

## Russia's turn towards Asia: more words than actions

Marcin Kaczmarski

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The APEC summit in Vladivostok (8–9 September) was expected to confirm Russia's ambitions to play a more significant role in the Asia-Pacific region (particularly in East Asia) and balance Moscow's foreign policy by shifting some of its focus from Europe to Asia. The measures taken ahead of the summit included both the implementation of economic projects in Russia's Far East and greater diplomatic engagement in the region. The summit itself, however, was less effective than expected. Russia failed to define its place in the Asia-Pacific order, and did not propose any new political or economic initiatives that would go beyond the discussions that have already been held within APEC for years, including plans for a free trade area.

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The disappointing outcome of the summit was in stark contrast to the political rhetoric in Russia, which has long been stressing the need to increase the country's presence in Asia and to speed up the socio-economic development of Russia's Far East. During his presidency, Dmitry Medvedev regularly talked about the need to 'turn towards Asia', while Vladimir Putin's presidential election manifesto described the Asia-Pacific region as the core of the emergent multipolar global order.

In theory, Russia is one of key actors in the Asia-Pacific region; in practice however, Moscow's influence in the region is limited. The focus of Russia's foreign policy on the region has been consistently Sino-centric. So far, Moscow has not built lasting political or economic ties with any other countries in the region, and so its plans to redress the current imbalance have been little more than a series of empty political declarations. The growing rivalry between China and the United States for influence over East Asia has further weakened Russia's leverage and bargaining power in its relations with small states in the region. For instance, this can

be seen Russia's virtual absence from the Asian energy sector, despite plans for expansion into Asia. Similarly, the modernisation of the Russian armed forces is still in its early stages, and has not offered a clear answer about the role Russia would like to play in shaping regional security. Moscow's ambitions to take on a more significant international role in the region are being hampered by the country's internal problems, particularly the economic underdevelopment which is endemic across Russia's Far East. An analysis of the Kremlin's achievements to date suggests that Russia remains a minor actor in the region's political and economic order, and the likelihood of significant changes in Moscow's favour remains low.

### Russia's low standing in Asia

**Formally, Russia is a full member of the Asian regional order.** It is a member of regional bodies such as APEC<sup>1</sup> and the East Asia Summit

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<sup>1</sup> Asia-Pacific Economic Cooperation (APEC) is an economic forum for 21 Pacific Rim countries ([www.apec.org](http://www.apec.org)).

(EAS)<sup>2</sup>; it is also one of the six nations involved in the negotiations on the future of the North Korean nuclear programme, and has good or even privileged political relations with nearly all the countries in the region. Having said that, Russia's capacity for shaping the region's political and economic processes remains low. Moscow's weak position in the region stems both from the Kremlin's policies on the Asia-Pacific region<sup>3</sup> and from international processes not directly related to Russia. In addition, the situation is further complicated by the fact that indicators of socio-economic development place Russia's Far East not only behind neighbouring Asian provinces but also below Russia's national average<sup>4</sup>. **Despite declarations of a multi-vector foreign policy, Russia's approach towards Asia has been increasingly Sino-centric.** China is now Moscow's most important political and economic partner in the region. These relations are not balanced by sufficiently strong political and economic ties with other regional actors, such as Japan, North and South Korea, or the ASEAN member states. In recent years, Moscow has taken measures aimed at forging closer links between Russia and China, but neglected (or at times actively discouraged) similar policies with regard to other countries in the region. This was exemplified by, for instance, the 2012 Sino-Russian naval exercises in the Yellow Sea, or the joint efforts to stress the significance of the victory in World War II, which were directed against Japan<sup>5</sup>. Russia's economic ties with China are not balanced by similar trade deals

with other regional partners; currently, its trade with the PRC accounts for up to 60% of its total trade with East Asia<sup>6</sup>.

A similar picture emerges across Russia's Far East, where foreign investment is dominated by Chinese capital, and not balanced by investors from other Asian countries<sup>7</sup>.

