberia's administrative units. The Siberian Agreement provided for considerable regional control over the territory's foreign trade in accordance with a Yeltsin resolution of July 1991.<sup>3</sup>

The structure of the economy of Russian Asia increased the severity of the economic decline that accompanied the transformation from a centrally planned to a market economy. Because the economy of the Russian Far East in the Soviet period had been so dependent on military personnel and military-industrial production, the decline of the military-industrial complex was particularly difficult for the region. The demand for tactical aircraft and nuclear submarines produced in the Russian Far East was reduced by the end of the Cold War, and the purchasing capacity of the Russian military fell as well. Additionally, the Pacific force has been cut by 400,000 men.<sup>4</sup> Furthermore, difficulties in transporting goods have been particularly acute for the regions east of the Urals. Since the territories depended so heavily on the shipment of its resources

---

<sup>1</sup> Judith Thornton, "Russia in Asia: A View from the Pacific," paper presented at the Washington, DC, conference of the "New Russia/CIS in Asia" project, October 5-6, 1995, p. 1.

<sup>2</sup> Leslie Dienes, "Corporate Russia: New Property Relations and Implications," paper presented at the Washington, DC, conference of the "New Russia/CIS in Asia" project, October 5-6, 1995, p. 27.

<sup>3</sup> Vera Tolz, "Regionalism in Russia: The Case of Siberia," *RFE/RL Research Report*, vol. 2, no. 9 (February 26, 1993), pp. 2-3.

<sup>4</sup> Judith Thornton, *op. cit.*, p. 1.



to distant regions west of the Urals in return for consumer goods, the breakdown in the centrally planned transportation system has had an enormous negative impact on the region. Great distances have also exacerbated the general loss of inter-enterprise ties on which the highly integrated Soviet system depended. On top of these difficulties, the loss of financial support from the federal government for Soviet-era industries has meant that uncompetitive industries are no longer viable.

### ***New Initiatives***

The decline in financial support for regional industry, the dismantling of the command economy, and the loss of central political and economic control over the regions have combined to set Russian Asia adrift. Yet efforts to transform Russia into a market economy and open the country to the world economy, and the Asian economy in particular, continue. These efforts are motivated by desires to increase access for Russian goods in Asian markets, encourage imports to raise the quality and quantity of consumer goods available, and attract needed investment from the developed and developing economies of East Asia.

In some ways, these desires have been fulfilled, particularly on the national level. The trade regime instituted by the Russian government in late 1991 and early 1992 permitted the rapid expansion of imports by liberalizing prices, allowing for free currency exchange, and establishing a new legal framework for foreign trade in November 1991.<sup>5</sup> Although special quotas and licenses still remain in some sectors (most notably oil and gas), there has been a significant liberalization of the export regime to allow most firms to sell their goods on foreign markets.<sup>6</sup> While the climate for foreign investors remains unattractive, there are nevertheless many opportunities for foreign investors in Russia, and investment is increasing at a steady rate.

The countries of Northeast Asia have been involved in the economic transformation of Russia to varying degrees and in a number of ways. Following the demise of the U.S.S.R., the paucity of consumer goods in southern Siberia and the Russian Far East presented great opportunity for Chinese traders. Trade with China, primarily barter trade of Russian machinery and natural resources for Chinese consumer goods, grew rapidly. China has also imported a considerable quantity of Russian arms. According to Chinese trade statistics, \$1.7 billion worth of military aircraft were imported from the Russian Far East to China in 1992 and \$512 million worth in 1993.<sup>7</sup> Trade with Japan also rose. In addition to trade reported in official statistics, unreported trade with Russia's Asian neighbors has been significant. For example, while official trade statistics for the Russian Far East declined dramatically in 1994 and early 1995, unofficial trade remained healthy. Millions of dollars in goods continue to be imported by maritime employees, and several hundred thousand tons of fish were sold offshore in 1994, presumably much of it to Japan, and not counted in the official statistics.<sup>8</sup>

### ***Growth Constraints***

Yet significant barriers to trade between Russia and Asia remain. Import tariffs and the list of goods to which they are applied have been increased several times since 1992.<sup>9</sup> Imports often

---

<sup>5</sup> Herbert J. Ellison and David V. Alhadeff, "Russia's Foreign Economic Policy," in *Russia: Political and Economic Development*, The KECK Center for International and Strategic Studies, Monograph Series no. 9, Claremont, CA: Claremont-McKenna College, 1995, pp.61-90.

