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# Proceedings of the Conference on Russia and Asia–Pacific Security

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# Preface

This volume is based on the papers presented at an international conference, 'Russia and Asia-Pacific Security', which was convened at the International House of Japan in Tokyo, Japan on 19–21 February 1999. The organization of the conference was initiated by SIPRI as part of its ongoing study of Russia's emerging security agenda. It was co-hosted by the Japan Institute of International Affairs (JIIA) and by the *Asahi Shimbun* newspaper as part of the activities commemorating the *Asahi Shimbun*'s 120-year anniversary. The conference brought together a number of outstanding scholars and current and former government representatives from China, Japan, Russia, South Korea, Sweden and the USA.

The papers printed here express a range of views that reflect differing and sometimes rival perspectives on the central security challenges and tasks confronting the Asia-Pacific region in the new century, as well as on the role of Russia in the evolving regional security environment. The intention is to contribute in this form to the discussion about security issues in the Asia-Pacific region, which is assuming an increasingly prominent place on the international security agenda.

The conference was made possible by a generous grant from the Japan Foundation under its Support Program for Conferences and Symposia. It was also supported by a financial contribution from the *Asahi Shimbun* newspaper. We would like to thank in particular Mr Kiyofuku Chuma, Chairman of the *Asahi Shimbun* Editorial Board of Directors, for his active support of the proposal to convene a conference on Russia's security role in the Asia-Pacific region. We also thank Mr Akio Nomura, Director of the *Asahi* Research Centre, for his cooperative engagement in the organizational and substantive work of the meeting. Special thanks go to Ambassador Nobuo Matsunaga, Vice-Chairman of the JIIA, for his support of the conference and his participation in its activities. We also gratefully acknowledge the efforts of Mr Toshiro Ozawa, Acting Director of the JIIA, and Mr Takeshi Kamiyama, Director of Research Coordination at the JIIA, for their assistance in organizing the conference and taking part in its work. Our thanks also go to Professor Gennady Chufrin, Project Leader, and Shannon Kile, Researcher, within the SIPRI Project on Russia's Security Agenda, for taking the main responsibility for the producing this volume. Eve Johansson, SIPRI editor, finalized the texts for publication.

We hope that the cooperative spirit which motivates this work will serve to stimulate other joint endeavours on this important and timely topic.

Adam Daniel Rotfeld  
Director, SIPRI  
September 1999

Hisashi Owada  
President, JIIA  
September 1999

# Introduction

As part of its ongoing study of Russia's evolving post-Soviet foreign and security policies, SIPRI convened in Tokyo, Japan, an international conference on Russia and Asia-Pacific Security, 19–21 February 1999. It was hosted by the Japan Institute of International Affairs (JIIA) and the *Asahi Shimbun* newspaper.

The goal of the conference was to examine the principal political, economic and military factors affecting Russia's interactions with the countries of the Asia-Pacific region against the backdrop of rapid changes in the domestic Russian and international settings. Its agenda included a wide range of regional, subregional and bilateral security issues touching on different aspects of the foreign policy and security relationships between Russia and its neighbours. Special attention was given to analysing key trends arising in the evolving security environment in the Asia-Pacific region and to considering their implications for regional and global security. One of the primary aims in this regard was to identify current and potential conflict issues in the region and to examine possible approaches to their resolution.

The Opening Session, held at the *Asahi Shimbun* building, began with introductory remarks from the President of *Asahi Shimbun*, Muneyuki Matsushita, the then President of the JIIA, Ambassador Nobuo Matsunaga (who is now Vice-Chairman of the JIIA), and the Director of SIPRI, Dr Adam Daniel Rotfeld, followed by a keynote address by the former United Nations Secretary-General, Yasushi Akashi. In addition to the conference participants, the session was attended by guests from local research institutes, government ministries, diplomatic missions and media organizations.

The subsequent sessions of the conference, which took place at the International House of Japan, addressed two general themes: the changing strategic dimensions of the Asia-Pacific security environment; and regional security issues. Among the most important issues discussed in addressing the first theme were: (a) the dynamics of the US–Japanese–Chinese–Russian quadripartite security relations; and (b) the new trends in Russian–Japanese relations and prospects for their development and further improvement. Among the most important regional security issues discussed were: (a) the content of the Chinese–Russian 'strategic partnership' and its impact on the regional security equation; (b) the future of defence cooperation between the USA and Japan and its implications for regional security; (c) current and potential challenges to security on the Korean Peninsula; (d) Chinese foreign policy and the Taiwan issue; (e) the impact of Russian arms sales as a factor in regional security; and (f) the future of ASEAN and regional mechanisms for conflict prevention and conflict resolution.

There was general agreement among the conference participants that the Asia-Pacific region is characterized by continuing tensions and unresolved problems not only of the cold war but in some instances of the end of World War II. They include: the territorial disputes between Russia and Japan, between China and Japan, and between the South China Sea littoral states; the enduring division of the Korean Peninsula; and the unsettled relations between China and Taiwan. The accumulation of mistrust and suspicion in relations between neighbouring states has fuelled a costly build-up of advanced armaments in the region, which hinders efforts to shape a more benign security environment there. In contrast to the situation in Europe, where the most serious post-cold war security risks stem from conflicts within states, the threat of armed interstate conflict still figures prominently in the Asia-Pacific security equation. Each of the three major regional conflicts—on the Korean Peninsula, in the Taiwan Strait and in the South China Sea—carries the risk of large-scale military hostilities. In addition the spread of weapons of mass destruction and the means of their delivery has become an issue of growing concern in the region.

Although the discussion at the conference brought out contrasting assessments of the current security situation in the Asia-Pacific region, there was broad agreement among the participants that the regional security environment is fluid and is likely to undergo further significant

changes over the long run. One of the major changes in the pattern of regional security relations during the past decade has been the dramatically reduced role of Russia. Its declining influence in Asia is paradigmatic of its overall marginalization and loss of a global leadership role. There is growing doubt about Russia's ability to resolve in the foreseeable future its post-Soviet political, social and economic problems. The unprecedented economic and social crises confronting it have fuelled regionalist tendencies in certain areas across Russia, bringing them to the point of open separatism, and this limits Moscow's ability to conduct a coherent foreign policy in the Asia-Pacific region. However, while Russia's power is diminished at the moment, it would be short-sighted to discount it as a major factor in the security equation in the Asia-Pacific region or to underestimate its ability to contribute to—or undermine—regional stability.

Another major recent change in regional affairs has been the rise of China as an important military as well as economic power. This is viewed in Beijing, as well as in some circles in Moscow, as a positive development, since it promises to reduce the US dominance, if not domination, of regional security affairs; however, in other countries in the region China's growing strength and assertiveness are viewed with concern and have prompted moves to reinforce their security ties with the USA. Still another significant structural change in the regional configuration of power that might lie just over the horizon is the reunification of the Korean Peninsula. The course this transition might take is highly uncertain, however, and represents a key unknown variable in the regional security equation.

Under these conditions the tasks of maintaining regional stability and preventing existing disputes from developing into open conflicts assume an all-important priority in regional affairs. However, in the opinion of conference participants, there is no agreement among the countries in this socially and politically diverse region on a shared set of general principles and values to guide their internal as well as external behaviour. The attempts in recent years to initiate a continuing security dialogue in the region as a prelude to more comprehensive security cooperation have been seriously set back by the Asian financial crisis. For the foreseeable future the post-cold war security order in the Asia-Pacific region will continue to be based principally on the interaction of the bilateral relations between the four major powers operating there: China, Japan, Russia and the USA. Some form of 'concerted bilateralism' will probably be the only feasible basis for a multilateral security regime in the region. However, an overarching integrative framework must be developed to coordinate these bilateral relations, which today are evolving in different directions. The establishment of a common set of rules and norms remains a necessary precursor for building a regional security regime based on cooperation and mutual trust.

Gennady Chufrin  
SIPRI Project Leader  
September 1999

# Acronyms

ANZUS	Australia, New Zealand and the USA
APEC	Asia–Pacific Economic Co-operation
ARF	ASEAN Regional Forum
ASEAN	Association of South-East Asian Nations
BMD	Ballistic missile defence
CBM	Confidence-building measure
CIS	Commonwealth of Independent States
CSCAP	Council for Security Cooperation in the Asia–Pacific
CSCE	Conference on Security and Co-operation in Europe
DPRK	Democratic People’s Republic of Korea
ECO	Economic Cooperation Organization
EU	European Union
G7	Group of Seven industrialized nations
GDP	Gross domestic product
GNP	Gross national product
GUAM	Georgia, Ukraine, Azerbaijan and Moldova
IAEA	International Atomic Energy Agency
IMEMO	Institute of World Economy and International Relations (Moscow)
IMF	International Monetary Fund
INF	Intermediate-Range Nuclear Forces
KEDO	Korean Peninsula Energy Development Organization
LNG	Liquified natural gas
MITI	Ministry of International Trade and Industry (Japan)
NATO	North Atlantic Treaty Organization
NPT	Non-Proliferation Treaty
OSCE	Organization for Security and Co-operation in Europe
PMC	Post-Ministerial Conference (ASEAN)
PRC	People’s Republic of China
R&D	Research and development
ROK	Republic of Korea
SAARC	South Asian Association for Regional Cooperation
SAM	Surface-to-air missile
SSBN	Nuclear-powered, ballistic-missile submarines
START I	Treaty on the Reduction and Limitation of Strategic Offensive Arms (1991)
START II	Treaty on Further Reduction and Limitation of Strategic Offensive Arms (1993)
TMD	Theater Missile Defense



# 1. Russia and Asia: challenges and opportunities for national and international security

VLADIMIR BARANOVSKY

## I. Introduction

Russia's security interaction with Asia–Pacific is a significant element in world politics at the turn of the century and, at the same time, one of the major uncertainties of the evolving international system that is undergoing fundamental transformation since the end of the cold war.

On Asia's side, two factors substantiate this assumption. First, the region is steadily gaining prominence in the world arena and this is likely to profoundly reshape the configuration of forces and correlation of power among major players in the international system. Second, the contours of an emerging security landscape in this gigantic area still remain blurred. If in Europe the main lines of future international developments seem more or less clear, this is by no means the case in Asia–Pacific.

On Russia's side, the systemic crisis accompanying its transition from the communist system will continue to grip the country at least for some years to come, but it will nevertheless retain a considerable influence on security developments along its borders, especially if its ongoing decline is followed by recovery.

Long an active player in the Asian setting, Russia in the post-cold war era has been going through a painful process of redefining its national interests and tailoring the national security strategy to its reduced status and capabilities. Although the policy community in Moscow continues to be preoccupied with Russia's relationship with the West, its interaction with the Asia–Pacific area is steadily moving to the forefront of its security thinking and foreign policy.

Yet both Russia's thinking about and its policy towards the Asia–Pacific area are in flux at present. Russian policy thinkers and decision makers have been slow in adapting and responding to the unprecedented transformation of the international environment. Intellectual and bureaucratic inertia means that Russia still deems its presence in Asia as mainly designed to affect the balance of its relations with the West—especially in view of the perceived need to counteract NATO's drive eastwards by securing more cordial ties with major Asia–Pacific powers, such as China.

Assessing the Asia–Pacific region as such, rather than as a function of its own success or failure in other geopolitical dimensions, still remains a formidable task for Russia. This is even more so since thought patterns and concepts developed for the realities of Euro-Atlantic politics are simply inadequate for understanding the intricacies of the Asia–Pacific landscape and its Russian component. Furthermore, there is a need to look into the foundations of Russia's geopolitical interests and strategy in the region beyond immediate pressures and responses. The problem of Russia's security interaction with Asia–Pacific has to be viewed from the longer-term perspective, in decades rather than years. Russia's attitudes to, role in and interaction with the Asia–Pacific region will also have a significant impact on its evolving security agenda in a broader sense—that is, on the character of Russia's future standing in the overall international arena.

## II. Factors of Russia's Asia policy

A number of general factors will inevitably have a crucial impact on Russia's security interaction with the external environment—both in the Asia–Pacific segment of the world polity and in its other dimensions. The most significant endogenous variable will be Russia's success (or failure) in building a viable political system and a functioning market economy.

## 2 RUSSIA AND ASIA

In particular, the issue of Russia's civilizational self-identification deserves attention. At the dawn of a new millennium, this seems once again to be becoming one of the important variables of Russia's approach to the international environment. It is by no means a new phenomenon. For centuries, the debate over whether Russia should connect its destiny with either Europe or Asia or invent its own, 'third' Eurasian path has determined or influenced the ideology and policies of major actors in the country. Since perestroika, and especially since the collapse of the USSR, the debate has flared up with renewed vigour.

Russia's domestic transformation has unleashed forces that have both the will and the power to influence Russia's external course through both formal and informal channels. There is an increasing trend to bring foreign policy to the service of domestic needs. Russian officials are, however, also quickly discovering that domestic realities, such as hostile public opinion and/or opposition groups, may significantly curtail the government's room for manoeuvre, change the country's image abroad and send the wrong signals to Russia's partners. As regards Russia's relationship with Asia-Pacific, two basic sets of domestic factors operate at the core of foreign-policy decision making.

First, the larger part of Russia lies in Asia, providing a combination of both security concerns and opportunities to overcome them. The Asian part of Russia is characterized by underdeveloped industry, low population density, dire infrastructure and poor communications which make the country vulnerable in the sense of security risks. At the same time Siberia and the Russian far east, with their enormous natural resources, have the potential for sustained economic growth that can boost the national economy as a whole. Whether and to what extent Russia is able to realize this potential and to build on it in its policy with respect to Asia-Pacific are open questions.

Second, the growing role of regional elites in the economic and political development of Russia is one of the most striking aspects of its post-communist transformation. Indeed, the debate on 'federalization' is by no means over. The future of Russia as a single state is at stake in the face of significant centrifugal trends and a wide range of explosive issues, from the distribution of wealth and control over resources to ethno-territorial conflicts within the country, compounded by mass movements of refugees and migrants. Meanwhile, the ongoing devolution of power in Russia has already produced a considerable redistribution of political influence in favour of regional elites, with provincial leaders taking over some of the authority that was previously the domain of the central government and pursuing their own interests and policies, more often than not with disregard for Moscow's position.

This is especially discernible in the Asian part of Russia, more remote from and less effectively controlled by the 'centre'. Moscow's control is weakest in the territories east of the Urals, where the interplay between the interests of central and regional elites is becoming an increasingly strong factor shaping Russian policy towards Asia-Pacific and often undermining the country's ability to hammer out a uniform position. In fact, the overall phenomenon of growing interdependence of foreign and domestic affairs in Russia is especially pronounced with respect to Asia, although their impact on each other is still poorly understood. Notably, the regional leaders in Siberia and the Russian far east are voicing increasingly frequent complaints about Russia's fixation on relations with the West. They advance policies that would promote reorientation towards Asia, thus allegedly providing considerable benefit for their regions.

At the same time, there are notorious examples of attempts by regional elites to exploit and dramatize local sensitivities about 'external risks' emanating from the neighbouring countries, as in Primorskiy *krai* (Maritime Province) with respect to China. This may considerably complicate Russia's 'grand strategy' since Moscow, if it is to secure the loyalty of the regional elites, is compelled to take into account their perceptions of what Russia's short- and long-term aspirations on the international scene should be, where the focus of Russian foreign and security policy should lie, and what instruments Russia should employ in pursuit of its national interests.

By and large, while the emerging balance of power between the central government and the regions is becoming one of the strongest factors in the formulation of foreign policy, the Asia-

Pacific dimension of Russian foreign and security policy making will be considerably influenced by the diffusion and redistribution of power within the Russian polity. The 'Asian components' of Russia's domestic development represent both a huge potential asset for Russia's policy with respect to Asia-Pacific and a matter of serious concern.

### **Assessing Asia-Pacific**

The end of bipolarity allowed Russia to shed the burdensome obligation to maintain and promote its ability to confront the USA across the whole spectrum of international politics, including Asia-Pacific. At the same time, Russia could not ignore the fact that the new realities are associated with new risks. The gradual erosion of the balance of power that emerged after World War II and accelerated dramatically with the end of the cold war is opening new prospects not only for cooperation between the states but also for their realignment, competition between them and rivalry in the search for a better place in the evolving international system. This cannot but introduce additional elements of instability and uncertainty in international developments, leaving Asia-Pacific fully exposed to these risks if not even more exposed than other regions.

Besides, the end of the cold war ushered in an era in which the very concepts of power and security are being reviewed. Less emphasis is being put on military strength in nations' calculations and the 'non-traditional' dimensions of security are gradually gaining prominence and requiring growing attention. Paradoxically, this has significantly reduced Russia's ability to build up its military might in the Pacific, which used to be the main pillar of its influence in the region. At the same time, the use of force by states and non-state actors is by no means a thing of the past. In addition, the most complicated nuclear issues are located in Asia—which allows Russia's involvement in diplomatic and political controversies in this area.

Thus, the evolving international setting in Asia-Pacific requires Russia's special attention to the emerging constraints, challenges and opportunities, as well as to both traditional and new security risks emanating from the region. Among them are the spillover of ethnic strife across interstate borders, disputes over territory, illegal immigration and flows of refugees amidst growing demographic imbalances in Russia proper, the spread of religious fundamentalism, arms smuggling, trans-border organized crime, drug trafficking and narcotics production, the proliferation of weapons of mass destruction and the means for delivering them, environmental degradation and so on.

Aggravating Russia's concerns about the prospects of defusing these threats is the inability of major and minor actors alike to move closer to establishing effective regional security forums and codify a framework of rules for both domestic and international conduct. In contrast to Europe, Asia has few institutionalized forums for dispute resolution and no permanent mechanisms for enhancing mutual confidence and security—a deficiency which is especially worrying in the light of the region's potential for instability and conflict.

Furthermore, post-Soviet Russia has found itself in a radically changed international environment in Asia. With the end of the East-West rivalries some regional powers, no longer restricted by and benefiting from the cold war bipolarity, have engaged in a realignment drive and are revising their strategies with respect to Russia. Russia may, reasonably, be concerned that this volatility will evolve into a confrontational pattern that would have a serious destabilizing impact on international developments.

At the same time, Russia views as potential assets the perceived commonality of its interests with those of some of its Asia-Pacific neighbours and the possibility of forging short- and long-term alliances on specific issues, especially in view of its present weakness and the disappointment of its expectations of rapprochement with the West. Equally attractive for Russian strategists are the unique opportunities offered by the region: rapid economic growth, the explosion of trade, the maturity and capacity of its arms markets and its technological advances. Similarly, the experience of some countries in Asia-Pacific offers a model of development

embracing modernization without concomitant Westernization—a course that might be seen as preferable by a considerable part of the Russian public. It is indicative that debate continues to rage in Russia over the attractiveness of the ‘China model’—giving priority to internal stability through economic and political domination by the government over pluralistic democracy, human rights and openness to the world.

How this combination of challenges and opportunities will affect Russia’s prospects in Asia–Pacific is far from clear. Notably, Russia’s perceptions of the new international environment in the region vary across a very broad spectrum, as do assessments of Russia’s ability to adapt to them.

One approach tends to dramatize the changes as extremely unfavourable to Russia, which is allegedly doomed to be downgraded to a second-rank country, either marginalized from the mainstream of economic and political developments in Asia–Pacific or even open to increasing external pressures with no real chance of resisting them. What follows from this scenario is the possibility or even likelihood of a hostile reaction by Russia to developments in Asia–Pacific which might be viewed as adverse to its interests, thus provoking additional tensions in the regional international system.

The alternative reading of Russia’s future in Asia–Pacific does not underestimate the challenges emanating from the new economic, political and security realities on the continent, but focuses on Russia’s potential to become an organic and even vitally important part of them, first as a geopolitical provider of stability from the Eurasian ‘Heartland’ to the volatile southern edge of Asia, second as the possessor of important natural resources that will be in increasing demand by the dynamic Asian economies, and third as a global ‘balancer’ mitigating North–South rivalry in the emerging international system (and eventually even as a partner of Asia in the process of redistribution of global influence).

In any case, the prevailing trend in Russian foreign and security policy thinking seems to assign a salient role to Asia–Pacific in two respects: (a) in the country’s quest to ensure stability along its periphery; and (b) in the context of Russia’s regaining its status as a major power capable of projecting influence well outside its borders.

### III. Options and constraints

The huge Asian land mass bordering the Pacific is becoming an area of increased strategic significance for Russia. It faces here three principal world powers—the USA, China and Japan. They represent a unique combination in terms of Russia’s security interests. The USA and China have nuclear arsenals that can reach Russian territory; the USA and Japan are the largest economies in the world; China is the most populous nation on the planet.

#### **General parameters**

The past decades have witnessed a remarkable transformation of the international landscape in the area, with a multitude of countries opening their economies to foreign investment and competition and enjoying a period of robust growth and development. If sustained into the next century, these trends hold the promise of spurring Russia’s economic growth and increasing the importance of its energy resources and transport routes.

