



## RUSSIA'S FAILURE IN ASIA<sup>1</sup>

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### **Abstract:**

Russia wants to be seen as a major Asian power and understands that it needs foreign investment on a large-scale to accomplish this aim. However, few Asian states really see it in this light and this is mainly due to failure by Moscow to develop the Russian Far East or to make itself truly fully relevant to its partners' or potential partners' concerns. Particularly with regard to South Korea and Japan Russia has failed not only to make the Russian Far East an attractive investment proposition, it has also failed to respond to their critical political interests in making Russia a safe haven for foreign investment or for pulling much weight in the six-party talks on North Korean proliferation. Neither has it responded to Japanese business' desire for a stable investment climate or to Japan on the so called Northern Territories issue. As a result Russia has failed to optimize the potential benefits that could accrue to it from ties with those states. As a result it really has only one partner in Asia and that is China. And under the circumstances this partnership entails growing dependence upon China, not an equal partnership nor an independent and competitive status as a great Asian power.

**Keywords:** Russia, Russian Far East, Asian Power, Japan, Korea, China, Dependence, Partnership.

### **Resumen:**

*Rusia quiere ser vista como una potencia asiática y entiende que necesita de las inversiones extranjeras a gran escala para lograr tal objetivo. Sin embargo, pocos países asiáticos comparten la misma visión, ello debido principalmente al fracaso de Moscú a la hora de desarrollar su región del Extremo Oriente, o por lo menos de presentarse como un actor relevante para las preocupaciones de sus socios y potenciales socios. Especialmente en relación con Corea del Sur y Japón, Rusia ha sido incapaz no sólo de convertir a su Extremo Oriente en un objetivo de inversión atractivo, sino que no ha respondido a sus principales intereses políticos convirtiendo a Rusia en un destino para inversiones o valorizando su posición como interlocutor en las conversaciones a seis bandas sobre la proliferación en Corea del Norte. Tampoco ha respondido a los deseos de los empresarios japoneses de un clima de inversiones estable, o a los intereses de Japón con respecto al contencioso territorial. Como resultado de todo ello, Rusia no ha logrado optimizar los beneficios potenciales que podrían derivarse de sus lazos con estos países. Por tanto, no le queda más que un socio en Asia, China, y por las características de tal asociación, ello conlleva una creciente dependencia de China, muy lejos de una asociación en igualdad y de un estatus independiente y competitivo como una potencia asiática.*

**Palabras clave:** Rusia, Extremo Oriente Ruso, potencia asiática, Japón, Corea, China, dependencia, asociación.

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## 1. Introduction

Russia considers itself an Asian power and wants Siberia and the Russian Far East (RFE) to be directly involved in Asia and its security organizations like APEC (Asia Pacific Economic Cooperation).<sup>3</sup> Toward this end it offers its abundant oil and gas, and also its supposedly equally competitive science, technology, industrial and intellectual potential.<sup>4</sup> Indeed, Russia ties its further development as an Asian power to the increased participation of Asian countries in its economy particularly in Siberia and the Russian Far East.<sup>5</sup> While Russia's scientific and technological competitiveness are dubious; energy has long been Russia's calling card in Asia and the key to the large-scale task of rebuilding Siberia, the Russian Far East (RFE), and ensuring Russia's recognition as a great Asian power.<sup>6</sup>

As Russian leaders well know and admit the reconstruction of Asiatic Russia is only possible in that context of large-scale foreign investment. Yet despite statements of Russia's readiness for it, little has been done to make such investment attractive for foreign investors and firms. Consequently that investment is not occurring. As a result not only do numerous foreign experts fail to take account of Russia as an Asiatic power as any examination of the Asian security literature will confirm, many states also do not take Russia seriously as an Asian power. This is undoubtedly galling to Russian leaders who are well aware of Russia's perceived Asian status. This Deputy Foreign Minister Alexei Borodavkin recently stated that ,

At present some countries do not wish to see us as a strong competitor. Russia should become part and parcel of the Asia-Pacific region's integrated economies. Then we shall stop being seen as a second-rate participant.<sup>7</sup>

Of course, Borodavkin's remarks indicate that Russia is not yet "part and parcel" of the Asia-Pacific and not seen as such by potential interlocutors. Indeed, as Gaye Christoffersen recently wrote there is "a large gap between Moscow's expectations for Russia's role in the APR (Asia-Pacific region) and how the region perceives Russia."<sup>8</sup> But to a large degree, this is Russia's own fault, the consequence of misguided political and economic policies, not some nefarious foreign conspiracy. Indeed, Russia's recent history justifies investors' skepticism about repatriating profits and the safety of their investments. As a result it is not surprising that the results of Russia's quest for foreign investment with regard to Japan, South Korea, and China are not encouraging. Despite recent high-level ministerial talks with Japanese officials and mutual calls for enhanced cooperation in energy and other sectors, no new deals for specific agreements have been signed with Japan.<sup>9</sup> Russian analysts still think that Japan's main reason for reluctance to invest in Siberia is due to the issue of the Kurile Islands

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<sup>3</sup> Medvedev, Dmitry: "APEC: Toward a Stable, Safe, and Prosperous Community," Presidential Speech 13<sup>th</sup> November, 2009), at <http://en.rian.ru/analysis/20091113/156810697.html>.

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

<sup>5</sup> *ITAR-TASS, Open Source Center, Foreign Broadcast Information Service, Central Eurasia (Henceforth FBIS SOV)*, (1 April, 2010).

<sup>6</sup> Lavrov, Sergei: "The Rise of Asia and the Eastern Vector of Russia's Foreign Policy," *Russia in Global Affairs*, vol. 4, no. 3 (July-September 2006), pp. 70, 77; Lavrov, Sergei, Speech at Chulalongkorn University of Thailand, *Ministry of Foreign Affairs of the Russian Federation, FBIS SOV*, Moscow (24 July, 2009); Luzyanin, Sergei: "A Greater East For a Former Superpower," *Nezavisimaya Gazeta, FBIS SOV*, 22April, 2005.

<sup>7</sup> *FBIS SOV*, 1 April, 2010.

<sup>8</sup> Christoffersen, Gaye: "Russia's Breakthrough Into the Asia-Pacific: China's Role" *International Relations of the Asia-Pacific*, vol. 6, no. 1 (2010), p. 64.

<sup>9</sup> *Kyodo World Service, FBIS SOV*, October 21, 2008; *ITAR-TASS, FBIS SOV*, 21October, 2008.



when in fact it is probably equally due to Russia's failure to create viable conditions for foreign investors and record of duplicity vis-a-vis both Japan and China since 2003 with regard to energy investments.<sup>10</sup>

Failure to rebuild Siberia and the RFE has clear and profound consequences. If Russia cannot attract foreign investment from Japan and South Korea it will necessarily have to concede primacy in the RFE to China with the negative results that many Russian leaders and analysts fear. As Russian officials well know nowhere is domestic policy so clearly a precondition for success abroad as in the Far East. As Russia's Ambassador to South Korea, Gleb Ivashentsov recently said,

In no other region are internal and external interests of Russia so interconnected as in Northeast Asia. For the future of Russia as a great power to a great extent depends on the economic, technological, and social uplift of Siberia and the Russian Far East. To achieve that aim we need the absence of external threats. By Russia's view such guarantees could be best provided by promoting positive relations with her neighbors.<sup>11</sup>

Here Ivashentsov was merely echoing his boss Foreign Minister Lavrov who wrote in 2006 that,

Russia can join the integration processes in the vast Asia-Pacific region only through the economic growth of Siberia and the Russian Far East; in other words, the modernization of these regions is an axiom. Therefore, there does not exist any contradiction between the general vector of Russia's internal development, described as "the European choice," and the objectives of our policy in Asia. --- Moreover, our domestic and foreign policy interests converge in Asia as in nowhere else; because without economic progress there cannot be a solid foundation for our policy in this region. In turn, this policy directly depends on the social, economic, and infrastructural, and other development of Siberia and the Russian Far East.<sup>12</sup>

Consequently failure to develop the RFE inhibits if it does not preclude Russia's successful integration into the Far East.

To be sure not everything is bleak. For example, ASEAN is considering expanding the ASEAN + 6 group to include both Russia and the United States. At the recent 16<sup>th</sup> ASEAN summit in Hanoi the Chairman's statement said that,

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<sup>10</sup> Katz, Mark: "Exploiting Rivalries for Fun and Profit: An Assessment of Putin's Foreign Policy approach", *Problems of Post-Communism*, vol. 52, no. 3 (May-June, 2005), pp. 25-31; Blank, Stephen (2006): *Russo-Chinese Energy Relations: Politics in Command*, London, Global Markets Briefing; Ito, Shoichi: "Sino-Russian Energy Partnership: The Dilemmas of Cooperation and Mutual Distrust," Austin, Greg and Schellekens-Gaiffe, Marie-Ange (eds.) (2007): *Energy and Conflict Prevention*, New York, Institute for East-West Studies, p. 64.

<sup>11</sup> "Address by H.E. Mr. Gleb A. Ivashentsov, Ambassador of Russia to the Republic of Korea", 5<sup>th</sup> *Jeju Peace Forum*, Jeju (13 August, 2009), at

[http://www.russian-embassy.org/Press/20090813\\_Chej.htm](http://www.russian-embassy.org/Press/20090813_Chej.htm).

<sup>12</sup> Lavrov: "The Rise of Asia..." *op. cit*, pp. 70, 77.