<sup>6</sup> *Ibid.*

<sup>7</sup> Judith Thornton, *op. cit.*, p. 7.

<sup>8</sup> *Ibid.*, pp. 6-7.

<sup>9</sup> Herbert Ellison and David Alhadeff, *op. cit.*

face unpredictable customs delays, and customs regulations are inconsistently applied. The once unwieldy general export regime has been systematically liberalized, concluding with a May 1994 Yeltsin decree which eliminated the system of export quotas.<sup>10</sup> However, unwieldy export regulations remain in the natural resource sectors, which is particularly damaging for regions of Russian Asia where the economy is to a significant degree dependent on the sale of natural resources.

Russian Asia has faced several unique problems in trade relations with China. Primary among these has been the fear raised by the increased presence of Chinese in the region. The growing number of Chinese citizens in these lightly populated regions of Russia has raised concern on the part of local and national leaders that the Chinese would take over the territory both economically and politically.<sup>11</sup> Along with these concerns came accusations that Chinese traders were dumping low quality, even tainted, goods on the Russian market.<sup>12</sup> As these fears mounted, visa requirements were strengthened, undocumented Chinese were expelled, and Russian trade with China fell drastically. Chinese goods have basically disappeared from the Russian market.<sup>13</sup>

---

*The opportunities for increased autonomy in economic decision-making have led to attempts by Russian regional elites to formulate their own foreign economic policies.*

---

Along with the constraints on foreign trade, numerous barriers remain to foreign investment in Russia. In the first place, problems of the economic transition, such as the rapid decline in production, the collapse of inter-enterprise ties, and lack of macroeconomic stabilization, have discouraged foreign as well as domestic investment.<sup>14</sup> In addition, the necessary infrastructure to support a market economy is generally lacking. The primary obstacle in this regard has been the ineffective protection of property rights. The Russian government has yet to legalize the private ownership of land, and mechanisms have not yet been developed to implement laws on bankruptcy and corporate governance.<sup>15</sup> Additionally, the federal tax system is confusing, inconsistent, and burdensome. It is estimated that foreign investors face more than 40 different taxes which frequently change and rarely include grandfather clauses.<sup>16</sup>

Consequently, Asian investment in the Russian economy has been small. Through the beginning of 1995, South Korean direct investment totalled only about \$25 million.<sup>17</sup> Chinese investment in the region has so far been limited to small-scale joint ventures along the border.<sup>18</sup> Japanese investment has been additionally hindered by the territorial dispute and Russian commercial indebtedness. Nevertheless, Japanese interest in the Russian economy has grown of late. Japan's Ex-Im Bank recently guaranteed \$2.9 billion in credits for investment in the gas pipe, energy equipment, fisheries, and other industries.<sup>19</sup>

---

<sup>10</sup> *Ibid.*

<sup>11</sup> Judith Thornton, *op. cit.*, pp. 4-5.

<sup>12</sup> Lee Hockstader, "Russians Fear Invasion of Chinese Traders," *Washington Post*, May 18, 1994, p. A1.

<sup>13</sup> Judith Thornton, *op. cit.*, p. 5.

<sup>14</sup> Herbert Ellison and David Alhadeff, *op. cit.*

<sup>15</sup> Judith Thornton, *op. cit.*, pp. 3-4.

<sup>16</sup> Herbert Ellison and David Alhadeff, *op. cit.*

<sup>17</sup> Sergei Kudasov, *op. cit.*, pp. 29-30.

<sup>18</sup> Judith Thornton, *op. cit.*, p. 8.

<sup>19</sup> *Ibid.*, p. 10.

### ***Region versus Center***

The opportunities for increased autonomy in economic decision-making have led to attempts by Russian regional elites to formulate their own foreign economic policies. For example, former Sakhalin Island Governor Valentin Fedorov arranged to have his island's supply of fish sold by joint ventures to foreign companies instead of to the central government.<sup>20</sup> Yet with great profits to be made from foreign sales and little incentive for businesses to keep money in Russia, the local inhabitants on Sakhalin have seen no rise in supplies of fish in the market. For the most part, the regional governments have been unable independently to create an environment favorable to foreign trade and investment. Although the regions have lost the economic support of the federal government, they remain captive to federal restrictions on exports, barriers to imports, and economic policies that do not adequately protect investment.<sup>21</sup>

