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**NO. 297**

**RUSSIA'S ASIA PIVOT:  
ENGAGING THE RUSSIAN FAR EAST, CHINA AND SOUTHEAST ASIA**

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SINGAPORE**

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## Abstract

The Russia-ASEAN summit being held in Sochi on 19-20 May 2016 to mark twenty years of Russia's dialogue partnership with ASEAN is a further indicator of President Vladimir Putin's 'pivot to Asia' policy, triggered also by its current confrontation with the west. Through this pivot, Moscow wants to assert Russia's geopolitical status as a Euro-Pacific as well as Asia-Pacific power. It is a pragmatic response to the shifting of global power to Asia. It also builds on the growing Russo-Chinese relations to develop the Russian Far East, a resource-rich but underdeveloped region into the gateway for expansion of Russia into the Asia Pacific.

At the same time, the growing asymmetry in achieving the economic and strategic goals of Russia and China has resulted in fears that the Russian Far East will turn into a raw materials appendage of China. Moscow lacks the financial resources to support Putin's Asia pivot. Therefore, Russia needs to strengthen ties with other Asia-Pacific countries and ASEAN as a regional grouping so as to attract more diversified trade and investments into its Far East region. It is in this context that the Sochi summit takes on added significance.

However, given Russia's sporadic interest in Southeast Asia and its strategic role defined mainly by the limited potential of Russian energy and arms exports to ASEAN Member States, the PR diplomacy and summitry at Sochi may not deliver substantive outcomes for Russia. Nonetheless, Moscow aims to enhance its status in the east and seek business and strategic opportunities through the summit thereby compensating to some extent Russia's loss following the sanctions imposed by the west over the annexation of Crimea.

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## Introduction

As Russia hosts the commemorative summit in Sochi on 19-20 May 2016 to mark twenty years of its dialogue partnership with ASEAN (Association of Southeast Asian Nations), many would puzzle over the nature of the new camaraderie, summitry as well as Russia's Asian credentials in winning friends and influencing partners in Southeast Asia.

President Vladimir Putin expressed guarded optimism about mapping out "new areas of cooperation" between Russia and ASEAN. Foreign Minister Sergei Lavrov has called for a "concept note defining the long-term strategic vision of Russia-ASEAN relations," adding that "further prospects for cooperation have opened up with the initiative of [President] Putin to begin consultations *together with our Eurasian Economic Union (EAEU) partners with members of Shanghai Cooperation Organization (SCO)* [emphasis added by author] and ASEAN on the issue of formation of possible economic partnership."<sup>1</sup>

The accent on Russia-led EAEU, more of a geopolitical than economic entity, and China-dominated SCO which now includes India and Pakistan, is a signal that Russia values multilateralism and alliances. It is a rebuff to what it sees as US unilateralism and the pursuit of hegemony through alliance with Western Europe. It also demonstrates Moscow's uncontested authority over the Soviet geopolitical space and a close strategic and economic partnership with China. Overall, the Sochi summit is a further reflection of the growing thrust to the east in Russia's foreign and economic policy.

## Russia's "Pivot to the East"

Western sanctions after Russian annexation of Crimea have further alienated Russia from the west, accelerating a reorientation of its foreign policy, economic relations and diplomatic activity to the east. Indeed, a steady 'pivot to the East' (*povorot na vostok*) or 'pivot to Asia' (*povorot k Azii*) was becoming discernible since Putin took office in 2001.<sup>2</sup> The Ukrainian crisis turned out to be a catalyst, exposing all problems in the relations between Russia and the west.<sup>3</sup>

Russia's pivot to Asia is different from Eurasianism, another identity element that is being activated to re-establish control over what it considers the 'near abroad' and for legitimating its geopolitical objectives in the region. Russia's turn to the east has primarily been seen as a turn to China, which is also the most active foreign actor in Russia's Far East. Underlying Russia's pursuit of ASEAN is also

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<sup>1</sup> "Mai v Sochi oznamenuetsia bol'shim mezhdunarodnym forumom" ["A large international forum to be held in Sochi in May"], 23 January 2016, <http://maks-portal.ru/politika-sochi/may-v-sochi-oznamenuetsya-bolshim-mezhdunarodnym-forumom>; *Ria Novosti*, 26 January 2016, <http://ria.ru/economy/20160126/1365298938.html#ixzz44rANSIkC>; <http://en.russia-asean20.ru/announcements/20160126/1424.html>

<sup>2</sup> Sergei Karaganov, "Povorot k Azii: Istoriia politicheskoi idei," ["Turn to Asia: History of a Political Idea"] *Rossii v global'noi politike*, No 2 (March-April) 2016. <http://www.globalaffairs.ru/pubcol/Povorot-k-Azii-istoriya-politicheskoi-idei-17919>

<sup>3</sup> Address of Igor Ivanov (the former Russian Foreign Minister, 1998-2004) to the German Marshall Fund 2016 Brussels Forum, "A World Beyond Disorder", 19 March, 2016. [http://russiancouncil.ru/en/inner/?id\\_4=7406#top-content](http://russiancouncil.ru/en/inner/?id_4=7406#top-content)

an urgency to diversify its economic partnership and pool of foreign investors to offset to some extent the growing asymmetry of its economic ties with China. The turn to the east is a critical element in Russia's ambition of projecting its great power status,<sup>4</sup> consolidating its close economic and strategic partnership with China, while simultaneously deterring its Far East from becoming China's raw materials appendage and aiding Russian economic integration with the broader Asia-Pacific region.

Writing in *The Financial Times* in 2012, Dmitri Medvedev, in his role as Prime Minister, stressed Russia's status as a Euro-Pacific country and its critical role in promoting "deeper regional integration" by building a common economic space from the Atlantic Ocean to the Pacific.<sup>5</sup> At the Valdai Discussion Club in 2012, Sergei Karaganov, a prominent U.S. expert, referred to the 'new globalising Russia' and its thrust 'Towards the Great Ocean', declaring Russia's foreign and foreign economic policies toward the Asia-Pacific region as a top priority to meet the challenges of the twenty-first century.<sup>6</sup> At the same gathering three years later in 2015, Foreign Minister Sergei Lavrov reiterated the 'turn towards the Pacific' as a 'national priority for the twenty-first century' for the development of Russia's eastern regions.<sup>7</sup>

Russia's turn to the east is a response to both domestic needs and regional developments. It denotes pursuit of a multivectoral strategy accentuating on its Eurasian and Euro-Pacific profile as well as alignment with China in regional multilateral structures. Russia's various rebrandings of itself as Eurasian, Atlantic-Pacific and Euro-Pacific power are neither new nor particularly unexpected. What is new is the shift in Russia's image of Asia, resulting from the ascent of China, and Moscow's simultaneous estrangement from Europe. It is an adjustment to the shifting of global power to Asia, with China on track to overtake the US and become the number-one economy, and India closely behind.<sup>8</sup> With the most dynamic economic growth within Asia concentrating in China and India – two close allies of Russia – and several middle-level economies of Southeast Asia, Russia's shift to the east has a pragmatic rationale.

