
17. Russia in the Asia–Pacific area: challenges and opportunities

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1. Introduction

Not for the first time in its history, Russia is facing new realities in its standing in the international arena—realities which emerged mainly because of internal and economic problems that had accumulated over decades. Since the collapse of the Soviet Union, Russia, having lost the Baltic states, Belarus and Ukraine, has shifted east. That is one reason, among others, why its place in the Asia–Pacific arena and its relations with the countries of the region have become even more important than they were under the USSR—although the real significance of the region was not realized by the Soviet rulers.

Although the last years of the Soviet Union witnessed some improvements in its relations with countries of the Asia–Pacific region, in some critical aspects and cases the legacy of the past is a burden for the new Russia. There are some unresolved issues with its neighbours and, more important, old-style approaches to various problems persist which the policies of perestroika and ‘new thinking’ were not able to correct.

It is clear that the working-out of a long-term national strategy towards Asia–Pacific cannot be expected until after the next presidential election in Russia. It is not, however, clear whether such a policy will reflect Russia’s genuine national interests. There are still too many questions, and a reliable policy, if one is finally adopted, cannot be formulated without a critical assessment of the legacy of the past, taking into account the fact that neither the old Russia nor the Soviet Union could cope properly with the realities and the state authorities quite often took decisions which were not in the national interests.

One critical point about Russia’s future in the region that arises from the historical experience is why, while Russian explorers reached the Pacific coast ahead of others, the far eastern regions are still seen in Moscow as remote. Perhaps the main reason was a long-prevalent perception of the Russian far east as the country’s backyard, a place to send criminals and political prisoners, and at the same time as a stronghold of European Russia, a Russian fortress in the region against its enemies.

While the USSR finally managed to establish firm control over the regions of the Russian far east and to defend its borders, it did not try, to say the least, to establish comprehensive and friendly ties with its immediate Pacific neighbours and other countries of the region. This was in marked contrast with the initiatives taken in Europe after détente began there in the 1970s. A continued

mood of confrontation limited the USSR's ability to exert influence on international affairs in Asia–Pacific and any opportunities for this were destroyed by the Afghanistan adventure. When perestroika began, then Soviet General Secretary Mikhail Gorbachev made the improvement of the country's image in Asia–Pacific one of the key elements of his 'new political thinking' on foreign relations. Initially the new approach to Asia–Pacific was successful in some ways, mostly thanks to some obvious steps such as the withdrawal of a 'limited contingent' of Soviet troops from Afghanistan, but when it came to more difficult issues which required breakthrough decisions the new thinking failed. Perhaps the best example of this was the issue of the four islands of the Kuril chain, which is still preventing genuine rapprochement between Japan and Russia. Gorbachev probably did not have a free hand to solve this difficult matter once and for all—internal political opposition and the rigidity of the Japanese position were the main obstacles—but under the 'new thinking' approach there was at least a possibility to return to the Soviet–Japanese Joint Declaration of 1956.¹ Comparison with Europe is again suggestive: there Gorbachev made much more far-reaching concessions. When, after years of hesitation, he finally paid a state visit to Japan in April 1991 the moment for a breakthrough had already passed.

In the economic field there was general understanding among the Soviet leadership after 1985 that the economy of the Russian far east was seriously underdeveloped. An approach to boosting economic development in this vast region of the Soviet Union was far from new, and much less new than in the economy in general: the Programme for the Economic Development of the Far East and Siberia for 1986–2000, adopted by the Soviet Government in 1986, embodied unchanged ideology. The failure of the programme was predictable from the beginning because it had no working mechanism to ensure that it was fulfilled, to say nothing of unrealistic objectives and wrong, bureaucratic ideology. The general decline of the economy that followed, starting in 1988, took the programme off the 'urgent' agenda of government economic policy.

Most unfortunately, for its last 10–15 years the USSR, by its own choice, was isolated from the most important regional phenomenon—the emergence of the Asia–Pacific economic community. Instead of joining it, the USSR spent those years on the sidelines of economic and political integration in the region. Russia cannot pursue a genuine new policy without leaving such irrational behaviour behind it. It has already paid a heavy price for it.

Objectively, while leaving the economy and particularly the financial sector close to ruin, the Gorbachev Administration made substantial progress in defusing tensions between the Soviet Union and its neighbours and improving Russia's image in Asia–Pacific. It at least provided some foundation for further improvement in its relations with its Asia–Pacific neighbours and its general stance in the region.