We recognized and supported the mutually reinforcing roles of the ASEAN = 3 process, the East Asia Summit (EAS), and such regional forums as the ASEAN Regional Forum (ARF), to promote the East Asian cooperation and dialogue towards the building of a community in East Asia. In this connection, we encouraged Russia and the US to deepen their engagement in an evolving regional architecture, including the possibility of their involvement with the EAS through appropriate modalities, taking into account the Leaders-led, open, and inclusive nature of the EAS.<sup>13</sup>

That invitation reflects a sense of Russia's growing political role in Asia, no doubt helped by Russian energy assistance and arms sales to Southeast Asian states. But when we look at Russia's economy and continuing failure to reform or modernize to escape the dead ends that Medvedev has been harping on for over a year, it becomes clear that Moscow has failed to utilize the eight good years it had through 2008 to realize an effective program for the RFE. Now, under conditions of crisis the consequences of that failure are plainly visible. That outcome is the conversion of Russia into a kind of colonial raw materials appendage to China with equivalent political consequences to follow from this state of excessive dependence upon China. Foreign analysts too grasp this thus Christoffersen observes that Russia's "invisibility" in Asia is the basis for Chinese claims that China serves as Russia's "gateway" into Asia.<sup>14</sup> Likewise Asian diplomats quoted by Christoffersen argue that if Russia wants to be an Asian power it must upgrade Asia's place in its foreign policy for otherwise that outcome will not materialize.<sup>15</sup> Similarly, Robert Kaplan points to China's economic encroachment in search of raw materials and energy into the RFE which is where Russian authority is at its most feeble as part of its imperial reemergence.<sup>16</sup>

But equally importantly, if China truly is the gatekeeper for Russia's entry into Asia that means it can define the limits of that Russian engagement with Asia and keep Russia dependent upon it. Consequently we can see that beneath Russia's swaggering diplomacy there lies a barely concealed anxiety about the RFE.<sup>17</sup> When the leadership speaks to Russian audiences concerning the RFE whose effective development is the precondition for success in Asia, we find a visible anxiety, sense of frustration, even of a loss of way, and mounting apprehension about the RFE's future. That anxiety reflects the ample evidence of apprehension about the RFE and especially China lurking under Moscow's contemporary encomia to Beijing.

For example, in 2000 President Putin warned local audiences that unless Russia intensified the region's development they would end up speaking Korean, Japanese, or Chinese, leaving little to the imagination concerning Russian fears over the RFE and who might supplant it there.<sup>18</sup> In 2002 he reiterated the multiple security problems that could erupt in the RFE, stressing terrorism, crime, drug trafficking, but also economic backwardness as well as giving concrete instructions for the development of its energy and transport

<sup>13</sup> *Vietnam News Agency Online*, 9 April, 2010, *FBIS SOV*, 10 April, 2010.

<sup>14</sup> Christoffersen, *op. cit.* p. 62.

<sup>15</sup> *Ibid.* p. 64

<sup>16</sup> Kaplan, Robert: "The Geography of Chinese Power," *Foreign Affairs*, vol. 89, no. 3 (May-June, 2010), p. 28.

<sup>17</sup> "Strategiia Natsional'noi Bezopasnosti Rossii do 2020", *Security Council of the Russian Federation* (12 May, 2009), *FBIS SOV*, 15 May, 2009, [www.scrf.gov.ru](http://www.scrf.gov.ru); in English it is available from the *Open Source Center Foreign Broadcast Information Service, Central Eurasia* (Henceforth *FBIS SOV*), 15 May 2009, in a translation from the Security Council website (Henceforth *NSS*).

<sup>18</sup> *Nezavisimaya Gazeta*, July 22, 2000; *BBC Monitoring*, 22 July, 2000.



infrastructure.<sup>19</sup> Also in 2002 the prestigious Council on Foreign and Defense Policy (SVOP) admonished its elite audience that Siberia and the RFE would inevitably be depopulated. It warned that, “One should not turn a blind eye to the risk of some Chinese-related dangers that could materialize within the next 10-15 years.”<sup>20</sup> In November, 2002 the Deputy Secretary of the Russian Security Council, Vladimir Potapov, said that the RFE aroused more concern than did many other regions, not just because of its vastness, remoteness, sparse and declining population, long foreign borders, weak internal communications and infrastructure, and large distances between land and naval bases, but also because, “This region is rich in very diverse resources and, consequently, is attractive economically. It has as neighbors countries which are densely populated, which lead quite poor lives, and which evidently need new sources of existence,” i.e. China.<sup>21</sup> This dovetailed with Putin’s earlier threat assessment in 2002.<sup>22</sup>

By 2005 Putin claimed that there was a targeted Federal program for developing the RFE that at his and Prime Minister Mikhail Fradkov’s instruction ministers had recently elaborated the outlines for developing it, and had set the priority areas for federal funding allocated to it.<sup>23</sup> In other words, evidently little had been done since 2000 to implement his previous program. Only in September 2005 did Minister of Economic Development and Trade German Gref promise a doubling of state support for the RFE to \$612 million in 2006, and consideration of allocating a new \$2.5 Billion infrastructure fund for projects there.<sup>24</sup> But this time he guaranteed that all the new programs would be implemented.<sup>25</sup> Meanwhile political figures like Viktor Ozerov, Chairman of the Federation Council’s Defense and Security Committee, were warning of a military threat or threats in the Far East and decrying the predatory use of the region’s resources, and large-scale illegal immigration even though admittedly no imminent threat was visible.<sup>26</sup>

At the end of 2006 Putin warned that the socio-economic isolation of the RFE and its failure to exploit its resources represented a threat to national security. Typically and not unjustly he attributed the problem to the failure to coordinate a comprehensive state program to strategic development of the RFE and advocated a new socioeconomic commission to be formed and formulate a regional development strategy despite the program he had set up in 2005. Evidently federal government policies were not being delivered adequately the the RFE. Specifically he complained that foreigners keep coming while Russia’s population declines, therefore the region is becoming separated from Russia and “emerges as the biggest threat to Russia”.<sup>27</sup> The government appeared to follow suit, establishing such a commission that was supposed to have “the status of a governing body and could be a ministry for the Far

<sup>19</sup> *ITAR-TASS*, 27 November, 2002, *FBIS SOV*, 27 November, 2002.

<sup>20</sup> Council on Foreign and Defense Policy: “New Security Challenges and Russia,” *Russia in Global Affairs* (10 November, 2002), <http://eng.globalaffairs.ru/number/New-Security-Challenges-and-Russia-2>.

<sup>21</sup> Alexseev, Mikhail A.: “Vostok-2003 War Games: Preparing To Defend a Nigeria On the Pacific”, Program on New Alternatives in the Study of Russian Society (PONARS), *Policy Memo 317* (2003), p. 4.

<sup>22</sup> *Ibid.*

<sup>23</sup> For a brief overview see Poussenkova, Nina: “Russia’s Future Customers: Asia and Beyond,” in Perovic, Jeronim; Orttung, Robert W. and Wenger, Andreas (eds.) (2009): *Russian Energy Power and Foreign Relations: Implications for Conflict and Cooperation* London, Routledge, pp. 136-141.

<sup>24</sup> Elizabeth Wishnick, “Russia and the CIS in 2005,” *Asian Survey*, vol 46, no. 1 (2006), p. 72.

<sup>25</sup> “President’s Live Television and Radio Dialogue With the Nation” (27 September, 2005), at, <http://www.kremlin.ru/eng/>.

<sup>26</sup> Rzhesevskiy, Alexander: “Far East Military threats: Old and New,” *Parlametnskaya Gazeta*, in Russian, 24 May, 2005, *FBIS SOV*, 14 May, 2005.

<sup>27</sup> Kim, Woo-Jun: “Cooperation and Conflict Among Provinces: The Three Northeastern Provinces of China, the Russian Far East, and Sinujiu, North Korea,” *Issues & Studies*, vol. 44, no. 3 (September 2008), p. 219.





East.”<sup>28</sup>

Concurrently several pundits warned about the need for caution in Russia's ties with China citing either potential military threats or mass illegal immigration.<sup>29</sup> This signified a clear debate with the semi-official SVOP replying that it had growing confidence in the relationship with China.<sup>30</sup> Clearly by the end of his term and the start of Dmitri Medvedev's presidency Putin had failed to achieve a meaningful transformation of the RFE. In September 2008 Medvedev warned in Kamchatka that if Russia fails to develop the RFE it could turn into a raw material base for more developed Asian countries and “unless we speed up our efforts, we can lose everything.”<sup>31</sup> Again, it also is clear to whom Russia could lose or fall into a pattern of a neo-colonial trading relationship where it is the colony.

Meanwhile Dmitri Trenin of the Moscow branch of the Carnegie Endowment was also telling readers that Siberia's development was Russia's civilizational challenge of the century and that failure to master this problem could become Russia's most urgent challenge.<sup>32</sup> By 2006 he was clearly pessimistic about Moscow's success in meeting this challenge. Trenin observed that,

The principal domestic reason is the situation of eastern Russia, especially East Siberia and the Russian Far East. Since the collapse of the Soviet Union, the territories have been going through a deep crisis. The former model of their development is inapplicable; a new model is yet to be devised and implemented. Meanwhile, the vast region has been going through depopulation, deindustrialization, and general degradation. Russia's territorial integrity and national unity in the twenty-first century will not be decided by Chechnya. Rather it will depend on whether Moscow will find a way to perform the feat of dual integration of the Far East and Siberia, that is, with the rest of Russia and with its Northeast Asian neighborhood. Eastern Russia is vulnerable. The quality of Moscow's statesmanship will be tested by whether it can rise up to the challenge in the East.<sup>33</sup>

Just as Putin in 2000, SVOP in 2002, Trenin in 2006, and Medvedev in 2008 all warned; failure to develop this region into something more than a raw material outpost for more developed East Asian states could lead to a Chinese takeover of the region, not by migration, as is widely but mistakenly feared, but rather by economic means of trade and investment. As Bobo Lo writes in his recent excellent study of Russo-Chinese relations,

The significance of local xenophobia, political manipulation, and demographic trends pales, however in comparison with Moscow's continuing failure to implement a viable

<sup>28</sup> “Isolation of Russian Far East Threat to National Security-Putin,” *RIA Novosti*, 20 December, 2006, at <http://en.rian.ru/russia/20061220/57396954.html>.