Until recently, rapid economic development in the region tended to have a stabilizing effect and helped forestall violent interstate conflicts. However, the Asian financial crisis of 1997–98 has clearly shown the fragility of the economic changes in the region. Furthermore, it is not at all assured that increases in national wealth will not be accompanied by a chain of incremental growth in defence expenditure, military build-up and an arms race, generating instability. Such instability may derive from the ample potential for conflict among and within the regional states, stemming from: (a) the division of nations (China and Korea) and uncertainty over the prospects for their reunification; (b) disputes over territories and maritime zones; (c) historical

animosities and distrust; *(d)* the absence of an institutionalized security architecture; *(e)* the volatility of internal politics and the domestic vulnerabilities of some governments; *(f)* disparities in economic development among densely populated nations; *(g)* threats of uncontrolled migration; and *(h)* deep-rooted ethnic and religious tensions.

The potential for instability is only increased by the actual and potential rivalry between states. Uncertainties in the US–Chinese and Japanese–Chinese relationships have every chance to continue as basic elements of the strategic landscape in the region at the beginning of the next century. Furthermore, the military parameters of the competition seem to be becoming more significant and to make the situation even more complex.

During the cold war the focus of nuclear developments was clearly located in two areas—relations between the two superpowers and Europe. The 1987 INF Treaty, START I, START II and US and Russian initiatives on tactical nuclear weapons transformed the situation and marginalized the nuclear factor. In Asia, however, the trend is in the opposite direction. China, the only ‘official’ nuclear state in the region, is increasing its potential in ballistic missiles. India and Pakistan having chosen to declare their nuclear capabilities, Israel remains the only ‘threshold’ country. Iraq and North Korea have been found guilty of violating their non-proliferation commitments, Iran is suspected of activities prohibited by the 1968 Non-Proliferation Treaty (NPT), and a number of states have a latent ability to produce nuclear weapons quickly. As one of the two major nuclear states, Russia may contribute to international efforts aimed at reducing the destabilizing consequences of Asia ‘going nuclear’.

Two variables feature prominently in the calculations of all actors throughout the region. One is the emergence of China as a political, economic and military superpower in the next century and uncertainties as to its future international behaviour. The other concerns the USA’s military presence and heavy involvement in East Asian affairs, which has proved to be a stabilizing factor, deterring armed conflict, but may change. Both factors indisputably affect Russia’s global perspectives, making its engagement in the region imperative. The character and extent of this engagement will depend both on Russia’s domestic performance and on its interaction with other actors in the region.

## China

Almost eight years into the new era in relations between China and the USSR/Russia, the balance between the two powers has shifted dramatically away from Russia. First, China has enjoyed a long period of robust economic growth, while Russia’s economy has contracted for several years in a row. Second, Russia’s territorial space has shrunk substantially compared with that of the USSR and risks further fragmentation, while China preserves its integrity and has even recovered some of the territories it lost during the colonial age. Third, China has consolidated its international position, while Russia has seen its status noticeably reduced. Fourth, China has bolstered its military might, whereas Russia’s armed forces have fallen into a state of disarray. Notably, these trends have proved steady in recent years and there is little likelihood that Russia can restore its strength vis-à-vis China at any time soon. Hence, Russia finds itself in a strategically weak position with respect to China, making it critical for Russia to review its short- and long-term strategy.

The major issues confronting Russia are: *(a)* how to consolidate its assets in relations with China at a time when it has to chart a course from a position of weakness; *(b)* how to expand ties with China without further reinforcing China’s military posture by, for instance, the unrestrained sale of weapons, military equipment and technology; *(c)* how to strengthen the Russian far east and Siberia economically and demographically; and *(d)* how (and where) to search for allies in the light of a possible revisionist stance and hegemonic inclinations on the part of China in the future without making this a self-fulfilling prophecy.

These objectives, challenging as they are to begin with, will be all the more difficult to accomplish given that there is no consensus in Russia on the foundations of policy with respect

to China. There is a striking discrepancy between the general optimistic connotation of the official policy line, on the one hand, and confusingly mixed feelings and attitudes 'below' the governmental level, on the other.

Officially, the policy of Russia towards China is very positively oriented and relations between them are excellent. However, the reaction across Russia's political elites to China's ascendancy as a regional and potentially global power and their perception of China's ambitions and inclination for constructive or destructive behaviour vary across a broad spectrum, from excessive hopes of the 'strategic partnership' between the two countries (which would eventually contribute to Russia's re-establishment as a world power) to alarmist assessments of China becoming a major threat to Russia.

The changing configuration of Sino-Russian relations will have considerable implications for certain concrete international problems, such as nuclear non-proliferation, a new arms control agenda and military activities in the Pacific. At the same time Russia could face the difficult task of taking sides if crisis develops, for instance, if the Chinese missile build-up threatens Taiwan and the USA backs countermeasures.

## Japan

In view of China's rise to prominence in East Asia, it is all the more disturbing for Russia that its relations with Japan remain unsettled. Worse, with a sensitive territorial dispute yet to be resolved and a comprehensive bilateral peace treaty yet to be concluded after 50 years of estrangement, there are considerable obstacles to rapprochement between them. The expansion of ties in all fields is hostage to the issue of sovereignty over the four islands of the Kurile chain, with public opinion in both countries remaining overwhelmingly hostile to a compromise. Moreover, there are few constituencies in either country that advocate a breakthrough.

Apparently, Russia also continues to proceed from the traditional perception of Japan as an economic giant but a political dwarf. It fails to appreciate that Japan has risen to the status of a global power and one of the central variables in the Asia-Pacific security equation and remains ambivalent about the USA's military presence in and security guarantees to Japan. Furthermore, as Russia's foreign policy is still largely formulated by the elites in Moscow, it comes as no surprise that the needs and interests of the regions of Russia that are located closer to Tokyo than to Moscow tend to be neglected.

For its part, Japan seems to be the hostage of excessively sceptical assessments of the prospects for and benefits of economic links with Russia. Close ties with the USA having been the central element of Japan's security during the whole post-World War II period, its current and future relations with Russia are still quite often assessed through the prism of the alliance with the USA. It is true that both these factors have started to erode, but recent developments have shown that changes require time and will not easily come about.

All these factors undermine the prospects of and limit the options for harmonization of their strategic interests—a regrettable situation since, if the Kurile Islands problem is put aside, there are no significant grounds for 'existential distrust' and geopolitical antagonism between the two countries. Furthermore, both may associate the end of the cold war with some worrying changes in the world arena: to Russia they have brought about significantly eroded status, whereas Japan is facing diminished US interest and the rise of neighbouring China.

Thus, Russian-Japanese rapprochement seems quite possible in the long run, although via gradual and incremental change. For a more dynamic breakthrough, innovative thinking seems necessary. This may be precipitated by a new generation of leaders and/or some dramatic change in the international environment. However, two points can be identified now. First, with the proliferation of areas in which Russia's and Japan's interests converge, the potential is increasing for a comprehensive dialogue. Second, substantive progress on the territorial dispute is probably only possible as part of a broader agenda acceptable to both sides.

## **The USA**

Virtually every facet of Russia's interaction with the actors in Asia-Pacific both influences Russia's overall relationship with the USA and is affected by it.

The USA in the post-cold war period has shifted the focus of its strategy in the region from countering the Soviet military threat and preparing for a possible confrontation to coping with regional instability. No longer a trouble-maker in the eyes of Washington, Russia might play a role in achieving this objective by committing itself to non-proliferation, the peaceful settlement of disputes, military restraint and cooperation in the war against drugs. An overall stabilization of Russia's relations with China and Japan would also contribute to stability in the region. The expansion of trade and cooperation between Russia and East Asia will hardly disturb the USA, which does not consider Russia a formidable competitor. On the contrary, this might strengthen Russia's position vis-à-vis China, thus counterbalancing the forthcoming rise of the latter, which could eventually become a matter of serious concern for the USA (despite its recent attempts to build what is increasingly viewed as a kind of special relationship with China).

As for Russia, the post-confrontation logic should move it towards a grudging recognition that the USA is an important stabilizing factor in the Asia-Pacific area. Like most other actors in the region, Russia has reason to be concerned that a US withdrawal may lead to a reconfiguration of forces and a remaking of the regional balance of power at a time when Russia stands only to lose, not to benefit, from such a transformation. It still resents the USA's dominant role in the region. Worse, the growing negativism with respect to the USA (even if it is more apparent in the general political atmosphere in Russia than officially expressed by the government) may affect the prospects for Russian-US interaction in Asia-Pacific. The challenge lies in steering the course of US-Russian relations off the reefs of Russia's suspicion and overblown ambitions and away from the USA's propensity for unilateralism and temptation to keep Russia permanently weak.

By and large, the Asia-Pacific dimension of the Russian-US relationship is evolving as a result of the ongoing shifts in domestic, regional and global politics. The issue of nuclear and ballistic missile non-proliferation might become the major unifying element in Russian-US relations with respect to Asia. They seem, however, to diverge in assessing the importance of this goal, defining practical ways of achieving it and inscribing it into their broader political objectives. At the same time the US air strikes against Iraq in December 1998 provoked a strong reaction in Moscow as a manifestation of the USA's orientation towards non-cooperative behaviour, both regionally and globally.

## **The Korean Peninsula**

In developments on the Korean Peninsula, the importance of the Russian factor has significantly diminished in comparison to what it was in the past, although by no means to zero. It is highly doubtful that Russia can realistically expect to restore and build on its erstwhile ties with North Korea; however, it will certainly try to prevent being further sidelined, as it was in the negotiations for the 1994 agreement on supplying nuclear reactors to North Korea in return for the scrapping of its nuclear programme.

Russia can also count on the growth of its ties with South Korea, which it considers economically beneficial and politically advantageous. Rapprochement with South Korea might also be articulated as a signal to Japan pointing to a possible alternative to Japan as an investor in Russia—a stratagem which, however, does not appear to be working. In similar vein, Russia's efforts to penetrate the South Korean arms market have had limited success, largely owing to the USA's almost exclusive role as foreign supplier to the South Korean armed forces.

While it remains to be seen whether Russia will gain from the reunification of North and South Korea, it definitely has a stake in a peaceful, gradual and controlled merger of the two countries if this materializes. It is also interested in a broader dialogue and in participating in it,

rather than being excluded from the four-party negotiations for a peace treaty between the two Koreas, the USA and China. At the same time the alleged development of the North Korean nuclear potential and the August 1998 missile test and possible countermeasures (ranging from a US–Japanese Theater Missile Defense (TMD) system to considering a pre-emptive attack on military installations in North Korea) would move the whole problem into a broader international context, with seriously destabilizing results. This could be an additional reason for considering the involvement of Russia expedient.

### **South-East Asia**

In South-East Asia Russia has relatively modest immediate stakes and even more limited means of engagement. However, they do exist and, given the regional states' ongoing enhancement and modernization of their military capabilities, Russia manifests a strong interest in promoting its arms sales to the region. In the longer run, it may consider attractive the possibility of establishing and consolidating its presence in the area, which has growing strategic significance and at the same time remains volatile and open to competing external influences.

South-East Asia has shown both impressive economic results and vulnerability; alongside examples of relatively successful conflict management (as in Cambodia) there have been political earthquakes (as in Indonesia). Friction over territorial issues has tended to be suppressed rather than resolved; political regimes based on traditional loyalties and authoritarianism are fragile; the forces of protectionism remain potent and the establishment of a free-trade zone is continuously delayed; the rise of China and the disquiet among regional actors over its ultimate ambitions undermine mutual trust and transparency; and there are complex ethnic and religious tensions, coupled with extremes of wealth and poverty. All these are formidable factors for instability in South-East Asia.

On the other hand, the region is making efforts to institute cooperative regional security structures, particularly through the ARF, which involves almost all the states in the region as well as significant external powers. This is an opportunity for Russia to become more involved in regional developments than would have been possible a decade ago. Since Russia is not seen as potentially assertive in the region, it might be perceived by local actors as an attractive counter-balance to other external influences. It may also build on some assets inherited from the Soviet era such as the large naval facilities at Cam Ranh Bay in Viet Nam.

## **IV. Conclusions**

The Russian factor in the ongoing transformation of the Asia–Pacific security landscape is by no means insignificant. All Russia's current weakness and vulnerability notwithstanding, there are considerable possibilities for its involvement. Russia is to play a role in Asia–Pacific both in the process of realignment and in efforts to establish security patterns in the region.

Russia's involvement, however, will take place amid a changing configuration of actors and interests in Asia. The speed and substance of Russia's adjustment to novel realities in Asia will have profound and long-term implications both for Russia's future posture and for the evolving regional and international balances. In turn, depending on the process and outcome of Russia's domestic transformation, the region can either benefit from or be adversely affected by Russia's revival or demise. The interests that Russia will strive to protect and the instruments to be employed in their pursuit will be decided in this process.

Russia's policy in Asia–Pacific will have an impact on broader developments in the world arena. This impact is discernible even now, when Russia remains weak, Asia is volatile, and the implications of globalization and multipolarity for the emerging international system are unclear. In the long run, the influence of the Russian presence in the Asia–Pacific region over international security at large has every chance of increasing.



## 2. Asia–Pacific in US–Russian relations

JOYCE KALLGREN

### I. Introduction

Although Russia has been active in Asia in the 20th century, most Americans (perhaps Russians themselves) think of Russia as a European power and focus on problems of US–Russian relations in Europe. Russia, however, with its highly educated population and vast mineral resources will retain a substantial presence in Asia. Its positions in Asia are much weakened with the collapse of the Russian economy and the degrading of the Russian military presence, and from the US perspective the removal of Russia as a factor in many political matters in Asia leaves a less complicated matrix for decision making, but concern for their large neighbour remains, however, in China, Japan and the countries of South and East Asia.

‘We need to make sure that we have a policy toward Russia that contains an indispensable feature: strategic patience. This means a policy not just for coping with the issue or crisis of the moment or of the week or even of the season or for getting through the next summit meeting: rather it means a policy for the next century’.<sup>1</sup> In the view of this author it is clear that the USA does not have such a policy, whether in Europe or in Asia. It is only possible to speculate on the decades to come. It is, however, possible to set out some of the problems and issues that seem likely to arise and outline the parameters of the US response from the perspective of 1999.

This paper starts from the assumption that the centre of US–Russian relations is not Asia, indeed that US–Russian bilateral relations in Asia rank low on the list of priorities, although problems in US–Russian relations generally will be influenced by developments in Asia, and worldwide environmental concerns may well have focal points in the Asia–Pacific region. It discusses the parameters that shape current US foreign policy and different aspects of that policy in North-East Asia, country by country, considers the traditional as well as the more current interests of Russia in Asia, and sketches out US–Russian relations, their congruence and possible conflicts, in North-East Asia through the prism of their relations with third parties, specifically China, Japan and North and South Korea. The emphasis is not on direct bilateral relations between the two powers but on the situations in China, Japan and the two Koreas where Russian and US interests have from time to time clashed or more commonly run a parallel course.

In 1999 certain factors are crucial to understanding the domains in which Russian and US foreign policy is operative. Throughout Asia there has been a resurgence of three forces—nationalism, communalism both within and between nation-states, and internationalism. The force of nationalism has been reaffirmed throughout Asia, for example, in the internal struggles in Indonesia, along the borders of China, within Malaysia, in Pakistan and India, and in the newly independent states of the former Soviet Union. Resurgent communalism is seen in attacks on Christians, on Muslims, on ethnic Chinese, and in many other examples throughout the world, and should not surprise an observer. The rapid expansion of globalization is a competing and powerful current. Today’s technology permits financial transactions across national boundaries at the stroke of a computer key. International enterprises are bought and sold by citizens of other nations, sometimes regardless of the social costs. Production lines are outsourced, often leaving long-time employees bereft of employment, benefits and self-esteem.

Two other features must be taken into account. First, economic security and economic strength as an element of security are increasingly important in Asia. Second, the Asia in which the Russian–US interplay occurs is composed of widely differing political systems of which

<sup>1</sup> Speech by US Under-Secretary of State Strobe Talbott at Stanford University, 19 Sept. 1997, reported in *New York Times Sunday Magazine*, 3 Jan. 1999, p. 6.

only three can be called socialist—China, North Korea and Viet Nam. The other regimes of North-East and South-East Asia are better classified as authoritarian–democratic with differing degrees of government intervention in their economies. Their interaction with the forces of nationalism, communalism and globalism is only imperfectly understood in any analysis.

## II. US foreign policy in Asia: priorities and constraints

Long gone are the days when bipartisan support for US foreign policy began at the coast.

Except with relations with China, individual patriotism, the strong anti-communist feelings of many Americans and their general lack of interest in foreign affairs gave mostly a free hand to policy and decision makers. That freedom of action has come to be constrained. Human rights issues combined with a widespread willingness to criticize government or military actions are serious considerations for any US political leader. Domestic politics have become increasingly riven by often powerful single-interest lobbies, with serious consequences for foreign policy. For much of the cold war, anti-communism muted the voice of many of these groups, but with the end of the cold war the situation changed. It is no longer sufficient to consider only the interests of the business and financial communities and agriculture when discussing foreign policy, important as they may be. This is the result not only of political and social restructuring but also of technological change. Technology development has enlarged the audience. The graphic nature of television images together with the reporting by journalists in the war zones has given an immediacy to casualties and fixed an important parameter for US foreign policy decisions, namely, that casualties must be avoided. Now and for some time to come the US armed forces in proposing a course of action, the executive in approving a specific act and the congress in approving and funding a programme will have their options narrowed.

Since the end of the cold war the states of Asia have established their individual identities, modernized their economies and reviewed their international postures. One result has been to complicate US policies. It has become necessary for the USA to reconsider the shape and dimensions of its presence. How does the sole remaining superstate provide reassurance to Asian states of its continued presence as Russia becomes of less importance in the international relations of the area? Indeed, how is security to be defined? Perhaps the most appropriate term for US policy in East Asia is ‘transitional’ following the end of the cold war and the 1997–98 financial crisis, which appears to have effected every economy in the region.

The danger of a two-power struggle has disappeared. Russia is intensely focused on its domestic affairs. The USA’s current aims in Asia are: (a) to prevent conflict by maintaining ‘an effective security presence’ and preventing the domination of the region by any hostile power; (b) to assist in the growth of the Asian economies and the development of democratic political systems while sustaining the USA’s access to Asian markets; and (as elsewhere) (c) to prevent the proliferation of weapons of mass destruction and the means of their delivery.<sup>2</sup> The means of advancing or achieving these aims include armed forces and the willingness to use them, but security in Asia also involves economic factors, which are almost as important as the military presence. Active economic policies are needed that will facilitate economic progress and recovery and political modernization. The security commitments constantly reiterated by US representatives together with the actual forces stationed in North-East Asia represent assets which will serve to warn potential adversaries of the costs of hostile military activities.

Is a growing China, powerful and assertive, likely to be a threat to the national interests of the USA? Is it likely to be a hostile force seeking to dominate countries in the region and hence an entity which the USA will seek to limit? Many Chinese believe that the USA does not want a strong China. Will or could the USA take steps to try to slow the growth and deter the modernization of the Chinese armed forces? The answers to these questions are not at all clear.

<sup>2</sup> Institute for National Strategic Studies, *Strategic Assessment 1995: US Security Challenges in Transition* (National Defense University: Washington, DC, 1995), Internet version at URL <<http://www.ndu.edu/inss/sa95/sach0202.html>>.

First, is it possible to shape developments in China and influence the rate of growth, and if so at what cost? After the 1989 Tiananmen Square incident, sanctions were imposed by the USA, but Russian and US technology has become available to China through purchase, reverse engineering or apparently illicit tactics. The costs to the USA of trying to limit development may in fact be higher than the costs of adapting to it or attempting to channel it. Moreover, because of its economic situation, pressure for Russia to continue arms transfers to China is strong. Russia may continue with military exchanges with China and provide assistance in a manner that raises anxiety for the US counterparts, but will this materially alter the balance of power? China's economic development could slow naturally, without any efforts on the part of external states.

From the perspective of the USA as a sea power, strategists may worry about the consequences of Chinese naval and air modernization yet be sufficiently confident of the current discrepancy in military capacity to continue military exchange programmes as confidence-building measures (CBMs).

Since 1989 and the Tiananmen Square incident, the USA has tried either to maintain a low-visibility relationship with China or (in the late 1990s) to incorporate a more cordial relationship. This has included reciprocal visits, largely symbolic, efforts to promote US business interests, a relaxing of the interpretations of the rules permitting transfer of technology to China, the development of military exchange programmes at fairly high levels, efforts to bring China into the World Trade Organization, and a policy on human rights that has oscillated between criticism of China's record, on the one hand, and separation of trade from the human rights issue, on the other. The 'constructive relationship' is fragile, as is evidenced by allegations of Chinese efforts to influence US elections and of improprieties with respect to the transfer of technology and harsh criticism of Chinese human rights policies by US Secretary of State Madeleine Albright in April 1999. The instability of the USA's 'engagement' has been made more evident by the hue and cry surrounding possible development and deployment of Theater Missile Defense (TMD) in Asia by the USA.