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At a regional level, **the key factor weakening Russia's position in East Asia is the vying for position between China and the United States**, which has had a growing impact on the political and social order in the region. A number of simultaneous processes can be observed: the PRC has become more assertive in its relations with its neighbours, particularly with regard to sovereignty disputes over islands in the East and South China Seas; the United States has vowed to continue (and increase) its military and political presence in the region, and has made efforts to strengthen ties with its existing political and military allies; the South-East Asian economies have developed increasingly close links with China, as has been exemplified by the formation of the China–ASEAN Free Trade Area in 2010, as well as plans for a similar free trade zone including China, Japan and South Korea. This has been accompanied by increasing geopolitical tensions and competition for primacy in the region between China and the US, which has left little room for other actors.

<sup>2</sup> This commentary focuses mainly on Russia's foreign policy on East Asia (including China, North and South Korea, Japan, and ASEAN member states). In some cases, however, these policies are broader in their impact and refer to the entire Asia-Pacific region, including countries such as Australia, New Zealand and the US.

<sup>3</sup> The East Asia Summit (EAS) is a forum for dialogue on broad political and security issues for ASEAN member states and other countries in the Asia-Pacific region, established in 2005 <http://www.aseansec.org/aadcp/repsf/abouteastiasummit.html>).

<sup>4</sup> Oleg Barabanov, Timofei Bordachev, *Toward the Great Ocean, or the New Globalization of Russia*, Valdai Discussion Club Analytical Report, Moscow: July 2012, pp. 34–41.

<sup>5</sup> Marcin Kaczmarek, 'Russia–China: a shift in the balance of power is under way', *EastWeek*, 9 May 2012; in 2010 the Russian government made 2 September a national holiday (marking the end of the country's war against Japan).

<sup>6</sup> In 2011, Russia's trade with China reached US\$80 billion; with Japan US\$30 billion; with South Korea c. US\$10 billion; and with the ASEAN member states US\$14 billion.

<sup>7</sup> Among the most important agreements was a 2009 border region cooperation agreement containing a list of over 200 joint initiatives (although their implementation has been rather slow), and the Russia–China Investment Fund, launched in 2012.

## Proposed measures to increase Russia's influence in Asia

The weakness of Russia's position in the Asia-Pacific region is well-known among Russian politicians and IR experts. Consequently, a series of solutions has been proposed to increase Russia's influence in the region. Some of them were put forward during Vladimir Putin's first term as president, while others have been devised as a response to the changing domestic and international context. The solutions fall into two interlinked categories: those aimed at particular countries (i.e. bilateral), and those directed at the whole region. Among the key ideas (partly implemented) are:

**1. To build privileged relations with countries which have the potential to balance the rise of China,** namely Japan, Vietnam, South Korea, North Korea, Myanmar and Mongolia.

**Key Russian ideas to strengthen its role in the Asia Pacific region include turning Russia into an important supplier of oil and gas to the Asia-Pacific region and increasing Russia's military power in the region.**

**2. To turn Russia into an important supplier of oil and gas** to the Asia-Pacific region. Under Russia's *Energy Strategy to 2030*, Asia is to purchase between 22–25% of Russian oil and 19–20% of Russian natural gas. However, this will require the construction of new oil and gas pipelines to the respective countries and to the local market. The key proposals have focused on the following questions: the supply of oil via pipeline to China and to the Pacific coast; the supply of natural gas via pipelines to China; the supply of natural gas via pipelines to both North and South Korea; and the creation of additional capacity for Russia's LNG infrastructure, which already supplies Asian markets.

**3. To increase Russia's military power** in the region, both with regard to its defence and its power projection capacity. This would include boosts to both the Russian Navy (the Pacific Fleet) and the Ground Forces, grouped together under the Joint Strategic Command 'East'. The modernisation of Russia's armed forces is aimed at increasing the country's capacity to respond to potential threats, both on land and at sea.