<sup>29</sup> *Open source Center FBIS Analysis, FBIS SOV*, September 7, 2005; *Open Source Center, OSC Analysis, FBIS SOV*, January 10, 2006; *Internet, Novyi Region, FBIS SOV*, November 14, 2007.

<sup>30</sup> *Open Source Center, OSC Analysis, FBIS SOV*, 6 September, 2007.

<sup>31</sup> “Medvedev: Far East Ignored Too Long Without Action, Russia Will Lose It, He Says,” *Analytical Department of RIA RosbusinessConsulting*, September 26, 2008; *Johnson's Russia list*, September 27, 2008.

<sup>32</sup> Trenin, Dmitri (2002): *The End of Eurasia: Russia on the Border Between Geopolitics and Globalization*, Washington, D.C., Carnegie Endowment for International Peace.

<sup>33</sup> Trenin, Dmitri: “Russia's Asia Policy Under Vladimir Putin, 2000-2005”, Rozman, Gilbert, Togo, Kazuhiko and Ferguson, Joseph P. (eds.) (2006), *Russian Strategic Thought Toward Asia*, New York, Palgrave Macmillan, p. 131.



development strategy for the RFE (Russian Far East). Although the Kremlin signed off in 2002 on a Strategy for the Social and Economic Development of Eastern Siberia and the Russian Far East, very little has been achieved. The region continues to be one of the most backward in Russia; the local economy is increasingly reliant on Chinese goods, services, and labor; and local out-migration shows little sign of reversing. For all the early promise under Putin, Moscow's policy towards the RFE is barely more effective than during the dismal Yeltsin years.<sup>34</sup>

Furthermore he also notes that the southern RFE, the more settled area of this region, is already quite effectively integrated with China more than it is with Russia.<sup>35</sup> In this context we can see that Russian officials have repeatedly reiterated their opposition to being merely China's source for raw materials and demand equal status in economic-technological exchanges with China.<sup>36</sup> Russian leaders also know that if they fail to be competitive economic players in East Asia they will also be at a serious disadvantage at home and in Central Asia. For, if Russia fails to become "a worthy economic partner" for Asia and the Pacific Rim, Deputy Prime Minister and Finance Minister Aleksei Kudrin warned that, "China and the Southeast Asian countries will steamroll Siberia and the Far East."<sup>37</sup> China would then also steamroll Russia in Central Asia too.

Russia's plans for this region were and are highly ambitious.<sup>38</sup> Primarily they revolve around building energy infrastructure to leverage exports and attract investment so that the capital necessary for a comprehensive renovation and modernization of the regional infrastructure will take place.<sup>39</sup> In 2006 Industry and Energy Minister Andrei Dementyev said that,

A program for the development of natural gas resources in East Siberia and the Far East would be submitted to the Russian government in 2006. A single system of gas production, transportation, and supplies will be created in the region, with account for exports to the markets of China, the world's largest energy consumer, and other Asia-Pacific countries.<sup>40</sup>

According to Dementyev, construction of the East Siberia-Pacific Ocean (ESPO) pipeline whose estimated cost was then \$11.5 Billion began in April, 2006.<sup>41</sup> Russia was also

<sup>34</sup> Lo, Bobo (2008): *Axis of Convenience: Moscow, Beijing, and the New Geopolitics*, Washington D.C., Brookings Institution Press, p. 66.

<sup>35</sup> *Ibid.*, p. 68.

<sup>36</sup> Blagov, Sergei: "Russia Wants to Be More than China's Source for Raw materials", Jamestown Foundation, *Eurasia Daily Monitor*, vol. 2, no. 181 (30 September 2005).

<sup>37</sup> *Interfax, Presidential Bulletin, FBIS SOV*, 21 August, 2001; "Asia and the Russian far East: The Dream of Economic Integration", *AsiaInt Special Reports*, November 2002, pp. 3-6, at [www.Asiaint.com](http://www.Asiaint.com).

<sup>38</sup> Gulkov, Alexander N.: "Basic Concepts of Cooperation in North-East Asia in the Oil and Gas Sector for the Period 2010-2030," *Northeast Asia Energy Focus*, vol. 7, no. 1 (Spring 2010), pp.10-15; Kulagin, Vyacheslav: "The East as the New Priority of the Russian Energy Policy," *Northeast Asia Energy Focus*, vol. 7, no. 1 (Spring 2010), pp. 36-43.

<sup>39</sup> *Ibid.*

<sup>40</sup> "Russia to Drastically Raise Oil Exports to Asia-Pacific-President," *RIA Novosti*, 17 September, 2006.

<sup>41</sup> *Ibid.*



vigorously pushing Putin's idea for building an international center for spent fuel and nuclear energy, and nuclear waste in Russia and the construction of atomic power centers in Asia, hoping to raise its profile in the export of nuclear energy to the global market, and reach orders of \$25 Billion.<sup>42</sup>

Subsequently, in 2007, Dementyev said that the new government program to develop an integrated gas production complex in East Siberia comprising production, transportation, and supply to both Siberia and the Far East will require 2,400 billion rubles (\$92 Billion). Gas production centers would be established on Sakhalin, and in Yakutia, Irkutsk and Krasnoyarsk regions. Russian gas exports to China and South Korea after 2020 will amount to 25-50 BCM (billion cubic meters) annually.<sup>43</sup> These investments include geological surveys to raise proven reserves in Eastern Siberia and the Far East. By 2030 gas production in those two regions would total 160 BCM while LNG production would amount to 20BCM a year. Gazprom believes that gas production could even reach 200 BCM annually after 2030 and is formally asking the government for licenses to develop new fields in Yakutiya and Sakhalin and insists that it could raise annual production to 570 BCM in 2010 and 670 BCM in 2020 a 14% increase over present projections.<sup>44</sup> All these projections, of course, were based on continuing high energy prices and probably will have to be revised downwards to account for the current protracted crisis.

However, from 2006-2008 little was accomplished. ESPO's travails during that period epitomize the real disarray in Russian policy here. On his February 2008 tour of the region Medvedev learned first-hand of the problems connected with ESPO. Nikolai Tokarev, head of Transneft, said that ESPO was unlikely to be finished before the end of 2009. The first stage of the pipeline was 46% ready, though the original plans called for 67% readiness by then. While it was 87% ready in Irkutsk region, in Yakutiya it was only 18% ready. Consequently costs rose from \$11.2 Billion in late 2006 to \$12.5 Billion in August, 2007 and Transneft suggested delaying its launch. These difficulties are attributed to the harsh climate and topography, the decision to move the ESPO away from Lake Baikal, contractors defaulting on their obligations, and the slowness of the government to decide upon a final terminus for the pipeline before settling on Kozmino Bay on the Pacific. Once that terminus is chosen it would take 20 months to construct it. Thus the calls by Tokarev's predecessor at Transneft, Semen Vainshotk, that ESPO could be commissioned by the end of 2008 were shown to be unrealistic.<sup>45</sup> But this report also showed the enduring eternal pathologies of the Russian bureaucracy, passivity as well as shoddy follow through on implementation. Accordingly in December 2007 Transneft's Board of Directors, despite these obstacles, rejected proposed adjustment to its investment schedule in 2008, including a postponement of the commissioning of the first phase of the ESPO pipeline because supposedly making changes in this schedule was part of the government's responsibilities, as if Transneft was not part of the government.<sup>46</sup> But it is all too clear that these problems stem for both corporate and governmental (in Russia the two are virtually indistinguishable) malfeasance, corruption, and incompetence.

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<sup>42</sup> 25 January, 2006; *ITAR-TASS, FBIS SOV*, 6 April, 2006, at [www.president.ru](http://www.president.ru).

<sup>43</sup> "Russia Needs 92 Billion Dollars to Develop Eastern Gas Deposits by 2030," *Energy Daily*, June 22, 2007; Blagov, Sergei: "Moscow Considers Enormous Investment in Eastern Russia's Gas Sector", Jamestown Foundation, *Eurasia Daily Monitor*, vol. 4, no. 191 (19 June, 2007).

<sup>44</sup> *Ibid.*

<sup>45</sup> Blagov, Sergei: "Medvedev Eyes Far Eastern Revival", Jamestown Foundation, *Eurasia Daily Monitor*, vol. 5, no. 33 (21 February, 2008); *Interfax, FBIS SOV*, 19 February, 2008.

<sup>46</sup> *Interfax, FBIS SOV*, 5 February, 2008.





The upshot of all this failure was that by late 2008 when the current crisis hit, ESPO was not ready and major firms like Rosneft, Transneft, and Gazprom were struggling under crushing debt levels that precluded any rapid further advance. Not surprisingly China stepped in with its loans for oil plan.<sup>47</sup> But that move and developments since then all point to the outcome of Chinese suzerainty over the RFE's future and with it Russia's entry into Asia.

For Russia to avert this Chinese takeover it must devise comprehensive, large-scale investment cooperation with Japan and South Korea lest China dominate the RFE. While Russian leaders know this they have failed to act upon that insight. Yet it has failed in this effort to make those connections to Tokyo and Seoul or more importantly, regenerate its own economy. First of all, the verdict of the last two decades is clear.