US–Japanese relations remain more important and to some extent more at risk than they were. Japan is a linchpin of the US presence in Asia. However, a review of its relations with the USA during the post-cold war period does not encourage confidence in Japan's continuing sturdiness. With the Asian financial crisis, pressure to engage Japan in efforts for recovery has risen. The 1951 US–Japanese Security Treaty has been the subject of very considerable controversy with respect to its scope of application, the costs of maintaining US troops on Japanese soil and, most importantly, the scope of activities that are and should be considered part of Japan's responsibility. China and North Korea may find the US presence objectionable, especially if the TMD programme progresses off the drawing board. The initial discussion of TMD has started a debate in North-East Asia, where Chinese concerns include both Japan and Taiwan and the basic argument that defence technology is easily engineered for offensive purposes.

The US presence, Japan's commitments under the 1997 revised Guidelines for US–Japan Defense Cooperation and problems such as hostility to the US base at Okinawa have serious consequences for Japan with respect to its constitutional commitment to peace. How necessary is it to preserve the spirit of the 'pacifist' clauses in its constitution with its undertaking to share the burden of defence with the USA and participate in UN peacekeeping, for instance, in its selection of aircraft, satellite monitoring and missile development? Virtually all discussion of the armed services and defence posture raises extreme political dissent in Japan. It is also difficult for the Japanese Government now to divide the business and diplomatic aspects of its relationship with the USA, and the intermingling of economic considerations, technological development and defence strategy has made the US–Japanese relationship more tenuous than might have been expected.

The USA's relations with North and South Korea are central. The development of a democratic political system is well under way in South Korea. President Kim Dae Jung's 'sunshine policy' towards North Korea has been accompanied by a call for a softer US policy on North

Korea, including increased food aid and movement towards the establishment of liaison offices in each other's capitals. The tactics of North Korea, however, including the penetration of its submarines along the South Korean coast and the unannounced and highly symbolic missile test of August 1998, have made it difficult for Kim to sustain the 'sunshine policy' in the face of criticism from his political opponents and with a less than enthusiastic US policy to accompany it. The US–South Korean relationship has been shaken by the financial and economic crisis of 1997–98 and by the confused policy outlook of the United States, led by a president who has little interest in and pays little attention to the political and diplomatic situations in the USA's collaborators. The matter of US troop deployment if Korea is reunified remains to be resolved.

The relationship with North Korea is beset by difficult issues and a long history of suspicion on both sides. It involves not only the USA but also Japan and South Korea. The 1994 Agreed Framework established, so critics have argued, a formula for the USA to buy peace on the peninsula by cooperating with South Korea, Japan and other states to build light-water reactors in North Korea, alleviating the serious energy shortages of the North and providing oil while the reactors are being constructed in exchange for North Korea ending and allowing verification of the effort to end its programme to achieve nuclear capability. The work of this project is directed through the Korean Peninsula Energy Development Organization (KEDO). However, the economic situation has not facilitated implementation of the agreement for South Korea, and North Korea's missile launch placed the entire programme in jeopardy. South Korea has endeavoured to continue it but the domestic political struggle in Japan and the intense suspicions and divisions within the US Government have placed the policy in jeopardy.

### III. Russia in Asia: priorities and constraints

Russia's interests in Asia have four main elements. First, as ideology has faded, there remain assistance and support to friendly socialist states and some assistance to the quasi-friendly or neutral states along the borders. In some areas ideological considerations have now been replaced by cultural, ethnic and historical ties. Second, the regularization of some border issues has been important. Third, trade has become of substantial and growing importance both because of the serious difficulties of the Russian economy and also because regional Russian interests see local trade as a means of remedying the steep decline in financial and economic assistance from far-away Moscow. Finally, from the longer-term point of view, the resolution of territorial disputes with Japan and other states offers the possibility of growth in commercial contacts and foreign investment to Russia's eastern territories.

Certain common threads are apparent throughout the post-cold war years with respect to Russia's foreign policy goals in Asia. First, domestic problems and divisions have sharply constrained its foreign policy choices. Second, those choices are constrained by deepening economic chaos. For example, relations with North Korea have soured at least in part because of Russian demands for payment in cash for oil. Russian efforts to participate in KEDO were unsuccessful in part because KEDO was unwilling to buy Russian reactors, and Russia is currently unable to participate in funding KEDO. Moreover, some sectors of the economy have become especially active and crucial as a result of the Russian financial downturn, namely the defence industries. Economic pressures to export arms have become more intense, and China's purchase of sophisticated military equipment at alleged bargain prices cannot but strengthen the relationship between the Russian and Chinese authorities. A third feature has been the resolution of remaining border and territorial disputes and related issues such as the treatment of Russian citizens by neighbouring countries and control of cross-border traffic. These problems are common to virtually all Russia's borders, and especially prominent between Russia and China.

Relations with China are the highest-priority issue for Russia. Progress towards resolution of the border issue has not been problem-free. Agreements made by the central government in Moscow have come under intense criticism from some Russian local authorities, and officials

on the ground often find daily matters complicated and potentially threatening. As border arrangements have been delimited, the flow of traders, peasants and merchants has led to problems in controlling the sale of goods and the movements of people. The problem has been magnified when the goods bought and sold have been criticized as shoddy and of poor quality. These matters have developed over almost a decade and may take another decade to be fully resolved. However, increased diplomatic activity, arms sales, reductions in border tensions and shared dissatisfaction with the unchallenged primacy of the USA have resulted in a ‘strategic partnership’ between Russia and China. The relationship is not a military one, nor is it a treaty; it is a political meshing of interests to play down the US presence.

Russo-Japanese relations are another matter. Both Japan and Russia speak of improvement in their relations in recent years. Actual progress is more difficult to verify. The continuing inability to resolve the dispute over the southern Kurile Islands has consequences beyond the four small, rocky islands themselves. The conflict leaves Japan with aspects of its security unresolved and hence potentially causes problems for its partner, the United States. For the near term the likelihood of a resolution seems low. Despite the obvious potential for economic cooperation between Russia and Japan, the benefits from the development of mineral resources, oil and gas appear to be awaiting the resolution of the territorial problem. Investment by Japan in the Russian far east, in these years of extreme economic need, is held hostage by nationalist protests against any negotiations that might change the status of the Kurile Islands.

It is curious that the Korean Peninsula, where Russian long-term planning readied the forces that have ruled North Korea since World War II, remains the most troublesome area. Here the interests of the two Koreas, China, Japan, the USA and to some extent Russia meet. Some developments have reduced tensions, notably the diplomatic recognition of China by South Korea and of South Korea by Russia, but commercial efforts that were to benefit all parties have hit shoals. Debt reduction between South Korea and Russia foundered over payment or effective rescheduling of a long-overdue debt Russian debt to South Korea, and in the extremely tense days of the financial crisis of 1997–98 the sufferings of the South Koreans made them less sympathetic to Russian hardship.

Americans watching from the sidelines are likely to judge that Russia has few enemies but also few friends in North-East Asia. However, potential conflict areas—such as the Spratlys, the Korean Peninsula or Taiwan—will not involve Russia directly and most of the possible outcomes will not necessarily harm its national interests.

#### IV. Conclusion: US–Russian relations

There are similarities in the experiences of Russia and the USA in North-East Asia since 1992. First, the alliance system has undergone change, which has been more dramatic for Russia than for the United States but affected both. Second, both have observed the military modernization and political reorganization of the states of Asia. This political restructuring and leadership transition engender some instability and tension. Third, the proliferation of NGOs has enhanced informal contacts between the states and offered means for the reduction of tensions. ‘Track two’ (non-governmental) organizations, such as CSCAP and working groups under its umbrella, often have close ties to their governments.

There have, however, been important differences in their policy concerns in Asia in the past decade. The US emphasis has been on the Koreas and Japan. Russia has emphasized South Asia. Both have of course emphasized relations with China. Russian efforts in Asia–Pacific focus on resolving border disputes whereas US interests concern sea lines of communication, the Spratlys, negotiations for prepositioning of equipment, enforcement of agreements (China and North Korea) and the maintenance of a permanent US presence.

Where Japan is concerned, US and Russian interests may part company. Russia’s interests are more current than the USA’s. The division over the southern Kuriles remains largely outside the realm of US influence. The Russian armed forces, both naval and land-based, presently lack the

resources necessary to project power. From Russia's point of view, given its weakened state, the current US–Japanese treaty may well be assessed as positive since the lack of a US presence would almost certainly result in increased pressure for a broader military build-up in Japan.

In this setting US–Russian relations in North-East Asia do not have the high visibility or importance they had in the 1970s and 1980s. Potential conflicts, such as in the Spratlys, Taiwan, the Korean Peninsula or Chinese inner Asia with its ethnic quarrels, for the most part do not require Russian or US intervention. That said, the United States maintains almost 100 000 troops in South Korea and Japan, has a defence security treaty with the second most powerful economic nation in the world, guarantees the defence of South Korea and seeks to encourage a peaceful solution of the problem of the status of Taiwan.

The region remains relatively tranquil, despite a series of dilemmas over very complicated matters, but the capacity of new states to sustain their political strength and vitality in the present economic circumstances is difficult to estimate and even the more optimistic fear some translation of frustration and social upheaval into domestic terrorism or even international conflict. It seems likely that the region will proceed along the path to industrial modernization, a better-educated and mobilized society and the provision basic services for most of their citizens, but it is difficult to set out reasonable scenarios. The modernization of China may well proceed at a pace viewed as threatening by some and too slow by others. Here too success will be accompanied by enormous difficulties, the outlines of which are already perceptible. Whether the achievements will counterbalance the urban and rural problems of China remains to be seen. It does seem clear, however, that the territorial claims will not disappear, especially given the linkage between China's energy and resource needs and its claims in virtually the entire South China Sea and a number of islands.

Interaction between the USA, China and Russia need not be competitive or conflictual. All three countries will need to find areas of cooperation, especially with respect to nuclear disarmament and control of biological and chemical weapons. These are not easy tasks and will be difficult to carry forward cooperatively. Ongoing interaction in matters of trade, investment and markets cannot be problem-free. When economic progress does occur, there is bound to be pressure from the USA for increasing access to East Asian markets. Efforts to reduce the perceived threats from North Korea will require time and patience, the maintenance of surveillance and North Korea's fulfilment of the 1994 agreement. This will be difficult.

For the foreseeable future Russia will need to focus on its serious internal difficulties. It would, however, be a mistake for US observers to assume that they can therefore move without some attention to Russian sensibilities. Russian investment, both political and psychological, in parts of Asia may be of help in resolving some difficulties, and a permanent settlement on the Korean Peninsula or Korean reunification will surely require Russian involvement in some form. Russia's participation will also be essential in efforts to control, preferably through persuasion rather than sanctions, the enlargement of the circle of nuclear powers.

Divisions within the US executive and Congress, US fears of China and appeals of special interests will hamper or skew US policies with respect to trade and security, no matter which party governs. The USA must stay alert to the success of Russian efforts to develop satisfying relations with the new countries along its borders, regional divisions within Russia as played out in Asia–Pacific, and the possibility of an implosion or fracturing of the Russian state.

Both the USA and Russia will have to develop a relationship in a different world from that in which they interacted for over 30 years. With growing nationalism in Asia–Pacific, as elsewhere, with economic interests in each country clamouring for protection, with political systems vastly different in the strains they can tolerate and the goals they seek, there are inevitable risks. But in Asia–Pacific there is no longer so great a risk of conflict between the two powers as in the first half of the post-World War II period. This is perhaps the most that can be said.

### 3. New trends in Russian–Japanese relations at the start of the 21st century

NOBUO SHIMOTOMAI

#### I. Introduction

With the Moscow Declaration of November 1998, Russian–Japanese relations entered a completely new stage of development. Both countries have declared it a ‘creative partnership’. Relations between them are better than they have been at any time in this century.

The relationship between Russia and Japan in this century has basically moved with the general dynamics of contemporary history, war and revolution. Cool neutralism in the World War II period was followed by tragic and traumatic conflicts in August–September 1945 and the resulting Soviet occupation of the southern Kurile Islands (called the Northern Territories by Japan). This aggravated the cold war antagonism, intensifying mutual distrust and closing off all possibility of *détente*. During the cold war period, three factors played a role in Soviet–Japanese relations, namely, ideological, geopolitical and economic confrontations. In all three respects there were few incentives to improve the relationship. The territorial issue of the Northern Territories was the cause and the result of the stalemate. There were, however, three springtimes when the cold war rivalry was relaxed—coincidentally, every 17 years, in 1956, 1973 and 1990–91. In these cases, Soviet domestic politics played a dominant role. The USSR was a more positive player on all three occasions than Japan. Khrushchev’s initiative to change Russia’s Stalinist international legacy brought about the Joint Declaration with Japan in 1956. Brezhnev’s fear of a US–Chinese alliance in 1973 provided the opportunity for *détente* with Japan in 1973, and Gorbachev’s ‘new thinking’ had repercussions in the Eastern hemisphere in April 1991 when he visited Tokyo.

The very easing of the East–West tension produced unforeseen but logically understandable consequences in the international situation, especially in the Middle East. Conflicts in the Middle East and Central Europe had a negative impact on Japanese–Soviet *détente*. The belated Japanese reaction to Gorbachev’s historic challenge synchronized with the end of Soviet influence in the Middle East and Europe, the outbreak of the 1991 Persian Gulf War, and the break-up of the USSR in December 1991. On these three occasions, urgent Middle East or East European crises were more important for the Soviet leaders than the long-term task of cooperating with Japan. The economic advantage of resolving the Northern Territories issue was small but for both countries its symbolic weight was too great for it to be overcome in the cold war period. Thus, the stalemate continued until the demise of the USSR. Japan had to pay the bill for the loss of the historic opportunity to resolve this issue.

#### II. Japanese–Russian relations in the era of Boris Yeltsin

In the post-Soviet era, the context and parameters of the Russian–Japanese relationship have changed. Ideology has ceased to be the main factor determining international politics. Instead, identity issues have come to the fore in Russian politics. Geopolitical factors have begun to play a more important role and economics has become far more salient. However, both Japan and Russia have found it difficult to find a common language and at best could only find the formula ‘islands for economic aid’.

There were two peaks in Russian–Japanese relations between 1992 and 1999: (a) in the period 1992–93, with the Tokyo Declaration of October 1993; and (b) in 1997–99, with a new wave of change, although the window of opportunity was being narrowed as far as the peace treaty is concerned. In both cases, Japan was the active initiator, in contrast to the Soviet period,

while Russia was divided on how to react to the Japanese offensive. Russian domestic factors were basically passive but determinant, although matters were more complex than that.

After the demise of the Soviet Union, the Soviet ideology was abruptly replaced by a new liberal ideology. New Russian elites including President Yeltsin claimed to be carrying out democratization and transition to the market. Reformist economist Yegor Gaidar and Foreign Minister Andrey Kozyrev claimed that they were motivated by this new pro-Western ideology. The new ideology seemed to formulate new policy. Among others, Kozyrev's commitment to Atlanticism was the complete opposite of the stubborn diplomacy of Stalin or Gromyko.

Western diplomats and even analysts were almost dizzy with success at the advent of the new leadership. Regarding Russian–Japanese relations, First Deputy Foreign Minister G. Kunadze was instrumental in formulating a new policy towards Japan based on the principle of 'law and justice'. In its turn, Japan tried to level up bilateral relations in order to resolve the territorial issue and to use the new situation for old causes. However, politics is not moved by ideology alone. Instead of ideology, identity conflict came to the fore in Russian politics. The Russians had to cope with the establishment of the new state system and national ideology in a situation where the old system was breaking up. Thus, statist and nationalists of all kinds were united in opposing Yeltsin and his entourage's ideologically oriented foreign policy, including his policy on Japan. His visit to Japan was cancelled or postponed twice in 1992–93.

On Japan's side, new thinking in the new context was still lacking. Policy makers only tactically radicalized the old 'territory first' approach. Thus, both viewpoints met indirectly. Japan was able to get a new and amorphous response from Yeltsin in October 1993. Japan's economic leverage was also limited. By December 1993, Yeltsin had to cope with growing resistance from the communist and nationalist opposition which won the first parliamentary election.

### III. New dimensions of bilateral relations 1997–99

This lesson of the 1992–93 stalemate was learned by the autumn of 1996, when a new dimension emerged in Japanese diplomacy. Three changes in Moscow had taken place that were of vital importance. First, Boris Yeltsin's re-election as President had decided who was in charge. Second, Russian diplomacy had been transformed. Kozyrev's Atlantic orientation had given way to the pragmatic policy of Foreign Minister Yevgeny Primakov, who pursued national interests in all directions, including the east. Third, the newly emerging banking elites, or 'oligarchy', had strengthened their position on the domestic and international markets. A new era of financial capital seemed to have emerged, although by August 1998 this turned out to be illusory.

On the basis of these changes, Japan formulated a policy that took into account geopolitical changes as well as economic parameters. Finally Japan was able to elaborate a new agenda for Russia and Eurasia in the post-cold war. Prime Minister Ryutaro Hashimoto promulgated this at the meeting of the Keizaidouyukai, or Japanese business elites, in July 1997.

The new policy can be summarized by an 'ABCDE' formula. Points A, B and C relate to geopolitical elements in Russian and Russian–Japanese politics, while D and E concern economic parameters.

'A' stands for Asia and the East.

Both Russia and Japan have to cope with Asian or Eastern diplomacy after the end of the pro-Western orientation of Shevardnadze and Kozyrev in Russia. Traditionally the Russian search for identity has moved between the two poles of Atlanticism and a Eurasian identity. With the decline of the Atlantic or pro-Western faction among the foreign policy elites, the Eurasian dimension came to the fore. NATO expansion to the east was the final blow to Atlanticism. The appointment of Primakov, a specialist on the Eastern world, as Russian Foreign Minister in January 1996 (he became Prime Minister in September 1998) was significant in this context. He emphasized an Eastern-oriented policy towards the Middle East, India, China and Japan.

'B' means *bezopasnost*—security.



Russian national security was damaged at least symbolically by the decision on NATO expansion. A further difficulty was the emergence of the GUAM (Georgia, Ukraine, Azerbaijan and Moldova) grouping of countries which wanted to be independent of Russian influence and invited investment from the USA and other countries. Russia feels isolated or insecure from the western and southern directions. Its 'siege mentality' is well known and, although in fact Russian security crises nowadays come more from domestic issues than from foreign threats, it wants to be secure on its eastern 'front'. Japan is also interested in security relations with Russia, which is its nearest neighbour. After the end of the cold war bipolar security system, regional aspects are more important, especially now when ecological and economic security issues are replacing the nightmare of nuclear menace.

'C' is for China.

Russia is now confronted with the emergence of China as 'big brother'. Again, this prospect is half-imaginary and half-real. For 150 years, Russians were accustomed to seeing China as a collapsing empire or junior partner, although China accepted that with reluctance. Today they are witnessing the emergence of a new superpower, which is now regarded as the senior partner, although they accept this with the same degree of difficulty. Russians have difficulty in giving up the image of China as a less developed country. Some Russian analysts believe that Japan is also placed in an awkward position by the rise of China, and this is why the Japanese–Russian rapprochement is taking place. Opinions are also divided on the significance of the 'strategic partnership' between China and Russia. Some see it as a counterweight to the US hegemonic superpower. Some even advocate Japan's joining it. On the other hand there is great fear on the part of the Russians that impoverished Siberia and the Russian far east might fall under the economic and eventually political control of the Chinese.

'D' stands for development.

For Russia, since it has lost some of the western parts of the Soviet Union, it is vitally necessary to develop the Siberian or eastern parts of the federation. This is all the more important because almost 80 per cent of its natural resources are in the region. Russia needs foreign investment to develop them. It was not accidental that President Yeltsin and Prime Minister Hashimoto met in Krasnoyarsk, where there are mineral resources and mines.

'E' is for energy resources. Among others, Russian reserves of oil and gas in eastern Siberia and the Russian far east are important, and there is a significant international dimension to this. While energy development in the Caspian Sea Basin and the proposed construction of a gas pipeline between Baku and Turkey have intensified the rivalry between the states concerned and Western counterparts for finite gains, eastern development is rather a 'plus-sum' game: the construction of gas pipeline from eastern Siberia through Mongolia and China to Korea will enhance interdependence among the eastern nations. It may be compared to the Druzhba oil pipeline between Europe and the former Soviet Union in the 1970s of détente.

It was not accidental that Hashimoto's new approach opened a new era between Russia and Japan and resulted in the unofficial meetings between the two leaders which took place in November 1997 in Krasnoyarsk and in April 1998 in Kawana. These meetings also offered a renewed chance for the peace treaty between Japan and Russia to be concluded by 2000, following an unexpected statement by Boris Yeltsin.