**4. Active participation in the formation of new international order in the region and involvement in crisis resolution.**

Although the proposals mentioned earlier refer to the international dimension of Russia's presence in the Asia-Pacific region, **the implementation of many of them remains contingent on Russia's domestic situation.** First, Russia would need to create an oil and gas province in Eastern Siberia and Russia's Far East, whose output could be exported to the Asian market. Russia's government has estimated that by 2020 Eastern Siberia should be able to produce 130–150 bcm of natural gas (about 22–25% of Russia's total annual production), most of which is to be exported<sup>8</sup>. In addition, under Russia's *Energy Strategy to 2030*, the country is expected to produce 70–80 million tonnes of oil by 2020 (about 18% of Russia's total annual production), although these estimates have been described as too optimistic<sup>9</sup>. Moreover, Moscow needs to implement a large-scale programme of economic and social reform for the region, and to attract a wide range of foreign investors to Russia's Far East. Similarly, the proposals to use the existing Russian railway network as an alternative transport route between Asian and European markets, or opening the so-called Northern Sea Route from Asia to Europe, would also require substantial investment and the implementation of decisive actions within Russia.

<sup>8</sup> Ibid.

<sup>9</sup> Wojciech Konończuk, 'Russia's best ally. The situation of the Russian oil sector and forecast for its future', *OSW Studies*, No. 39, Warsaw 2012.

Over the past two to three years, the implementation of the above-mentioned proposals has met with varying degrees of success. Whether or not these solutions can ultimately strengthen Russia's international standing in the Asia-Pacific region has yet to be determined.

### Russia's position in bilateral relations

Moscow has taken steps to forge closer relations with several countries it believes to have the capacity to somewhat balance out the rise of China. However, these initiatives have so far been uncoordinated, and are not believed to be part of a comprehensive overall strategy.

In recent years, the Russian government has attempted to foster closer ties with **Japan**, even suggesting that it was ready for a compromise on the issue of sovereignty over the Kuril Islands. In 2009, on his visit to Japan, the then Prime Minister Vladimir Putin suggested that two of the islands could be returned to Japan if Tokyo agreed to invest its efforts in the development of bilateral relations between Russia and Japan, particularly in economic cooperation. In March 2011, in response to the accident at Japan's Fukushima nuclear power plant, Moscow offered to increase the supply of Russian oil and gas to Japan, and suggested the possibility of closer political relations between the countries. Following his victory in the presidential election in March 2012, Putin once again made it clear that a compromise on the future of the disputed Kuril Islands was still a real possibility. A positive signal of progress in Russia–Japan relations also came with the signing of a bilateral agreement to combat crab poaching. At the same time, attempts to foster closer ties with Japan suffered a setback after Moscow made a series of statements stressing Russia's indisputable sovereignty over the Kuril Islands<sup>10</sup>.

<sup>10</sup> Dmitry Medvedev first visited the Kuril Islands in 2010 in his capacity as Russia's president (making it the first visit by a Soviet/Russian leader to the disputed islands since 1945); Medvedev's visit was followed by a series of regular trips to the islands by high-ranking Russian officials. In July 2012, Medvedev revisited the Kurils in his capacity as Russia's prime minister.

Moscow appears to be putting great hopes in the possibility of a rapprochement between Japan and Russia, although the political elites in both countries do not seem ready to make the necessary compromises regarding the disputed territorial claims. It should be noted that there has been no real collaboration between the countries, even in periods of relative calm in Russian-Japanese bilateral relations.

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The expected progress in energy cooperation did not materialise; both sides signed a number of preliminary agreements, but none of them was legally binding. In September 2012, Gazprom signed a MoU on the construction of a natural gas liquefaction plant in Vladivostok, whose output is to be exported to Japan<sup>11</sup>. The plant's annual capacity has been estimated at 10–15 million tonnes of LNG (13–20 bcm of natural gas). However, Japanese companies have been slow to invest in Russia's Far East, preferring to do business with the European parts of Russia. Closer ties with Japan could also be hampered by the deepening military alliance between Tokyo and Washington, which has led to Japan's decision to back the construction of the US missile defence shield.