In this context, the May 2016 summit in Sochi commemorating 20 years of partnership between Russia and ASEAN is an opening for both sides to explore a new beginning in Russia's engagement with Southeast Asia and also opportunities for Moscow to enhance its existing ties with China, India and Vietnam.

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<sup>4</sup> Stephen Fortescue, "Russia's 'turn to the east': a study in policy making", *Post-Soviet Affairs*. Published online 19 June 2015.

<sup>5</sup> Beyondbrics. Guest Post by Dmitri Medvedev: Russia must look East. *The Financial Times*, 2 November 2012. <http://blogs.ft.com/beyond-brics/2012/11/02/guest-post-by-dmitry-medvedev-russia-must-look-east/>

<sup>6</sup> Sergei Karaganov (ed.). *K Velikomu okeanu, ili novaya globalizatsiya Rossii: Analiticheskii doklad Mezhdunarodnogo diskussionnogo kluba Valdai*. ["Towards the Great Ocean, or the New Globalization of Russia: An analytical report of International Discussion Club Valdai"]. Moscow, June 2012. [http://vid-1.rian.ru/ig/valdai/Toward\\_great\\_ocean\\_rus.pdf](http://vid-1.rian.ru/ig/valdai/Toward_great_ocean_rus.pdf)

<sup>7</sup> Sergey Lavrov, "Russia's Priorities in Europe and the World," 28 January 2015. [http://www.mid.ru/en/press\\_service/minister\\_speeches/-/asset\\_publisher/7OvQR5KJWVmR/content/id/916716](http://www.mid.ru/en/press_service/minister_speeches/-/asset_publisher/7OvQR5KJWVmR/content/id/916716)

<sup>8</sup> Kishore Mahbubani, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*. New York: Public Affairs, 2008. <http://www.amazon.com/The-New-Asian-Hemisphere-Irresistible/dp/1586486713>

## Russia's Continuing Thrust to the East

Russia's first concerted effort at projecting itself as a global power stretching from the Atlantic into the Pacific was the holding of Asia Pacific Economic Cooperation (APEC) summit in 2012 in the Far Eastern city of Vladivostok. Russia spent about US\$21 billion in building the infrastructure, which included the world's longest 1.1 km stayed-cable bridge between the mainland city and Russky Island, a closed military area during Soviet period, where the brand new campus of the Federal University of the Far East was built to also host the summit.<sup>9</sup> The summit did not achieve the objective of attracting investments from the US and East Asian economies due to enormous infrastructural challenges and unattractive investment climate of Russia, worsened by the imposition of western sanctions which Japan, a promising investor, has been obliged to support.

Since then, Russia has been focusing greater attention on the East Asia summits of ASEAN+8<sup>10</sup> with emphasis on promoting economic cooperation. Russia also held the first annual Eastern Economic Forum (EEF, also described as "East Russia summit") in Vladivostok in May 2015 with the goal of facilitating economic development of its Far East and establishing mutually-rewarding cooperation in Asia Pacific.<sup>11</sup> The EEF is envisaged as an annual forum for establishing bilateral and multilateral business and commercial cooperation within the region, and attracting the BRICS nations, India in particular, and the emerging markets of Southeast Asia to invest in Russian economic regeneration. The 2015 forum is credited to have raised a total of 1.3 trillion roubles (about US\$18.9 billion) in investment, though many are MOUs (memorandums of understanding) rather than definite contracts.<sup>12</sup>

Russia's Asia strategy, which also contains its Euro-Pacific strategy, has 3 key objectives: (i) Accelerating development of the Russian Far East through integration with the Asia-Pacific region; (ii) Raising Russia's profile in the Asia-Pacific region on the basis of its close partnership with China and diversifying economic partnership; and (iii) Expanding economic, commercial and strategic ties with ASEAN through Vietnam and Laos as well as multilateral arrangements via the EAEU and SCO.

However, the contradictions between these objectives and the reality are unfolding as Russia pursues its Asia strategy. First, a growing economic dependence on Chinese investments dim the prospects of integration with the Asia-Pacific region; second, the divergence between Russia and China in pursuit of their respective goals and regional strategies are becoming prominent despite an overt attempt to converge the goals; and third, Russia has limited range of resources to offer to ASEAN and to shape the regional agenda.

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<sup>9</sup> "Is Russia's APEC summit a \$21 billion waste?" *International Business Times*, 5 September 2012, <http://www.ibtimes.com/russias-apec-summit-21-billion-waste-761551>

<sup>10</sup> This consists of the 10 ASEAN Member States, Australia, China, India, Japan, South Korea, New Zealand, Russia and the U.S.

<sup>11</sup> "Thousands of investors from 24 countries in for Vladivostok Economic Forum", *Sputnik News*, 1 September 2015. <http://sputniknews.com/russia/20150901/1026437246/Vladivostok-forum-economy-investors.html#ixzz44gVDL5WQ>

<sup>12</sup> "Russia's Eastern Economic Forum ends with contracts worth \$19bln," *Sputnik News*, 5 September 2015. <http://sputniknews.com/russia/20150905/1026642597.html#ixzz45hqDe3oa>

## **I. Russian Far East as a Gateway to Asia: Accelerating Development**

Upon assuming a new term as President in 2012, Putin emphasised the development of the Russian Far East as “the most important geopolitical task facing the Russian Federation.”<sup>13</sup> The enormous land expanse known as Far Eastern Federal District is dispersed across the entire eastern flank of Russia, with its easternmost point abutting Alaska across the Bering Strait. It is this cartographic handshake proximity between the US and Russia that sparked the supposed comment of Alaska governor Sarah Palin that she could see Russia from her backyard. Though the largest of the 9 federal districts of Russia (equals to almost 60 per cent of the USA in terms of land mass), the Far East has a shrinking population of about 6.3 million according to the 2010 census.

### ***A Double Periphery***

Despite gigantic infrastructural development projects during Soviet period, such as the Baikal-Amur-Mainline (BAM), hydropower stations, defence and aviation industries, the Far East by and large remained remote, underdeveloped, serving primarily as a raw materials supplier to enterprises in central and western Russia. It is thus a double periphery – a faraway periphery of Moscow and also marginal to the Asia-Pacific region.<sup>14</sup> The largest city Vladivostok (meaning ‘Conquest of the East’) is 9,822 km away from Moscow at the other end of the Trans-Siberian Railway, and its farthest region Kamchatka is nine time zones away from Moscow whereas Seoul and Tokyo are within two hours of flying distance.

Shrinking budgetary allocations from the centre during late Soviet period and falling production turned the Far East into one of the most economically depressed regions of Russia. The population fell by 22 per cent during the period 1991-2011. Its neglect during the Boris Yeltsin years and the absence of a viable legal framework and business code (particularly unenforceable property rights) unleashed a pervasive pattern of resource grab and privatisation of state assets by elites and key officials. Illegal or unregulated export of resources such as timber, fish and precious stones turned the region into a hub of criminalised and mafia activities all through the 1990s.