Although changes in Japanese policy had aimed at a long-term perspective in the relationship, both leaderships had to tackle the entangled territorial issue by the year 2000. Hashimoto proposed unofficially at Kawana a new idea of a demarcation of borders between the four islands in dispute and the other Kurile Islands, leaving Russia with administrative rights. Yeltsin seemed to be much interested by the proposal, because it contained a novel compromise on the part of Japan. He left Kawana postponing the answer to the autumn of 1998 when he was to meet Hashimoto in Moscow.

#### IV. New developments after the fiasco of 1998 and its implications

Meanwhile, the collapse of the Russian financial market in August 1998 drastically changed the whole landscape of Russian politics and the economy. The international community has to cope with unexpected problems in Russia as a result—the change from liberal marketization to a chaotic market and the transition from the Yeltsin era to a post-Yeltsin leadership.

The transition to the market has failed, and this has had the severest political consequences. Following the crises in the Asian emerging markets, in August 1998 Russia had to devalue the rouble, the greater part of the banking oligarchy was weakened, foreign investors withdrew their money and the government of Prime Minister Sergey Kiriyenko had to resign. The collapse impressed on the Russians that there were problems with the model of transition to the market under the auspices of the IMF. This was a serious setback for the US Government. The West was losing control over the process of democratization and marketization.

This was a hard blow for Yeltsin and his system. Yeltsin no longer functioned as *de facto* leader—hardly even as *de jure* leader. He was forced to accommodate with the parliament by appointing Yevgeny Primakov as Prime Minister or *de facto* Vice-President. His health problem only exacerbated his political incapacity. It was no wonder that the opposition was requesting amendment of the constitution of 1993, which designated all state power to the president. This, in turn, has affected the political system itself. Russia has lost trust in its own nation-state and reformist policy. The state itself may collapse just as the Soviet Union withered in 1991. There is a crisis of identity or loss of orientation among the Russian elites.

This clearly affects their foreign policy posture. Some Russian analysts even call it the end of the 'US model' of transition, which damaged relations between the USA and Russia. Some may even call this relation 'cold peace and cold mind' between the two worlds which dismantled the cold war just 10 years ago.

In these changes, which may affect global security, Japan may be able to play a unique role as its relations with Russia are unique. Japan is rather sceptical about the liberal or US prescription for the transition to the market, although it has not dramatized this difference with the USA. Japan has advised an economic plan, which may help the Russian 'real' economy rather than the 'virtual' economy. Cooperation between MITI and the Russian Ministry of the Economy produced the Hashimoto–Yeltsin Plan of April 1998. Thus Japan was more positive to Primakov's economic approach, which gives the state a stronger role as regulator.

The Japanese economy is, however, also deteriorating. Keizo Obuchi succeeded Hashimoto, although his policy on Russia was almost the same. This change of the tide affects the short-term perspective between the two countries. The Japanese emphasis on a peace treaty is based on two assumptions. One is the strong leadership of Boris Yeltsin; the other is a benign international and economic environment between the G7 countries and Russia. In these two senses things at present are negative. Trends since August 1998 are moving against the early optimism, and possible openings are unclear. In fact the process since the Moscow Declaration has produced few tangible results.

This will necessitate an upgrading of bilateral relations. First, Japan may offer a more realistic way to the market, which in turn may help ease tension between the USA and the Russian political leadership at the start of the 21st century. This will stop the negative tendency in North-East Asia, where the overcoming of the cold war confrontation is still on the agenda. Second, Japan may and can offer a benign political climate in the Russian far east which will lessen the possibilities of Russian disintegration, enhancing regional interdependence among related parties (Mongolia, Central Asia and China) and thus offering a cooperative and peaceful solution, especially to the issue of the Korean Peninsula. The issue of demarcation of the borders should be solved in the last analysis. 'He who goes quietly goes furthest', as the Russian proverb says.

## 4. Quadruple relations in Asia–Pacific and Japan

YOSHINOBU YAMAMOTO

### I. Introduction

The United States, the USSR/Russia, China and Japan have been major powers in North-East Asia and have all had determining influence on the structure of this region. However, their relations have changed a great deal, not only between the cold war and the post-cold war era but also during the cold war and during the post-cold war period.

In 1997 and 1998, each of the six logically possible dyads among the four countries held bilateral summit meetings, for the first time in history.

This paper has three objectives. First, it traces the historical development of the relationships among the four countries and clarifies the structural changes over time. Second, it examines the current ‘quadruple’ system from the viewpoint of ‘concerted bilateralism’ and the merits and problems of such a system. Third, it discusses the Japanese perspective within the framework of quadruple relations.

### II. A survey of quadruple relations

During the cold war era, and particularly during the 1950s, the United States and Japan kept close security ties through their security alliance and opposed the Sino-Soviet alliance. The competition between the two dyads was serious not only because of their military competition but also because of their ideological differences. The world witnessed what may be termed competing bilateralism or a competing dyad system. After the United States and Japan normalized diplomatic relations with China in the 1970s, however, these three countries formed an implicit triple alliance vis-à-vis the Soviet Union. The United States forged détente with the Soviet Union in the early 1970s but their relations soon became bitter and moved into what was called the ‘new cold war’ after the Soviet invasion of Afghanistan in 1979. China had split from the Soviet Union in the late 1950s and in the late 1960s they experienced military clashes. In the 1970s, the Soviet Union became the number one enemy of China. China began liberalization in the economic area towards the end of the 1970s. During the 1970s and 1980s, Japan deepened its political and economic relations with China and strengthened its security relations with the United States (for example, the United States and Japan set out their guidelines for defence cooperation in 1978 and Prime Minister Nakasone said in 1983 that Japan was an unsinkable aircraft-carrier for collective defence between Japan and the United States). The Soviet Union was indeed the common enemy of all three countries.

This structure changed radically when Gorbachev took power in the Soviet Union in 1985. The relationship between the United States and the Soviet Union was significantly improved. The ending of the cold war had differing impacts on the four countries. The Soviet Union dissolved into 15 republics in 1991. Russia, the successor of the Soviet Union, has been democratizing politically and liberalizing economically. China has continued economic liberalization, even though it experienced political setbacks, such as the Tiananmen Square incident of 1989, and still keeps a socialist system. The United States has become the sole superpower in the world in both economic and political/strategic terms. Japan has kept the status of economic giant while it has somewhat changed its security policies, for instance, sending the Self-Defense Forces overseas as part of UN peacekeeping operations.

The four countries have divergent individual characteristics, and their international status or positions and the relations between them are also different. The United States and Japan are members of the G7 (Russia has become a partial member), while China is not. While the United States, China and Russia are permanent members of the UN Security Council, Japan is not.

**Table 4.1.** Bilateral summit meetings, 1983–98

	Years															
	'83	'84	'85	'86	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98
J-U		–														–
J-C			–		–			–						–		
J-R	–	–	–	–	–	–	–	–		–		–	–	–		
U-C	–			–	–	–	–	–	–	–	–	–	–	–		
U-R	–	–							–					–		
C-R	–	–	–	–	–	–	–	–			–		–			

*Notes:* J = Japan; U = United States; C = China; R = Soviet Union/Russia. = bilateral summit meeting held; – = no bilateral summit meetings. Data should be considered tentative since they are based only on the Japanese Diplomatic Blue Books and some newspapers.

Japan is a non-nuclear country while the other three are major nuclear powers. While the United States and Russia are members of the OSCE, Japan and China are not. (Japan is an observer.) This might imply that there is some division between Europe and Asia among these four nations. These differences, however, have not created structural cleavages between them after the cold war. Rather, they seem to have forged at least an implicit consensus regarding the basic international order. For example, they seem to have a common direction towards the market economy and to agree on the maintenance of a stable international political framework in which they do not resort to arms or even use the threat of force to solve conflicts among themselves and in which they try to avoid serious political cleavages. In a sense, they admit the basic political status quo as reality.

### Analysis based on bilateral summit meetings

In the second half of the 1990s, summit exchanges between these four countries have become the norm rather than the exception. Bilateral summit meetings have been quite frequent. However, the structure or configuration of bilateral summits has changed radically over time.

Table 4.1 demonstrates the fundamental changes in the configuration of the bilateral summits between the four countries since 1983. Two qualifications should be made. First, their leaders also often meet in such multilateral settings such as the APEC informal leaders' meetings, and to focus only on bilateral summit meetings can thus neglect other important diplomatic contacts. Second, a different picture might emerge if exchanges between foreign ministers or defence ministers were also examined. These qualifications having been made, the bilateral summit meetings show the skeleton of the basic relations between the four countries.

The table shows that the most stable and close bilateral relations have been those between the United States and Japan. Relations between Japan and China have also been close throughout the entire period. It also reveals that it was after Gorbachev took office that the United States and the Soviet Union/Russia developed stable bilateral relations. However, the most important point it demonstrates is the clear structural changes over time. During the 'new cold war' (in 1983 and 1984), bilateral summit meetings were held only between Japan and the United States, between Japan and China, and between the United States and China. There was no bilateral summit including the Soviet Union. This shows clearly that there was an implicit triple alliance between the United States, Japan and China vis-à-vis the Soviet Union.

This situation changed when Gorbachev took power in the Soviet Union in 1985. The bilateral summit meetings between the United States and the Soviet Union became annual, while there was no bilateral summit between China and the Soviet Union before 1991. The United States and China, moreover, had no bilateral summit meetings between 1986 and 1996.

This might imply that the United States did not feel it necessary to have close relations with China because of the improvement in its relations with the Soviet Union. In a sense, the implicit tripartite alliance against the Soviet Union collapsed, and relations between the United States and China had deteriorated since the Tiananmen Square incident. In addition, there was no bilateral summit meeting between Japan and the Soviet Union. However, since all the four nations were directly and indirectly connected in this period, there were fewer structural cleavages between them than before. However, strife remained between the Soviet Union and China and the distances between Japan and the Soviet Union and between the United States and China are fairly wide.

This continued until 1991, when the Soviet Union broke up and President Yeltsin took power. The end of the cold war opened the way for bilateral summits between Russia and China—they later began talking about a ‘strategic partnership’—while the United States and Russia kept a stable bilateral relationship. (It is interesting to note that, where the structure of relations between the four powers is concerned, the most important impact of the end of the cold war has been not on the relationship between the United States and Russia but on Sino-Russian relations, even though the quality of the former has changed dramatically.) The end of the cold war brought about, as stated above, a basic consensus among the four powers about the fundamentals of the international political order and about the market economy.

Japan and Russia do not yet have a peace treaty and the territorial issue remains to be solved. During the first half of the 1990s, Japan faced a choice between helping Russia economically and regaining the Northern Territories (the southern Kurile Islands). While Japan held two bilateral summits with Yeltsin’s Russia during this period, the United States did not have any bilateral summits with China. This was basically due to the Tiananmen Square incident and to a variety of issues including human rights and the Taiwan Strait.

It was in 1997 that these two dyads (the United States and China, and Japan and Russia) came to have bilateral summits. Having consolidated security relations with the United States in 1996, Japanese Prime Minister Ryutaro Hashimoto began to take an active policy towards Russia, partly because the policy circle responsible for Russia, the ‘Russian school’ in the Ministry of Foreign Affairs of Japan, changed its basic stance towards Russia. Hashimoto seemed to be aiming at a grand solution in the sense that both the territorial issue and the peace treaty would be solved at the same time. He tried to achieve this through the leadership of President Yeltsin. He visited Russia to meet Yeltsin in 1997 and agreed with him on a peace treaty by 2000—a very ambitious goal. Yeltsin returned the visit in early 1998 and Japanese Prime Minister Obuchi visited Moscow late in the same year to maintain the creative partnership between the two countries.

In late 1996, Bill Clinton was re-elected as President of the United States and Jiang Zemin took over in China after the death of paramount leader Deng Xiaoping. Jiang, who is much younger than Deng, is trying to develop active foreign policies in order partly to consolidate his position. The Clinton Administration has decided on what is called a policy of engagement towards China and China wishes to develop much closer relations with the United States. Jiang visited the United States in 1997 and President Clinton returned the visit in 1998.

### III. An era of concerted bilateralism?

The years 1997 and 1998 were indeed very special for the quadruple relations. Each of the six possible dyads held bilateral summits, for the first time in history. Each country was connected with every other directly through bilateral summits. The structure of bilateral summits is ‘completed’. I am not aware of any formal triple and quadruple summits among the four countries. These bilateral summit relations therefore comprise the basic structure of the current quadruple system.

A bilateral summit means that the two nations are willing to solve bilateral (and other) issues through dialogue and negotiation at the highest level.

The completed bilateral structure has to be seen from two different viewpoints. The first is what will happen in each of the six dyads. Bilateral relations will oscillate and face a variety of issues. For example, the United States and China will have to cope with the issues of human rights in China and the Taiwan Strait, as well as others. Their bilateral relations may become bitter again. Relations between Russia and Japan are full of uncertainties, even though the channel of bilateral summit meetings has been opened up. From the Japanese perspective, the questions are whether the two countries can successfully reach a peace agreement by 2000 as planned and whether the peace agreement and the solution of the territorial issue will come about at the same time. These answers depend to a great extent on the domestic political situation in Russia and the health of President Yeltsin, while the problems themselves are extremely difficult. In other words, the two new sets of bilateral summit meetings which started in 1997 and 1998—between Japan and Russia, and between the United States and China—are still unstable, while those dyads which have held stable bilateral summits at least since the end of the cold war—the USA and Japan, Japan and China, the USA and Russia, and China and Russia—seem fairly stable.

One means of stabilizing the quadruple system would be to 'institutionalize' the summit meetings between the United States and China and between Japan and Russia. In fact, even those bilateral relations which appear more stable must be handled carefully. For example, when Jiang visited Japan in 1998, he stubbornly raised the issue of what China calls its 'historical experience' of Japan, to be included in the final communiqué, and Obuchi, also stubbornly, rejected this. Even though the moves by the two leaders were intended mainly for domestic consumption, the summit meeting itself caused some problems for bilateral relations. Each set of bilateral relations has some hurdles to be overcome.

The second aspect is the relations between and among different bilateral relations. The bilateral relations which have been developed since the end of the cold war have different characteristics and are described by different names. While the United States and Japan have a military alliance, the other bilateral relations do not. Quite often they use the term 'partnership', be it 'strategic partnership' (between Russia and China), 'constructive strategic partnership' (between the United States and China) or 'creative partnership' (between Russia and Japan).

It can be argued that bilateral partnership, even when called a strategic partnership, means that the partners are friends, that their friendship is not directed against a particular third party and that they intend to solve flexibly a whole range of bilateral issues and to promote bilateral cooperation. (The United States and Japan use the term 'global partnership'. Their partnership is directed outside rather than inside to promote global benefits.) If so, we have a set of bilateral relations that are independent of each other. And, because these bilateral relations are basically friendly (or at least not adversarial), a set of friendly bilateral relations, although independent, will provide stability to the entire quadruple system.

This is quite different from the competing bilateralism which was seen during the cold war. However, bilateral relations will have impacts on other bilateral relations or third parties. These can be positive or negative. For example, the maintenance of good relations between the United States and Russia provides Japan with chances to improve its relations with Russia, but China has opposed the United States and Japan enhancing their security cooperation where situations in the areas surrounding Japan (as specified in the 1997 US–Japanese guidelines for defence cooperation) are concerned because it fears that US–Japanese security cooperation will cover the Taiwan Strait, which China claims is its internal affair. When China and Russia form a coalition to aim at 'multipolarization'—promotion of multipolarity—this is perceived as implying shared opposition to US hegemonic behaviour. China and Russia are also opposed to the recent US ballistic-missile defence (BMD) plan and US–Japanese cooperation to develop a Theater Missile Defense (TMD) system. When President Clinton visited China to enhance US relations with China in 1998, both China and the United States stated their dissatisfaction as to Japanese economic policies, and the fact that Clinton did not stop over in Japan after his visit to China caused some anxiety on the part of Japan.

It is interesting to see that, while the development of the structure of bilateral relations has created and enhanced the stability of the quadruple system, it has made the system more complex and brought about some uncertainties. Within a general cooperative framework, many kinds of competition and disputes have occurred and will continue to occur with a shifting focus on different issues. The system is what is called an associative balance of power<sup>1</sup> in which, although there are no structural cleavages between countries, there exists a mechanism to balance their political interests and influence. Furthermore, there exist some centrifugal forces which might put a subtle equilibrium off balance. For example, there still remain elements of a security dilemma<sup>2</sup> within the system. Japan, for example, took the decision to cooperate with the United States to develop a TMD system and to acquire an information-gathering satellite system after the North Korean missile launch in August 1998. The United States has recently made the decision to enhance the BMD programme. In the opinion of this author, the Japanese move was intended only to enhance Japan's security. However, it gave rise to serious security concerns on the part of China. While China worries most about a TMD system being introduced into Taiwan (in the same way as it is concerned about US–Japanese defence cooperation) it also exhibits a general concern about a changing balance of power between the United States and Japan on the one hand and China on the other. If this kind of escalation continues into the future, a structural cleavage might develop between the United States and Japan on the one hand and China on the other. Furthermore, Russia and China demonstrated great anxiety about the US development of BMD and are critical of the (unilateral) US–British bombing of Iraq started in December 1998, while Japan was one of the first nations to support it publicly.

If the cooperative framework among the four countries is to be maintained it may be necessary to coordinate or concert the different bilateral relations. Thus, if one form of bilateral cooperation is to be enhanced, we must pay closer attention to the possible impact on the other bilateral relations and on third parties. We indeed need 'intentionally coordinated (concerted) bilateralism'. Furthermore, one of the ways to avoid negative impacts on third parties is to expand bilateral relations into tripartite relations which include the affected third party. For example, there are some moves for the United States, Japan and China to form tripartite relations or triads even at the governmental level.

The development of bilateral relations among the four countries has already been discussed. There have been no formal tripartite or quadruple summits. Are there any possibilities of forming 'triplets' among the four nations?

As stated above, the 1970s and 1980s witnessed an implicit triad between the United States, China and Japan against the Soviet Union. However, possible 'triplets', if formed in future, should not be directed against the fourth country in the current quadruple system. They should be geared either for solving problems among the three countries or for providing benefits to the fourth. For example, as mentioned above, the United States, Japan and China might form tripartite relations in order to coordinate their security policies (e.g., on the TMD issue). Russia, Japan and the United States could form tripartite relations in order to resolve, for instance, the Northern Territories issue, with the United States playing an intermediary role between Japan and Russia. If it is difficult to form tripartite relations at the governmental level, to say nothing of the summit level, 'track two' arrangements can be used. For example, when the United States, China and Japan came to think about the possibility of tripartite government-level talks in 1997, China was very cautious and said this was premature. The three countries then tried to start a 'track two' tripartite dialogue. Such dialogues have been very important at both bilateral and multilateral levels, including relations between major powers, and a tripartite track two dialogue between the United States, Russia and Japan has produced a good outcome regarding Russian–Japanese relations.

<sup>1</sup> On this concept, see Little, R., 'Deconstructing the balance of power: two traditions of thought', *Review of International Studies*, vol. 15 (1989), pp. 87–100.

<sup>2</sup> On the concept of security dilemma, see Herz, J., *Political Realism and Political Idealism* (University of Chicago Press: Chicago, Ill., 1951); and Jervis, R., *The Meaning of the Nuclear Revolution* (Cornell University Press: Ithaca, N.Y., 1989), particularly pp. 53–57.

### **Towards a concert system?**

What of the possibilities of a multilateral, quadruple arrangement?

One idea is a 'concert' system comprising the four countries. Theoretically, a concert system comprises all the relevant countries (major powers) in a particular international system, be they global or regional.<sup>3</sup> The member countries forge a set of formal or informal behavioural rules which produce stability in the entire system. The rules include consultation with each other on major issues, no unilateral action, no action which jeopardizes the vital interests of other countries, and regular multilateral meetings to consult and adjust differing interests. Within a concert system, there are no structural cleavages between the countries involved and they have some common interests. While a concert system is usually designed to forge stability internal to the system, it sometimes takes concerted action towards countries outside the system. A typical example is the Concert of Europe after the 1815 Congress of Vienna. It comprised all the major powers at that time and developed a set of behavioural rules like that described above. All the major powers in the system shared a conservative value system to be maintained by international cooperation.

Is this kind of concert system feasible and/or desirable for the quadruple system of the United States, Japan, China and Russia? Even though they have successfully achieved the structure of completed bilateral summit relations, they are not yet in a concert system, particularly in the sense that they do not have regular quadruple meetings. While they seem to have developed such important behavioural rules as not to take actions which jeopardize the vital interests of other nations and, probably, to consult with each other as to the major issues, they have not yet come to terms with the rule that they will not take national and bilateral actions without consultation. To repeat, the United States and Japan are taking 'unilateral bilateral' actions such as the defence cooperation guidelines and the development of the TMD system even though they are trying to explain their moves to, for instance, China. China also reserves the right to take unilateral military action vis-à-vis Taiwan, saying that it is a sovereignty issue.