The rapidity of growth in China's economy – and in the challenge it poses to Russia – is evident from the following data: according to the World Bank, while the Russian and Chinese economies were roughly the same size in 1993, China's was over 3.5 times larger than Russia's in 2008. Moreover, even since 1998, when Russia began a rapid economic recovery, China has grown at a faster rate. The current economic crisis is only widening the gap, as China's economy continues to grow and Russia's falters. Finally the quality of China's growth has been superior, leading to the creation of new productive capacity, whereas Russia's recovery has been based largely on reutilizing Soviet-era capacity that had been idled during the economic crisis of the 1990s.<sup>48</sup>

Even India's economy is now 1.5 times greater than Russia's and the gap continues to grow.<sup>49</sup> Moreover, "China has experienced the strongest growth in scientific research over the past three decades of any country, according to figures compiled for the Financial Times, and the pace shows no sign of slowing." As part of that trend regional science networks are developing in the Asia-Pacific. But Russia produced fewer papers than did Brazil or India in 2008.<sup>50</sup>

Due to those failures, in 2009 China, through its deals with Russia on energy and the RFE, has made major deals with Russia and begun to consolidate a new Asian order where it will finance much of this development and be its primary beneficiary, particularly in energy.<sup>51</sup> For example, on May 21 2009 President Medvedev admitted that unless China invested in large-scale projects in the RFE, Moscow could not realize its grandiose development plans. Medvedev frankly admitted that the RFE's economic development depends not on Russia's ties to Europe but rather on the development of its ties with Russia's main Asia-Pacific partners. Therefore the RFE's regional development strategy must be coordinated with China's regional strategy of rejuvenating its old industrial base in Heilongjiang province.<sup>52</sup>

<sup>47</sup> Blank, Stephen: "Loans for Oil, the Russo-Chinese Deal and Its Implications", *Northeast Asia Energy Focus*, vol. 6, no. 2 (Summer 2009), pp. 19-29.

<sup>48</sup> Graham, Thomas: "The Sources of Russia's Insecurity," *Survival*, vol. 52, no. 1 (2010), p. 63.

<sup>49</sup> *Ibid.*

<sup>50</sup> Cookson, Clive: "China Set For Global Lead in Scientific Research," *Financial Times*, 26 January, 2010.

<sup>51</sup> Blank, Stephen: "Russia's New Gas Deal With China: Background and Implications," *Northeast Asia Energy Forum*, vol. 6, no. 4 (Winter 2009), pp. 16-29; "China's Russian Far East", Jamestown Foundation, *China Brief*, vol. 9, no. 16 (5 August, 2009); "At a Dead End: Russian Policy and the Russian Far East," *Demokratizatsiya*, vol. 17, no. 2 (Spring 2009), pp. 122-144.

<sup>52</sup> "Russian President Urges Coordination With China on Regional Development", *People's Daily Online*, 21 May, 2009; "Medvedev: Russia Should Interest China IN Investing in Far East", *People's Daily Online*, 21 May,



Other officials quickly followed suit. Nikolai Patrushev, Secretary of the Security Council, conceded the weaknesses of the RFE but called the RFE's most important priorities, "The development of cross border cooperation with neighboring countries, enhancement of transit possibilities, development of infrastructure and capacities for wood processing, seafood processing and output of products competitive on the world market."<sup>53</sup>

Since Medvedev's announcement in May, 2009 further developments have confirmed that Russia's development plan for the RFE failed to provide for an essentially self-sufficient developmental strategy and therefore is being increasingly tightly bound to China's regional developmental strategy. Although both states have talked about investing in the other the facts speak for themselves. As of early 2008, direct Russian investments in China totaled \$14.2 million and direct Chinese investments in Russia stood at \$415 Million.<sup>54</sup> This disparity is only likely to grow as the global economic crisis and falling energy prices force Russia to retract its economic ambitions. Chinese investment is, however, likely to grow because Russia cannot sustain its visions for the Far East without large-scale foreign investment. For example, a consortium of Chinese engineering firms led by Harbin Turbine will be building coal-fired turbines in the RFE to develop 41,000 megawatts of new generating capacity by 2011. Stanislav Nevynitsyn, Executive Director of the Russian power producer OGK, admitted that, "It is simply a necessity for us to work with the Chinese - we will not get the capacity built otherwise."<sup>55</sup> Thus Russia is becoming increasingly dependent upon Chinese capital.

Putin's proposal for Russian firms to invest in Western China long ago fell flat.<sup>56</sup> For its part China too has long sought opportunities to invest in Russia, particularly in the energy sector. But Russian energy policy betrayed a definite reserve, if not something stronger, about ceding too much influence in Russia or Central Asia to China.<sup>57</sup> Chinese interest in high-speed transportation arteries between European and Asian Russia also went nowhere.<sup>58</sup> So while China sought to invest in Russian energy and infrastructure during the period from 2002-09 and Russian officials even talked about making China the most welcome investor in the Russian economy, in fact Russia denied CNPC (China National Petroleum Company) a stake in Rosneft in 2006 even after China had loaned it money to buy the remnants of Yukos. At best there were discussions about investing in Sakhalin, but no apparently no conclusions were ever reached.<sup>59</sup>

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2009; "Excerpts From Transcript of Meeting With Students From Pacific National University, Khabarovsk," *FBIS SOV* (21 May, 2009).

<sup>53</sup> *ITAR-TASS, FBIS SOV*, 03 July, 2009.

<sup>54</sup> *Interfax, FBIS SOV*, 27 October, 2008.

<sup>55</sup> Shuster, Simon and Cowhig, Jacqueline: "Chinese Playing Big Role in Russian Power Expansion," *International Herald Tribune*, 5 May, 2008, at [www.iht.com/bin/printfriendly.php?id=12574835](http://www.iht.com/bin/printfriendly.php?id=12574835).

<sup>56</sup> *ITAR-TASS, FBIS SOV*, 15 October, 2004.

<sup>57</sup> Lelyveld, Michael: "Russia: Moscow's Oil Pipeline Plan to China Stalls," *Radio Free Europe Radio Liberty* (Henceforth *RFERL*), *Newsline*, December 10, 2002; on Slavneft see Lim, Le-Min: "China Sees Russian Barrier to Slavneft," *International Herald Tribune*, 17 December, 2002; "Anti-China Sentiment Plays Into Duma vote," *Stratfor*, 16 December, 2002, "Chinese Drop Plans to Bid for Slavneft," *Rosbusiness consulting*, 17 December, 2002; Wonacott, Peter and Whalen, Jeanne: "China and Russia Prepare to Sign Pipeline Agreement," *Wall Street Journal*, 02 December, 2002: "Japan, Russia Discussing Pipeline Construction", *Moscow Times*, 28 December, 2002.

<sup>58</sup> *ITAR-TASS, FBIS SOV*, 22 July, 2005.

<sup>59</sup> *ITAR-TASS, FBIS SOV*, 03 November, 2005; *ITAR-TASS, FBIS SOV*, 07 April, 2006; Blagov, Sergei: "Chinese Investors Consider Joint Projects With Russian Far East", Jamestown Foundation, *Eurasia Daily Monitor*, 01 June, 2006; O'Rourke, Breffni: "China/Russia: CNPC Denied Intended Stake in Rosneft" *RFE/RL*, 19 July, 2006.



Now, however, the current financial crisis is giving China an opportunity to invest in Russia on a grand scale. The loans for oil program was one such example, the penetration of the RFE is another. Gao Jixiang, Associate Research Fellow of the Russian Economy Research Office of the Russia, East Europe, and Central Asia Research Institute of the Chinese Academy of social Sciences told a reporter that while at the end of 2007 China's investments in Russia totaled \$1.374 Billion; based on the current velocity of investment, that total will reach \$12 Billion by 2020.<sup>60</sup> In 2008-09 alone total investments rose from 25.4% to \$2.24 Billion and direct investment went from \$240 Million to \$410 Million.<sup>61</sup> Chinese enterprises now believe that investing in Russia is vital if they are going to "go global and Russian officials like St. Petersburg Governor Valentina Matviyenko eagerly solicit Chinese investments.<sup>62</sup> And once the two governments agreed on a plan to coordinate regional investments between the RFE and Heilongjiang in September 2009 their regional authorities have signed agreements to begin building these regional projects.

The point here is that under pressure due to its own political-economic failures during a time of crisis Russia has had to solicit Chinese intervention in its economy and thus the display of Chinese economic power in ways that have forced it to reverse long-standing Russian policies in the RFE. Russia's Bank for Development and Foreign Economic Affairs, Vnesheconombank (VEB) had to borrow money from China and as it has now become a major stockholder in Lukoil, China indirectly has leverage over that firm as well as the bank. Second, two and a half years after forcing Shell to sell its share of Sakhalin-2, Russia had to welcome it back to Sakhalin. Third, after having excluded foreign firms from bidding on the huge Udokan copper mine in Southeast Siberia, Moscow had to welcome Chinese, South Korean, and Kazakh miners and refiners back into the bidding for it. Total has been welcomed back to the Arctic. All these moves constitute a complete reversal of past Russian policy for energy and mineral investment dating back to 2003.<sup>63</sup> Similarly Bloomberg News reports that Russian companies may invest in oil exploration and natural gas distribution in China (for which they lack the capital at present) but that Chinese firms (who have huge amounts of capital for investment) may also invest in developing oil and gas fields in Russia along with liquefaction plants.<sup>64</sup>

## **2. Japan**

During 2008-2009 two significant events occurred presaging potentially major changes in Russia's relationship with Japan. The first is the opening of the Sakhalin LNG (liquefied natural gas) field in February and the second is the renewed and intensified search for a Russo-Japanese peace treaty and resolution of the Kurile Islands question in the wake of the change of government in Japan due to its elections. However, the outcome of these two events is, at least for the present, inconclusive in suggesting a breakthrough in Russo-Japanese relations. Perhaps the most outstanding recent success story among Russia's deals with other Asian states is the opening of an LNG plant at Sakhalin-2 field. This deal supplies

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<sup>60</sup> Yuejin, Wang and Na, Zhang: "Russia: Is It a New Investment Opportunity for China?", *Zhongguo Jingli Shibao Online*, 23 September, 2008, *FBIS SOV*, 07 October, 2008.

<sup>61</sup> *Interfax*, *FBIS SOV*, 22 March, 2010.

<sup>62</sup> *Xinhua*, *FBIS SOV*, 22 March, 2010; *ITAR-TASS*, *FBIS SOV*, 21 March, 2010.