¹ Japan and the USSR restored diplomatic relations in 1956. Among other things, the 1956 Joint Declaration stated that the USSR would transfer the islands of Hibomai and Shikotan to Japan after the conclusion of a peace treaty between the 2 countries. It was ratified by both but never implemented.

II. The new Russia's posture in the Asia–Pacific area

The demise of the Soviet Union, the appearance of a much weaker Russia and the emergence of China as a new regional power are the main changes in Asia–Pacific in the 1990s. With substantially reduced capabilities for a strong military presence in the region and a serious economic crisis, Russia found itself a second-rate regional power in the area compared to the United States, Japan and China, which has succeeded to the Soviet Union's influence over military and political developments in the region and has accumulated substantial and growing economic might. Russia thus has no choice but to live with the perception of being reduced from a superpower to a regional power.

A complex combination of internal and external factors defines the posture of the new Russia in Asia–Pacific. This complexity arises from the emergence of a multipolar and more uncertain world with the end of the cold war. Profound internal changes in Russia have produced a number of domestic factors which have started to influence Russian foreign policy—among them, to name but a few, public opinion, the interests of the regions which are sometimes in conflict, and the confusing influence on foreign policy of the Foreign Ministry, the oil and gas companies, the Defence Ministry and other actors.

Internal factors play a much more significant role in the determination of foreign policy than in the 'good old days' of the Soviet Union and represent a quite new phenomenon, but they are not yet structured in a well-established framework that reflects the national interests. This is quite natural for a country which is going through a period of transition, but it has made external factors even more important in playing a positive role to counteract the negative effects of domestic factors. This is particularly relevant to Russia's standing in Asia–Pacific.

The new Russia now finds itself an independent state with at least three urgent tasks ahead of it: to prevent a further disintegration of the country, a threat which has arisen from economic collapse; to concentrate the nuclear forces of the former Soviet Union in its own hands; and to carry through a more or less smooth and peaceful divorce with the former Soviet republics now in the Commonwealth of Independent States (CIS) and establish relations with them as newly independent states.

Paradoxically, the relatively calm situation in the Asia–Pacific region was the most probable reason for Russia's limited activity in this area during the first years of its new statehood. Indeed there were no immediate threats for the central government, in the far east particularly, after the working of the financial system in the country had been restored. The nuclear forces were under control and Russia had gained no new neighbours in the Far East as it had to the west and the south. The federal government thus paid relatively little attention to internal developments in the Russian far east or to relations with the Asia–Pacific countries. There were of course exceptions, particularly steps towards the further development of relations with China. Japan and the persistent Kuril Islands issue demanded some attention, and there were some naive expectations

of economic ties with South Korea and Taiwan. In general however, until Yevgeny Primakov became Foreign Minister in January 1996, the Russian authorities did not understand the simple fact that it is very important for Russia to have a consistent policy to make real efforts to develop its ties with the Asia-Pacific countries on a comprehensive basis.

Even given the reasons for it, this lack of understanding can under no circumstances be justified, particularly as the Russian authorities found the time and resources to deal with external and domestic matters that were much less relevant to the country's future than its place in the Asia-Pacific arena, such as Iraq, the situation in the Balkans and even NATO's eastward expansion.

Economic interaction in new forms, based on non-government ties, which replaced state-to-state trading, between Russia and the countries of the Asia-Pacific region has increased substantially in the 1990s. There are some sensitive areas for Russia's export products in Asia-Pacific, for example, rolled steel, where the Asia-Pacific countries in recent years have consumed the lion's share of Russian exports,² and oil, fertilizers, and forest and some other products. This is why Russia suffered from the Asian financial and economic crisis of 1997–98. In its turn, the economic crisis in Russia has dealt a severe blow to what is called the 'shuttle' trade between Russia and China and delayed some promising projects on Russian territory with the participation of companies from East Asian countries. Despite this recent activity, however, Russia's economic engagement with the region remains relatively insignificant, especially compared to its trade and investment ties with Western Europe. Outside the CIS its main trading partners are mostly European. Only three—China, Japan and the United States—are in Asia-Pacific, and the latter cannot be considered a 'pure' regional country.³

After Gorbachev's first steps to improve the image of the USSR in Asia-Pacific, a second important set of steps should be taken to correct the balance between the economic, political and military stances of Russia in the region, to make its links with the region more efficient and to provide the opportunity for it to become a more useful member of the Asia-Pacific community.