The development of a concert system is desirable but not yet feasible and many feel that it would be against their national interests: it would set too great constraints on their policies. Furthermore, if the four countries do develop a concert system, it might have negative externalities to the nations outside the system. For example, Europe might feel alienated. Smaller powers may be suspicious about such cooperation among the major powers in the region. Thus, a concert system may have to be developed globally through the United Nations or through such all-inclusive regional multilateral frameworks as the ARF.

A concert system may, however, be feasible and desirable regarding particular issues in North-East Asia. For three years the four-party talks have been going on regarding the Korean issue. They include the United States, China and the two Koreas and will be productive in stabilizing and resolving the Korean Peninsula issue, although with occasional setbacks. If the talks themselves or other arrangements come to include Japan and Russia, this would strengthen the quadruple system and the Korean Peninsula Energy Development Organization (KEDO) in which Japan and Europe have been playing important roles.

## **IV. The Japanese perspective**

From the Japanese perspective, stable relations among the four major powers are most desirable. The 'completion' of the six sets of bilateral summits is thus a welcome event. As stated above, it is important to maintain and institutionalize this structure. In that respect, Japan must

<sup>3</sup> On the concept of concert systems, see, e.g., Jervis, R., 'From balance to concert: a study of international security cooperation', *World Politics*, vol. 38 (1985), pp. 58–79; and 'Security regimes', *International Organization*, no. 36 (1982), pp. 357–78. A concerted bilateral system would fall somewhere short of a cooperative security system because it lacks multilateral elements. Beyond concert systems, we may go into a collective security system and even further into security communities. Adler, E. and Barnett, M. (eds), *Security Communities* (Cambridge University Press: Cambridge, 1998).



make great efforts to keep stable relations with Russia as well as with other major powers. Good relations between the United States and China will provide Japan with a stable triangular relationship between itself, China and the United States, which is crucial in this region. Stable bilateral relations between the United States and Russia and between Russia and China will give Japan opportunities to develop good relations with Russia. The entire quadruple system of six stable dyads will give Japan opportunities to cope with such important security issues as the North Korean missile and nuclear issues.

However, there are some important problems which Japan must keep in mind. One is that its relations with other major powers have become more complex and sometimes exhibit uncertainties. For example, its relations with the USA, which are the most important to Japan, might sometimes lose their special character. As has been mentioned, when the United States strengthened its relations with China through mutual visits of heads of state in 1997 and 1998, Japan worried that its relations with the United States would be weakened. Even though a cooperative system has been developing in this region among the major powers, and even though naked military power is not used as a threat or a diplomatic means, there still remains something of a security dilemma and of a subtle politico-strategic balance-of-power game. The move towards a TMD system by Japan and the United States was triggered by the North Korean nuclear and missile question and by the Chinese military exercise in spring 1996 over the Taiwan Strait; in turn it caused anxiety on the part of China. China and Japan have what is called the issue of 'historical experience'. Thus we may say that things have become more complex and uncertain and that we have to devise ways to avoid a spiral of escalation developing.

## V. Summary and conclusions

The quadruple system has changed structurally over time. At the height of the cold war, the world witnessed what may be termed the system of competing bilateralism where the USA-Japan dyad and the Soviet Union-China dyad seriously contended with each other. In the late 1970s and until the rise of Gorbachev in 1985, a triad of the United States, China and Japan competed against the Soviet Union. During the Gorbachev *détente*, the summit meetings resumed between the United States and the Soviet Union, and relations between China and United States were weakened. The implicit tripartite alliance dissolved.

The end of the cold war opened up summit relations between China and Russia, while Sino-US relations were not close. In the past two years, summit relations have been opened between Japan and Russia and between the United States and China. In 1997 and 1998, all the dyads held bilateral summits. The completed bilateral structure probably emerged by chance and is still fragile. Efforts should be made to institutionalize it. It should also be noted that the structural changes were caused by, among other things, changes within domestic politics and in leaderships. This has important implications for the future development of the relationships between the four countries.

Each dyad has its own problems to be solved. Thus, the emergence of completed bilateral summit relations means that each dyad is ready to discuss the issues at the highest level (this is particularly true for the dyads which begin bilateral summits most recently). These developments give stability to the entire quadruple system and the region as a whole and complement work done in other multilateral forums. However, as relations among the four have become denser they have become more complex. The enhancement of one bilateral relationship may give a third country cause for suspicion.

Japan will benefit from, and thus must contribute to, the development of a stable quadruple system. A stable quadruple system will give it opportunities to cope with not only bilateral issues but also such issues as the Korean Peninsula. One thing Japan must do is to continue productive relations with Russia. Japan aims to conclude a peace treaty with Russia and solve the territorial issue at the same time by the year 2000. This depends in part on what happens in Russian domestic politics. Japan must also make great efforts to strengthen relations with

China. As stated above, even though Japan and China have successfully kept stable summit relations, the relationship between them cannot be considered good at present. In particular, Jiang's visit to Japan in 1998 was in this author's opinion not successful (although the Chinese and Japanese leaderships claim that it was). Japan and China must settle the issue of 'historical experience' and at the same time develop bilateral economic and environmental cooperation.

One of the most important and difficult issues Japan must face is a possible spiral of a security dilemma vis-à-vis China. Even though it is important to keep a good relationship with China, Japan must take into account its national security interests. And, as quadruple relations become denser and more complex, Japan should sometimes prioritize bilateral relations. In this regard, relations with the USA are the most important. This priority gives some certainty to a complex quadruple system.

The quadruple system, even when a highly cooperative system is developed, cannot cope with all the important issues. For example, the Russian economic crisis has been dealt with outside the quadruple system. Even though such multilateral frameworks as the ARF have gained importance in the security area, the quadruple system has not yet formed into a multilateral system. However, a quadruple system has been evolving as a set of bilateral relations and it has been effective in handling some of the important bilateral issues which are the 'real' issues in international politics.

## 5. Russia and great-power security in Asia

ANDREW C. KUCHINS

### I. Introduction

The demise of the Soviet Union and the dramatic decline of Russia are the most significant developments in the international system since the end of World War II. These tumultuous and for the most part unexpected developments have virtually transformed the cold war bipolar structure of international relations into a system marked by unipolarity, with the United States in the position of global hegemon by virtue of its unparalleled combination of economic and military strength. The demise of the bipolar international system has also accelerated a trend in which the global structure of power has less influence over regional structures of power. 'Global unipolarity now coincides with regional multipolarity.'<sup>1</sup>

East Asia is the region most accurately described as multipolar because it includes the greatest confluence of current and emerging major powers—China, Japan, Russia and the USA. Even during the cold war, East Asia was a regional subsystem identified by many observers as multipolar, most often in the context of the 'strategic triangle' comprising China, the Soviet Union and the USA.<sup>2</sup>

While the relative powers of the key states in East Asia have shifted, at a structural level the end of the cold war has had less impact there than in Europe. The USA maintains a forward deployment in the region and the core of its security framework, the bilateral security alliances with Japan and South Korea, remains intact. Japan continues to base its security on its relationship with the USA rather than pursue a more independent path. Conversely, China continues to shun alliance relationships with other regional powers, but does enjoy better relations with all regional powers than at any time this century. Russia also enjoys relatively positive relations with the other powers, but its influence in the region is at an all-time low.

Despite the significant improvement in relations between the regional powers and the current period of peace, there are compelling reasons for concern about the potential for conflict among major powers in East and South Asia in the first quarter of the next century. Scholars in the realist and neo-realist schools in international relations theory see Asia as potentially dangerous, in part because of the major transition now under way, and likely to continue for years to come, with China becoming more powerful and challenging the USA for regional dominance. For those who subscribe to the argument that democratic states are less prone to conflict, Asia gives cause for concern. Likewise, analysts inclined to domestic policy explanations for foreign policy outcomes worry because China, Indonesia, Pakistan, Russia and Viet Nam are all undertaking or likely to undertake major economic and/or political transitions whose outcomes are hardly predictable. Samuel Huntington's civilizational perspective raises concern about Asia because diverse civilizations, including the Islamic, Sinic, Japanese, Western, Hindu and Slavic, are all represented there.<sup>3</sup>

Scholars and analysts who are more optimistic about the prospects of regional security—primarily from the region itself—are more inclined to reject the utility of Western paradigms,

<sup>1</sup> Betts, R., 'Wealth, power, and instability: East Asia and the United States after the cold war', eds M. E. Brown, S. M. Lynn-Jones and S. E. Miller, *East Asian Security* (MIT Press: Cambridge, Mass., 1996), p. 39.

<sup>2</sup> The emergence of the 'strategic triangle' in international relations is debatable. Even at the peak of triangular diplomacy in the late 1970s, Kenneth Waltz argued that the triangle was not a helpful concept because China was too weak. Waltz, K., *Theory of International Relations* (Addison-Wesley: Reading, Mass., 1979), p. 180. Some scholars suggested that the triangle emerged with the Sino-Soviet split in the 1960s. See, e.g., Segal, G., 'China and the great power triangle', *China Quarterly*, no. 83 (Sep. 1980). Others argued that the triangle emerged in the 1970s with the growth of China's nuclear arsenal and the improvement of Sino-US relations. See, e.g., Dittmer, L., 'The strategic triangle: an elementary game theoretical analysis', *World Politics*, no. 33 (July 1981).

<sup>3</sup> Huntington, S., *The Clash of Civilizations: The Remaking of World Order* (Simon and Schuster: New York, 1996).

especially the analogy with Europe, as unhelpful in explaining security interactions and behaviour in Asia.<sup>4</sup> The Asian nations attach greater importance to economic matters than their European counterparts and have a broader perspective on what comprises security. Despite the region's history of deep antagonism and conflicts even in this century, there is now a mutual interest of states in pursuing economic modernization and avoiding conflict. The sense of a regional international society will be enhanced by continued interactions in multilateral forums such as APEC and the ARF, in which states will seek to limit the use of force.

Whether the prognosis for Asia's future is optimistic or pessimistic is hardly clear at this point. It is clear, however, that regional developments will have a tremendous impact on the rest of the world. Despite the economic problems affecting many leading states in Asia in 1997–98, the region emerged from the cold war as a global powerhouse. On the basis of purchasing power parity (PPP), in 1997 Asia was home to three of the world's five largest economies—China, Japan and India. It is very likely that the market, capital and technological power of the region will continue to expand relatively fast in the first decades of the next century.

## II. Russia: the 'sick man' of Eurasia

That Russia's influence in Asia has declined since the demise of the Soviet Union should not be surprising. Russia's human and natural resource base is considerably less as it has only about 60 per cent of the population and 75 per cent of the territory of the USSR. Russia has also embarked on a transformation of its economic, political and social system—an effort that was bound to be difficult.

In 1993 this author used the metaphor of Russia as the 'sick man of Asia'. Six years later that assessment looks remarkably optimistic. On top of 74 years of communist rule, Russia is beset with the legacy of seven years of failed reform efforts which have saddled the country with enormous debts that probably cannot be fully repaid and a deeply impoverished and disillusioned population. It is enduring an economic decline that is unprecedented for an industrialized nation during peacetime—a decline that makes the Great Depression in the USA in the 1930s look mild. The decline was temporarily arrested in 1997, but the figures for 1998 will probably indicate a further drop. In October 1998, Deputy Economics Minister Nikolay Shamrayev predicted a drop of 5.5–6 per cent for 1998.<sup>5</sup> These are staggering losses by any measure, but it is particularly sobering to look at Russia's position relative to that of other leading economic powers. Its 1997 GNP of \$403.5 billion at market exchange rates ranked 12th in the world, just slightly ahead of the Netherlands and Australia. Its 1997 per capita GNP of \$2740 ranked 51st and placed it in the 'low middle' income bracket by World Bank standards. Russia's GNP for 1997 was about 5.2 per cent of that of the USA at market exchange rates, or about 8 per cent in PPP terms. Mexico, a country with a population about two-thirds the size of Russia's, exceeds Russia in GNP adjusted for PPP by about 25 per cent. Russia's GNP has also fallen behind those of Canada and South Korea. The Indian economy was nearly two and one-half times the size of the Russian economy in 1997. The story of economic decline which these numbers tell is particularly stark when it is borne in mind that 15 years ago the Soviet economy was the second or third largest in the world.

The Russian armed forces have not been unaffected by the economic and social deterioration during the 1990s. Funding for defence purposes has been drastically cut back since 1991. It is difficult to attach an exact figure to Russian military expenditure because of the lack of transparency and the exclusion of many defence-related expenditures, such as border troops, internal and security forces and other items, from the defence budget. Another problem in estimating Russian defence spending is that the actual amount spent has been considerably less than the

<sup>4</sup> Much of the argument in this paragraph is derived from Alagappa, M., *Asian Security Practice: Material and Ideational Influences* (Stanford University Press: Stanford, Calif., 1998), pp. 5–6.

<sup>5</sup> Radio Free Europe/Radio Liberty, *REF/RL Daily Report*, Part 1 (6 Oct. 1998), URL <<http://www.rferl.org/newsline>>.

amount allocated because of major revenue problems which are caused principally by ineffective tax collection. Nevertheless, Alexei Arbatov, Deputy Chairman of the Committee on Defence in the Russian Duma, recently estimated Russian defence spending to be no more than \$30 billion per year, or *c.* 10–13 per cent of what the USA spends.<sup>6</sup> According to the International Institute for Strategic Studies, a comparison of defence spending by other regional powers in Asia in 1997, when adjusted for PPP, has Russia at \$64 billion, China at \$36.6 billion and India at \$12.2 billion per annum.<sup>7</sup> Japan's military expenditure, not adjusted for PPP but at market exchange rates, was \$40.9 billion. Arbatov foresees a very dismal future for the Russian military in about 10 years when Russia could be facing new military threats without a modern military and without state-of-the-art weapon technologies. The current condition of the Russian armed forces is near-catastrophic because of shortages of food, housing and materials.

Not only are these traditional economic and military sources of national power sharply diminished, but the state institutions responsible for making and conducting foreign and security policy are in various stages of disorder and disability. The federal government continues to endure a fiscal crisis that is only growing worse. The only vestige of the Soviet Union's superpower status is the ageing but still large arsenal of nuclear weapons and delivery systems and even here the overriding fear is not so much that Russia will use these weapons, but rather that it may not be able to look after them and fissile materials in general. The world today may fear Russia because of the possibility of state collapse or the implications of continued economic decline and social unrest leading to more political disorder. The analogy with Weimar Germany is the spectre haunting Eurasia today and Russia must sadly be regarded as the sick man of Eurasia, not just Asia.

Russian military power in Asia, long the basis of the Soviet claim to regional influence, has drastically declined in recent years. While part of the decline was by design, that is, the border troop reduction agreement of April 1997 between China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, and can also be justified by reduced threat perception in the region, much of the reduction in Russian military power has taken place in a haphazard manner and has been driven by the funding crisis.<sup>8</sup> The numbers of ground troops have fallen from a peak in 1989 of 43 divisions and about 390 000 personnel to 15 divisions and 190 000 personnel in 1997; current plans for military reform would cut the number of fully equipped divisions in the region to four by 2000.<sup>9</sup> This would reduce Russian troop levels below those permitted by the April 1997 agreement.

The Russian Pacific fleet has shrunk from 100 major surface ships and 140 submarines in 1989 to 60 major ships and 60 submarines in 1997.<sup>10</sup> Both aircraft-carriers have been sold for scrap to South Korea and a new carrier, *Pyotr Velikiy*, which was scheduled for deployment in the Pacific, was commissioned in 1998 for the Northern Fleet. The role of the Pacific Fleet is now confined to protection of the coastline in the Seas of Japan and Okhotsk, no longer that of countering the US Seventh Fleet in the Pacific and Indian oceans. Perhaps more importantly, with the decommissioning of older submarines, the Pacific is losing significance as Russia's strategic nuclear bastion. Given the current inability to replace the decommissioned submarines, it looks increasingly likely that Russia's last Asian nuclear base at Rybache on the Kamchatka Peninsula will not survive. It is more likely that the Russian strategic naval forces will be concentrated in the two bases of the Northern Fleet. The ongoing decline of Russian military

<sup>6</sup> Arbatov, A. G., 'Military reform in Russia: dilemmas, obstacles, and prospects', *International Security*, vol. 22, no. 4 (spring 1998), p. 97.

<sup>7</sup> International Institute for Strategic Studies, *The Military Balance 1998/99* (Oxford University Press: London, 1998), pp. 108, 178, 183.

<sup>8</sup> On the treaty, see Anderson, J., International Institute for Strategic Studies, *The Limits of Sino-Russian Strategic Partnership*, Adelphi Paper no. 315 (IISS: London, 1997), pp. 39–42. Anderson argues that because of the deterioration of the armed forces in the Russian far east Russia sought more radical cuts than those provided for in the agreement.

<sup>9</sup> Urusov, M., 'Rossiyskiye generaly peregonyat Ameriku' [Russian generals will leave America behind], *Moskovskiy Novosti*, no. 11 (22–29 Mar. 1998), p. 8.

<sup>10</sup> Japan Defense Agency, *Defense of Japan 1989*; and *Defense of Japan 1997*.

forces in the Asian theatre is a big part of the transformation of the balance of forces in the region. This is also closely related to how Russia views desirable regional security arrangements in the future.

### III. Russia and East Asian regional security

There is a considerable degree of consensus among Russian foreign policy elites about the desired role for Russia in Asian security arrangements. This view stems from the perception of Russia as a declining power in the region coupled with the desire to promote multilateral efforts which will include a role for Russia. There is a striking contrast between the way Russia views NATO and issues of European security and the way it sees the US security alliances in Asia, with Japan and Korea.<sup>11</sup> While NATO expansion has triggered a major Russian diplomatic counter-offensive and a blast of criticism in the press and academic publications, these US alliances are either ignored or treated rather sympathetically. Since President Yeltsin's visits to Tokyo and Seoul in November 1993, Russia has formally praised them as positive guarantees of regional security. Whether regional security issues are viewed from a realist perspective, emphasizing the importance of the balance of power, or from a liberal paradigm, placing importance on interdependence and multilateralism, the policy conclusions are similar. In fact, the existing consensus view on Russia's foreign and security policy priorities is a *mélange* of realist and liberal thinking.

Russia's positive assessment of the US-led alliances in Asia derives from the assumption that, unlike Europe, East Asia is a multipolar region in which the USA helps to preserve the status quo. By contrast, in Europe the USA and NATO are viewed as expanding their influence at the direct expense of Russia. As Russia looks at the Asian balance of power, the most significant concerns are the growing power of China and the possible accelerated militarization of Japan—possibilities which could both further marginalize Russia's position in the region. It must be stressed that these developments are looked at as potential but not current threats.

Some Russian civilian and military analysts have also suggested that Russia would be a natural alliance partner with Western countries and Japan if conflict emerged with China in the next century. Russia realizes, however, that its leverage in regional security is increased if it can present itself as a legitimate partner to all leading players in East Asia. 'It is logical to assume that should there be a confrontation between China and Russia the Western countries and Japan would side with the latter. One should believe that China is aware of this. It is therefore very doubtful that it is going to support an aggression on the part of the Western countries and Japan against Russia. It is for this reason that both Russia and China should prefer neutrality and mutually beneficial cooperation under any worsened situation.'<sup>12</sup>

Russia's former Defence Minister, Igor Rodionov, confirmed this view during his visit to Tokyo in May 1997 when he suggested trilateral cooperation between Russia, Japan and the USA to ensure Asia-Pacific security, even referring to the three countries as partners.

Balance-of-power analysis also leads Russians to support the continued military role and presence of the USA in the region because of the belief that withdrawal would probably spur faster and more comprehensive militarization in Japan. Japan's economic and technological prowess not only gives it tremendous status as a world power, but can also potentially be applied to the defence sector in a much more concentrated fashion. While the containment of China is a more recent concern, Moscow probably tacitly approved the US-Japan security relationship even before the collapse of the USSR.

<sup>11</sup> This argument is distilled from Kuchins, A. and Zagorsky, A., 'The Russian Federation and Asian security: marginalization or integration', Paper prepared for the Conference on America's Alliances with Japan and Korea in a Changing Northeast Asia, 20-22 Aug. 1998 at the Asia/Pacific Research Center, Stanford University. A draft of this paper is published by the Program on New Approaches to Russian Security (PONARS) in its Working Paper Series at URL <<http://www.fas.harvard.edu/~ponars>>.

<sup>12</sup> Klimentko, A. F., 'Mezhdunarodnaya bezopasnosti i kharakter voyennykh konfliktov budushchego' [International security and the nature of future military conflict], *Voyennaya Mysl*, no. 1 (1997), p. 9.

Russia also supports the development of a more comprehensive multilateral security system in Asia as a means to ensure that its voice is heard, particularly during this period of unprecedented weakness. In this regard, there is an almost symbiotic relationship between Russia's realist perspective and its liberal perspective and the two are easily combined as they argue to a considerable extent for similar policies. During the cold war Soviet officials repeatedly called for multilateral security arrangements in Asia, but the primary motive then was either to reduce the role of US power or to eliminate it altogether. This was particularly true, for example, in Brezhnev's proposal for a collective security pact in Asia in 1969.