Russia also took steps aimed at strengthening its ties with **South and North Korea** by intensifying its political relations and voicing commitment to economic cooperation. By being able to exert influence on North Korea, Moscow could also improve its relations with Seoul.

<sup>11</sup> <http://www.gazprom.ru/press/news/2012/september/article143511/>

In August 2011, the then President of Russia, Dmitry Medvedev, held a meeting with North Korea's leader Kim Jong-Il – a move seen as a demonstration of political support for the North. Among the most important initiatives planned by the two countries is the construction of a trans-Korean gas pipeline, which has been devised as both an economic and a political project. The pipeline would provide Pyongyang with much-needed income, but would also be instrumental in building stability in the relations between the north and the south of the Korean peninsula; which in turn would also strengthen Russia's position in its relations with both countries. In September 2011, Gazprom signed several MoUs with Korean energy companies, but so far the implementation of the projects has not begun. Another project currently under negotiation concerns linking the Trans-Siberian Railway with the Korean rail network and the construction of a rail link across North Korea to seaports on the South Korean coast. In addition, in September 2012, Moscow agreed to write off 90% of North Korea's US\$11 billion debt. The remaining US\$1 billion is to be used to finance joint energy, education and healthcare projects<sup>12</sup>.

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The most significant challenge to the construction of the gas pipeline is posed by the unpredictability of the North Korean regime and the tense diplomatic relations between Pyongyang and Seoul. It is hoped however that the slow political transformation seen in North Korea, coupled with Kim Jong-un's rise to power, may

<sup>12</sup> [http://www.minfin.ru/ru/press/press\\_releases/index.php?pg56=2&id4=17327](http://www.minfin.ru/ru/press/press_releases/index.php?pg56=2&id4=17327)

speed up Pyongyang's decision to engage more closely with Russia. Similarly, despite good diplomatic relations between South Korea and Russia, Moscow has been unable to intensify economic cooperation between the two countries, and has so far failed to persuade Seoul to invest in Russia's Far East. The majority of the proposed investment projects have turned out to be little more than empty declarations, although in 2011 Seoul did agree to invest in infrastructure projects in Russia's North Caucasus. Russia's support for countries which have rather complex relations with China is particularly visible in the case of **Vietnam**; Moscow has close political relations with Hanoi and is one of the country's main arms suppliers. Under a 2009 contract, Vietnam is to receive six Kilo-class submarines, which will allow its Navy to retain a relative balance in Vietnam's defence capacity against China. The first submarine was delivered in 2012; the rest are to follow each year until 2018. However, the arms deals and the exceptionally good relations between Hanoi and Moscow have not translated into a privileged position for Russia, compared with other regional actors. This became particularly clear when the Russian Navy was not allowed to return to Vietnam's Cam Ranh naval base (which it had abandoned in 2001), but the government in Hanoi did subsequently agree to forge closer ties with the US.

Another country that Russia has been trying to support *vis-à-vis* China is **Myanmar**. Moscow has offered Naypyidaw political support on the international arena (particularly, by blocking UN Security Council resolutions which criticised the Myanmar regime and proposed the introduction of sanctions against the country). Russia has also been selling military equipment to Myanmar, including planes and helicopters (in 2009, Russian companies won a tender against bidders from China). Moscow has also been involved in the development of nuclear energy in the country by offering to build an experimental reactor there. Russia's support is

particularly significant due to the growing tensions between Myanmar and China<sup>13</sup>. However, the push for democratisation within the country is likely to result in attempts to establish closer links with the West rather than with Moscow. Nonetheless, Russia's support for selected regional actors has its limitations. The country's foreign policy on East Asia shows that Moscow will try to avoid any moves which Beijing could perceive as directed against it. Consequently, however, the close relations between Moscow and Beijing have called into question Russia's status as a global superpower capable of balancing out China's influence in the region. In addition, by trying to strengthen its links with the individual East Asian nations, Russia has been forced to compete against the United States, which is more powerful not only financially, but is also able to send a clearer political signal to the region.