III. The Russian far east

After the end of the cold war and the confrontation with the West, Russia can feel more secure in general. At the same time a sense of insecurity, legitimate or not, has increased in some Russian regions. The far east is one of them. There are two main reasons for this: (a) a perception of China as a potential threat for Russia which is felt for various reasons by quite different parts of society and political forces, from the liberal former Prime Minister Yegor Gaidar to the nationalists; and (b) economic and political instability in the Russian far east

² Sinitskiy, A., 'A compromise by American rules', *Finansovye Izvestiya*, 2 Mar. 1999, p. iii.

³ *Rossiya v Tsifrah: Offitsialnaya Statistika, 1997* [Russia in figures: official statistics, 1997] (Russian State Committee for Statistics: Moscow, 1997).

itself. At the moment it is one of the most economically depressed areas and is losing population, which is a particularly sensitive matter taking into account comparable figures for neighbouring countries.

The economic development of the Russian far east is one of the key elements in improving the quality of Russia's engagement in Pacific affairs. This vast region is going through a process of adaptation to new economic and political realities with a new system of incentives and disincentives for economic development. In the long run this adaptation will provide an opportunity for a significant improvement of its economy—a reduction of the military component in industrial production and a relocation of productive forces according to cost and saving considerations. For the time being, however, the region is experiencing very difficult times and is in desperate need of assistance from the federal government and of healthy (as opposed to some current developments and the prevalence of the grey and black markets) foreign economic ties, including a substantial influx of foreign capital. Unfortunately, particularly since the second half of 1993, the Russian far east has been a region of mostly bad news. The political situation there cannot be described as favourable for economic development. This is true first and foremost of Primorskiy Krai (the Maritime Province), which is usually seen as and in reality is a Russian window to the Asia–Pacific region. From this point of view the Russian far east and Primorskiy Krai in particular have not received enough positive attention from Moscow. On the contrary, this attention is mostly negative.

While the federal government has some responsibility for this situation, so do the authorities of Primorskiy Krai. Prolonged political confrontation there, particularly between its governor, Yevgeny Nazdratenko, and the mayor of the capital, Vladivostok, and periodic confrontation between the governor and important political figures in Moscow have made Primorskiy Krai a zone of political absurdity. Continuing strikes in the coal, energy and social services sectors do not help to attract foreign investors. The foreign media refer to it as 'lawless'.⁴ The poor image of the Russian far east inside the country is also mostly due to the economic and political performance of Primorskiy Krai since Nazdratenko took office in 1993, as head of the regional administration.

There is no doubt that the Russian far east should play a significant and in some ways a crucial role in developing Russia's ties with the countries of the Asia–Pacific area. At the same time Russia's engagement with the region cannot be reduced to the far east alone. Other parts of Russia have the potential to develop economic ties with Asia–Pacific, particularly because the bulk of the economic might (except for natural resources) of the country—industry, the research centres and the main financial institutions and markets—remains in European Russia. This is why in order to develop its far eastern regions Russia needs a major shift of resources away from its European part.

⁴ 'Russia's latest experiment', *The Economist*, 19 Sep. 1998, p. 37.

IV. Russia's place in the region: an agenda for the future

The domestic situation

It is easy to see that Russia's current position in the region does not suit its national interests. The underdeveloped Russian far east faces giant neighbours; Russia has a low profile in the economic activity of the region; its political influence has diminished since the disintegration of the Soviet Union; its military power is consequently reduced.

What should be done and what can be done to improve Russia's standing in the region and to develop bilateral relations with the regional states?

Both domestic and external factors will affect the development of Russia's ties with Asia-Pacific. The most general of them is that, while Russia is going through a transitional period in its political and economic life, and is at present moving from crisis to crisis every year, there will inevitably be an element of instability in its policy. The prospects for policy are still unclear as long as the transitional period continues and while Russia is still working out a real vision of its national interests a comprehensive and consistent policy cannot be expected. Different political forces have different approaches to Asia-Pacific affairs. Another matter for concern is that the constant changing of officials at the top level (up to the level of deputy prime minister) responsible for bilateral ties with countries of the region does not help the development of comprehensive relationships.