Again it is instructive to compare Asia with Europe in terms of institutional mechanisms and Russian interests. In Europe, Russia naturally has promoted the Organization for Security and Co-operation in Europe (OSCE) as the leading institution in a new European security architecture since Russia has played a leading role in it and in its predecessor, the CSCE. The OSCE works on the principle of consensus so that no decision may be approved without Russia's consent. NATO, however, is the most powerful security institution in Europe. Russia is not a member and has no formal decision-making role. The May 1997 NATO–Russia Founding Act allows a more consultative role for Russia, but Russia remains at best on the periphery of the organization, if not its opponent.

In Asia–Pacific, which lacks any significant institutionalized multilateral security system, there are no obvious choices as there are in Europe. Moreover, since the 1990s Russia and the United States have generally recognized the need for broader multilateral security cooperation. The only organization to discuss regional security issues is the ARF, which was established in 1993 with Russia as a member from the beginning. However, it has so far served mainly as a forum for discussion and its operational role is even less significant than that of the OSCE. While Russia's proclaimed goal of a multipolar world often pushes it to closer cooperation with Asian partners than with the USA, the notion of a regional multilateral security system is extremely important for Russian strategy because it represents the only hope of maintaining its great-power status. Given the lack of an institutional basis for multilateral security in Asia, Russia is more inclined to view the Japanese and Korean security alliances with the USA as the kernel for the development of multilateral arrangements in the future. Indeed, Russia's current foreign and security policy-making apparatus, in so far as one can speak of such an entity today, silently recognizes that 'strategic cooperation' with China has probably reached its peak and now requires counterbalancing with improved dialogue with the USA, Japan and South Korea.

Russia is concerned that, despite its positive assessment of the USA's security alliances with Japan and Korea, the USA is seeking further to isolate Russia and eliminate it as a powerful regional actor. It often feels that its interests are either ignored or slighted. Its exclusion from the four-party talks on Korea and its failure to win a contract for one of the light-water reactors to be built in North Korea by the Korean Peninsula Energy Development Organization (KEDO) are examples which illustrate the leverage problem for Russia. There is a general perception in Russia that its idealistic rapprochement with South Korea and loss of major leverage over North Korea have deprived it of any value for the major actors on the Korean Peninsula. Russia's response has subsequently been to distance itself somewhat from South Korea while intensifying cooperation with North Korea.

As yet Russia's assertiveness is limited to diplomatic activities and is not intended to undermine US security interests in the region. However, this policy of 'parallel engagement' is inherently unstable because it is promoted by 'two competing interest groups, rendering impossible the development of a consensual foreign policy that pursues a single set of goals within the region'.<sup>13</sup> In its efforts to court potential US adversaries in the region (China, India and North Korea, for example), the logic of Russian behaviour is determined primarily by its feeling of alienation and neglect, requiring the consolidation of new leverage to bolster its presence in the region. Unfortunately Russia may come to view its best tactic to induce a more

<sup>13</sup> Moltz, J. C., 'Russia and the two Koreas: the dilemmas of "dual engagement"', *Demokratizatsiya*, summer 1998, p. 381 (in English).

cooperative US response as a reversion to a 'bad guy' role. North Korea comes to mind here first in Asia, but Serbia and Iraq are other places where Russia could be a spoiler. In fact, such threats have been heard from former Prime Minister Primakov and other Russian officials despite the fact that it hardly seems in Russia's long-term interests to act on these threats.

One measure which Russia has taken to increase its leverage principally with the USA and Japan, however, is to engage China in a more cooperative relationship than at any time since the 1950s. This relationship deserves special attention.

#### IV. The Sino-Russian strategic partnership

It is impossible for Russian analysts to look at the challenges of Asian security without taking into account the emerging superpower on their south-eastern border, China. The evolution of Sino-Soviet/Russian relations from a hostile, militarized stand-off in the early 1980s to a nascent entente in the late 1990s is an important development in a changing North-East Asian security environment. Since the formation of the People's Republic of China in 1949, Chinese-US-Soviet/Russian relations have always had a triangular aspect with different balances at different times. The most striking developments in the triangle in the last decade have been the great deterioration of Russia's position and the extraordinarily rapid economic growth of China. Since China undertook reform in 1978, its GNP has grown dramatically while Russian GNP has shrunk by more than half since 1991. The bipolar world of the cold war collapsed; in an unusual unipolar period, the USA is in the position of global hegemon. History tells us, however, that unipolar periods are ephemeral. The kind of international system which emerges in the 21st century will depend on a number of factors including notably the trajectories of Russia and China and the kind of relationship that develops between them.

Dissatisfaction with the dominance of the USA in international affairs is a partial explanation for the desire in both China and Russia to raise the status of their bilateral relationship. Both have feared that the 'new world order' articulated during the administration of US President George Bush and subsequently muted under President Clinton is, in fact, a euphemism for a unipolar world dominated by, in their view, an often arrogant and overbearing USA. The calls for promotion of a multipolar world in recent joint statements from Sino-Russian summit meetings are obviously directed at the USA, despite the repeated caveat that improved relations between China and Russia are not directed towards any third party. Nevertheless, despite their various grievances against the USA, both China and Russia value their relationship with the USA more highly than their bilateral entente. For China, for example, trade with Russia is about one-tenth of its trade with the USA. For Russia the USA will be essential in its efforts to attract foreign investment and continued support from international financial institutions.

Both China and Russia derive some leverage in the triangle by developing closer ties but there are also some very important intrinsic benefits.

Their first shared interest is the stabilization of their long border, on which conflict flared up during the Sino-Soviet conflict, most notably in 1969. Both China and Russia seek to concentrate on internal reform and economic development in the foreseeable future, and this heightens the importance of a peaceful relationship between them. With the opening of the border and the ensuing boom in trade in the early 1990s much concern was raised in Russia, particularly in its far east, about the uncontrolled emigration of Chinese from China and the questionable quality of Chinese consumer products. Relations with China have also inflamed regional politics in the Russian far east: most notably and vociferously, Yevgeny Nazdratenko, the Governor of Primorskiy *krai* (Maritime Province), has demonized China and tried to obstruct the Sino-Russian border agreement of November 1991. Despite some contentious issues, however, China and Russia have worked effectively together to make the border more peaceful than at any time since the heyday of the Sino-Soviet alliance in the 1950s, although they have still not reached agreement on the islands of Tarabarov and Bolshoy Ussuriyskiy in the Amur River near Khabarovsk.



With a peaceful border to its north, China will be better able to focus attention on the strategic objective of reunification with Taiwan. Russia, however, will not forget that in 1964, after the Sino-Soviet alliance had collapsed in venomous recriminations, Chairman Mao Zedong claimed 1.5 million km<sup>2</sup> of then Soviet territory which had been annexed in the 19th century through allegedly unfair treaties imposed on a weak China.

Russian and Chinese strategic interests have also converged to a considerable degree in their mutual desire for secular stability in Central Asia. China is particularly sensitive to its Islamic nationalities in Xinjiang Province, of which the Uighurs are by far the largest, numbering about seven million, being infected by nationalist and secessionist fervour from the newly independent states of Central Asia. So far the Central Asian governments, especially those of Kazakhstan and Kyrgyzstan, have been responsive to Chinese concerns and have taken measures to quell cross-border Uighur nationalism. The Russian interest in stability in Central Asia stems from concerns about ethnic Russian populations, which are considerable in Kazakhstan and Kyrgyzstan, as well as the possible emergence of Islamic rather than secular governments in the region which might influence the Muslim populations in the Russian Federation. Given its current economic problems, Russia would be extremely hard pressed if large numbers of Russian refugees streamed across the border because of discriminatory treatment or civic unrest. The civil war in Tajikistan has served as a cautionary tale for China and Russia and both have been reluctant to criticize Central Asian governments for human rights violations and political repression because these governments have ensured internal stability.

The economic relationship between China and Russia, which to date has failed to meet the expectations of both sides, shows considerable potential for growth, although it is unlikely that it will come close to the target of \$20 billion in total trade by the year 2000. In 1996 their bilateral trade amounted to about \$6.85 billion.<sup>14</sup> Extensive Russian arms sales have captured most attention in recent years, but border trade has been an important issue in the bilateral relationship, and in the longer term the development of Russian energy exports will fuel major growth in economic relations. Since this paper addresses primarily the Russian security challenges in Asia, the following discussion will focus on the arms and energy exports of Russia to China as they have the most relevance for regional security.

China seeks in the near term to bolster its ability to project power in the Taiwan Strait and the South China Sea. With the reluctance of the West to sell arms to China since the Tiananmen Square incident in 1989, Russia has aggressively entered the market to support Chinese military modernization—the last of the ‘four modernizations’ strategy articulated by paramount leader Deng Xiaoping 20 years ago. With the precipitous drop in procurement by the Russian military, many Russian military industrial enterprises find themselves dependent on the export market to survive. In 1997, estimates indicated that China had spent about \$5 billion on Russian arms in the previous five years—a very considerable sum for Russia, equivalent to about 2 per cent of all its exports.<sup>15</sup> In addition, China may account for one-third of the \$7 billion order book reported by Rosvooruzheniye, the Russian arms export agency.<sup>16</sup> The US Arms Control and Disarmament Agency (ACDA) reported that Russia supplied China with 97 per cent of its \$1.75 billion-worth of arms imports in the three-year period 1992–94.<sup>17</sup> Most significantly, China has bought 72 Sukhoi Su-27 fighter aircraft, roughly equivalent to F-15s, and in July 1996 signed a deal that would allow it to produce up to 200 more. There have also been discussions about purchasing the Su-30MK long-range attack aircraft and the Il-78 air-refuelling tanker. Russia has sold China four Kilo Class conventional submarines, two of which are advanced versions that will rival the best US nuclear-powered attack submarines. China has also purchased Sovremenny Class destroyers equipped with Sunburn ship-to-ship missiles and SA-N-17 surface-to-air missiles. Stephen Blank has argued recently that these imports and other

<sup>14</sup> Anderson (note 8), p. 33, quoting International Monetary Fund, *Direction of Trade Statistics Yearbook*.

<sup>15</sup> ‘Can a bear love a dragon?’, *The Economist*, 26 Apr. 1997, p. 20.

<sup>16</sup> ‘Can a bear love a dragon?’ (note 15).

<sup>17</sup> US Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1995* (ACDA: Washington, DC, 1996), p. 155.

developments constitute 'a long-term strategy based on a combined arms sea denial capability in the Western Pacific. Drawing, in fact, on the theory and goals of the late Soviet Admiral Sergey Gorshkov, China aspires first to deny the USA easy dominance at sea and later to bid for naval control of the maritime theaters of vital strategic importance to them'.<sup>18</sup>

The wisdom of such extensive arms sales to China has been questioned in Russia. Many Russian analysts view China as a potential long-term threat to Russia. In a December 1996 speech even then Defence Minister Rodionov let slip that China was a 'potential threat' to Russia.<sup>19</sup> Russian commanders in the Transbaikal have complained that they face Russian-made aircraft in their theatre in better repair than their own. Likewise, Russian naval officers have expressed dissatisfaction that the destroyers sold to China would have been deployed in the Russian fleet if economic conditions had allowed.<sup>20</sup>

Russian defence manufacturers, however, argue that the technologies being sold to China are not on the cutting edge and that there is excessive paranoia, particularly on the part of the Ministry of Defence Export Control Committee (KEKMO), about the quality of arms going to China. Felgengauer points out that much of this cutting-edge technology exists 'only on the drawing boards or in experimental samples'.<sup>21</sup> The systems sold to China, such as Su-27s and Kilo Class submarines, have been in production for over a decade and China has expressed dissatisfaction with Russian reluctance to be more forthcoming with sales of the latest technologies and systems. However, while China may be to some extent disappointed that Russia is not even more forthcoming, Russian arms manufacturers have been very disillusioned by China's preference for barter payment with cheap consumer goods.<sup>22</sup>

Although the arms trade and border trade have dominated much of the Sino-Russian economic relationship during the 1990s, if bilateral trade is to even approach the goal of \$20 billion, much of the growth will have to come in the energy sector. Indeed, despite protests from Russian politicians about becoming a neo-colonial supplier of raw materials to Europe or Asia, much of Russia's ability to recover economically in the coming 10–20 years will depend on how effectively it develops its vast oil and gas and other natural resources for export. China will be an increasingly important customer for Russian, as well as Central Asian, energy. Barring any cataclysmic events that could significantly disrupt its economic growth, some projections have Chinese energy consumption growing between five- and sevenfold by the year 2050.<sup>23</sup>

Sino-Russian cooperation in the development of oil and gas resources in Siberia and the Russian far east will most likely be part of broader multilateral cooperation in North-East Asia, including particularly Japan and South Korea but also Kazakhstan, North Korea and others. Several meetings and agreements in 1997 provided momentum for large-scale cooperation. In June 1997 then Prime Minister Viktor Chernomyrdin signed an agreement in Beijing for gas exploration in the Kovyktinskoye field near Irkutsk and for a pipeline going from Irkutsk to China, supplying 20 billion m<sup>3</sup> of gas annually for 25–30 years.<sup>24</sup> The Irkutsk pipeline would probably be the first of a new North-East Asian pipeline infrastructure. Another project under discussion is a gas pipeline from Tomsk in Western Siberia to Shanghai via Kazakhstan.

At a second important bilateral meeting in November 1997 in Krasnoyarsk, then Japanese Prime Minister Riyutaro Hashimoto and Yeltsin discussed the possibility of Japanese financing of energy projects in Siberia and the Russian far east, including the Kovyktinskoye field.

<sup>18</sup> Blank, S. J., 'Which way for Sino-Russian relations?', *Orbis*, summer 1998, p. 358.

<sup>19</sup> Savenkov, Yu., [China decides not to take offence at Rodionov], *Izvestiya*, 28 Dec. 1996, in *Current Digest of the Post-Soviet Press*, vol. 48, no. 52 (1996).

<sup>20</sup> 'Can a bear love a dragon?' (note 15), p. 20.

<sup>21</sup> Felgengauer P., 'Sino-Russian defense cooperation and arms sales', eds A. J. Pierre and D. Trenin, *Russia and the World Arms Trade* (Carnegie Endowment for International Peace: Washington, DC, 1997), p. 98.

<sup>22</sup> See, e.g., Sergounin, A. A. and Subbotin, S. V., 'Sino-Russian military-technical cooperation: a Russian view', ed. I. Anthony, SIPRI, *Russia and the Arms Trade* (Oxford University Press: Oxford, 1998), pp. 196–216.

<sup>23</sup> May, M., *Energy and Security in East Asia* (Asia/Pacific Research Center, Stanford University: Stanford, Calif., 1998), pp. 5–9.

<sup>24</sup> Christoffersen, G., 'China's intentions for Russian and Central Asian oil and gas', National Bureau of Asian Research, *NBR Analysis*, vol. 9, no. 2 (Mar. 1998), pp. 21–23. Much of the following discussion is derived from Christoffersen's analysis.

Hashimoto indicated that Japan would support the Russian bid to join APEC. This was the first time Japan had expressed its support. Yeltsin reciprocated by promising to support Japan's bid to become a permanent member of the UN Security Council. Hashimoto viewed cooperation in energy development as a key item of his Eurasia policy announced in July 1997. Much of the Russian analysis of the new Japanese Eurasia policy suggested that it was prompted by concern that Japan felt somewhat isolated and concerned about the rapid improvement of Sino-Russian relations.

Shortly after the Krasnoyarsk meeting, Yeltsin went to Beijing, where promotion of energy projects was high on the agenda. Deputy Prime Minister Boris Nemtsov had arrived early and met Chinese oil executives and officials, and he signed with Vice-Premier Li Lanqing a framework accord for the Irkutsk project. For the first time Japan was mentioned as a source of financing as well as an export destination. The accord proposes that half of the 20 billion m<sup>3</sup> would be for China while Japan and South Korea would share the other half.<sup>25</sup> Immediately after Yeltsin's trip, Li Peng in Tokyo proposed that China and Japan advocate convening along with Russia and the USA a forum for the four powers for coordination and cooperation in Asia-Pacific. 'These three bilateral meetings in the latter half of 1997 and Japan's announcement of its Eurasia policy helped to shape a North-East Asia multilateral regime whose foundation would be energy cooperation.'<sup>26</sup> Following these bilateral meetings, at the Vancouver APEC meeting in November Russia, along with Peru and Viet Nam, was invited to join APEC.

This sequence of events in the second half of 1997 suggests that the development of its energy resources in Siberia and the far east may give Russia the means to overcome its weak position in Asia. Energy resources are the strongest card in its depleted deck, and playing it in Asia has captured the attention of the USA. During Yeltsin's trip to Beijing, US Deputy Secretary of State Strobe Talbott also went to China, in part to assess the developing Sino-Russian relationship. The infrastructure to support energy development and export is quite fragile and dependent on multilateral cooperation from a number of key states in Asia which have little experience in relating on real issues in a multilateral format. Such cooperation would also make imperative a more substantive multilateral security system for the region and Russia would have to play a very significant role for it to succeed. Given its history in the region and its existing bilateral security alliances, the USA is in a unique position to facilitate the strengthening of multilateral security relations among the great powers of Asia, and the evidence presented in this paper suggests that Russia would support this as long it were included as a key player.

To date foreign interest in Russian energy resource development has been restrained by the perception of chaos and disorder in the Russian Government and society at large. The Russian legal system remains underdeveloped and, more importantly, the ability and commitment to enforce compliance have been so seriously lacking that Russia has acquired the unfortunately well-earned image of the 'wild wild East'. The overall weakness and vulnerability of the economy has also kept foreign investors on the sidelines to a great extent. After performing better than any emerging market in the world in the first three quarters of 1997, the Russian economy is once again enduring a financial crisis which in July 1998 triggered an IMF-led bailout package of more than \$22 billion. While there are conditions attached to the package, it is difficult to be very confident about Russia's ability to comply and right the ship in the near term. The devaluation of the rouble and moratorium on foreign debt payment in August 1998 and the ensuing collapse of the Kiriyenko Government gave further credence to the view that Russian economic recovery remains very elusive. If Russia remains mired in an even more prolonged economic decline, then the prospects for regional security in Asia become far more complicated and precarious. During the cold war it was a seemingly strong Soviet Union which threatened regional stability in Asia. Today, aside from the imminent danger of a North Korean implosion,

<sup>25</sup> Christoffersen (note 24).

<sup>26</sup> Christoffersen (note 24), p. 23.

the potential implications of a gravely weakened Russia have to be viewed with much trepidation by the other major powers of the region.

The most serious concern for Sino-Russian relations over the longer term—10–20 years—is the possibility of continuing deterioration of the Russian state and its position in the international system in the face of growing Chinese economic, political and military power. If these power trajectories are sustained, Russia may be forced into the position of ‘junior partner’ to China in their relationship and an increasingly subordinate position vis-à-vis the USA and its allies in Asia. While the future is contingent and unpredictable, we do know that periods of major shifts in the international balance of power, as well as in regional subsystems, are more prone to instability and conflict.<sup>27</sup> Recent research also suggests that democratizing states are more prone to conflict than established democracies or even stable authoritarian regimes.<sup>28</sup>

## V. Conclusions

Not only is Russia undergoing a wrenching transition, a virtual revolution, but the international system is also in transition from the bipolar cold war structure to something still inchoate but definitely different. The most significant challenge in the coming years will be the integration of Russia and China into a broader framework of Eurasian security. The USA is currently enjoying a period of unprecedented relative strength which gives it an opportunity to shape the development of a truly multilateral security environment in Asia. Although Russia continues to struggle in an unprecedented period of weakness, it would support a genuine multilateral security system in which it is a significant player. It does, however, recognize that the USA alone will not guarantee its security in the region, so it has embarked on building a set of strategic partnerships with other regional powers—Japan and China in East Asia and India in South Asia.<sup>29</sup>

This paper argues that Russia’s regional policies in Asia are informed by both realist balance-of-power considerations and liberal idealist or multilateralist interdependence considerations. Which of these two frameworks comes to dominate in Russian policy making in the next century will depend to a considerable extent on the behaviour of other major powers. It will also depend on how domestic political struggles are resolved in Russia. While a successor to the Yeltsin regime will probably maintain a more Eurasian than Western orientation, it will be hard pressed to develop an effective reform programme to resurrect Russia as a truly great power within the near future.

<sup>27</sup> See, e.g., Gilpin, R., *War and Change in World Politics* (Cambridge University Press: New York, 1981).

<sup>28</sup> Mansfield, E. D. and Snyder, J., ‘Democratization and the danger of war’, *International Security*, vol. 20, no. 1 (summer 1995), pp. 5–38.