For the Asian regions of Russia, an additional hindrance to foreign and domestic investment has been the struggle for the control of natural resources. This struggle has taken two tracks. The first is the national debate between those who argue that the state should control the extraction and sale of natural resources and those who want to sell the rights to develop the resources to private investors. The second is the battle between the central and regional governments for control of the resources themselves and the income that is derived from them. An example of this tension can be seen in the attempts by former Sakhalin Governor Fedorov to sign contracts in 1992 for oil and gas exploration off the coast of the island with a U.S.-Korean firm, while the Russian parliament awarded the contract to a U.S.-Japanese consortium. Fedorov's protests were overruled, and the U.S.-Japanese consortium was awarded the contract.<sup>22</sup> Yet in cases where agreements have been reached, development of the oil and gas deposits has been slow to begin. Russia has not yet developed a coherent legal framework with transparent rules for domestic, foreign, and joint ventures. The Law on Oil and Gas and its predecessor Law on Underground Resources contain contradictions and clauses that restrict foreign investment. In particular, the Law on Oil and Gas does not fully resolve issues of joint ownership and jurisdiction over resources.<sup>23</sup> While a number of Japanese and American companies have signed contracts to develop the energy resources of the Russian Far East, until there are clear rules determining how control of the land and resources will be divided, foreign companies will only proceed with the initial development of the oil and gas reserves of the region. The slow pace of development delays the potentially massive influx of investment.

There are signs, however, that these issues will be resolved fairly soon. The latest draft of the Law on Oil and Gas contains both a preservation of terms clause assuring that the terms of a contract cannot change once it has been signed and another clause granting investors the right to build and own pipelines to export their oil and gas.<sup>24</sup> Furthermore, the Russian government continues to offer parcels of the Sakhalin deposits for tender, and exploration of some deposits has begun.<sup>25</sup> These developments will likely combine with other positive trends to encourage further investment in the Far East and elsewhere in Russia. The economy appears to be stabilizing, and questions of resource ownership and income are likely to be resolved. These trends will lead to billions of dollars in foreign investment into the Russian Far East. Additionally, the technological and input complementarities of the Chinese and Korean markets should allow for considerable trade and investment from these countries.

---

<sup>20</sup> Kathryn Brown, "Sakhalin's Valentin Fedorov Makes Nationalist Allies," *RFE/RL Research Report*, vol. 1, no. 38 (September 25, 1992), p. 36.

<sup>21</sup> Leslie Dienes, *op. cit.*, p. 31.

<sup>22</sup> Kathryn Brown, *op. cit.*, p. 37.

<sup>23</sup> Leslie Dienes, *op. cit.*, pp. 25-26.

<sup>24</sup> *Ibid.*, p. 15.

<sup>25</sup> Judith Thornton, *op. cit.*, pp. 10-11.

### ***Persistent Problems***

On the other hand, significant hindrances to Asian investment in Russia are likely to remain. For importers, tariffs have continually increased and have led to rampant corruption,<sup>26</sup> customs rules are applied inconsistently, and delays are common and unpredictable.<sup>27</sup> In the current political climate, nationalist pressure to raise tariffs to protect domestic producers will tend to keep import tariffs high. The same pattern will likely strengthen resistance to foreign investment. While rationalization of the investment climate is possible, a more nationalist government will likely raise fairly stringent barriers to foreign investment. Increased nationalism will have particular effect on economic relations with China, as concerns about Chinese intentions on Russian territory will grow. Economic relations with Japan will continue to be inhibited until the territorial dispute is resolved. Furthermore, problems with the Russian business climate will be hard to resolve. Mafia control of business, the difficulty in obtaining information about businesses, and poor transportation infrastructure will likely remain.

---

<sup>26</sup> Herbert Ellison and David Alhadeff, *op. cit.*

<sup>27</sup> Judith Thornton, *op. cit.*, p. 13.

## VIII

### Conclusions

Russia's policy in East Asia in the Yeltsin era demonstrates that Russia will once again play a major, but very different, regional role in diplomatic, security, and economic affairs. Russia's unique geographic, historical, and political perspective will lead it alternately to cooperate with, question, and occasionally challenge the interests and policies of the other powers in the region. But it now conducts its policy as a conventional great power, and as a democracy whose government's policies are the constant object of parliamentary and press scrutiny and debate. Russian interests will not always coincide with those of its neighbors, or of the other powers of the region, but the other powers must of course accept this reality and work vigorously and imaginatively to incorporate Russia into the Asian economic and security structures. To achieve this goal is a matter of immense importance for Asia, a region whose enormous new economic and political power contrast worryingly with the current absence of effective security structures.