At the same time, the United States is also seen by Moscow as a potential partner. Yet it should be stressed that Russia has been very careful about engaging with Washington, fearing that it could be drawn into America's 'anti-Chinese coalition'. Consequently, Russian politicians have not publicly supported any coordination of actions in the Asia-Pacific region together with Washington. For instance, Russia has rejected Washington's proposal for a free trade area for developed countries (the so-called Trans-Pacific Partnership, or TPP), which according to the US would help balance China's growing economic influence.

### Russia's role on the Asian energy market

With regard to Russia's energy policy in the region, Moscow has only been able to implement some of its projects.

**Regarding the production of energy resources,** the proposals for a new oil and gas province in Russia have not moved beyond the planning

stage. Eastern Siberia and Russia's Far East continue to produce only a fraction of Russia's oil (around 7% in 2010, and around 8% in 2011). Similarly, natural gas has been produced only through joint ventures with foreign companies in the Sakhalin-1 and Sakhalin-2 fields (with Gazprom as a majority shareholder). Production in Russia's continental field has not yet been given the go-ahead; the most promising deposits expected to feed Russia's gas exports to Asia (Kovykta and Chayanda) are already in Gazprom's hands, but no date for the launch of the production has been announced. It is expected that the Chayanda field will be developed together with Japanese and Korean investors, while Chinese companies have expressed their interest in the Kovykta field.

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**Regarding new infrastructure projects,** Russia has launched a section of the Eastern Siberia-Pacific Ocean (ESPO) oil pipeline linking it to China, with an annual capacity of 15 million tonnes. Another 15 million tonnes reaches China by rail from Skovorodino to the Pacific coast (Nakhodka). This means that Russia currently exports to Asia 30 million tonnes of oil via ESPO and around 15 million tonnes from the Sakhalin fields (which accounts for about 18% of the total exports)<sup>14</sup>. In the case of LNG exports, 10 million tonnes (around 13 bcm) from Sakhalin-2 reaches Asian customers, particularly in Japan and South Korea, every year under long-term contracts. Asia currently purchases around 5% of all Russian gas exports.

<sup>13</sup> Among these was the Myanmar government's decision to suspend the construction of a hydroelectric power plant and a dam, which was to export electricity to China.

<sup>14</sup> However, much of the oil transported via ESPO is later sold to the US.

Medium-term forecasts suggest that Russia's oil exports will increase following the launch of the second ESPO pipeline. On completion, the pipeline will carry up to 30 million tonnes of oil to China every year (thanks to the capacity of the Skovorodino–Daqing pipeline), while another 50 million tonnes will be exported to other Asian markets<sup>15</sup>.

Meanwhile, the future of Russia's gas exports to East Asia is less certain. Although Russia and China have expressed interest in constructing infrastructure which would link both countries and enable China to import Russian gas, a lack of agreement on the price of the gas has prevented Moscow and Beijing from making any progress on the matter since 2006, when the two countries signed their first MoUs. As was the case during negotiations on the price of Russian oil, Russia is also now trying to increase the competition between its potential clients, China, North and South Korea and Japan.

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The other projects, namely the trans-Korean gas pipeline and an increase in LNG exports to Japan, have been proposed as an alternative to the reliance on the Chinese market. Both of these, however, are seen more as political projects than economic ones, since their capacity would allow for the export of only 10 bcm of natural gas and 10 million tonnes of LNG (around 13 bcm) respectively. Moreover, Russia's cooperation with North & South Korea and Japan has not

<sup>15</sup> Wojciech Konończuk, 'The East Siberia/Pacific Ocean (ESPO) oil pipeline: a strategic project – an organisational failure?', *OSW Commentary*, No. 12, 2008.

yet moved beyond the signing of MoUs, making it difficult to tell whether there is political will in Moscow to implement these projects – at the moment, they are seen more as a (rather unsuccessful) way of putting pressure on China.