The introduction of visa-free travel from the early 1990s between the cross-border regions of Russia and China invigorated trade, commercial, cultural, and people-to-people ties. Cross-border ‘shuttle’ trade became a dominant mode of survival for the ordinary people, also boosting the local economy in China’s Heilongjiang province, particularly the town of Heihe across the Amur River.

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<sup>13</sup> “Russia invests in Far East to prevent Chinese influence,” *Global Risk Insights*, 14 January 2014. <http://globalriskinsights.com/2014/01/russia-invests-in-far-east-to-prevent-chinese-influence/>

<sup>14</sup> Natasha Kuhrt, “The Russian Far East in Russia’s Asia Policy: Dual Integration or Double Periphery?” *Europe-Asia Studies*, 2012, vol. 64, no. 3, pp. 471-493.

## Setting Development Priorities and Strategies

Since 2014, the Far East has been officially designated as an area of priority or accelerated development, with a special status and favourable conditions for attracting foreign investments. Putin wants the region to achieve a higher growth rate over the next decade than the rest of Russia, aiming for a population of up to 12 million people (from the current 6.3 million) over the coming decades,<sup>15</sup> an unrealistic target.

A special Ministry of Development of the Far East (MDFE) was established in 2012 and entrusted with devising a development strategy, strategic planning and long-term goals. Viktor Ishayev, a highly influential regional figure was appointed the MDFE head. Ishayev proposed an ambitious programme for accelerated development, especially the refurbishment of transport infrastructure, asking for 3.8 trillion roubles (US\$57.31 billion) from the Ministry of Finance to invest in the region.<sup>16</sup>

In 2013, Yuriy Trutnev, a former governor of Perm in Siberia, was appointed Presidential Envoy to the Far East and Deputy Prime Minister. Alexander Galushka was appointed the head of MDFE replacing Ishayev who was made deputy president of *Rosneft* (Russia's largest petroleum company and 70 per cent owned by the state).<sup>17</sup> This restructuring also reveals a gradual shift in Moscow's strategy, from its initial focus on development of transport infrastructure – a capital intensive strategy – to enhancing the capacity for resource development and export to the Asia-Pacific region, a less capital intensive project.

In 2013, Prime Minister Medvedev unveiled a new 500 billion roubles (around US\$16 billion) investment programme, directing the government to commit to a funding of no less than 100 billion roubles (around US\$3.22 billion) a year till 2018.<sup>18</sup> Unfortunately, the region experienced its worst flooding in 100 years in August 2013, affecting 400,000 square miles of area,<sup>19</sup> a grim reminder of the need to refurbish the crumbling infrastructure. Trutnev admitted that the infrastructure deficiency is appalling.<sup>20</sup> Experts estimate that simply maintaining the Soviet-built infrastructure in the region following the floods will require investments equal to 2 per cent of Russia's GDP.<sup>21</sup>

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<sup>15</sup> Sergei Blagov, "Russia mulls Far Eastern economic revival," *Eurasia Daily Monitor* Vol 9, Issue 83, 2 May 2012. [http://www.jamestown.org/single/?tx\\_ttnews%5Btt\\_news%5D=39320&no\\_cache=1#.Vw6YbPkrLrc](http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=39320&no_cache=1#.Vw6YbPkrLrc)

<sup>16</sup> Stephen Fortescue, "Russia's 'turn to the east': a study in policy making", *Post-Soviet Affairs*. Published online 19 June 2015

<sup>17</sup> *AmurMedia.ru*, 13 May 2015. <http://amurmedia.ru/news/431429/>

<sup>18</sup> "Medvedev Orders \$16 Bln Far East Development Program," *Sputniknews*. 16 April 2013. <http://sputniknews.com/russia/20130416/180667869/Medvedev-Orders-16-Bln-Far-East-Development-Program.html>

<sup>19</sup> "Over 170,000 affected by Far East floods," *Russia Beyond the Headlines*, 24 October 2013. [https://rbth.com/news/2013/10/24/over\\_170000\\_affected\\_by\\_far\\_east\\_floods\\_-\\_official\\_31107.html](https://rbth.com/news/2013/10/24/over_170000_affected_by_far_east_floods_-_official_31107.html)

<sup>20</sup> Yuriy Trutnev's comment on the crisis in the Russian Far East, "Nuzhny nestandartnye mery i resheniia" ["Non-standard measures and decisions needed"] *Kommersant vlast*, 23 February 2015. <http://www.kommersant.ru/doc/2669866>

<sup>21</sup> "Dal'nyi Vostok uzhe zatopilo, dal'she – vezde? Razrushenie sovetsoi infrastruktury stalo odnoi iz glavnykh prichin katastrofy," [The Far East is already flooded –the destruction of Soviet infrastructure as one of the main reasons for the catastrophe"] *Nakanune.ru*, 21 August 2013, <http://www.nakanune.ru/news/2013/8/21/22320851/>



It has been difficult to achieve a consensus among Russian policy makers and officials on the strategy for the development of the Far East. Many have prioritised the development of European parts (west of Urals) of Russia by expanding ties with the west and see the potential of the Far East to achieve the desired economic development or strategic policy objectives as limited, achievable only in the longer run.

MDFE has limited authority to set priorities, no financial autonomy and depends on Ministry of Finance for funds. To overcome the lack of budgetary resources, Moscow has prioritised the strategy of increasing export of regional resources to the Asia-Pacific region and creating favourable terms of investment, reversing the Soviet development model in which resources and products from the Far East were transported to western parts of Russia for export to the West. Trutnev declared that exporting these resources to dynamic Asian markets is “the only way we can win.”<sup>22</sup>

In March 2014, MDFE suggested creating 23 “accelerated development zones” or TOSER (its Russian acronym, also referred to as TOR) for stimulating economic development by way of tax preferences and exemptions. Acknowledging that the economic situation prevalent in Russia is “far from ideal”, Medvedev urged the speedy launch of the 23 TOSERs “so that we get faster returns.”<sup>23</sup> The first two of the TOSERs - “Khabarovsk” and “Komsomolsk-on-Amur” - set up in 2015 reported raising 315 million roubles (US\$4.7 million) of investments.<sup>24</sup>

Russia has also passed laws for establishing Special Economic Zones (SEZs) to grant tax exemptions to local residents and business, VAT exemption for 10 years on imports, and preferential tax regime for contributions to regional and federal budgets. Some foreign investors welcome the SEZs as the first step toward overall economic reforms and tax breaks.<sup>25</sup> Yet the strategy of developing the Far East into an export hub has many pitfalls.

The low transport capacity of the Trans-Siberian Railway and the insufficient capacity of the existing port infrastructure of Vladivostok, which is not deep enough, hamper an increase of freight traffic and deter foreign investors. Vladivostok has been granted a free port status in 2014 in order to export the goods and services produced in SEZs and allow duty-free imports. The local authorities are also trying to emulate Hong Kong and Shenzhen. Japan Bank of International Cooperation (JBIC) is considering projects for the further development of the ports of Nakhodka and Vostochny to increase trade and commercial ties between Japan and Russia.