In the medium term the main challenge for Russia is to increase the level of its economic engagement with the region. Clearly the upgrading of the economy of the Russian far east will help to add weight to the country's voice in the region. Russia needs to balance its ties with Europe and the United States with more emphasis on relations with the CIS and Asia-Pacific countries. It is a matter of concern that the president, the government and the State Duma continue to waste not only rhetoric but also time and other important resources on issues that are irrelevant to Russia's national interests at the expense of serious activity in building new types of relations with the Asia-Pacific countries and of attention to some other important directions of the country's foreign relations.

Russia does not need to play a great-power game. It is too costly. To avoid the trap of great-power nostalgia, it should look outside the previous framework of the Soviet Union's place in the international arena. Russia's present role in the world, even more than in the past, is hugely constrained by its economic weakness. Apart from nuclear issues, where it has its responsibilities (and will try to maintain its status as the world's second-largest nuclear power), it should stop playing a great-power game. It should not make mistakes such as joining the Group of Seven industrialized countries (G7) or pretend to be an equal partner because it does not have the resources for this.

Two questions remain. The most important and general is the legacy of President Boris Yeltsin in due course—whether the succession under the current constitution will be peaceful and whether the next president will continue to build a market economy and civil society. The other is whether there is any possibility of changing the situation in the Russian far east, particularly in the politically most troubled region of Primorskiy Krai. A new, more far-sighted and more reasonable team in the governor's office is badly needed after the next elections.

Domestically Russia's prospects in the region will depend on the development of genuine federalism, which will provide a solid ground for a stable relationship between the central government and the regions. In the case of the Russian far east this will depend particularly on whether central government is able to change its old perception of the region as the 'far east' to the more far-sighted one of 'Pacific Russia' and to promote the region both internally and externally. This is not merely a semantic change.⁵ It will require first of all a change of attitude, initially in domestic public opinion in the interests of a better understanding of the real importance of this vast territory (in addition to Siberia) for the country's future.

For that purpose it might be useful to apply an old propaganda technique of the Soviet Union—the propaganda of 'Great Komsomol' building projects designed to foster an all-nation attitude towards big projects and encourage the development of the region, based this time not on falsifications and slave labour but on market incentives, including federal concessions and direct funding of infrastructure development but with the support of well-defined propaganda in the mass media.

A new attitude towards the region should be consistent with new substance in federal government policy. With its limited resources, Russia must select priorities. The most preferable option is the development of the infrastructure in the far east. The lack of roads between the Pacific coast and eastern Siberia is well known and an explosion of air fares and railway tariffs since 1992 has put the far east even further away from European Russia. The federal government can reverse this situation and a reduction in railway tariffs is an easy option for it. Despite unemployment Russia also needs additional labour in places like the far east and should work out a clear immigration promotion policy backed by federal funds which could be switched from programmes where they are currently wasting.

To choose the far east as a showcase for developing genuine federalism in Russia could be a good idea. While reform fatigue is making it more difficult to take some common-sense measures for spending cuts, it could allow for the introduction of some tax and tariff concessions for the so-called growth points such as the Nakhodka Free (so far free in name only) Economic Zone, which

⁵ The term 'Pacific Russia' was suggested to the Soviet Government as early as 1988 by a Malaysian participant at the steering committee for the Conference on Asia–Pacific Security, held in Vladivostok, and it has been used recently, e.g., by the Australian Department of Foreign Affairs and Trade, which issued a report in 1996 with the title *Pacific Russia: Risks and Rewards*.

may help to put the economy of the whole of Primorskiy Krai on the path of growth.

A 'natural' free economic zone could be established on Sakhalin Island, whose economy will hopefully be boosted by the development of new oilfields. The coming on-stream of the Sakhalin-1 and Sakhalin-2 oil projects and others to follow with substantial participation of foreign capital may be an important breakthrough for the economy of Pacific Russia and could persuade foreign investors to look more favourably at other opportunities throughout the region. This kind of approach has nothing to do with the current federal Programme for the Economic and Social Development of the Russian Far East and Eastern Regions next to Lake Baikal for 1996–2005, which is a replica of the previous programme for 1986–2000 and should be forgotten as another purely bureaucratic document doomed from the start.

Economic relations with Asia–Pacific

Russia desperately needs to increase substantially the economic element of its position in the Asia–Pacific region. Membership in the Asia–Pacific Economic Co-operation forum (APEC)⁶ should help it or at least give it the opportunity to upgrade its ties with the nations of the Western Pacific, encourage the Russian authorities to adapt the economy to international realities, and provide better access to regional markets. Russia faces a challenge in ensuring that it is an asset and not a liability for APEC. Its acceptance into full membership of APEC is considered by some countries and observers in the region as a political gesture from China, Japan and the USA, which supported Russia's joining for different reasons, but not for the sake of further trade liberalization in the Pacific area.⁷ It is also seen as stretching the definition of 'Asia'. Since not all member countries are happy about Russia's joining APEC, it is an immediate task for Russian diplomacy to defuse their concerns.