<sup>63</sup> Helmer, John: "Kremlin Extends Welcome to Foreign Miners," *Asia Times Online*, 01 July, 2009, at [www.atimes.com](http://www.atimes.com); *Interfax Russia & CIS Oil and Gas Weekly*, *FBIS SOV* 17 June, 2009; Ram, Vidya: "Russia's Energy Rethink", *Forbes*, 29 June, 2009, at [www.forbes.com](http://www.forbes.com).

<sup>64</sup> "Russia, China May Jointly Invest in Oil, Natural Gas Products," *Bloomberg News*, 30 June, 2009.



Osaka gas with over 967 trillion cubic feet of LNG annually or 200,000 tons at least through 2030. Supposedly this deal also stimulates Russo-Japanese cooperation as gas will go to Tokyo Electric Power and seven other Tokyo gas companies. Sakhalin gas has also signed contracts with South Korean and US companies.<sup>65</sup> There are even reports (which probably remain speculative or an effort to pressure Japan because it is unlikely that such investments will occur without resolving the Kurile Islands issue or improved economic practices in Russia) that Japan will also contribute \$7 Billion to the completion of the East Siberia Pacific Ocean (ESPO) oil pipeline even though the costs have risen substantially and are still rising.<sup>66</sup>

Russia's Ministry of Foreign Affairs also reports that both sides reached agreement on reinvigorating bilateral cooperation in energy, specifically the possibility of creating an LNG plant in Primorye (The Maritime Territory also known as Primorskii Krai) and a gas chemical plant there, as well as the development of coal fields in Yakutia and Tuva.<sup>67</sup> In early 2009 Japanese Prime Minister Taro Aso also expressed hope that these projects will inspire further efforts at Russo-Japanese cooperation to develop energy and other industries in the RFE and improve bilateral political relations, including the search for innovative and even unorthodox ways of settling the dispute over the Kurile Islands.<sup>68</sup> While Sakhalin gas will be the raw material base for the LNG plant; gas will be supplied through the Sakhalin, Khabarovsk, Vladivostok pipeline that is supposed to begin construction later in 2009 and finish in 2011. Clearly these projects are to be part of the developing Far Eastern energy complex with ESPO, and the building of tankers to carry LNG to Russia, railroads and ports.<sup>69</sup> But this gas' future destination remains quite uncertain at present and may end up being used for domestic use rather than exports. Gazprom's Deputy Chairman, Alexander Medvedev (no relation to the president) also expressed his hope to see cooperation with Japan beyond LNG to encompass manufacturing gas chemical products.<sup>70</sup>

But since Moscow in 2006 forced the Japanese companies involved here, Mitsui and Mitsubishi, to sell their majority stake to Russia we should be cautious concerning reports about Japanese investment in Russia in general and in energy projects in particular. And given past history we should also be wary of promises that major infrastructural projects will be completed on time and at cost. It also is possible, in view of China's plans or proposals for at least a dozen LNG terminals, that some in Russia hope to sell China gas from Sakhalin-2's or other facilities' future LNG holdings now that it has mastered the technology.<sup>71</sup> Finally President Medvedev professes that completion of this project greatly strengthens Russia's position as a global gas supplier and this may well be true as regards Europe. Thus Gazprom is simultaneously looking to Spanish companies to participate in gas development and liquefaction in Russia, first of all at the Yamal project. Russia's interest in buying into the Spanish firm Repsol is openly linked to getting Repsol to lead the way in such projects, thereby allowing Russia to sell Europe LNG through a company where it has a commanding if not controlling stake.<sup>72</sup> Meanwhile Medvedev claims that Sakhalin-2 will be able, at full capacity, to produce around 10 million tons of LNG and up to 5% of global LNG supplies,

<sup>65</sup> *UPI.com*, 04 March, 2009; *ITAR-TASS*, *FBIS SOV*, 04 March, 2009.

<sup>66</sup> *FBIS SOV*, 05 February, 2009.

<sup>67</sup> *Ministry of Foreign Affairs of the Russian Federation*, *FBIS SOV*, 24 February, 2009.

<sup>68</sup> Golovnin, Vasily: "Interview With Japanese Prime Minister Taro Aso" *Kommersant*, *FBIS SOV* 18 February, 2009.

<sup>69</sup> *ITAR-TASS*, *FBIS SOV*, 25 February, 2009.

<sup>70</sup> *The Daily Yomiuri Online*, 16 February, 2009, *FBIS SOV*, 17 February, 2009.

<sup>71</sup> "Pipeline & Gas Journal's 2008 International Pipeline Construction Report," *Pipeline & Gas Journal*, (August, 2008), p. 20.

<sup>72</sup> *ITAR-TASS*, *FBIS SOV*, 03 March, 2009.





allowing Russia for the first time to bring LNG to Europe and further extend its hold on Europe's gas consumption.<sup>73</sup> For example, Gazprom openly aspires to control 20-25% of the global LNG market by 2020.<sup>74</sup> Certainly there is no danger of a third country blocking seaborne transport as is the case with Ukraine and Europe.<sup>75</sup>

The prospects for a major step forward in LNG globally emerge out of the experience of cooperation with Japan on Sakhalin-2 and may advance with the advent of a new Japanese government. Russian officials believe that the new government led by Premier Yukio Hatoyama seeks to raise the bilateral relationship to a qualitatively new strategic level, i.e. a more genuine strategic partnership.<sup>76</sup> Similarly Russia's energy strategy to 2030 envisages a direct growth of 12% of foreign investment (among which must be Japanese investment) in Russia's fuel and energy sector with an increase of the share of LNG produced to 14-15% of its total production. Russia also intends to increase the share of exports to the Asia-Pacific to 26-27%. Gazprom has also resumed discussions with Mitsui and Mitsubishi on new LNG projects, possibly Sakhalin-3.<sup>77</sup> Clearly Mitsui and other firms like Marubeni-Itochu Steel are looking at energy projects in the RFE. Thus Marubeni-Itochu is discussing with Gazprom projects to construct the gas transportation network linking Sakhalin, Khabarovsk, and Vladivostok, the links in Gazprom's Greater East Asia plan, something that would clearly counter Chinese presence in the RFE.<sup>78</sup>

For such projects to materialize, Russia must regain its credibility as a place where foreign energy investment is welcome and not obstructed or molested and reverse Russia's proven record of mistreatment of foreign investors.<sup>79</sup> Second there must be a credible political rapprochement and resolution of the Northern Territories issue (The Kurile Islands). Without that political signal and given the bad record of Russian business practice, truly large-scale Japanese investment, about which Moscow has been talking for over 35 years, will not happen. Indeed, Tokyo expressly links investment to this political resolution.<sup>80</sup> Despite both sides' numerous past missteps or obstructive tactics Moscow still will not meet Japanese demands, leading observers to depict its calls for rapprochement as being dictated by a desire to balance China, not deal credibly with Japan as it really is. As Marcin Kaczmarek notes,

In spite of Moscow's readiness for rapprochement with Tokyo, as signalled during Putin's time as president, Japan did not become sufficiently important for Russia as a geopolitical or economic factor to induce Moscow to make major concessions. It turned out that the territorial issue continues to define bilateral relations in the political sphere and is impeding strategic cooperation, for example, in the energy sphere. In addition, Japan is bound by a political and military alliance with the United States, as a result of which Moscow's chances of getting Tokyo involved in anti-Western cooperation are next to none. Moreover, the US-Japanese alliance may be strengthened as a result of Japan's growing commitment to the US project to build a global missile system. The attempt at rapprochement with Japan which Putin

<sup>73</sup> *ITAR-TASS, FBIS SOV*, 18 February, 2009.

<sup>74</sup> *ITAR-TASS, FBIS SOV*, 08 October, 2009; *ITAR-TASS, FBIS SOV*, 18 October, 2009.

<sup>75</sup> Kyodo: "Gazprom Vows Stable LNG Supply For Japan", *The Japan Times*, 08 February, 2009, at <http://search.japantimes.co.jp/cgi-bin/nn20090208a4.html>.

<sup>76</sup> *ITAR-TASS, FBIS SOV*, 29 October 29, 2009.

<sup>77</sup> *ITAR-TASS, FBIS SOV*, 26 October 26, 2009; *Interfax, FBIS SOV*, 22 October, 2009; *Nikkei Telecom, FBIS SOV*, 17 October, 2009.

<sup>78</sup> *ITAR-TASS, FBIS SOV*, 14 August, 2009; *ITAR-TASS, FBIS SOV*, 16 September, 2009.

<sup>79</sup> Bradshaw, Michael: "The Changing Political Economy of Foreign Investment in the Russian Oil and Gas Industry," *Northeast Asia Energy Focus*, vol. 6, no. 3 (Fall, 2009), pp. 10-17.

<sup>80</sup> *Interfax, FBIS SOV*, 28 December, 2009.





undertook should be viewed not so much as a measure to ‘steal’ an ally from the United States, [but] as a way to balance Chinese domination in the Asian direction of Russia’s foreign policy.<sup>81</sup>

Should, however, the new initiative or energy in the Russo-Japanese relationship generated by Prime Minister Yukio Hatoyama’s coming to power engender a rapprochement, then a major political restructuring of relationships in Northeast Asia could occur. But such an accord contains its own difficulties for Russia. For example, In this context Russia may also have to decrease the number of exercises and patrols by the Pacific Fleet and strategic bomber patrols, most notably by TU-95 bombers, in Japan’s vicinity. These activities have raised Japanese concerns about a revival of Russian military power and threatening behavior against Japan and surprised the Japanese military, forcing Japan’s national security community to advocate enhanced monitoring of Russia.<sup>82</sup> And as we shall see below the Northern Territories issue seems to remain as intractable as before. Consequently for an agreement that entails genuine normalization to come about one or both parties will have to make major concessions.