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<sup>22</sup> “Yury Trutnev: We must enter dynamic Asian markets, it’s the only way to win,” *Kommersant*, 4 March, 2015. [https://rbth.com/business/2015/03/04/yury\\_trutnev\\_we\\_must\\_enter\\_dynamic\\_asian\\_markets\\_its\\_the\\_only\\_way\\_to\\_44181.html](https://rbth.com/business/2015/03/04/yury_trutnev_we_must_enter_dynamic_asian_markets_its_the_only_way_to_44181.html)

<sup>23</sup> “Medvedev: situatsiia v ekonomike ne privedet k otkazu ot realizatsii proektov sozdaniia TOR,” [“Medvedev: the economic situation will not affect the implementation of TOR projects”]. TASS, 22 August 2015. <http://tass.ru/ekonomika/2203228>

<sup>24</sup> “Bolee 100 kompanii planiruyut stat’ rezidentamy TOR na Dal’nem Vostoke,” [“Over 100 companies plan to become residents of TOR in the Far East”] *Ria Novosti*, 1 February 2016. <http://ria.ru/economy/20160201/1368127200.html>

<sup>25</sup> “Russia’s Eastern Economic Forum ends with contracts worth \$19bln.”

A Singapore-registered company Baoli Bitumina intends to invest US\$200 million in the modernisation of one of Russia's Pacific ports intersecting BAM and Trans-Siberian Railway and in setting up an oil and gas export terminal.<sup>26</sup> It has signed an agreement to invest 168 billion roubles (US\$2.7 billion) in road building and associated projects in the Russian Far East, including building a refinery to produce bitumen, but these are still MOUs as actual investment is being debated.<sup>27</sup>

There are no clear indicators yet of any sizeable funding raised by the TOSERs and SEZs. China's Department of Northeast Revitalization at the National Development and Reform Commission has proposed to transfer production facilities in 12 industries, including chemical and metallurgy, to the Russian Far East and "actively involve private and public companies to implement such projects."<sup>28</sup> Western sanctions have prevented a number of banks and corporations from obtaining credits or loans from western financial institutions. Whatever strategy Moscow pursues, it is fraught with enormous challenges of infrastructural impairment, lack of skilled workers and inadequate business and legal frameworks.

## **II. Raising Russia's Profile in the Asia-Pacific Region**

As the foreign actor most interested in the resources of Russia's Far East and capable of investing in it, China is Russia's best hope. At the same time, Russia's increasing dependence on China also constrains the development of a closer partnership with Japan and the US and the diversification of foreign investments in the territory. It has also undermined Putin's strategic mission of turning east and strengthening Russia's ties to the Asia-Pacific region. More and more, the pivot to Asia is looking like the pivot to China.

### ***Economic Partnership with China***

As Russia's largest trading partner, China accounted for 11 per cent of Russia's total foreign trade in 2014. However, due to the economic downturn in China as well as in Russia, trade has decreased. The volume of Chinese exports to Russia fell by 34.4 per cent in 2015 to US\$32.9 billion.<sup>29</sup> Overall, bilateral trade dropped by 30 per cent in the first half of 2015 while investment from China fell by 20

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<sup>26</sup>"Singapore company to invest in Russian ports in the Far East," *South Front*, 9 June 2015. <https://southfront.org/singapore-company-to-invest-in-russian-ports-in-the-far-east/>

<sup>27</sup> Anna Liesowska, "Singapore firm in 168 billion rouble deal to invest in Far East," *The Siberian Times*, 3 March 2015. <http://siberiantimes.com/business/investment/news/n0135-singapore-firm-in-168billion-rouble-deal-to-invest-in-far-east-infrastructure/>

<sup>28</sup> Kirill Bulanov, "China proposes moving production facilities to Russian Far East," *RBK Post*, 7 April 2016. [http://rbth.com/business/2016/04/07/china-proposes-moving-production-facilities-to-russian-far-east\\_582901](http://rbth.com/business/2016/04/07/china-proposes-moving-production-facilities-to-russian-far-east_582901)

<sup>29</sup> Figures released by China's Customs Department. "Russian-Chinese trade plummets in 2015". *The Moscow Times*, 13 January 2016. <http://www.themoscowtimes.com/business/article/russian-chinese-trade-plummets-in-2015/555632.html>

per cent during the same period.<sup>30</sup> The volume of Russian exports to China declined by 20 per cent in 2014 and 19.1 per cent in 2015.<sup>31</sup>

Russia has been relegated to 16<sup>th</sup> position in the volume of trade with China (it was amidst China's top 15 trade partners for over five years until 2015).<sup>32</sup> Singapore, Malaysia, Hong Kong, Taiwan, South Korea, Japan, Vietnam, Thailand and India are the Asian states among the top 15.<sup>33</sup> The target of US\$100 billion in bilateral trade by 2015 set during a meeting in 2011 between Medvedev and Hu Jintao (then presidents of Russia and China), and doubling it by 2020 look unattainable as total trade turnover between the two dropped to US\$64.2 billion.

Russia may have edged out Saudi Arabia as China's largest energy supplier by delivering nearly a million barrels of oil per day to China,<sup>34</sup> but the slump in oil prices has reduced the profits. The monumental US\$400 billion contract with state-owned China National Petroleum Corp to build a major pipeline from new fields under development in East Siberia ('Power of Siberia' pipeline) to supply an estimated 38 billion cubic meters (bcm) of natural gas beginning in 2018 for 30 years signalled to the west that Russia had attractive alternatives to selling gas to Western Europe.

During Putin's visit to Beijing for the 70<sup>th</sup> anniversary celebrations of the end of the Second World War, Rosneft and Chinese oil companies signed another major contract for supplying an additional 30 bcm of gas via the west Siberian route, ('Power of Siberia-2', also known as the Altai route).<sup>35</sup> The enormous technical, infrastructural challenges, economic slowdown and slump in oil prices have produced disagreements over financing, the price of gas and raised questions about viability of these projects and funding from China. There is no binding agreement on China to invest and renegotiation of most existing contracts is inevitable.<sup>36</sup>

### ***An Asymmetric Partnership***

While the strategic goal for Russia is to integrate the Far East with the economy of the Asia-Pacific region and undergird Putin's pivot to Asia, Moscow has limited financial resources and will power to push through the necessary reform and policy measures to do so. On the other hand, China is keen to invest in the Russian territory. For example, a railway bridge across the Amur River and the development of the port of Zarubino in Southern Primorye bind the region to Heilongjiang in Northeast

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<sup>30</sup> Yulia Fedorinova, Elena Mazneva, and Anna Baraulina, "Putin's got a new problem with China," *Bloomberg.com*, 1 September 2015. <http://www.bloomberg.com/news/articles/2015-09-01/putin-s-china-turns-hits-potholes-as-trade-drops-markets-slide>

<sup>31</sup> "Russian-Chinese trade plummets in 2015". *The Moscow Times*, 13 January 2016. <http://www.themoscowtimes.com/business/article/russian-chinese-trade-plummets-in-2015/555632.html>

<sup>32</sup> "Putin's got a new problem with China," *Bloomberg.com*, 1 September 2015.