Ironically Russia has been united with the East Asian countries in the group of emerging markets by the financial and economic crisis, which initially erupted in East Asia and later overpowered Russia. Now Russia and the East Asian countries are suffering from capital flight and the resulting economic problems. Paradoxically, while hitting the Russian economy, the crisis in East Asia may bring Russia closer to the region than it was in the better times of the Asian 'economic miracle' because of a common interest in reducing the damaging effect of international capital flight and internal policy measures to avoid scaring off foreign investors. Recent developments have clearly demonstrated the increasing importance of the economic component of regional security. Here, in economic security, there is common interest for Russia and its East Asian neighbours.

⁶ For the membership of APEC, see appendix 1 in this volume.

⁷ See, e.g., Cook, P., 'Our APEC shortcomings', *Australian Financial Review*, 5 Dec. 1997, p. 37.

A wave of protectionism is now detectable, returning to some countries' policy in Asia–Pacific under the influence of the economic crisis. In the case of Russia, to follow a protectionist path can only preserve the existing inefficiency of its economy and put it further behind the industrialized nations. That is why working together with members of APEC for the liberalization of trade and investment is in Russia's genuine national interests.

The economic crisis in East Asia is also encouraging a resurgence of xenophobia in several countries. Russia should not pick up this disease, which will do no good for its own economy or its domestic political situation. Some East Asian countries have expressed dissatisfaction with the competition Russia presents for International Monetary Fund (IMF) funds. While it is in desperate need of such money, Russia should understand that this kind of competition does not help to improve its image and standing in the region.

The security and military situation

The two main questions are: (a) Russia's security position now and in the foreseeable future; and (b) what part Russia can play in preserving stability and improving the general security situation in the region.

The end of the great-power confrontation made more obvious the old conflicts in the Asia–Pacific area and the ambitions of regional powers. The possibilities for regional conflict may even have increased after the end of cold war. Formerly, the confrontation of two great powers made regional conflicts more dangerous because a small regional conflict could turn into a global one; now that link does not exist in most cases. Outstanding disputes of different scale and importance still threaten to create military tension in the region at any time.⁸ The economic crisis in Asia has also meant new tensions or brought old ones to the surface. Ironically some of them are inside the Association of South-East Nations (ASEAN),⁹ which has been developing itself in recent years as a cornerstone of regional political dialogue. This process entered a new stage with the establishment of the ASEAN Regional Forum (ARF) in 1993.¹⁰ Tensions have returned between Malaysia and Singapore, Indonesia and Malaysia, and so on. This new outbreak of disputes undermines the framework of relationships within ASEAN which has been building up over decades. Major riots in Indonesia against its Chinese population have led to a deterioration of relations between Indonesia and China—the two most populous countries in the region.

These developments should be of real concern for Russia. It cannot feel safe under such circumstances. In particular, the deteriorating relations within ASEAN show more clearly the absence of a regional mechanism to defuse tensions and potential conflicts.

⁸ See, e.g., Swinnerton, R., 'The strategic environment and arms acquisitions in South-East Asia', eds B. Gill and J. N. Mak, *Arms, Transparency and Security in South-East Asia*, SIPRI Research Report no. 13 (Oxford University Press: Oxford, 1997), p. 26.

⁹ For the membership of ASEAN, see appendix 1 in this volume.

¹⁰ For the membership of the ARF, see appendix 1 in this volume.

Russia's behaviour and its possible role in regional security may develop in different directions depending on circumstances.

Russia still has a nuclear destruction capability but is weak in conventional forces. It has no resources to build itself up militarily in the region for the next eight or 10 years. It can improve its military capabilities only by reducing numbers (both of personnel and of ammunitions), regrouping and concentrating on some particular areas of a strictly defensive character. Lack of money for any military build-up or for major technological renewal of its armed forces is at present keeping Russia from taking part in the arms race which has speeded up in Asia-Pacific, especially in East Asia, in recent years.¹¹ That arms race is at present stopped by the economic crisis, but some countries are continuing their military build-up and others will join them again once the economic situation improves.