<sup>29</sup> Steven Miller has described this multilateral aspect of Russia’s foreign policy as ‘omnidirectional friendliness’. Miller, S. E., ‘Russian national interests’, eds R. D. Blackwill and S. A. Karaganov, Center for Studies in International Security, *Damage Limitation or Crisis? Russia and the Outside World*, Studies in International Security no. 5 (Brassey’s: Washington, DC, 1994), pp. 77–107. Tsuyoshi Hasegawa has adapted this framework to describe Russia’s Asian policy including its key bilateral relationships with China, Japan and the USA. Hasegawa, T., ‘Russo-Japanese relations and security of Northeast Asia in the 21st century’, Sep. 1998. Unpublished.

## 6. Russian–US relations and Asia–Pacific security issues

MIKHAIL G. NOSOV

### I. Introduction

Separated by the Pacific Ocean, both Russia and the United States regard East Asian security as their major foreign policy goal. As an integral part of the region they maintain close political and economic ties with East Asian states, have a sizeable military contingent deployed in the Pacific and consider this part of the world an area of their national interests. However, the regional status of the two countries, many of their goals, following from their national security needs, and their means of reaching these goals differ greatly.

In Soviet times the security of East Asia and the Soviet far east in particular was viewed first and foremost through a military lens because of the Soviet–US and later Sino-Soviet confrontation. Vast Soviet forces were deployed in the region. Immense resources were funnelled into the reinforcement of the Pacific Fleet as a counterbalance to the US Seventh Fleet. Despite attempts to inculcate the concept of collective security in East Asia, the USSR had little success. Unlike Europe, where NATO and the Warsaw Pact countries were patently opposed, Asia hardly saw a clear-cut Soviet–US antagonism. The USA was little concerned at the number of Soviet tanks and ground divisions, while flatly refusing all Soviet initiatives for the reduction of naval arms in view of its own marked naval superiority over the USSR.

Present-day regional security, as seen by Euro-Asiatic Russia, is made up of: (a) a policy oriented to both Europe and Asia, with its increasing economic and political potential; (b) Russia's own territorial integrity; (c) a favourable climate for the development of the Russian far east and its further integration in the East Asian economic framework; (d) sustainable relations with the regional neighbours; and (e) in military terms unaltered regional goals—the maintenance of the strategic nuclear balance and the integrity of national borders.

The USA's regional interests are largely determined by the system of forward deployment, including strategic forces, as well as by its deep-rooted integration in the economic and political life of East Asia. The influence exerted by the USA over East Asia for the last third of the 20th century has dominated the political, military and economic life of the region. The USA retains the cold war framework of military–political treaties, which rests on the two pillars of the 1951 US–Japanese Security Treaty and the 1963 US–South Korea Mutual Defense Treaty. Under these treaties 46 000 US servicemen are stationed in Japan and 38 000 in South Korea. In economic terms the USA's regional status is rooted in its almost \$1 trillion direct and portfolio investments and in East Asia's 40 per cent share of US exports, which provides between two and three million US citizens with work.

The present position of Russia in the region is far less secure. For many years its foreign, economic and trade policy was oriented towards Europe: Siberia and the Russian far east were considered as a source of raw materials for the industry of the European part of the country. As a rule, even the goods produced in the Russian far east were used west of the Urals. Currently Russia, having only one-quarter of its territory in Europe, remains completely oriented to trade with the West. Trade with Asia is less than 20 per cent of its commodity circulation and trade with Asia–Pacific less than 10 per cent. In 1997 Russia's exports to Asia–Pacific amounted to \$9485 million or 10.8 per cent of the total and imports from the region only \$3730 million or 5.5 per cent of the total. The value of its imports from China in 1997 was one-quarter that of 1993.<sup>1</sup> Russia's share in the trade of the Asia–Pacific countries in the 1990s was consistently

<sup>1</sup> *Rossiia v Tsifrah: Offitsialnaya Statistika, 1998* (Russian State Committee for Statistics: Moscow, 1998).

less than 1 per cent. In 1995 its share in the exports of Asia–Pacific was 0.4 per cent and of imports 0.8 per cent.<sup>2</sup>

The 1990s have seen Russia make every effort to normalize its relations with China and promote dialogue with Japan, but for all practical purposes it has very few allies in the region, while its foreign policy has neither a framework of treaties nor a firm economic footing to rest on. Regrettably, Russia's political successes lack appropriate economic backing. The relations of its president with the leaders of China and Japan tend to be mistaken for evidence of strategic partnership—a definition of interstate relations increasingly favoured by most politicians in Moscow. Russia is economically the weak side of the Russia–USA–China–Japan quadrangle, and the gap is widening dangerously.

Russia's influence on regional policy has shrunk markedly. However, it is still propped up by the status of nuclear heavyweight and the persisting superpower image. For the foreseeable future Russia is likely to play a minor role in regional security issues but to retain some political leverage: the USA, China and Japan will require its assistance in their trilateral interaction. This is already happening. The new policy towards Russia declared by Japanese Prime Minister Hashimoto in 1997 has been a remarkable spur to Japanese–Russian relations, in security matters as well as others. China and Russia have concluded a number of agreements cementing their relations. The USA maintains extensive ties with Russia. The whole situation is chiefly a reflection of US and Japanese apprehensions about the regional and global expansion of China, on the one hand, and China's attempts to capitalize on Russian partnership in its dialogue with the West, on the other.

Despite an obvious asymmetry between the US and Russian regional potentials, both political and economic, there are some regional security issues which might necessitate Russian–US cooperation or at least prompt mutual understanding. These issues are associated first and foremost with a settlement on the Korean Peninsula.

## II. China: between Russia and the USA

The end of the 1990s saw China transformed from being a political makeweight in the global Soviet–US antagonism into a fully independent and significant factor in global politics. In the 21st century both Russia and the USA are likely to direct their attention to China, to the detriment of their concern with each other. Russian security is burdened with a more than 4000 km-long border with China, while the USA might eventually see China as an equal economic competitor and a threat to its own regional interests and those of its allies. In terms of security Russia and the USA view China from different angles but, while declaring willingness to promote relations with China, share a certain anxiety about their prospects.

### China and Russia

The future of China affects Russia much more deeply than it affects the USA. Despite the fact that Russia's current introversion prevents it from concentrating on the present and the future of China and their mutual relations, there is steady progress in relations between the two. They have managed to overcome past contradictions and establish friendly relations. Over the seven-year period 1992–98 their leaders had six summit meetings and signed a number of important documents determining border security and the development of their relations. In April 1996 the leaders of China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan signed the first Agreement on Confidence Building in Border Areas, and in April 1997 the same countries signed the Treaty on Mutual Reduction of Military Forces in Border Areas. In November 1997 Russian President

<sup>2</sup> *Materialy Parlamentsskikh Slyshanii: Problemy Kompleksnogo Razvitiya Regionov Vostochnoy Sibiri i Dalnego Vostoka v Protsesse Integratsii so Stranami Aziatsko-Tikhookeanskogo Regiona* [Report on the parliament hearings in 1997 in Irkutsk: the problems of complex development of eastern Siberia and the far east in the process of integration with Asia–Pacific countries] (ATP: Irkutsk, 1997), p. 38.

Yeltsin and Chinese President Jiang Zemin declared the demarcation of the eastern part of their common border implemented. China and Russia are making every effort to extend their economic ties and trade, which amounted to \$5.5 billion in 1998. This is equal to 1.7 per cent of China's trade and a slightly higher share of Russia's.<sup>3</sup>

The development of the arms transfer relationship with China aims to support Russia's defence industry and meet China's growing demand for sophisticated weapons. China is using its imports from Russia to modernize its armed forces. The list of weapons acquired from Russia is impressive. China has bought more than 100 S-300 surface-to-air missiles (SAMs), regarded as one of the most sophisticated anti-aircraft systems in the world, and 50 Su-27 (Flanker) multi-purpose fighter aircraft. It has acquired a licence to build Su-27s for between \$1.5 billion and \$2.2 billion and plans to build 200. Russia and Israel are reportedly helping China to develop its own J-10 fighter aircraft and have cooperated to sell China airborne warning and control (AWAC) aircraft. China has also acquired Il-76M transport aircraft, vital for power projection, various air-to-air missiles, some of which outclass the Taiwanese Air Force's arsenal, and transport helicopters. Russia has sold China two Kilo Class diesel-electric submarines, new versions of which are almost as quiet as the US Los Angeles attack submarine, Sovremenny Class destroyers and advanced ship-based missiles. Between 1991 and 1997 China spent about \$6 billion on purchases of Russian arms.<sup>4</sup>

The future of Sino-Russian relations is likely to depend on the evolution of domestic conditions in each country. Russia is currently trying to pull the democratic foundations laid in the early 1990s out of the fire of political and economic crisis. Even if democracy in Russia survives, its economy will need at least a decade to recover fully, and this is likely to reduce Russia's share in the regional economy. In the event of a communist relapse, relations between China and Russia are most unlikely to be based once again on ideology. The present-day communist opposition in Russia professes pure nationalism, which cannot but revive tensions between the two countries.

China might also become a factor for regional instability. Like Russia, it now faces the possibility of drastic changes. From 1990 to 1997 its GNP in 1993 \$PPP (purchasing power parity) terms increased from \$1765 billion to \$3670 billion and industrial production more than doubled.<sup>5</sup> If this increase continues, China may soon become a fully-fledged economic competitor of the USA, with a comparatively poor population and swelling imports of fuel and foodstuffs, although the possibility remains of profound economic and social crisis in China with consequences that would be impossible to predict.

Neither China's development into a superpower nor its destabilization seems favourable for Russia. A full-scale crisis in China would be fraught with most unfortunate effects for Russia, including the possibility of confrontation. Any attempts to resolve a social crisis through ideological control over the economy, separatism or economic crisis will give rise to a totalitarian state and inevitably worsen relations with Russia. Even if the outcome for China is positive, Chinese and Russian geopolitical interests might remain at variance. Because of China's increasing need for imports of fuel and foodstuffs, it will try to put sea communications under strict control and aim to reassert control over the disputed territories. This could make for an escalation of its confrontation with its southern neighbours, along with Japan and the USA, which are looking apprehensively at the measured tread of the Middle Kingdom.

An outbreak of controversy between China and Japan or the USA seems at present more likely than confrontation between China and Russia. However, this is not certain. Geopolitical pressure from China on the sparsely populated and barely governed regions of Siberia and the Russian far east is already in evidence and is liable to spiral upwards. The problem of 'creeping Chinese colonization'—the inconspicuous penetration and settlement of Chinese in Russia—

<sup>3</sup> Savenkov, Yu., 'Prezhde chem risovat derevo, pochuvstvuy kak ono rastet' [Before painting the tree, sense how it grows], *Izvestiya*, 25 Feb. 1999.

<sup>4</sup> Trubkin, I., 'Arms export: risky business', *Kommersant Daily*, 23 June 1997.

<sup>5</sup> Bolotin, B., [International comparison: 1990-97], *Mirovaya Ekonomika i Mezhdunarodnye Otnosheniya*, no. 10 (1998), pp. 120, 124.

will probably also develop. Sooner or later Russia will have to respond with severe restrictions which could trigger a crisis in bilateral relations.

Should the Asia–Pacific region be faced by the ‘Chinese threat’, the position of Russia will be determined by the state of its relations with the major regional countries.

Regardless of China’s political zigzags, it is essential that Russian diplomatic efforts should focus on seeking the conditions for lasting, stable and mutually beneficial relations with its powerful neighbour rather than playing geopolitical games. The possibility of confrontation can only be removed by the economic building up of Russia in general and the Russian far east in particular.

The end of the 20th century and the beginning of the next will be marked for China by continuing efforts to modernize its armed forces. ‘China’s military policy is underpinned by the “active defense” doctrine, which implies defense of both the mainland and the territorial waters.’<sup>6</sup> The armed forces will be engaged depending on the international political climate and the evolution of the domestic situation. The notion that a country’s prosperity and military might are closely related objectives, which is embodied in the constitution of China as the ‘welfare and power’ of the state, should be kept in mind. Moreover, the People’s Liberation Army has much leeway in technology to make up, and this prevents China from engaging in large-scale warfare.

Alliances and blocs have little attraction for China. In the immediate future it will probably retain an aversion to any kind of formal or virtual alliance. This is prompted by both the stinging memory of colonial and ‘socialist’ rule and down-to-earth reasons: China is too weak to have junior partners but too strong to be a junior partner itself.

Russia’s sights, however, are still levelled at a network of alliances and blocs. Nostalgic memories of the ‘inviolable unity of the socialist countries’ and of superpower status and a feeling of constant threat are inherent in the mentality of Russian politicians.

The image of China in the Russian political conscience can be illustrated by two major tendencies. On the one hand, the leaders of the two countries have upgraded their relations to ‘strategic cooperation’, which stands for a high level of ties.<sup>7</sup> They have managed to clear the way for enhanced contacts and stable relations. On the other hand, there is residual enmity constantly fuelled by exaggerations of the present Chinese immigration to Russia and fears of potential Chinese territorial claims. Moreover, in the light of Russia’s economic collapse, China’s progress has provoked downright jealousy and an inferiority complex. The Russian political elite’s image of China is chiefly associated with the hostility remaining in the Russian mass consciousness, which has always made a clear-cut division between Europeans and Asians. Despite vast experience of communal life with the Asians, the Russian people have not assimilated much of the Muslim, Confucian or Buddhist cultures. In the 1950s China was considered an ally, but an amicable attitude was underpinned by a feeling of Russian superiority. After that China was long regarded as an ideological opponent and, furthermore, pretender to vast Soviet territories in the far east and Central Asia. The propaganda portrait of China looked even more hostile than those of the capitalist countries, and China seemed to have betrayed the USSR after long years of brotherly help.

The Russian political elite’s perception of China is the quintessence of the evolution of Russia’s foreign policy from clear-cut totalitarian stereotypes to democratic confusion, complicated by a persisting wariness of the outside world in view of NATO’s expansion and by the long-standing controversy between the supporters of a pro-Western and a Eurasian ideological orientation in Russia. Supporters of the Eurasian orientation, represented mainly by politicians of the left and ultra-left of the Russian political spectrum, are against close relations with the West and defend the idea of a special role for Russia in world history.

<sup>6</sup> Chinese Defence Minister Chi Haotian, quoted in *Nikkei Weekly*, 27 May 1996.

<sup>7</sup> In Sep. 1994, at their summit meeting in Moscow, a Joint Declaration declared their relations to be based on ‘constructive partnership’. In Apr. 1996 at a summit meeting in Beijing Russia and China declared their ‘interaction aimed at strategic partnership in the 21st century’. ITAR-TASS, ‘Puls planety’, 23 Nov. 1998.



## China and the USA

China is undergoing a largely introverted transformation, and its foreign policy is normally conditioned by domestic developments. In this sense it is the opposite of the USSR—unfit for the vacant post of super-adversary of the USA. At the same time there are a number of difficult intersections between the Chinese and US foreign policies, while China's transformation, regardless of the course it takes, is bound to affect US interests.

This is why the USA is witnessing an unabated dispute about which strategy is applicable to China. There are three main positions. The first, supported by US sinologists, suggests involving China in all kinds of international relations, trade, and economic and financial cooperation unlimited and unbiased in ideological terms. This policy is expected to make China 'play the game' as a fully-fledged member of the international community. The second approach treats China as susceptible to force rather than argument. Logically, a country posing both real and potential threats will be viewed as an object of preventive containment. The purpose of this 'game plan' is to block China's foreign policy ventures while shattering its quasi-Marxist dictatorship. Such drastic measures are expected to pressurize China into abiding by common rules. Among supporters of the 'containment' of China are influential Republicans. The third attitude seems to be a synthesis of the other two. In practical terms it is reflected in President Clinton's China policy. It recommends engaging China in international affairs, particularly in economic cooperation, while maintaining readiness to counter any destabilizing moves.

Despite continuous pressure from Republican Congressmen who have criticized Clinton's soft-spoken approach to China, the US Administration is increasingly interested in extending ties with China. Present-day China plays a major part in the China-Russia-USA triangle. Whenever Russia fails to meet China's needs—in state-of-the-art technologies, credits or an export market—there is always the USA to rely on. At the same time Sino-Russian military cooperation, which provides the Chinese armed forces with relatively cheap yet up-to-date Russian arms, gives China formidable leverage against the USA. Both Russia and the USA are eager to step up relations with China at the expense of certain concessions to China, which is normally steadfast in its policies.

The USA's China policy has undergone a long transformation through tentative measures to the synthetic approach just mentioned. It was described by President Clinton during his 1998 visit to China: 'In dealing with China we must stay true to a course that is both principled and pragmatic. We must continue to expand our areas of cooperation, even as we deal directly with our differences'.<sup>8</sup> This policy is unlikely to introduce anything novel. It resembles the policy of *détente* with the USSR at the beginning of the 1970s as initially viewed by the administration of President Richard Nixon. The critical factor is that, despite censuring human-rights abuses and evidence of other non-democratic practices in China, the USA seems unlikely to link them with its ties with China. In other words, it wishes to 'reward' China for attempts to liberalize its economy but is reluctant to 'punish' it if it makes no such attempts. The emphasis is on foreign policy. That is where China is expected to demonstrate balanced and responsible behaviour, renounce the use of force and nuclear proliferation, and so on. It is likewise essential that China provide transparency in its defence programmes and free access to its domestic market for US goods and investment.

US-Chinese security relations are closely interwoven with their economic ties. The restraint currently seen in the US attitude to such thorny questions as human rights or China's policy on the export of military technologies is associated with efforts to keep the vast Chinese market accessible to the USA. With the crisis in the Taiwan Strait in 1996 both sides exchanged threats of economic sanctions, which after joint discussions were not carried out.

<sup>8</sup> Radio address of the President to the Nation, Beijing, 27 June 1998.

### The security framework

On the whole, the present triangular framework Russia–China–USA (or a broader quadrangular framework of Russia–China–USA–Japan) rests on a more balanced foundation than the ‘zero-sum’ logic of the past. For instance, Russia has no serious reason to regard the improvement of relations between China, Japan and the USA as a priori threatening to its own interests. Accordingly the USA and Japan can hardly feel apprehensive about the expanding relationship between China and Russia. This dramatic change in strategic thinking can be explained by two reasons. First, Russia and the USA have renounced their global competition and therefore made the ‘triangular diplomacy’ of US Secretary of State Henry Kissinger of the late 1960s obsolete. Second, Russia, the USA and the rest of the world seem to have given up the idea of playing the ‘China card’. China has produced convincing arguments that it wields enough power, will and good sense to avoid being a card in anyone’s hands. To say that China is free to determine the limits of its relations with any other state is no exaggeration.

These facts prompt the following deduction. Since it is possible that China, because of its inherent problems, may trigger instability in Asia–Pacific, other major powers have a common interest in not pushing this possibility to the brink of reality, willingly or unwillingly, directly or indirectly. No other power will benefit from instability caused by China. All stand to gain from a stable and confident China gradually resolving its dilemmas and contradictions. In this sense Japan and the USA should welcome the progress of Sino-Russian relations just as Russia should be confident enough to approve of the US–Chinese and Japanese–Chinese rapprochement.

### III. Japan remains with the USA

During the cold war the *raison d’être* for the 1951 US–Japanese Security Treaty was the Soviet threat, which almost completely disappeared with the disintegration of the USSR, the new political orientation of Russia and its sharp economic decline. Despite that, the military–political alliance is being preserved and will continue for a number of reasons.

First, the security treaty suits both parties. Japan, although it has the second largest military budget in the world after the USA, still spends on defence no more than 1 per cent of its GNP and keeps a military potential comparable with Turkey’s.<sup>9</sup> It is under the US defence umbrella, but while the USA bears responsibility for the defence of Japan, Japan does not participate in the defence of the USA. Without the USSR as the main enemy, both Japan and the USA act on the basis of (a) a hypothetical deterioration of relations with Russia, which still keeps a powerful military potential in its far east, and (b) the unpredictability of future relations with China, which is actively modernizing its armed forces. Japan remains the key ally and main economic partner of the USA in the region. The frameworks and parameters of their interaction are determined in principle and in the foreseeable future will extend rather than be reduced. Close military–political cooperation with Japan gives the USA strong leverage in solving bilateral economic problems. The present US influence is far from absolute and often collides with strong Japanese resistance, but it is still fairly effective.

Finally, the stability of US policy towards Japan is based on a complex of psychological and political circumstances, among which are the attachment, based among other things on the inertia of perceptions, to an old friend and ally, and the existence of a large and influential Japanese lobby in the USA.

For Japan, close relations with the USA are the cornerstone of its foreign policy. It feels comfortable as a junior partner of the USA. It is significant that the end of cold war persuaded Japan not to a debate about the necessity and vitality of the alliance with the USA but to the immediate confirmation of its actuality for the security of the country.

<sup>9</sup> See, e.g., International Institute for Strategic Studies, *The Military Balance 1998/99* (Oxford University Press: Oxford, 1998), pp. 67–69, 183–85.