<sup>33</sup> "Analiticheskaya spravka o rossiisko-kitaiskom torgovom sotrudnichestve v 2015 g." ["Analysis of Russian-Chinese trade cooperation in 2015"]. [http://www.ved.gov.ru/exportcountries/cn/cn\\_ru\\_relations/cn\\_ru\\_trade](http://www.ved.gov.ru/exportcountries/cn/cn_ru_relations/cn_ru_trade)

<sup>34</sup> "Russia's long Asia history makes Xi, Medvedev cosy on energy defense trade," *CNBC*, 15 December 2015. <http://www.cnb.com/2015/12/15/russias-long-asia-history-makes-xi-dmitry-medvedev-cosy-on-energy-defense-trade.html>

<sup>35</sup> "Rosneft signs contracts with China worth over \$30 billion," *Sputnik News*, 3 September 2015. <http://sputniknews.com/business/20150903/1026542805.html>

<sup>36</sup> "An uneasy friendship", *The Economist*, 9 May 2015

China which has a population of 40 million. A number of other highway and bridge construction projects are also being finalised.

The Chinese inroads have intensified concerns in Russia about its Far East turning into one of China's "strategic rear areas," resembling a sort of Chinese outer Manchuria.<sup>37</sup> Artyom Lukin of Far Eastern Federal University and Rens Lee of the Foreign Policy Research Institute in the US suggest that re-establishing US-Russia cooperation in the Asia-Pacific region is the best possible antidote to the impending "economic sinicisation" of the Far East.<sup>38</sup>

Fears of Chinese economic and demographic 'incursions', 'illegal' land lease to Chinese farmers by local officials as well as criticisms of actual and alleged violations of laws, ecological standards and dubious business practices by Chinese firms abound in the media, as public officials want to be seen as 'resisting' China's economic might. Trutnev warned that China will not be allowed to take away Russian raw materials without value having been added on the Russian side of the border, and ruled out leasing land to foreigners (Chinese) for agricultural use. At the same time, he was quoted as saying "we welcome any investments."<sup>39</sup>

Vladimir Dmitriyev, head of Russia's State Corporation *Vnesheconombank* (VEB), which already finances joint Russian-Chinese projects in the Far East, cautioned against overstating the impact of cooperation with the Chinese and added that the Chinese "are pragmatic enough", implying that the problems and risks of investing massively in the Far East are well known to them.<sup>40</sup> VEB and China Development Bank previously signed a US\$8 billion loan deal to finance the development of Russia's Far East and Siberia. VEB is set to borrow more money from the Chinese bank.<sup>41</sup>

China's One Belt One Road (OBOR) initiative and funding by the Silk Road Fund (SRF) and Asian Infrastructure Investment Bank (AIIB) hold the promise of upgrading the railroad infrastructure. Putin offered to coordinate the development of the EAEU and the Silk Road infrastructure through simplification of mutual investment procedures and the development of a transportation infrastructure. Russia has proposed to invest 500 billion roubles (US\$7.3 billion) on the modernisation and expansion of Trans-Siberian Railway and the BAM by 2017 and to obtain further funding from China. Since the priority for China is to build regional transportation network for exporting its products, Chinese investments are likely to further push the region to become an integrated economic zone with China's northeastern regions.

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<sup>37</sup> Artyom Lukin, "Why the Russian Far East is so important to China?" *Huffington Post*, 14 March, 2015. [http://www.huffingtonpost.com/artiom-lukin/russian-far-east-china\\_b\\_6452618.html](http://www.huffingtonpost.com/artiom-lukin/russian-far-east-china_b_6452618.html)

<sup>38</sup> Artyom Lukin and Rens Lee, "The Russian Far East and the future of Asian Security," *Orbis*, March 2015. <http://www.fpri.org/article/2015/03/the-russian-far-east-and-the-future-of-asian-security/>

<sup>39</sup> "Putin's got a new problem with China," *Bloomberg.com*, 1 September 2015.

<sup>40</sup> "Russia shows turn to East in Davos," *TASS*, 24 January 2016. <http://tass.ru/en/economy/851786>

<sup>41</sup> "China to sign \$1.5bln loan deal with Russia Vnesheconombank," *Sputnik News* 16 December 2015. <http://sputniknews.com/business/20151216/1031820033/china-russia-loa-deal.html#ixzz44gtH7Yrf>

### ***Solidarity through Multilateral Organisations***

China and Russia have consistently supported each other in global and regional fora. China abstained during the discussion on Ukraine in the UN Security Council. Likewise, Russia has steered clear of taking a stand on China's actions in the South China Sea. As the only states to be members of five major global structures, namely, UN Security Council, G-20, BRICS, APEC and SCO, Russia and China have been working closely. Russia's suspension from G-8 since 2014 has further pushed it to engage with non-western multilateral fora in which it is a critical partner together with its allies.

Moscow and Beijing have recognised each other's distinctive spheres and sectors of influence and avoided confrontation. For example, Russia has acceded to China's economic expansion in Central Asia and China has acknowledged the legitimacy of Russia's geopolitical and security interests there. While a "mix of shared threats, similar authoritarian approaches to governance" and short-term objectives bring them together,<sup>42</sup> there is a stark contrast in how both conduct themselves in the international arena and with states in their immediate proximity. In contrast to the confrontational stance of Russia towards the west as it re-establishes control over its former geopolitical space, China is prepared to negotiate with the US and Western Europe as an equal power on the strength of Beijing's globalising economic impact.

China is actively advancing its global infrastructural development plan comprising of the OBOR and alternative financial institutions such as AIIB and SRF. China is the top shareholder in AIIB's US\$100 billion capital base, with India second and Russia third. China has pledged US\$40 billion in creating SRF as a state-owned investment fund. China has thus prioritised stability, economic growth and development by steering clear of conflict and establishing a pragmatic basis for all-round cooperation with other states.

### ***Russo-Chinese Cooperation: Rhetoric and Reality***

Several Russian analysts caution against the short-sightedness of sacrificing Russia's all-important relations with Europe in favour of a "combination of military posturing and partnership with China."<sup>43</sup> As of now, the cordial relations, diplomatic goodwill, warmth of official interactions and the synergy between Putin and Xi Jinping have put a gloss on a long and complex history of mutual distrust and rivalry. Alexander Gabuyev, head of the Russia in Asia-Pacific Region programme at the Moscow Carnegie Center, said that it is necessary to separate Russian rhetoric on Russo-Chinese relations and the reality, adding that "Russia is the supplicant partner, not China, which still has a range of choices to source resources even despite its recent economic troubles."<sup>44</sup>

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<sup>42</sup> Dragos Ternoveanu, "Russia, China and the Far East question," *The Diplomat*, 20 January 2016. <http://thediplomat.com/2016/01/russia-china-and-the-far-east-question/>

<sup>43</sup> *Ibid.*

<sup>44</sup> "Putin's got a new problem with China," *Bloomberg.com*, 1 September 2015

China's relationship with Russia resembles a steady 'courtship', motivated by short and medium-term goals, and a strategic transaction rather than a partnership based on convergence of principles and goals. Ties between Russia and China are "somewhere in between an axis of convenience and a deep strategic alliance," but this equilibrium will be difficult to sustain over longer term.<sup>45</sup> While China has a range of options that it can explore due to its globalising influence, Russia's actions are focused on re-establishing its status by falling back on its geopolitical assets and military capabilities.