The same situation exists in Russia. While the country has simply no money now to take part in an arms race, it cannot be ruled out that it will join in if at some time in the future money is available. The great uncertainty remains in domestic economic and political developments, which may affect the regional situation in different ways, encouraging or discouraging Russia to increase its efforts for a military build-up.

Russia has colliding interests in arms exports, on the one hand, and in long-term stability and avoiding conflicts in the region, on the other. Before the economic meltdown East Asia was a key market to develop for Russian arms dealers seeking new partners.¹² There are two aspects to this—the legacy of the former competition with the West and the desire of Russian arms producers to survive under new and difficult economic circumstances. Russia's arms export activity has led to some tension with the United States, which considers the region a traditional and growing market for US arms manufacturers¹³ and does not welcome such new competitors as Russia. Russia will also undoubtedly meet fierce competition from arms producers of other countries as well.

It would be unrealistic to expect Russian defence enterprises, which often have strong support from the regional authorities for their export activity, to exercise self-restraint in arms exports dealings, particularly aircraft producers. The only possible answer for the Russian state is to take a balanced approach to arms sales. This will help to avoid unnecessary clashes with the USA and may lead to agreement with the USA not to put too much fuel into the arms race in the region. On the domestic side it is in Russia's genuine interest to reduce the military component in its industry. An export-led recovery in the defence industries may prevent this and preserve old distortions in the economy, delaying

¹¹ Military expenditure in East Asia in 1998 was \$116 billion, up from \$95 billion in 1990. Sköns, E. *et al.*, 'Military expenditure', *SIPRI Yearbook 1999: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 1999), p. 300.

¹² See, e.g., Sergounin, A. A. and Subbotin, S. V., *Russian Arms Transfers to East Asia in the 1990*, SIPRI Research Report no. 15 (Oxford University Press: Oxford, 1999).

¹³ Asian countries have displaced the Middle East as the primary buyers of US weapons. Smart, T., 'Arms firms increasingly looking to deals abroad', *Japan Times*, 20 Feb. 1999, p. 11.

improvement in the living standards of the Russian population and doing no good for domestic security.

While Russia is interested in developing economic ties with all the Asia–Pacific countries, given its limited resources and the need to put the bulk of them into economic development, the country has to concentrate on the northern Pacific in its political and military strategy in the Asia–Pacific region for the next 10–15 years at least.

Russia has limited capability to exert any military pressure now (apart from nuclear pressure) as the Soviet Union used to do. The question is whether its limited capability in conventional forces could encourage the appearance of new threats to it. One of the answers may be that the very contacts between defence officials from China, Japan, South Korea, Russia and the United States which have been developing recently are improving the whole atmosphere of relationships in the northern Pacific and provide a promising opportunity for Russia to ensure its security.

Throughout the region Russia can play an important role in achieving a great task—preventing the dissemination of weapons of mass destruction, preventing the appearance of new nuclear powers, and improving control over chemical weapons, the spread of missile technology and so on.

In general, to leave militarism and a defensive approach in political thinking in the past will allow Russia to avoid their influence on its political strategy and day-to-day politics and give it more opportunity to establish a solid and secure environment on its Pacific boundaries.

Bilateral relations

The transformation of our world from a bipolar to a multipolar one provides new political opportunities for Russia and in particular the flexibility to make a deal with any partner. Another challenge for Russia is to cultivate new partners (such as South Korea) and not to lose old ones (such as Viet Nam). The new situation also demands and at the same time allows for new types of partnership with old friends, substituting partnerships based on mutual interests for old alliances based on political ideology.

Perhaps the best example of this in Asia–Pacific is Russia’s relations with Viet Nam, formerly the USSR’s most important ally in Asia–Pacific, where the Soviet Union invested huge amounts of money. Russian diplomacy has wasted several years recently in doing almost nothing to develop economic and political ties with Viet Nam, paying very little attention to its erstwhile closest ally, which is important to it in the region. Only a visit to Moscow by the Vietnamese President in the autumn of 1998 and the conclusion of an agreement to form a joint venture to build an oil processing plant in Viet Nam give some hope that the first step in the right direction has been taken to establish new ties.¹⁴

¹⁴ Shapovalov, A., [Pause is left in the past], *Kommersant Daily*, 25 Aug. 1998, p. 2.