## Russian military power in Asia

The modernisation of Russia's armed forces and the planned increase in the military power of the Russian Federation in the Asian part of the country and the Pacific has only partly been achieved. **Russia's Ground Forces have been given a boost.** The army has received S-400 air defence missile systems, the number of brigades has been maintained, and military equipment has been regularly upgraded (even though it continues to lag behind the equipment used in the Western Military District, it is nonetheless superior to the equipment available to the Chinese armed forces). **The modernisation of the Russian Pacific Fleet continues.** The progress made so far has been rather slow. The modernisation requires time, and will largely depend on the amount of funding available. It has been suggested that the French Mistral amphibious assault ships are to be deployed in Russia's Far East, together with refurbished nuclear cruisers.

**Nonetheless, the direction of the modernisation plans and Russia's future role in shaping regional security remain unclear.** The Vostok-2010 military drills held in the region did not shed any light on Russia's intentions. The participating troops practised responses to both a military conflict with Japan (landing on the Kuril Islands) and with China (the use of tactical nuclear weapons in response to a large-scale conventional attack). The decision to appoint the former Pacific Fleet commander Admiral Konstantin Sidenko to lead the Eastern Joint Strategic Command may suggest that Russia sees its naval presence in the region as a priority. As a result of an increase in the export of energy resources and the planned opening of the Northern Sea Route, a strong navy is becoming increasingly important.

## Russia's place in the international order in the Asia-Pacific region

An analysis of Russia's bilateral cooperation efforts in the region shows a lack of many significant achievements.

In relation to the main security threat faced by North-East Asia – **the North Korean nuclear programme** – Russia has been playing a secondary role. Moscow's position at the so-called Six-Party Talks (attended by delegations from South and North Korea, China, Japan, Russia and the United States), as well as at the UN Security Council, was often the same as that adopted by Beijing. Russia generally objected to additional pressure on North Korea, such as political or economic sanctions. Despite a marked improvement in Moscow's diplomatic relations with Pyongyang since 2011, Russia has been unable to persuade North Korea to return to the Six-Party Talks, which Pyongyang abandoned in 2009.

In September 2010, Russia and China put forward a joint **proposal for a regional security architecture in East Asia** and proposed a series of principles which would guide the region's security and defence policies<sup>16</sup>. Moscow, however, did little to promote this initiative; nor did other countries in the region show much interest in the proposal.

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<sup>16</sup> [http://news.kremlin.ru/ref\\_notes/719](http://news.kremlin.ru/ref_notes/719)

In 2011, Russia was formally accepted into the **East Asia Summit (EAS)**, which at the same time opened its doors to the United States. Subsequently, smaller countries in the region were clear that in their opinion, Russia's presence at the EAS was yet another attempt to balance China's growing power. This view was later further strengthened by the fact that the then Russian President Dmitry Medvedev, and not Prime Minister Vladimir Putin, attended the summit held in November 2011.

**Russia's role in the economic division of labour in the region remains marginal**, particularly in sectors other than fossil fuel production. The plans (announced by, among others, the First Deputy Prime Minister Igor Shuvalov) to redirect Russia's trade flows, to ensure that by 2020 50% of the country's foreign trade came from the Asia-Pacific region (up from the current 25%), seem unlikely to materialise. First, Russia's main challenge is its poor transport infrastructure inside the country; second, Russia is not a member of any bi- or multilateral free trade zone. Over the last two years, Moscow has been negotiating a free trade deal with New Zealand, although these talks seem unlikely to come to a quick conclusion. Meanwhile, proposals for the creation of free trade zones at a sub-regional level (such as China-ASEAN, or TPP) have been ignored by Russia, which may consequently hamper the formation of a free trade area covering the entire region.

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EDITORS: Adam Eberhardt, Marek Menkiszak;

Anna Łabuszewska, Katarzyna Kazimierska

TRANSLATION: Maciej Kędziński

CO-OPERATION: Jim Todd

DTP: Wojciech Mańkowski

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Centre for Eastern Studies

Koszykowa 6a, 00-564 Warszawa

phone: +48 | 22 | 525 80 00

e-mail: [info@osw.waw.pl](mailto:info@osw.waw.pl)

Visit our website: [www.osw.waw.pl](http://www.osw.waw.pl)