In February 2009 Moscow professed its “strong hopes” of engaging Japan politically to resolve the Kuril Islands issue and secure Japanese funding for future energy plans in Asia as Japan now claims that “Russia has become a constructive partner in the Asia Pacific region.”<sup>83</sup> Thus Medvedev insisted that Gazprom will be a reliable long-term supplier to Japan. This is important for Japan since the Sakhalin-2 project will account for 7.2% of Japan’s LNG imports.<sup>84</sup> Indeed, in 2007 Russia approved its Eastern Gas Program that calls for spending \$28Billion to link the Kranoyarsk, Irkutsk, Yakutsk, and Sakhalin gas fields into a unified gas supply system (UGSS) that could be used with LNG facilities to sell gas to Japan, South Korea and even the United States.<sup>85</sup> Nonetheless it is clear that extraordinary efforts must be made to regenerate political cooperation due to the issue of the Kurile Islands or what the Japanese call the Northern Territories issue. Beyond the existence in both countries of strong, politically well-connected, domestic factions with equally powerfully developed and inflexible views on the issue, Moscow refuses to entertain even the question that the islands might not belong to Russia, a stance that limits progress on this issue from the outset.<sup>86</sup> Thus in March, 2009 Moscow stated that,

South Sakhalin and the Kurile Islands were attached to Russia lawfully by the decision the allies made in 1945. They are an inseparable part of the Russian Federation. --- this is an objective reality formed on the results of World War II and [is] solidly based

<sup>81</sup> Kaczmarek, Marcin: “An Asian Alternative? Russia’s Chances of Making Asia an alternative to Relations With the West”, *Centre for Eastern Studies* (2008), p. 41, at <http://www.osw.waw.pl/>.

<sup>82</sup> “The Defence of Japan 2008”, cited in Taylor, Claire (2009): *Russia’s Military Posture*, London, House of Commons Library International Affairs and Defence Section, p. 52; Ryall, Julian: “Japanese Alarm At Rise in Russian Military Activity,” *Telegraph*, 05 September, 2008.

<sup>83</sup> Bierman, Stephen and Pronina, Lyubov: “Russia, Japan Should Boost Trade Ties,” *Bloomberg*, 18 February, 2009; *Interfax*, *FBIS SOV*, 18 February, 2009.

<sup>84</sup> *Kyodo World Service*, *FBIS SOV*, 06 February, 2009; “Russia Unveils Its First LNG Plant In Sakhalin-2” *RIA Novosti*, 08 February, 2009, at <http://en.rian.ru/Russia/20090218/120196973.html>.

<sup>85</sup> *Yonhap*, *FBIS SOV*, 18 February, 2009.

<sup>86</sup> *ITAR-TASS*, *FBIS SOV*, 06 March, 2009.



on international laws. Thus any attempts to question this reality, no matter what reservations they are accompanied with, are unacceptable.<sup>87</sup>

Russia also warns Japan against raising the issue lest it disrupt bilateral relations including energy deals. Thus it also stated that,

It is absolutely obvious that such statements do not facilitate the joint constructive work of developing the Russian-Japanese cooperation and cause significant damage to the general positive atmosphere of the bilateral relations, confidence, and good neighborliness, which are indispensable in resolving the existing complex bilateral issues.<sup>88</sup>

Likewise, Japan has been equally intransigent insisting that all four islands be returned as a condition of major economic deals.<sup>89</sup> This mutual stubbornness naturally produces a standoff. Clearly despite the Sakhalin-2 deal, prospects for political resolution of the Kuriles issue and a subsequent breakthrough on bilateral economic relations are not good. That may limit future economic cooperation.<sup>90</sup>

Nonetheless upon taking power in August, 2009 the Hatoyama government immediately announced its serious intention of making progress on the issue, and Moscow reciprocated that intention.<sup>91</sup> At their September 2009 meeting in New York at the UN General Assembly session Hatoyama and Medvedev agreed to hold regular foreign ministers' meetings on territorial and other bilateral issues, promote economic and technological cooperation, including on developing resources in eastern Siberia, and Hatoyama reiterated his hope of resolving the territorial question during the present generation's lifetime.<sup>92</sup> Indeed, he wants to make discernible progress within half a year, i.e. the first part of 2010.<sup>93</sup> Hatoyama also clearly envisions a win-win strategy for both sides regarding Siberia's development which would certainly redound to Russia's benefit vis-à-vis China.<sup>94</sup> At present his government commands a majority of the Diet which supports his negotiations with Moscow.<sup>95</sup>

Nevertheless such progress is easier said than done. Russia appears to be hesitant. Foreign Ministry spokesman, Andrei Nesterenko welcomed Hatoyama's initiative but cautioned that while both sides want to solve this problem as soon as possible, "it is rather difficult to determine any concrete terms." He also stated that both sides need to have

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<sup>87</sup> *Ibid.*

<sup>88</sup> *Interfax-AVN Online, FBIS SOV* 06 March, 2009.

<sup>89</sup> Tannai, Atsuko: "Aso Tells Putin That '1956 Declaration Will Never Resolve' Northern Territories Dispute," *Asahi Shimbun Online, FBIS SOV*, 22 May, 2009.

<sup>90</sup> *The Daily Yomiuri Online, FBIS SOV*, 16 February, 2009.

<sup>91</sup> *ITAR-TASS, FBIS SOV*, 29 October, 2009; see also "Hatoyama's Speech of October 26, 2009 to the Japanese Diet", *Kyodo World Service, FBIS SOV*, 26 October, 2009.

<sup>92</sup> *Kyodo World Service, FBIS SOV*, 23 September, 2009.

<sup>93</sup> *Interfax, FBIS SOV*, 17 September, 2009.

<sup>94</sup> *Asahi Shimbun Online, FBIS SOV*, 25 September, 2009.

<sup>95</sup> *ITAR-TASS, FBIS SOV*, 18 September, 2009.



common views on how to break the deadlock.<sup>96</sup> Similarly Medvedev called on Hatoyama to “avoid extreme positions,” i.e., demanding all four islands back.<sup>97</sup>

So while Russia welcomes the Hatoyama initiative and the renewed possibility of large-scale Japanese economic cooperation in Siberia, it appears unready to depart substantially from its positions.<sup>98</sup> For example, when Tokyo began issuing certificates to Japanese citizens certifying their rights of succession to real estate in the Kurile Islands Nesterenko replied that,

We proceed from the assumption that the Japanese authorities are issuing these certificates arbitrarily and their obtaining cannot have any legal consequences, since the southern Kuriles are part of Russia’s territory on legitimate grounds and in full compliance with the norms of international law.<sup>99</sup>

Similarly Japan’s government has turned out to be equally adamant in its approach towards Russia. Seiji Maehara, the Minister for Okinawa and the Northern Territories (Japan’s name for the islands) said on October 17, 2009 that Russia’s occupation of those islands was illegal and Japan should keep saying so and demand all four islands’ return to Japan. Naturally this led to Russian counter-blasts about his regrettable, legally unfounded, and unacceptable remarks and that they placed obstacles on the way to improved bilateral relations.<sup>100</sup> Nevertheless on November 24, 2009 the Japanese government formally stated that,

The Russian Federation illegally occupies four northern islands. Under these circumstances our citizens cannot travel to these islands, because of Russia’s territorial claims. Russia’s position does not coincide with our position on the northern territories, and there is no change in the situation.<sup>101</sup>

The December 27-28, 2009 talks between foreign ministers did not resolve the situation despite Russian talk of unconventional solutions.<sup>102</sup>

As of the spring of 2010 this stalemate appears to still be the case even though Hatoyama is pledged to achieving resolution of the issue and both sides have agreed to conduct more vigorous negotiations and more frequent summits.<sup>103</sup> Yet at the very same time the Japanese government approved modifications and amendments to its so called Basic Policy to facilitate a solution to the issue of the Kurile Islands that emphasize intensified advocacy of Japanese claims to all four islands, including the use, for this purpose of a visa-fee exchange with Russians living there. As could be expected the Russian government

<sup>96</sup> *ITAR-TASS, FBIS SOV*, 17 September, 2009.

<sup>97</sup> *Interfax*, 15 September, 2009.

<sup>98</sup> *ITAR-TASS, FBIS SOV*, 29 October, 2009.

<sup>99</sup> *ITAR-TASS, FBIS SOV*, 01 October, 2009.

<sup>100</sup> *Kyodo World Service, FBIS SO*, 17 October 2009; *Kyodo World Service, FBIS SOV*, 19 October, 2009; *Kyodo World Service, FBIS SOV*, 20 October, 2009.

<sup>101</sup> “Japan Accuses Russia of “Illegal Occupation.” *Russia Today*, 24 November, 2009, at <http://rt.com/Politics/2009-11-24south-Kurils.html>.

<sup>102</sup> *ITAR-TASS, FBIS SOV*, 28 December, 2009; *JJI Press, FBIS SOV*, 28 December, 2009.

<sup>103</sup> *Interfax, FBIS SOV*, 13 April, 2010; *Kyodo World Service, FBIS SOV*, 13 April, 2010; *JJI Press, FBIS SOV*, 13 April, 2010.



sharply rebuffed these moves and deplored them as showing that Tokyo wants to put contentious issues and “quite sensitive aspects” of its relationship with Russia in the foreground. It called these territorial claims groundless and warned that they cannot benefit a bilateral dialogue or the maintenance of contacts between the South Kuril Islands which are part of Sakhalin Oblast and Japan.<sup>104</sup> Furthermore President Medvedev’s chief of Staff, Sergei Naryshkin, stated during a visit to Japan that while an intensive dialogue on bilateral relations is occurring such statements by Tokyo obstruct the necessary calm atmosphere needed to resolve the issue which he called the “so-called territorial issue.”<sup>105</sup> So even if Naryshkin and Japanese officials say that very good relations or that stably developing relations are taking place between the two governments this may be a pro forma statement rather than the actual truth.<sup>106</sup> On this basis one cannot be too optimistic about a resolution even though the RFE clearly desires Japanese investment.<sup>107</sup>

Moscow’s Presidential Representative to the Far East, Viktor Ishayev recently told Japanese businessmen that the regional economy will soon pick up, government investment and pipelines will develop, refineries will transform crude oil into finished products, airports and shipyards will be modernized, and investments will top \$300 Billion. Like many before him he emphasized that the Russian and Japanese economies are mutually complementary and that many infrastructure, shipping, construction, and energy partnerships are possible here.<sup>108</sup>

But we have heard this siren song for almost 40 years with little progress on a peace treaty and normalization and decidedly meager economic results from these two supposedly complementary economies. Therefore we must be very wary about a genuine breakthrough either in regard to economic projects to develop Siberia and the RFE, including further major energy projects, and a political and strategic rapprochement. Indeed, Japanese Foreign Minister Katsuya Okada expressed Japanese distrust of Russia, saying that without a territorial settlement partnership is just words.<sup>109</sup>

And if that is the case it will be difficult if not impossible for Russia to develop a Japanese option as an alternative to its increasing dependence upon China.