The rapprochement between China and Russia has finally developed into a 'strategic partnership', which both sides clearly do not intend to overestimate. Russia considers China its most significant neighbour in the region but will keep a rather dual, biased approach to their relations. Some nostalgia persists in parts of the Russian elite for the old days of friendship between China and Russia, but there is a more or less general understanding that a return to the situation of the 1950s is impossible. There has been something of a rush to develop ties with China, and some anti-Western feeling on both sides, although for different reasons. Only when the Chinese authorities decided in favour of Western companies tendering to supply equipment for the huge Three Gorges hydroelectric project, at the expense of a Russian consortium, was it shown that financial conditions and advanced technology meant more than former friendship and current strategic partnership.

On the other hand, as mentioned above, there is also a sense of insecurity towards China expressed by quite different political forces in Russia. Such bitter opponents as Gaidar and Nazdratenko have publicly voiced concern over relations with China, although their reasons have not always been the same. Nazdratenko usually plays a nationalist card, using the threat of Chinese invasion and mentioning particularly the illegal immigration of Chinese citizens into the Russian far east. Gaidar shares the concerns over China's policy now and even more for the future but is above all strongly against the idea of Russia following the pattern of Chinese economic and political reforms under any circumstances—in which view he is joined by some Russian political forces and part of the general public.

This sense of insecurity has been felt for decades in the Russian far east. It was connected with the economic weakness and underpopulation of the region. Under the Soviet Union this combination of negative factors was compensated for by military might. For Russia, after the end of cold war and with much reduced military capabilities, China with its rapidly growing economy is now the most important reason for feelings of insecurity in the East.

Despite the continuing improvement of the relationship between China and Russia in recent years, fear of China has increased in Russia, aggravated by the fact that Russia has less choice and flexibility in its relations with China because of its relative weakness. For example, in the case of arms sales Russia may be forced to satisfy some Chinese requests it would not consider if the circumstances were different. Too close cooperation with China in military deals will harm Russia's relations with Japan and the United States and countries such as Indonesia will also not be happy. In the long run Russia will feel some danger from China's growing economic might, its comparative advantage in the size of its population and some military dangers.

Excessive expectations in some fields of bilateral relations—the result of a poor understanding of the genuine national interests of Russia and its partners on the part of the Russian authorities and some still influential political forces—will disappear one way or another.

There are, however, instances where China and Russia have common interests in developing fairly close ties, particularly to counterbalance the political influence of the one remaining superpower, the United States. Both countries will feel more comfortable in a multipolar world. Neither, however, will go so far as to call their relationship an alliance. There are also interests in economic cooperation, especially in the far east where energy is of great significance for developing bilateral ties.

That is why it is extremely important for Russia to develop its relations with Japan. Economically they could be much more important than the relationship with China. Japan accounts for about 70 per cent of the East Asian economy,¹⁵ and despite its current economic difficulties has much more capacity for investment in the Russian economy than any other country in the region. While it is very important for Russia to keep good-neighbourly relations with China, therefore, it is even more important to reach a higher stage in its relations with Japan.

The development of comprehensive ties and a better understanding with Japan can help Russia economically and politically and will balance Russia's relations with China. For both Japan and Russia it is important to eliminate the territorial issue as an impediment to a 'great leap forward' in bringing their bilateral relations up to the requirements of modern times. There is some hope for a solution since the initiative of the then Japanese Prime Minister, Ryutaro Hashimoto, in 1997 and following the 'no-necktie' meetings between him and President Yeltsin in November 1997 and April 1998. (Symbolically, the first of these took place in Krasnoyarsk where 10 years before Gorbachev had made his second important speech on the Soviet Union's policy in Asia–Pacific.) It remains to be seen if this new start will be fruitful or whether another 'Krasnoyarsk' will be needed 10 years from now.

The problem still is the issue of the southern Kuriles, where neither party is ready for a breakthrough. It is unrealistic to expect that the current or foreseeable domestic political situation will allow the Russian authorities to go far enough to meet Japan somewhere on the way to mutual agreement, mainly because of opposition from the communist and nationalist political forces; nor is Japan ready to change its inflexible position. There is a real possibility that only new political leaders on both sides will be able to take a breakthrough decision or to defuse the territorial issue.

Russian public opinion is likely to accept a trade-off after genuine public discussion—a compromise on the territorial issue for the sake of good economic and political relations with Japan—particularly if the latter were to provide financial assistance for economy of the Russian far east. For example, cooperation for the economic development of Sakhalin Island would definitely help to resolve the territorial issue and provide a more solid foundation for the relationship between the two countries.