---

*... while it does not seem likely that there soon will be a full-fledged multilateral security system in East Asia, the current set of bilateral relations is clearly not sufficient to build trust and ensure stability among the major players in the region.*

---

#### ***Russia and Multilateral Security in East Asia***

One of the most important conclusions of the "New Russia/CIS in Asia" study is that multilateral security arrangements in East Asia must include Russia. And while it does not seem likely that there soon will be a full-fledged multilateral security system in East Asia, the current set of bilateral relations is clearly not sufficient to build trust and ensure stability among the major players in the region. The U.S.-Japan and U.S.-South Korea security guarantees, while still vital, were developed to contain the Soviet threat, and are not an adequate response to the need for a new system, though they can be the foundation of one.

The collapse of the Soviet Union brought an end to the massive Soviet military presence. While the Russian military still presents a considerable force in Asia, it is limited by a number of factors. The first is the decreased means of the Russian Federation to support troops in the region. The second is the end of Soviet diplomacy based primarily on the threat of the country's military might. Finally, Russian forces in the region do not present the same kind of threat that Soviet forces did because the government's policy is no longer driven by an ideology demanding the spread of communist revolution. Significantly, none of the currently popular political parties in Russia, including the Communist Party of the Russian Federation, advocates expansion of the Russian state beyond the borders of the former Soviet Union. And while the pursuit of such expansion by means of coercion could be profoundly destabilizing for Asian international relations, the means are lacking to pursue the goal, and, with the exception of the ultranationalists, those pressing for greater integration of the former republics do not advocate military force to achieve their goal.

Therefore, the end of the Soviet threat makes it both reasonable and prudent to reassess the possibilities for multilateral security cooperation. Security systems established to contain the



Soviet Union continue to be perceived as a threat by many segments of the population and by the foreign policy-making establishment in Russia. In order for Russia to develop as a confident, demilitarized democracy, it must be allowed to play a major role in the formal and informal diplomatic and security relations in Asia. Furthermore, since all countries in the region have been set loose from their moorings with the end of the Cold War, all of the regional powers have developed more independent diplomatic, military, and economic policies. This has led to a situation where each country sees some of the others as a potential threat, which in the long-term makes dependence on bilateral alliances inadequate.

Despite the need for the establishment of multilateral security arrangements, a number of significant factors inhibit its development. China, for example, continues to be reluctant to support attempts at multilateral cooperation, since it prefers to maintain a secretive policymaking process. Similarly, the North Korean communist regime resists attempts to open its society to outside scrutiny and prefers bilateral negotiation to multilateral cooperation. Russia, on the other hand, would prefer multilateral cooperation in which it played a role, but the existence of the territorial dispute with Japan continues to inhibit the normalization of Russian-Japanese relations, which in the opinion of many analysts remains an impediment to full-scale multilateral cooperation in Northeast Asia.

In the short term, therefore, the U.S.-Japan and U.S.-Korea security relationships are the only stabilizing security arrangements in existence. However, in the long term, more multilateral forms of cooperation must evolve. Because the current alliances exclude China and Russia, they are perceived as potential threats by influential elites in those countries. Furthermore, China and Russia remain significant military powers in the region, and an important step in reducing any future threat they might pose is to encourage greater transparency and cooperation with other powers. Finally, from the Russian point of view, greater cooperation with the major powers in Asia would constitute the missing security dividend it expected when it renounced the Soviet alliances with communist regimes in the region.

Yet the countries of the Asia-Pacific have not been very effective in incorporating Russia into new regional initiatives. Russia continues to be excluded from APEC, which is the only region-wide multilateral organization currently in existence. While the practical value of APEC remains questionable, the exclusion of Russia has a significant impact on the country's self-confidence and causes it to seek ways to influence events in a region where circumstances greatly effect its security and economic well-being.

Russia's frustration was evident in the process leading to the settlement of the North Korean nuclear issue. While Russian proposals for a multilateral solution to the problem were unrealistic, the country's exclusion from the process and the agreement to provide North Korea with nuclear reactors had a negative impact on Russia's perception of its new Asian role. The Russian government aims to cooperate with the great powers in Asia and the West, but it refuses to do so on terms dictated by other powers and cannot do so if it is excluded from agreements and organizations that develop to solve the most pressing regional issues.