### 3. Korea

There is obviously growing anxiety in Russian policy circles about the situation on the Korean peninsula and in particular North Korea’s nuclearization and the accompanying breakdown of the six-party talks.<sup>110</sup> Some analysts even want Russia to drop out of the six-party talks.<sup>111</sup> Moscow even deployed its new S-400 SAM to the Russian Far East region from fears that North Korea might launch more missiles that either go awry or even provoke a

<sup>104</sup> *Interfax, FBIS SOV*, 01 April, 2010; *Interfax, FBIS SOV*, 02 April, 2010; *Ministry of Foreign Affairs, FBIS SOV*, 02 April, 2010.

<sup>105</sup> *ITAR-TASS*, 15 April, 2010, *FBIS SOV*; *Interfax, FBIS SOV*, 15 April, 2010;

<sup>106</sup> *ITAR-TASS, FBIS SOV*, 13 April, 2010; *ITAR-TASS, FBIS SOV*, 15 April, 2010.

<sup>107</sup> *ITAR-TASS, FBIS SOV*, 12 April, 2010.

<sup>108</sup> *ITAR-TASS, FBIS SOV*, 20 April, 2010.

<sup>109</sup> *Interfax-AVN Online, FBIS SOV*, 25 December, 2009.

<sup>110</sup> M. Sharko: “The Korean Nuclear Problem: In Search of Stable Solutions,” *International Affairs (Moscow)*, no. 2 (2010), pp. 57-66.

<sup>111</sup> “Russia Needs Independent Policy on North Korea-Experts,” *RIA Novosti*, 03 March, 2010, at [www.en.rian.ru/russia/20100330/158367224.html](http://www.en.rian.ru/russia/20100330/158367224.html).



major conflict in Northeast Asia.<sup>112</sup> There are multiple possible threats on the Korean peninsula all of which possess negative implications for Russia. Continued North Korean nuclearization spurs an arms race, inciting even greater US-Japanese-ROK defense cooperation, including missile defenses, which strikes at both Russian and Chinese interests. It also precipitates continuing tensions and even fosters polarization of Northeast Asia into rival blocs. North Korea's reckless behavior, its proliferation and attacks on South Korean ships, for example, raise the danger of a war on Russia's borders from which it cannot profit but which could lead to major military clashes involving US Korean, and Chinese forces and could easily go nuclear. At the same time North Korea faces possible economic and/or political collapse which opens up a Pandora's Box of unpalatable alternatives, massive refugee flows, civil war with nuclear weapons, etc.<sup>113</sup> Yet because Russia formulates its Korea policy in the framework of its broader global relations with the United States, according to Alexander Vorontsov, head of the Korean Department at the Institute of Oriental Studies,

It is not surprising that in such a scenario, the possibility of establishing a trusting relationship between Moscow and Pyongyang is almost impossible. --- A real chance for Russia to act as an independent player, capable of making a real impact on the development of the situation around Korean affairs is close to zero.<sup>114</sup>

For Russia 2009 was a difficult year as regards Korea. Russia has primarily sought to ensure its inclusion in the six-party talks on North Korean proliferation and to establish itself as a reliable partner for both Koreas. It also has repeatedly expressed interest in a "concert of great powers" in Asia.<sup>115</sup> Moscow intends to use its ability to supply both Koreas with energy both to ensure its place in the settlement, and to unite them with Russia in an enduring economic-political association. Once the six-party agreement took shape in February 2007 ITAR-TASS reported comments by a foreign policy expert that Russia could create the conditions needed to implement "a series of major multilateral projects with the participation of both North Korea and Russia," including oil and gas transit, electricity transfers, and the so-called TKR-TSR project connecting a Trans-Korean railway with Russia's Trans-Siberian railway, the centerpiece of Russian transport policy for Asia.<sup>116</sup> Significantly this source saw these projects as benefiting not just Moscow and Pyongyang, but also Seoul.<sup>117</sup>

Both the ROK and Russia also eagerly wish to consummate a Russian gas pipeline through both Koreas, complete with a petrochemical industrial park and a LNG plant. That should begin in 2010 be completed in 2015 and ship 7.5 million tons of gas (measured in LNG ) annually for 30 years, 20% of the ROK's annual import of natural gas.<sup>118</sup> The cost of this so-called PNG (Natural Gas Pipeline) project is enormous.

<sup>112</sup> "Russia Deploys S-400 Air Defense Systems in Far East" *RIA Novosti*, 26 August, 2009, at [http://en.rian.ru/military\\_news/20090826/155930246.html](http://en.rian.ru/military_news/20090826/155930246.html).

<sup>113</sup> "The Korean Nuclear Problem...", *op. cit.*, pp. 57-66; Fedorov, Yuri: "Never Before, All Over Again," *Security Index*, vol. 16, no. 01 (2010), p. 76.

<sup>114</sup> "Russia Needs Independent Policy...", *op. cit.*

<sup>115</sup> Lo, Bobo (2008): *Axis of Convenience: Moscow, Beijing, and the New Geopolitics*, Washington D.C., Brookings Institution Press, pp. 123-125.

<sup>116</sup> *ITAR-TASS, FBIS SOV*, 13 February, 2007.

<sup>117</sup> *Ibid.*

<sup>118</sup> Ko, Jae-Nam: "Review of Korea-Russia Summit Talks and Future Prospects," *Korea and World Affairs*, vol. 22, no. 4 (Winter, 2008), p. 442.





If it succeeds, this will be a super-size economic cooperation project worth over \$100 US Billion, covering the purchasing price of natural gas (US \$90 Billion), construction costs for the petrochemical industrial park (US\$ 9 Billion), and construction costs for the PNG through North Korea. (US\$ 3 Billion) This project will represent a typical energy development project promoted by the Lee-Myung Bak government.<sup>119</sup>

The opportunity to provide North Korea and through it South Korea with reliable sources of energy is essential if Russia is to be a meaningful presence in the Korean peninsula and Northeast Asia's regional security order. Indeed, energy supplies might be the only way Russia can play a major role in any Korean peace process. And even that might not be enough. Foreign diplomats have privately ridiculed Russia's contribution to the process as being "more nuisance than value", demonstrating its low standing in Asia and on the Korea problem.<sup>120</sup> In 2007-08 there was even speculation that Russia is wearying of the Six-Party talks due both to North Korea's obstreperous behavior but also because the bilateral talks between the US and North Korea had sidelined it and Japan relegating them to a lower status in the talks.<sup>121</sup> In the Russo-Japanese foreign ministers talks in December 2009, Foreign Minister Lavrov dismissed such talk, suggesting Russia's fears of any bilateral US –DPRK deal.<sup>122</sup>

Consequently the collapse of the six-party process is a major loss for Russia because it delays and minimizes Russia's chances to count for something serious in the Korean security equation. Not surprisingly it has consistently counseled moderation towards North Korea, been very cautious about sanctions even though Medvedev considers North Korea a greater threat than Iran, and has steadfastly argued for resuming the six-party talks despite North Korea's provocative nuclear and missile tests. Moscow has steadily argued against military action, hinted that sanctions might be lifted if the DPRK rejoined the talks, suggested that the IAEA become involved with this issue, and proclaimed its willingness to provide economic assistance.<sup>123</sup> But it is Washington and Beijing not Moscow that will decide the issue of the talks for Pyongyang, signifying Russia's limited power to influence events here.

The breakdown of those talks also nullifies the discussions that Moscow sponsored about creating a multilateral security mechanism for Northeast Asia as part of the 2007 agreements, a long-standing point in Soviet and Russian foreign policy. Absent such a mechanism Moscow finds it harder to play a role in Northeast Asia as an independent competitive actor. Nonetheless Moscow keeps devising formulas for regional conflict resolution because it now publicly admits to anxiety about the future security equation. Deputy Foreign Minister Alexei Borodavkin, Moscow's representative to the six-party talks, announced that Russia's discussions with the other five parties led it to formulate a draft on "Guiding Principles for Peace and Security in Northeast Asia. Borodavkin admitted that existing conflicts in Korea and Afghanistan worsened in 2009. Consequently, "We proceed from the assumption that one of the most important prerequisites and components of the

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<sup>119</sup> *Ibid.*

<sup>120</sup> "Axis of Convenience...", *op. cit.*, p. 240.

<sup>121</sup> Ferguson, Joseph: "U.S.-Russia Relations: Weathering the Storm," *Comparative Connections* (April, 2008).

<sup>122</sup> *Stenograma Vystupleniya I Otveta Ministra Inostrannykh Del Rossii S.V. Lavrova Na Voprosy SMI v Khode Sovmestsnoi Press-Konferentsii Po Itogam Peregovorov s Ministrom Inostrannykh Del Yaponii K. Okadoi, Moscow*, 28 December, 2009, at [http://www.mid.ru/brp\\_4.nsf/0/A4B0E5CBD7934B02C325769A004DD828](http://www.mid.ru/brp_4.nsf/0/A4B0E5CBD7934B02C325769A004DD828).