Several Chinese analysts point to the perils of Moscow's abandonment of economic development priorities in order to pursue geopolitical agenda. As one Chinese scholar noted, "Russia is declining at a very fast speed and it will be a long process with lots of difficulties for it to rise again."<sup>46</sup>

Russia lacks a normative agenda and its soft power does not extend beyond the Russian-speaking near abroad. The soft power tools deployed by Moscow in near and far abroad include cultural and linguistic programmes, popularisation of Kremlin-aligned media outlets, Christian Orthodoxy, conservative values upholding traditional notions of family, marriage and an antipathy to LGBT issues as well as critique of US unilateralism and western liberal democracy.<sup>47</sup> Moscow has also used informational tools, social media, propaganda and PR campaigns for discrediting western liberal values and deploying the rhetoric of a clash of civilisations. While Russia offers scholarships to students from friendly foreign countries, such grants have shrunk considerably since Soviet times.

Conceding that Russia's 'pivot to the east' in reality denotes a 'pivot to China', Alexander Lomanov of the Institute of Far-Eastern Economic Studies at the Russian Academy of Sciences notes that China has become an indispensable partner for Russia in terms of obtaining sophisticated technologies banned by western sanctions and its products are thus 'second best' offering decent quality at a reasonable price.<sup>48</sup>

While analysts in Russia and abroad debate its diminishing status and influence, Putin's policy makers and *siloviki* (military and security authorities) are engaged in a process of reinventing themselves through a denial of Russia's economic problems and vulnerabilities. The military build-up during the preceding decade, the exhibition of its military prowess in Syria, and deployment of militant nationalistic rhetoric boost Putin's ratings and ordinary citizens' national pride. In the absence of a normative agenda and a limited ability to wield soft power, Putin has relied on lobbying at international fora, the use of summitry, PR diplomacy, along with courting allies and friends for gaining support.

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<sup>45</sup> Tim Summers, Senior Consulting Fellow at the Asia Program at Chatham House.  
<http://www.cnbc.com/2015/12/14/china-russia-ties-in-focus-as-shanghai-cooperation-organization-kicks-off.html>

<sup>46</sup> Pavel K. Baev and Stein Tønnesson, "Can Russia keep its special ties with Vietnam while moving closer and closer to China?" *International Area Studies Review* vol 18, no. 3, 2015, p. 321

<sup>47</sup> Eleonora Tafuro, "Can Russia exercise soft power as well as hard power," *Policy Review*, 3 June 2014.  
<http://www.policyreview.eu/can-russia-exercise-soft-power-as-well-as-hard-power/>

<sup>48</sup> Comments made to the weekly programme *Troika Report* on major developments in international affairs presented by *Russia Beyond the Headlines*, a multilingual news and information resource, sponsored by *Rossiyskaya Gazeta*, the Russian government's official newspaper. Cited in Sergei Strokan, Vladimir Mikheev, "Russia streamlines its 'pivot to Asia.'" *Russia Beyond the Headlines*. December 24, 2015.  
[http://rbth.com/international/troika/2015/12/24/russia-streamlines-its-pivot-to-asia\\_554497](http://rbth.com/international/troika/2015/12/24/russia-streamlines-its-pivot-to-asia_554497). Full transcript of interviews at [https://soundcloud.com/troika\\_report/russia-streamlines-its-pivot-to-asia](https://soundcloud.com/troika_report/russia-streamlines-its-pivot-to-asia)

How committed is Russia to the east, beyond China? Fyodor Lukyanov, a noted analyst and editor-in-chief of *Russia in Global Affairs* comments that Russia is currently in an “intermediate state”, refusing to become part of the west, unable to embody the new east because of its limited ability to dictate the regional agenda.<sup>49</sup> Russians, even in the Far East, are accustomed to seeing themselves as ‘Europeans’, and look upon China as distinctively Asian. Acclaiming the refurbishment of Vladivostok on the eve of the 2012 APEC summit, its Mayor Igor Pushkaryov famously declared, “we are creating a *European city!*” At the same time, the Far East itself is remote to ‘European’ Russia west of the Urals. Few in ‘European’ part of Russia are inclined to move eastward in the promise of development or even know about the programmes of its accelerated development.

### ***Diversifying Economic Cooperation in the Asia-Pacific Region***

Russia’s economic partnership with Japan has been a casualty of Moscow’s confrontation with the west. The 70th anniversary celebrations in Beijing to mark the end of World War II on 3 September 2015 attended by Putin did not augur well for Russo-Japanese relations. Japan’s Prime Minister Shinzo Abe turned down China’s invitation to attend.

The row over four islands in Southern Kuriles (referred to as the Northern Territories in Japan), under Russian occupation since 1945, has prevented the two countries from signing a peace treaty following World War II. Both Russia and Japan are trapped in an intransigent display of nationalism over these islands with Japan unable to abandon the claims. In what appears to signal a rapprochement, Foreign Minister Sergei Lavrov visited Tokyo in April 2016 to facilitate Abe’s visit to Russia in May 2016. Japan was pressured to support sanctions against Russia and Abe is resisting the pressure by US President Barrack Obama not to visit Moscow. Japanese Foreign Minister Fumio Kishida has declared Russia key to resolving the conflict in Syria and holding negotiations with North Korea.<sup>50</sup>

There is much interest in Japan for a closer business partnership with the Russian Far East. In 2013 Japan accounted for 34 per cent of total foreign investments in the Far East and trans-Baikal region. Japan has invested in oil and gas projects in Sakhalin.

Russia’s strategy is to seek investments from Japan directly without linking it to the dispute over the Kuriles. However, there are limitations to a political partnership with Japan which operate within the framework of its security treaty with the US.<sup>51</sup>

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<sup>49</sup> Fyodor Lukyanov, “Russia must exploit its pivot East”, op-ed. *Russia in Global Affairs*, 26 June 2015. <http://eng.globalaffairs.ru/redcol/Russia-Must-Exploit-Its-Pivot-East-Op-Ed-17545>

<sup>50</sup> “Fumio Kishida says Russia key to resolving Syria, North Korean issues,” *The Japan Times News*. 19 January 2016. <http://www.japantimes.co.jp/news/2016/01/19/national/politics-diplomacy/fumio-kishida-says-russia-key-resolving-syria-north-korean-issues/#.Vvz7felrLrc>

<sup>51</sup> “Russia streamlines its pivot to Asia.”