¹⁵ *International Herald Tribune*, 21 Sep. 1998, p. 4.

The relationship with Japan has its own significance for Russia quite apart from any balance of power, and a substantial upgrading of their relations will improve Russia's security position in the region and help it to join the mainstream of regional economic integration.

During the 1990s South Korea has become an important partner of Russia. Although much should still be done to make their relations genuinely fruitful, their economic element is promising. Their relations have also become a very important factor for stability on the Korean Peninsula, which is the most important area of immediate concern for Russia in the region. The unfortunate 'spy scandal' of July 1998¹⁶ showed the spontaneous reaction of both sides and the absence of a solid foundation for their relations. Such a foundation should and could be built as soon as possible. It is in Russia's vital strategic and economic interests in the region.

The relationship with the United States is of a global nature, but for Russia to keep strategic interaction with the USA in the northern Pacific is of particular importance.

V. Final considerations

The best policy for Russia in Asia–Pacific is to be an acceptable partner for everyone while preserving its national interests. This means shedding its 'historical baggage' of old suspicions, which can lead to wrong decisions and in some situations limit the room for manoeuvre. It means escaping from its feelings of defeat in the cold war. There was no defeat: the Soviet Union collapsed mostly for internal reasons. It means giving up the 'Russian idea' or the 'Russian mission' in order to be as pragmatic as possible. It means Russia leaving aside the image of a great power for a more sober or modest one and defining itself as not a global but an important regional power. It means pursuing a proactive instead of reactive policy in Asia–Pacific while Russia has limited resources and a limited number of cards to play. It means pursuing a common-sense policy, contributing to the regional security and cooperation, and not adding external liabilities to internal economic and political instability.

1. Despite the need to keep a lower profile than before and to live according to its means, Russia cannot allow itself to be ignored where and when it has a legitimate interest, as in the case of the Korean Peninsula. This is one of the most instructive examples showing Russia's partners why it is not in their interest to isolate Russia from taking part in solving problems where Russia is one of the main participants. The initial diplomatic structure for talks on a new peace regime for the two Koreas included only China, the two Koreas and the USA, leaving Russia and Japan outside, and did not help to solve the problem on the Korean Peninsula or even to calm it down, as was clearly demonstrated by North Korea's behaviour.

¹⁶ See chapter 24, section II, in this volume.

2. It is clear that the only suitable strategy for Russia from the point of view of its national interests in Asia–Pacific is one of ‘constructive engagement’ in the economic and political integration in the region for the development of confidence-building measures and the prevention of an arms race. The goal is to get international assistance in the forms of trade (both goods and services such as tourism) and investment to develop the Russian far east and to secure for it a favourable international environment.

One question for Russia is what effort to put into Asia–Pacific. Will it still be the most important region in the next century, as was forecast before the East Asian ‘meltdown’ of 1997. Despite recent difficulties in the long-term prospects, the region remains the most promising one in the world and demands a comprehensive approach from Russia. If Russia can find the domestic resources to pursue a comprehensive policy it will help, on its side, to promote continuing Asia–Pacific integration.

3. Russian domestic and foreign policy, while rejecting ambitious goals, should concentrate on providing for immediate national interests. Instead of taking global initiatives (an old Soviet habit) for the sake of making a diplomatic fuss, it must concentrate on concrete measures.

4. Now that attention towards Asia–Pacific has been restored in the Foreign Ministry and the government in general, practical measures are needed to promote the development of the Russian far east, and not simply economic development but growth of good quality designed to raise living standards, first of all by developing the region’s infrastructure. By setting proper goals Russia will avoid wasting the limited resources it has for national rebuilding.

The restructuring of the Russian economy on a new basis is a fact, and needs economic interaction both with other parts of Russia and with partners from Asia–Pacific under a well-designed, comprehensive strategy of the Russian Government. Russia desperately needs to work out a strategy to prevent a decline of standards of living in the far east and to prepare it for economic cooperation with partners in the region.

5. The final factor is political uncertainty. One task is to form a consensus on how to face new challenges in Asia–Pacific in order to be able to carry out an appropriate policy and to create a more secure and predictable environment for Russia. For Russia perhaps the most urgent task is to be predictable itself. The political and economic crisis of August 1998 showed how weak the Russian economy and political systems, which since the beginning of the 1990s have been going from one crisis to another, still are. Only time will show how Russia is going to survive the resulting chill wind.