<sup>123</sup> Baek, Jun Kee: "Medvedev's Russia, a 'Revisionist Power' Or an 'Architect of a new World Order'?" *The Evolution of Ideational Factors and Its Cases*, *Korean Journal of Defense Analysis*, vol. 22, no. 4 (December, 2009), pp. 477-481; *Interfax-AVN Online, FBIS SOV*, 17 December, 2009; *Xinhua, FBIS SOV*, 23 December, 2009; *Interfax, FBIS SOV* 11 December, 2009; *ITAR-TASS, FBIS SOV*, 23 December, 2009.



denuclearization process is the formation of regional common security institutions which would be based on the principle of equal security to all parties.”<sup>124</sup> Such calls underscore Moscow’s less than equal status here that makes their success unlikely. But Borodavkin further underscored Russia’s genuine alarm about Korea by stating that the aggravation of Asian conflicts, together with the global economic crisis have created a situation where, “Under current circumstances, peace and security in the region is a priority task because we believe that neither nuclear deterrence nor military deterrence may ensure security in this sub-region and in the entire world.”<sup>125</sup> According to Borodavkin this danger means Russia must participate more actively in the region, and its activity has become more substantive, focused on economic integration.<sup>126</sup>

Finally the talks’ breakdown also inhibits Moscow from playing a serious role in the U.S., China, and South Korean rivalry for economic access and thus influence upon North Korea. Those states’ behavior, despite the gyrations concerning the six-power talks, shows that they all are investing or transferring substantial amounts of money in and to North Korea with the clear expectation of obtaining such influence in the future.<sup>127</sup>

Although Russia clearly wants to be the supplier of energy to both North and South Korea, It has also had to concede that Japan, China, and/or South Korea could join with it in providing nuclear power to North Korea.<sup>128</sup> Similarly, at various times during those talks, South Korea has both offered and delivered energy to North Korea. It is not clear if these earlier offers of energy deliveries involve the ROK’s shipping of Russian gas or for gas from other sources.<sup>129</sup> There also is abundant talk that China and/or America might follow suit and give more energy to North Korea.<sup>130</sup> Meanwhile China remains the DPRK’s largest supplier. These moves demonstrate the conscious rivalry to be the DPRK’s main energy provider and trade partner even as they work out the modalities of doing so. Indeed, Russia’s political motives of finding a partner in Asia besides China and of ensuring Russia’s prominence in a Korean settlement are not far from the surface here. Thus, if Moscow’s energy project to supply both Koreas goes through

If the project is successful, Korea’s gas pipe will be connected to the Eastern Gas Supply system (UGSS) that Russia is operating. This not only means that Korea will gain an advantage in future competition over East Siberian energy resources, but also that Korean companies will have the upper hand in development projects in the Far East and Siberia.<sup>131</sup>

This is an enticing vision, but Russia’s energy companies cannot afford it. Therefore it is difficult to see who will pay for this pipeline and infrastructure. Since paying for the pipeline gives that payer a leg up in the rivalry to influence North Korea, it will not be too interested in benefiting Russia more than necessary. Moreover, North Korea has, if anything obstructed this and every other initiative by its insistence upon testing new missiles in April 2009. So

<sup>124</sup> *ITAR-TASS, FBIS SOV*, 18 December, 2009.

<sup>125</sup> *ITAR-TASS, FBIS SOV*, 23 December, 2009.

<sup>126</sup> *ITAR-TASS, FBIS SOV*, 23 December, 2009.

<sup>127</sup> This is the subject of a future article by the author

<sup>128</sup> *Interfax, FBIS SOV* 10 April, 2007.

<sup>129</sup> *Yonhap*, , *FBIS SOV*, 31 March, 2003; Ward, Andrew: “Deal for Gas Pipeline Could Solve Korean Nuclear Crisis,” *Financial Times*, 31 March, 2003,; and more recently Seoul, *Hankoyreh, FBIS SOV*, 17 April, 2007.

<sup>130</sup> *Yonhap, FBIS SOV*, April 15, 2007

<sup>131</sup> “Review of Korea-Russia Summit Talks and Future Prospects...”, *op. cit.*, p. 442.



this grandiose decade-long vision may continue to languish for several years, causing Russia to fail to achieve its main economic-political objective in Korea. Indeed, Samuel Kim pointed out in 2004 that,

Perhaps the most revealing part of the DPRK- Russia Moscow Declaration of August 4, 2001 is embodied in Point Five: “In order to carry out a series of bilateral plans, the Russian side confirmed its intention to use the method of *drawing financial resources from outsiders*, on the basis of understanding of the Korean side.” In other words, Moscow and Pyongyang are now looking to Seoul, Washington, and Tokyo to foot the bill.<sup>132</sup>

Under present conditions neither Seoul nor Moscow can meet these objectives and it is unclear who will support those Russian objectives out of his own pocket.

Sakhalin-2 is also important for South Korea as it too will be receiving LNG from here that will be much cheaper and more reliable than Middle Eastern gas. Second, when the gas from Sakhalin-2 is added to other gas pipeline projects that are being discussed between Seoul and Moscow the total size of the imports South Korea then receives could become quite substantial, a major benefit from its and Russia’s perspective.<sup>133</sup> Indeed, it is clear that Seoul, building upon deals signed with Russia in 2008, is angling for a pipeline connection from Siberia to its territory. Samsung is pursuing cooperation with Gazprom in the latter’s projects on the Yamal peninsula and the Shtokman field in the Russian North and Russia offered to provide Samsung technologies in the projects even though most analysts believe those fields are earmarked for Europe.<sup>134</sup> Seoul is also, not surprisingly, interested in importing oil through ESPO.<sup>135</sup> So on the one hand Gazprom and Kogas, South Korea’s national gas company, are continuing discussions based upon agreements signed in 2008.<sup>136</sup> And Hyundai is looking to participate in building energy infrastructure from the RFE to South Korea and has signed an MOU with Russia’s private equity firm Industrial Investors to participate with it in energy development and infrastructure, shipping, and logistics projects.<sup>137</sup> But obviously even major success with South Korea (and that is hardly proven on the basis of this record) cannot compensate for the dependence upon China and the failure to come to terms with Japan.

Failure to play a major role in Korea’s future economic and political direction severely diminishes Russian hopes for a lasting position in Asia. Some observers argue that if Russia cannot play a major role in Northeast Asia because it cannot contribute to the region’s development, its proposals for a multilateral regional order will also fall by the wayside. Thus Dr. Kang Choi of South Korea’s Institute of Foreign Policy and National Security (IFANS) wrote that,

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<sup>132</sup> Kim, Samuel S. (2006): *The Two Koreas and the Great Powers*, Cambridge, Cambridge University Press, p. 149.

<sup>133</sup> *Yonhap*, *FBIS SOV*, 18 February, 2009.

<sup>134</sup> *Interfax*, *FBIS SOV*, 19 February, 2009; *Interfax*, *FBIS SOV*, 20 February, 2009; *Interfax*, in English, 11 September, 2008, *FBIS SOV*, 22 September, 2008; Blank, Stephen: “Recent Trends in Russian-South Korean Economic Relations”, *Northeast Asia Energy Focus*, vol. 5, no. 4 (Winter, 2008), pp. 12-16.

<sup>135</sup> “South Korea Eyes Greater Pipeline Opportunities With Russia,” *Pipeline & Gas Journal* (December, 2008), p. 18.

<sup>136</sup> *FBIS SOV*, 17 November, 2008.

<sup>137</sup> Kim, Yoon-mi: “Hyundai To Tap Energy, Shipping Business in Russia,” *The Korea Herald Internet Version*, *FBIS SOV*, 11 November, 2008.



Russia will be the front-runner in promoting a multilateral security framework as it did in the past. But it is unclear whether Russian proposals or initiatives can be met positively by other regional states. It might depend upon the level and scope of the physical contribution and substantive support Russia can provide in dealing with issues of peace and stability on the Korean peninsula and beyond.<sup>138</sup>

But Moscow's failure to undertake genuine economic integration with Japan or meaningfully advance its interests regarding North Korea leaves it with no choice but to emphasize China as the party with whom it integrates to a much greater degree than anyone else. Consequently it is becoming increasingly dependent upon China.<sup>139</sup> The fact that Russia must coordinate so much with China on Korea, the RFE, and even Central Asia attests to its continuing inability to play the great power role and validates this paper's central argument, namely that by failing to capitalize on its Asian capabilities Moscow has opened the door to a new Chinese-led security order in Asia, including the RFE.

#### 4. Conclusions

Every Russian leader and analyst knows that Russia claims to be an Asian and/or Pacific power and aims to play a great independent role in Asian security. Yet due to the nature of its economic and political system Russia is steadily failing to realize the domestic prerequisites of that posture. These self-imposed constraints greatly contribute not only to developmental failures but also to the inability to optimize relations with Japan and South Korea and achieve a genuine balance in its foreign policies here. And beyond that fact foreign policy constraints like North Korea's refusal to accept any restrictions on its nuclear program also undermine prospects for achieving the goals of Russian foreign policy here. As a result it has had to mortgage its Far Eastern domestic policy to China. As we have seen, critical voices say Russia cannot play an independent role on the Korean peninsula which is the region's most acute military-political crisis. Likewise, its political relationship with Japan, whose resolution is the precondition for unlocking Japanese investment, is also at an impasse. Under the circumstances it behooves us to ask where exactly Russia is succeeding in Asia and what are the consequences of this ongoing failure to meet the challenges posed by contemporary developments in Asia, the most dynamic sector of the global economy?

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<sup>138</sup> Choi, Kang: "Six-Party Talks and Multilateral Security Cooperation," *The 15<sup>th</sup> IFANS-IMEMO Conference on the Current Situation in Northeast Asia and Russian-Korean Relations*, Seoul, Institute of Foreign Relations and National Security, 2005, p. 12

<sup>139</sup> "Axis of Convenience...", *op. cit.*, Tsygankov, Andrey: "What Is China To Us? Westernizers and Sinophiles in Russian Foreign Policy", IFRI, *Russie.Nei.visions*, no. 45, 2009.