### III. Russia and ASEAN: Potential and Prospects

Russia is looking for a more active partnership with ASEAN and utilising its strong links with Vietnam and Laos, two member states of ASEAN, to do so. It is banking on Laos' chairmanship of ASEAN to enhance trade and economic ties with ASEAN.<sup>52</sup> Russia also aims to solidify the closer business and commercial relations of recent years with Singapore, Malaysia and Indonesia.

At the same time, what transpired at a conference organised by the Moscow-based Valdai Discussion Club in partnership with the Habibie Center in Jakarta in November 2015 reveals the stark reality. There, ASEAN speakers pointed out the serious barriers to closer Russian-ASEAN ties and characterised official Russian interest in their region as sporadic, with Russian leaders frequently skipping even high-profile events like the East Asia Summit.<sup>53</sup>

#### ***Energy and Arms as Niche Exports***

Russia has carved a niche for itself through supply of energy and arms to Southeast Asia. It has established itself as a key player in Vietnam's offshore energy sector. Gazprom and the state-owned PetroVietnam are completing exploration for hydrocarbons in offshore oil and gas fields, some of which are located on Vietnam's continental shelf but also lie within the 'nine-dash line' (area claimed by China in the South China Sea). Production is expected to reach full capacity towards the end of 2016.

The Free Trade Agreement (FTA) signed between Russia-led EAEU and Vietnam in 2015 is hailed by Moscow as a momentous beginning, bringing together markets comprising 176 million people in the EAEU and 90 million in Vietnam. But underneath the number game, the economic gains of FTA for Vietnam are debatable.<sup>54</sup>

Vietnam's rapprochement with the US and its involvement in the Trans Pacific Partnership (TPP) provide Hanoi with more attractive options than the EAEU. At the same time, Vietnam is keen to preserve its diversified partnership with all three key powers: US, China, Russia alongside with forging closer cooperation with India and Japan.

Vietnam is Russia's strongest ally in Southeast Asia but is embroiled in territorial disputes with China over claims in the South China Sea. In addition, Philippines, Malaysia, and Brunei also claim ownership of several islets, atolls, reefs, shoals and sandbars inside the 'nine-dash line' where Beijing has been reclaiming artificial islands. Moscow has stayed neutral in the disputes and formally urged parties to abide by the UN Convention on the Law of the Sea (UNCLOS). Russia also supports

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<sup>52</sup> "Laos ASEAN presidency may help Russia boost ties with Asia – Putin," *Sputnik News*, 3 September 2015. <http://sputniknews.com/politics/20150903/1026537208.html>

<sup>53</sup> Richard Weitz, "Putin's perennial pivot problem," *The Diplomat*, 5 January 2016. <http://thediplomat.com/2016/01/putins-perennial-pivot-problem/>

<sup>54</sup> Andrei Kostin, "Russia invites Vietnam into the Custom Union." *Kommersant*, 9 September 2014. <http://www.kommersant.ru/doc/2562540> (accessed 31 January 2015).



China's view that the disputes be resolved without "outside interference", an oblique reference to keeping the US out of the region.

Russia is establishing a strategic "toehold" in Southeast Asia with its reputation as a reliable supplier of energy resources, weapons and military technology at lower cost to states in the region.<sup>55</sup> Two thirds of Russia's arms exports are to Asia with India (39 per cent) and China (11 per cent) being its main customers. However, India has diversified its sources of supply and China is increasingly developing its own weapons by cloning the Russians ones and striving towards reducing imports.<sup>56</sup> With increase in their defence budgets, a number of Southeast Asian nations have found a cheap and reliable supplier of arms in Russia.

Vietnam is Russia's largest customer in ASEAN. Hanoi buys almost 90 per cent of its arms from Russia. It is building a strong navy to boost its capabilities in the South China Sea and also modernising its air and military force. Vietnam has purchased six Kilo-class submarines, six Gephard-class frigates, six Tarantul-class corvettes (built in Vietnam), six Svetlyak-class patrol vessels, 32 SU-30 fighter jets and air defence missile systems.<sup>57</sup> Russia is refuelling its nuclear-capable bombers in Vietnam.<sup>58</sup>

While Indonesia is facing financial pressure to reduce its defence budget, Russia has proved to be a trusted supplier of reliable and affordable weapons or "priority purchases" including submarines, helicopters and planes. Indonesia is reported as buying two Kilo-class submarines from Russia. Jakarta has been buying SU-27 and SU-30 fighter jets, transport and attack helicopters in recent years.<sup>59</sup>

Russia has stepped in to supply weapons and military technology to Thailand after the US banned arms sale following the May 2014 coup in Bangkok. Prime Minister General Prayuth Chan-ocha has met Russian Prime Minister Dmitri Medvedev three times within the past 18 months.<sup>60</sup> Russian T-90 tanks are to replace part of Thailand's ageing US-made tanks. Thailand has also bought a number of MI-17 helicopters from Russia.

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<sup>55</sup> Aubrey Belford, "Junta ruled Thailand flirts with Russia as U.S. ties cool," *Mail Online*, 20 February 2016. <http://www.dailymail.co.uk/wires/reuters/article-3455838/Junta-ruled-Thailand-flirts-Russia-U-S-ties-cool.html>

<sup>56</sup> Mateen Haider, "Pakistan, Russia sign landmark defence deal," *The Dawn*, 20 August 2015. <http://www.dawn.com/news/1201473>

<sup>57</sup> Ian Storey, "What Russia's 'turn to the east' means for Southeast Asia," *Perspective*, No. 67, Singapore, 3 December 2015. [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2015\\_67.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2015_67.pdf)

<sup>58</sup> "Junta ruled Thailand flirts with Russia as U.S. ties cool," *Mail Online*, 24 February 2016. <http://www.dailymail.co.uk/wires/reuters/article-3455838/Junta-ruled-Thailand-flirts-Russia-U-S-ties-cool.html#ixzz45PjYCoMs>

<sup>59</sup> Prashanth Parmeswaran, "Indonesia to buy new submarines from Russia," *The Diplomat*, 25 September 2015. <http://thediplomat.com/2015/09/indonesia-to-buy-new-submarines-from-russia/>

<sup>60</sup> *ASEAN Economist* 22 February 2016. <http://aseaneconomist.com/thai-junta-looks-to-russia-to-fill-arms-needs/>

## ***The Sochi Summit: Trajectory of Future Partnership with ASEAN***

Soviet Union and ASEAN concluded an agreement in 1991, which paved the way for Russia to become a founding member of ASEAN Regional Forum (ARF) and move from Consultative to Dialogue Partner. In 2004 Russia acceded to ASEAN's Treaty of Amity and Cooperation (TAC).<sup>61</sup> Russia is a member of ASEAN-led security forums for over two decades, but it has not been a proactive participant.