### ***The Russian Role in Central Asia***

Characterizations of Russia's recent policy role in Central Asia range from benign hegemon to malevolent imperial state. Benign hegemon appears to be the appropriate description. In the first place, the newly independent republics of Central Asia have great need for Russia, particularly to guarantee the security of the region. They cannot maintain adequate military forces to protect themselves from foreign aggression, or from the turmoil which encroaches on them from Afghanistan. They are also powerless to control the flow of arms, narcotics, and illegal migra-

tion across their borders. Their reliance on Soviet military hardware makes Russia the only reasonable supplier of arms to the region.

Not only is Russia the only reasonable security guarantor, it is the only country willing to guarantee security in the region. Russian interest in the security of Central Asia is considerable, since turmoil in the region would threaten the millions of ethnic Russians still living there and would likely spill over onto Russian territory.

Economic ties with Russia are also essential for the former Soviet economies of Central Asia. This is particularly true of Kazakhstan, where almost one-third of all cities were monoindustrial cities established to provide inputs to Soviet industry. For all countries of the region, the Russian market and Russian investment in the regional economy are potentially attractive. Furthermore, economic ties with countries to the south have not been fruitful to date and are burdened with major long-term problems. This has been particularly true of efforts to build pipelines from Central Asia that bypass Russia. No country in the region, including China, has so far been able to put the capital together to build the extensive pipeline necessary.

But Central Asia cannot again be treated as a Russian preserve. As noted repeatedly in the foregoing chapters, the sovereignty of the Central Asian states must be respected, and this includes sovereignty as economic entities regulating economic ties with other states. In this matter, special importance attaches to the huge energy resources of some of the Central Asian states. Russian control of the pipelines leading from Central Asia has been a barrier to Western energy concerns investing in the region. Recently, Chevron's frustration in the Tenghiz oilfields, which in large part are due to Russian policy that discriminates against foreign investors, caused the American company to reduce its presence in Kazakhstan and sell part of its share in the Tenghiz fields to Russia's LUKoil. The Central Asian states are not fully independent of Russia. However, Western access to Central Asia's resources and markets will be a function of the degree of independence the countries are able to maintain.

A less direct but also significant factor in Central Asia is the treatment of the Russian minorities. With the breakup of the Soviet Union, 11 million Russians suddenly found themselves in foreign lands. Intentional mistreatment and unintentional discrimination against Russians in the region encourage the development of nationalist forces in Russia pressing for the use of force to protect their fellow countrymen. Additionally, instability in the region could lead to a more nationalist Russia that would be likely to act with force to protect the Russian diaspora. These facts suggest the importance of working toward government policies in Central Asia allowing for equal participation in the political process and the protection of all ethnic groups.

---

*Iranian participation in the economies of Central Asia and Azerbaijan could have a significant long-term impact on the ability of those countries to reduce their dependence on Russia, particularly if pipelines were built through Iran allowing the region's energy supplies to bypass Russia.*

---

Another very important factor for U.S. interests is the role of Iran in Central Asia. Iranian participation in the economies of Central Asia and Azerbaijan could have a significant long-term impact on the ability of those countries to reduce their dependence on Russia, particularly if

pipelines were built through Iran allowing the region's energy supplies to bypass Russia. A greater Iranian role will be possible, however, only when the United States settles its differences with that country, most notably the issue of nuclear proliferation. Meanwhile, the United States and Russia find themselves frequently at odds on Iranian policy since Russia looks to Iran for markets for arms and nuclear technology. The differences make it more difficult for American sanctions to work, adding further to U.S.-Russian frictions.

In sum, there are many obstacles to the building of a multilateral security structure in East Asia. In the transitional period, the U.S.-Japan Security Treaty will almost certainly continue to be the pivotal security structure for East Asia, but the foregoing review outlines the issues and suggests the direction of action in the effort to achieve a multilateral system.

### ***Russia and the Asian Economy***

It is clear that the integration of Russia into the Asian economy will be a slow process. Most of the obstacles are internal—the incompleteness of the policy and institutional transition to a market economy with a foreign economic policy favorable to full development of foreign trade and foreign direct investment. But there are also problems of access to foreign markets and of the policies of regional governments affecting trade and investment by their own citizens.

While the results to date are somewhat discouraging, it should not be forgotten that the region was virtually isolated from the world economy before the 1990s, and that the opening of the Yeltsin era is a major transformation. Furthermore, the regionalization of Russian domestic politics and economy has prepared the way for Russian Asia, and particularly the Russian Far East, to be a much more independent and significant player in the Asian economy. Finally, Russian Asia is unquestionably the major storehouse of energy and other resources required for the future growth of the dynamic Asian economies. Its development for that role, among others, is assured; what is still unclear is the pace of the change. n