As the term of ASEAN-Russia Comprehensive Programme of Action (CPA) to Promote Cooperation expired in 2015, a key aim of the May 2016 summit in Sochi is to identify new and promising areas of collaboration for inclusion in the new ASEAN-Russia plan of action.<sup>62</sup>

Russia's trade turnover with ASEAN is now about 1 per cent of the ASEAN total. It is small but has grown fivefold in the past decade. The volume of ASEAN exports to Russia increased from US\$4.9 billion in 2012 to US\$5.2 billion in 2013. Likewise, ASEAN imports from Russia increased from US\$13.3 billion in 2012 to US\$14.7 billion in 2013. The foreign direct investment (FDI) flows from Russia to ASEAN have surged from US\$180 million in 2012 to US\$542 million in 2013.<sup>63</sup> The total trade between ASEAN and Russia grew by 13 per cent from US\$19.9 billion in 2013 to US\$22.5 billion in 2014.

What does Russia have to offer Southeast Asia? Russia has the capacity to meet the key imports of ASEAN - high-tech machinery, military equipment, chemical products and fuel and energy supplies. Yekaterina Koldunova at the ASEAN Center at the Moscow State Institute of International Relations (MGIMO) commented that "symbols apart, the export potential of Russia's economy, limited to hydrocarbons, nuclear power generation technology and military hardware does not provide the necessary basis for solid partnership."<sup>64</sup>

Russia wants to conclude an FTA between the EAEU and Laos, the 2016 ASEAN chair as well as with other Southeast Asian states, and possibly even with ASEAN as a bloc. However, the prospects of a fruitful economic partnership between the two regional groupings are limited. Unlike the EAEU, ASEAN is not a Customs Union and thus does not have a common external tariff.

Still an incipient structure, the EAEU lacks an institutionalised structure, serving as a casing for promoting Russia's objectives defined in terms of collective goals. There is considerable scepticism outside the official establishment in Moscow of the economic benefits of the EAEU. Remaining

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<sup>61</sup> "Overview – ASEAN-Russia Dialogue Partnership", January 2016. <http://www.asean.org/storage/2016/01/4Jan/Overview-ASEAN-Russia-January-2016-cl.pdf>

<sup>62</sup> Eugene Nikitskyi, "ASEAN Secretary General reacts favorably to Russia's Asian pivot," *Russia Direct*, 30 June 2014. <http://www.russia-direct.org/qa/asean-secretary-general-reacts-favorably-russia%E2%80%99s-asian-pivot>

<sup>63</sup> *Ibid.*

<sup>64</sup> "Asia-Pacific: Moscow switches its focus to southeast Asia." *ASEAN Centre in MGIMO-University, MFA of Russia*, 25 November 2015. <http://asean.mgimo.ru/en/2015/520-asia-pacific-moscow-switches-its-focus-to-southeast-asia>

circumspect, President Nursultan Nazarbaev of Kazakhstan has tactfully urged to develop the EAEU “as a reliable bridge between Europe and a rising Asia,” and to deepen the economic relations of the Union with third countries and key trade blocs (alluding to EU and the west).<sup>65</sup>

Not short on rhetoric and grandstanding, Putin has also proposed to link the EAEU and ASEAN with the SCO and bilateral agreements signed with China’s SRF and the AIIB. At the same time, Russia has refrained from responding to Beijing’s calls for establishing a free trade area within SCO and resisted the creation of an SCO development bank that would be funded largely with Chinese capital. Moscow suggested that China buy a stake in the Eurasian Development Bank set up under the EAEU.<sup>66</sup>

## Conclusion

Russia’s policy in Asia Pacific, in contrast to that in Europe, is far more pragmatic, strategic and conciliatory, motivated by the objective of lifting its Far Eastern region out of stagnation and developing it as a foundation to attract investment, trade and commercial exchanges with Asia. In this endeavour, China is regarded as a critical factor because of the latter’s economic rise and geography *vis-à-vis* Russia’s Far East.

Moscow’s programme for an accelerated development of its Far Eastern region suffers from Soviet-style grandiose planning, bureaucratic wrangling, lack of regional autonomy, and above all, lack of adequate investment and commitment. The pledges to create the TOSERs and SEZs cannot gloss over the fact that the Far Eastern region, denoting a microcosm of Russia, is plagued by the problems that impede business everywhere in the country. Russia’s growing partnership with China, founded on the logic of convergence of interests, has been invaluable in giving a momentum to the development of this impoverished part of the country.

Russia is interested in strengthening relations with ASEAN. However, beyond its ability to use energy and arms exports, Russia lacks economic and diplomatic levers. Its policy appears in many respects to be “more a sum of bilateral relations than a coherent regional strategy.”<sup>67</sup> Russia needs to pursue an active Asia-Pacific policy and set a regional agenda to convince ASEAN Member States to invest substantively in broadening the partnership between Russia and ASEAN.

Writing in 2014, Pavel Baev, an expert on the region at the Peace Research Institute in Oslo (PRIO) noted, “Southeast Asia is likely to remain a sideshow next to Europe, the Middle East and China.”<sup>68</sup>

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<sup>65</sup> Message from N. Nazarbaev, Eurasian Economic Commission, 10 February 2016. <http://www.eurasiancommission.org/en/nae/news/Pages/10-02-2016-2.aspx>

<sup>66</sup> Chris Rickleton, “By Opposing SCO Development Bank, Is Russia Biggest Loser?” *Eurasianet.org*. 25 March, 2015. <http://www.eurasianet.org/node/72701>

<sup>67</sup> Margarete Klein, *Russia: A Euro-Pacific Power? Goals, Strategies and Perspectives of Moscow’s East Asia Policy*. SWP Research Paper, Berlin, September 2014. [https://www.swp-berlin.org/fileadmin/contents/products/research\\_papers/2014\\_RP08\\_kle.pdf](https://www.swp-berlin.org/fileadmin/contents/products/research_papers/2014_RP08_kle.pdf)

<sup>68</sup> Baev and Tønnesson, “Can Russia keep its special ties with Vietnam while moving closer and closer to China”, *International Area Studies Review* vol 18, no. 3, 2015, p. 321

The Sochi summit brings the sideshow into a more prominent focus. On the other hand, experts on Southeast Asia in Russia acknowledge the high symbolism of the Sochi summit and see Moscow's approach as aimed at expanding ties with countries, which are focused on "business" and not on "politics," denoting shift to more pragmatic forms of cooperation and partnership underneath the rather grandiose policy pronouncements.

Symbols, and show of its great power status, do matter to Russia. Putin's summitry at Sochi is as much about projecting Russia's status in the east, compensating for its weakness vis-à-vis the west, as about seeking business partners and a strategic role in the Asia-Pacific region. However, Russia's uncertain economic prospects, difficult investment climate, lack of strategic role and of soft power do not provide a steady basis for long-term partnership. For ASEAN, Russia remains a power, which is focused primarily on its relationship with the west, drawing strength from its close ties with China, and quite detached from Southeast Asia. Sochi may offer opportunities to sign a few more cooperation agreements and business deals but the occasion is more likely for Russian diplomatic flirtation and self-affirmation rather than the laying of the foundation for a committed, long-term partnership between Russia and ASEAN.

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