The end of the cold war and the disintegration of the USSR substantially reduced the fears of a Soviet military threat on which Japanese military doctrine was based. This was reflected in the US–Japan Joint Declaration on Security signed by Clinton and Hashimoto in April 1996, which confirmed the role of the security treaty in the maintenance of peace and stability in the region. In September 1997 Japan and the USA adopted the revised Guidelines for US–Japan Defense Cooperation which replaced the similar document of 1978.

The two first sections of the guidelines, regarding ‘cooperation under normal circumstances’ (what the 1978 document referred to as ‘cooperation on containment of aggression’ and ‘actions in response to an armed attack against Japan’), were basically not changed. The third section, on ‘cooperation in situations in areas surrounding Japan that will have an important influence on Japan’s peace and security’, was absent from the previous document. The 1997 document stated that the concept ‘situations in areas surrounding Japan’ is not geographic but situational. The frameworks of cooperation between the two countries in the event of a situation occurring were outlined in limits of operations, relief activities, measures to deal with refugees, search and rescue operations, non-combatant evacuation operations and ‘activities for ensuring the effectiveness of economic sanctions for the maintenance of international peace and stability’. Japan will, in case of need, provide additional facilities and areas for US forces involved in such operations in accordance with the security treaty and its related arrangements. If necessary for effective and efficient operations, US forces and the Japanese Self-Defense Forces (SDF) will make joint use of SDF and US facilities and areas and coordinate operations, intelligence work and logistics support ‘as distinguished from areas where combat operations are being conducted’. The document also stressed that Japan will conduct all its actions ‘within the limitations of its constitution and in accordance with such basic positions as the maintenance of its exclusively defense-oriented policy and its three non-nuclear principles’.<sup>10</sup>

Although the document did not mention the Korean Peninsula or Taiwan as a sphere of joint action, the statements of Japanese officials confirming readiness to expand the frameworks of the treaty to these two areas caused a sharply negative reaction in China and North Korea, and were not much welcomed in South Korea. Japan was immediately accused of militarism and of an aggressive policy. This was not only a reaction to the rather timid Japanese attempt to expand the framework of possible interaction between itself and the USA, but preventive action against a possible activation of Japanese regional policy.

For Russia the existence of the security treaty does not represent a threat to security, in spite of its supposed resistance to the idea of foreign military blocs, nor does the Japanese military potential. It has an obvious defensive character without any serious possibilities for force projection. It is difficult to imagine Japan using force to solve its territorial dispute with Russia. In their dispute over the Senkaku (Dyaojuidao) Islands China and Japan are claiming uninhabited territories; the southern Kurile Islands, however, are de facto Russian territory and are under the protection of the Russian armed forces. In the Sino-Japanese territorial conflict, extremist actions aimed at undermining the status quo could provoke competitive demonstrations of strength and even possibly local conflicts. In the Russian–Japanese conflict, however, any use of force will be regarded as a violation of Russian sovereignty, with all that that entails.

A direct clash between the Russian and Japanese armed forces is possible in two hypothetical situations: (a) if Russia invades Japan or attacks Japanese ships in international waters; or (b) in the event of global conflict between Russia and the USA. At present both are extremely remote possibilities. It would not be proper to say that China has replaced the USSR in the list of potential threats to Japan, but its military alliance and military build-up are more and more often justified by the potential Chinese threat to Japanese national and regional interests. The Japanese and US shared perception of China as a rising superpower not only strengthens their alliance but also persuades Japan to be more flexible in its relations with Russia.

<sup>10</sup> US Department of Defense, ‘Completion of the review of the guidelines for US–Japan defense cooperation’, 23 Sep. 1997, URL <<http://www.defenselink.mil>>.

In 1997 Japan declared a new approach to its relations with Russia based on the principles of confidence, mutual benefit and long-term prospects. The two countries' leaders had two informal meetings in 1997 and 1998 and President Yeltsin promised 'to make all efforts to sign a peace treaty with Japan before the year 2000'. Japan interprets this as meaning that the territorial dispute between them will be resolved before that date. Analysis of the Russian domestic situation, however, clearly shows that Yeltsin, at least for the foreseeable future, is not in a position to solve this complex problem. It is clear that stalemate on this sensitive issue will seriously hamper bilateral relations.

#### IV. A Korean settlement: one purpose, two approaches

In their approaches to security on the Korean Peninsula the interests of Russia and the USA largely coincide. Neither is interested in the conflict between North and South Korea. Other regional conflicts, among them the territorial disputes between Russia and Japan over the southern Kurile Islands, between Japan and Korea over the Takeshima (Tokto) Islands, between Japan and China over the Senkaku Islands, or between China and South-East Asian countries in the South China Sea, do not directly or essentially influence the security of Russia. For the USA, however, which has forces deployed in South Korea, there is a direct threat to national security. At the same time Russia and the USA have quite different possibilities for implementing their respective policies in the subregion.

Russia has lost practically all opportunity of interaction with North Korea. Glasnost and democracy produced broad criticism of the North Korean leadership in the Soviet and then Russian media and this brought their already very complicated relations to the verge of breakdown. Without the economic help of Russia and with cuts in economic support from China, the North Korean economy declined rapidly and the probability of regime collapse and military adventures in the context of a regime collapse increased. These scenarios were never realized, but the policy of North Korea became more and more dangerous. It began intensive work to build nuclear arms of its own, in 1993 announced its non-compliance with its obligations under the 1968 Non-Proliferation Treaty, and announced that it would not sign the 1993 Chemical Weapons Convention.

Not without the influence of China and Russia, the USA has realized the ineffectiveness of economic sanctions on a country already living in de facto isolation from the outside world. In favour of North Korea there was also the fact that, despite tensions in its relations with the International Atomic Energy Agency (IAEA) and its complete rejection of the dialogue initiated with the South, North Korea always emphasized its eagerness to talk directly with the USA. In October 1994 North Korea and the USA signed an Agreed Framework which halted the operation of North Korea's research reactor and plutonium reprocessing plant in return for the setting up of an international consortium, the Korean Peninsula Energy Development Organization (KEDO), to provide North Korea with two 1000-MW light water reactors and compensatory oil supplies. The Agreed Framework is working, although with some serious difficulties, and is the main lever of US influence on North Korea.

However, North Korea began a new round of blackmail. On 31 August 1998 it launched a ballistic missile, formally in celebration of its 50th anniversary but in fact as a demonstration of its missile achievements. The missile had a range of 5000 km and would be capable of threatening Japan. The launch triggered fears of a new round of proliferation in Asia, given North Korea's sales of missiles to Iran, Pakistan and Syria. It indicates that North Korea has the capability to build missiles that can travel greater distances. It is clear that one of its basic purposes in launching the missile (or, as it claims, launching a satellite) was to bargain for hundreds of millions of dollars from the USA.<sup>11</sup>

<sup>11</sup> The South Korean Ministry of Unification stated that members of a US congressional delegation were told during a visit to Pyongyang in Aug. 1998 that the North would stop exporting missiles in exchange for \$500 million a year from the USA.

One of the key problems in the way of a Korean settlement remains replacement of the 1953 ceasefire agreement by a new system for the maintenance of peace and stability. In February 1996 North Korea proposed a bilateral provisional agreement with the USA as a substitute for a full-scale US–North Korean peace treaty. In response to that, in April 1996 South Korea and the USA proposed to start negotiations based on the formula ‘two plus two’ (with the participation of China and South Korea) aimed at the creation of a new security system on the peninsula. With great effort the USA managed to persuade North Korea to accept this. Two rounds of four-party talks were held in December 1997 and in March 1998 but they have not brought tangible results.

As a next-door country Russia has a legitimate concern about the situation on the Korean Peninsula. As the successor to the USSR, which was at the root of the Korean conflict, Russia has accumulated great experience of dealing with North Korea and still keeps wide channels of communication with Pyongyang open while also developing good cooperation with Seoul. Russia is also a permanent member of the United Nations Security Council. It is therefore entitled to an equal say with other concerned countries on the Korean issue. In 1993 Russia proposed a conference on North-East Asian security issues, with the participation of all the parties concerned, and currently speaks of discussing these issues within the framework of the ASEAN Regional Forum (ARF).

Russia criticized the US–South Korean proposal in the spring of 1996 for four-party talks as politically improper and legally groundless. It is usually argued that the four-party format logically derives from the fact that the principal subject to be discussed is an agreement to succeed the ceasefire agreement of 1953 and that the talks should be limited to the countries which fought in the Korean War and signed the ceasefire—China, the two Koreas and the USA. However, this is legally flawed. The ceasefire was in fact signed by the top field commanders of the UN forces and the joint forces of North Korea and Chinese volunteers. Under international law neither China, the USA nor either of the two Koreas is therefore a party. (South Korea initially even declined to recognize it.) Moreover, because the ceasefire was signed on behalf of the UN, the new treaty should theoretically be authorized by the Security Council. How this is to be done if Russia’s interests as a near neighbour are not taken into account, while it has a veto in the Security Council, is another major question.

The main argument against the four-party format is that a future-oriented document promising peace on the Korean Peninsula should not derive from past formulae. It remains to be seen whether the talks are successful. Russia will welcome positive results when they are submitted to the UN Security Council for consideration and approval. This approval will be essential since the foreign troops stationed in South Korea still use the UN mandate. As for Russia, it will continue to emphasize its proposal for a conference on North-East Asian security issues either as a substitute for or as a follow-up to the four-party talks.

In general it is obvious that the USA is preparing for the reunification of Korea and trying to exclude any possibility of conflict flaring up. On the other hand, when and if reunification takes place, the situation on the Korean Peninsula will be quite different. South Korea will take on the heavy burden of the absorption of the North and will need to re-evaluate its strategic priorities. How that will affect Russia and the USA, especially the legitimate aspects of its military presence in Korea and the influence of that on Russia, is still not clear.

## V. Conclusions

Russian–US relations in the Pacific area are an indispensable part of their bilateral relations. Russia is not as strong as the USSR was, but elements of mutual deterrence for good or for bad are still a substantial part of international relations. Although the Pacific area is far from all the troubles of NATO expansion, events in Europe could lead to military confrontation between these two mighty military machines.

The major difference between the European and Pacific regions is that in the Pacific area naval forces play a much more important role than in other theatres. While China, the two Koreas and Russia have quite impressive ground forces there, sea-based forces have a decisive, if not dominant, position in the northern Pacific. So far Russia and the USA are the only countries which can confront each other on the open seas. Even after implementation of the START I and START II agreements, the Pacific will still have an important role in the diminishing but still very dangerous nuclear confrontation.

In comparison even with the very recent past, Russia's diminishing participation in regional affairs has excluded it from the political scene in this part of the world. Its position is only taken into consideration when the problem of possible nuclear confrontation is being considered. The USA is and will remain in the foreseeable future the only nation controlling the blue waters of the entire Pacific. This allows it to dominate practically all sea traffic and if necessary to deny it to other nations. It also has substantial capabilities to attack land targets and implement large-scale landing operations on the Asian side of the Pacific. This capability is supported by its forward defences in Japan and Korea and a network of bases in the region. The US naval presence in the Pacific not only is aimed against the Russian Navy but also guarantees the security of US economic and political interests, including preventing Japan from achieving military independence and China from achieving its ambitions for regional leadership.

Russia's possibilities in the region are much more modest. The main task of the Russian Pacific Fleet is still the maintenance of the strategic balance with the USA and the protection of coastal and territorial waters, including the exclusive economic zone.

It is clear that hostilities between Russia and the USA can emerge only as part of a global deterioration of relations between them. In the Pacific area the most likely cause of such a deterioration would be some drastic change in relations between China and Russia. If Russia came under strong pressure in the West and some kind of consensus about NATO expansion could not be found, Russia would redouble its efforts to seek Chinese friendship and military cooperation. After the Russian Defence Minister, Igor Sergeev, visited China in November 1998, Colonel-General Yury Baluevskiy, Head of the Chief Operational Directorate of the Main Staff of the Russian Armed Forces, stated that 'the strategic policy of Russia towards China is the strengthening of military cooperation and reaching a situation when China should become our strategic partner, supporting Russia's positions not only in the East but also in the West'.<sup>12</sup>

A serious crisis in Russian-US relations could revive Russian aspirations to establish closer relations with China, but China is not responsive to this. Despite its disagreements with US policies, its political and economic relations with the USA are more important for China than the prospect of an alliance with a troubled and weakened Russia.

A confrontation between China and the USA would present Russia with a serious dilemma. Support for one of the two parties would mean a deterioration of relations with the other. Speculation about the reasons for possible conflict between China and the USA is premature and unreliable, but it can already be said that the best position for Russia would be neutrality. It is also possible to predict that if relations between Russia and the USA deteriorate China will take all necessary steps to remain neutral.

<sup>12</sup> ITAR-TASS, 'Puls planety', 5 Nov. 1998, p. AK-3.

# 7. Russia in the Asia–Pacific area

VYACHESLAV B. AMIROV

## 1. Introduction

Not for the first time in its history, Russia is facing new realities in its standing on 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 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.

## 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 Pacific Ocean 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 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 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 some exceptions, particularly steps towards the further development of relations with China. Japan and the persistent Kurile 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.

### 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 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 on 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.



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.

## IV. Russia's place in the region: an agenda for 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 top-level officials 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 raise the level of its economic engagement with the region. Clearly the upgrading of the economy of the Russian far east will help 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 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 on the international arena. Apart from nuclear issues, where it has its responsibilities (and will try to maintain its status as the world's second nuclear power), it should stop playing a great-power game. It should not make mistakes such as joining the 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 the 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. It will mean 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 this purpose it might be useful to apply an old propaganda technique of the Soviet Union—the '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 to the region should be consistent with new substance in federal government policy. With its limited resources, Russia must select priorities. The best 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 make some common-sense 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 could 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 APEC 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.<sup>1</sup> 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

<sup>1</sup> See, e.g., Cook, P., 'Our APEC shortcomings', *Australian Financial Review*, 5 Dec. 1997, p. 37.

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.

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 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. The economic crisis in Asia has also meant new tensions or brought old ones to the surface. Ironically some of them are inside ASEAN, 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. Tensions have returned between Malaysia and Singapore, Malaysia and Indonesia, 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.

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.<sup>2</sup> That arms race is at present stopped by the economic

<sup>2</sup> 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.

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.<sup>3</sup> 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 manufacturers<sup>4</sup> 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 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 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 contacts between defence officials from Russia, the United States, China, Japan and South Korea 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.

<sup>3</sup> See, e.g., Sergounin, A. A. and Subbotin, S. V., *Russian Arms Transfers to East Asia in the 1990s*, SIPRI Research Report no. 15 (Oxford University Press: Oxford, 1999).

<sup>4</sup> 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.

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.<sup>5</sup>

The rapprochement between China and Russia has finally developed into a 'strategic partnership', which both sides clearly do not intend to overestimate. Even so, Russia considers China as its most significant neighbour in the region. At the same time Russia will keep a rather dual, biased approach to their relations.

Obviously there is some nostalgia among some parts of the Russian elite for the old days of friendship between China and Russia. At the same time there is a more or less general understanding that a return to the situation of the 1950s is impossible. There has, however, been some rush to develop ties with China, and some anti-Western feelings in minds 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 is 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 in 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.

There are, however, instances where China and Russia have common interests in developing fairly close ties, particularly to counterbalance the political influence of the only remaining global 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

<sup>5</sup> Shapovalov, A., [Pause is left in the past], *Kommersant Daily*, 25 Aug. 1998, p. 2.

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,<sup>6</sup> 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. 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 Kurile Islands, 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 two countries.

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 1998 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

<sup>6</sup> *International Herald Tribune*, 21 Sep. 1998, p. 4.

‘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 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 main participants. The initial diplomatic structure 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.

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 its limited resources 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.

## 8. Russo-Japanese relations and the security of North-East Asia in the 21st century

TSUYOSHI HASEGAWA

### I. Introduction

Since the spring of 1996 Russo-Japanese relations have shown remarkable improvement. At the beginning of 1997, the Japanese Ministry of Foreign Affairs initiated a 'multi-layered' approach to Russia, expanding cooperation into the economic and security areas and abandoning the policy of 'balanced expansion' which linked the level of economic cooperation with progress on the issue of the southern Kurile Islands. In July then Prime Minister Ryutaro Hashimoto delivered a historic speech proclaiming Japan's Eurasian foreign policy and enunciating three principles—trust, mutual interest and long-term perspective—as the guiding principles of Japan's Russia policy.<sup>1</sup> This was followed by two 'no-necktie' meetings between Hashimoto and Russian President Boris Yeltsin, first in November 1997 at Krasnoyarsk, and then in April 1998 at Kawana in Japan. At Krasnoyarsk Hashimoto and Yeltsin signed the Hashimoto–Yeltsin Plan for economic cooperation and pledged to conclude a peace treaty by the year 2000, resolving the question of the Kurile Islands on the basis of the 1993 Tokyo Declaration. At Kawana, Hashimoto reportedly proposed a solution to the territorial issue by proposing the demarcation of the border. The unprecedented speed with which both sides have attempted to repair relations that had long been in stalemate gave rise to expectations in both Japan and Russia that it might indeed be possible to conclude a peace treaty before the next millennium.

Then suddenly came two setbacks in succession in the summer of 1998 with the resignation of Hashimoto and the political and economic crisis in Moscow. In November, Prime Minister Keizo Obuchi visited Moscow, the first Japanese prime minister to do so since 1973, for a summit meeting. Although a new committee dealing with border demarcation was created, no progress was made on the territorial issue. It is safe to say that the momentum in a positive direction has come to a halt.

Given these setbacks, is it realistic to expect the conclusion of a peace treaty by 2000, as Yeltsin and Hashimoto buoyantly announced at Krasnoyarsk? If they fail to achieve a peace treaty, what will be the outcome? What are the implications of a failure of the Russo-Japanese rapprochement for international relations in the Asia–Pacific region generally?

There are two possible scenarios for the future of Russo-Japanese relations. The first begins from the pessimistic view that the scale of the political and economic crisis in both countries is such that, absorbed by more pressing issues of domestic economic and political stability, neither Japan nor Russia can afford to pay much attention to achieving rapprochement. All previous hopes for a historic reconciliation have been dashed by the vagaries of domestic politics; their mutual relations are given low priority in both countries and it is fair to assume that once again the need to repair those relations will be sacrificed to issues of higher priority. Not only will Japan and Russia be unable to conclude a peace treaty by 2000, but their relationship will revert to stalemate.

The second, more optimistic, view is that, despite the crises that have befallen both Japan and Russia, the logic of international relations in Asia in the post-cold war period has not changed and it will dictate that sooner or later they will resume their efforts. Even if a peace treaty is not concluded by the year 2000, their relations will inexorably move in a positive direction in such a way that they will begin the 21st century on a more friendly, cooperative basis than they have ever experienced in the 20th.

<sup>1</sup> Japanese Ministry of Foreign Affairs, 'Address by Prime Minister Ryutaro Hashimoto to the Japan Association of Corporate Executives, 24 July 1997'. Unpublished.



## II. The new power configuration in North-East Asia

In order to assess the likelihood of these scenarios, it is necessary first to examine why, after many years of stalemate, both governments suddenly began the process of rapprochement in the spring of 1996.

Previously Russo-Japanese rapprochement was not a high priority on either country's foreign policy agenda. To Japan the return of what the Japanese call the Northern Territories and Russians refer to as the Kurile Islands was the most important objective in its Russia policy.<sup>2</sup> It consistently took the position that it had little to gain from rapprochement with Russia except for regaining the lost territories and that keeping its relations with Russia in stalemate would in no way injure its vital interests. Thus it stubbornly held on to its territorial demand—Russian recognition of Japan's sovereignty over the disputed islands—as the price of rapprochement. If Russia could not accept this demand, it would be its loss, not Japan's. This was not acceptable to Russia. Both President Gorbachev and Yeltsin faced formidable domestic political opposition to any territorial settlement with Japan, and Japan's inflexible position gave them little room for political manoeuvre.<sup>3</sup>

What then motivated them suddenly to seek a drastic improvement of their relations? The change stemmed from the realization on both sides that the profound shift in the dynamics of international relations in Asia was such that failure to achieve rapprochement would be injurious to their vital national interests.

The end of the cold war thrust international relations in Asia into a new era of uncertainty. The old order, characterized by the 'strategic triangle' of China, the USA and the USSR, patron-client relations and alliances, has disappeared, but a new, stable order has not yet been created. Among the factors that have contributed to this flux the following are important.

1. *The end of the superpower conflict.* Russia and the USA are no longer arch-enemies, although this does not mean that they have suddenly become allies, and it has become possible for them to collaborate. The USA actively supports Russia's transition to democracy and a market economy. When it pursues a policy that Russia sees as counter to its national interests, such as NATO expansion, the USA and the West must go out on a limb to assuage its apprehensions.

The disappearance of superpower rivalry was accompanied by the tremendous weakening of the USSR's successor state, the Russian Federation, as a world power. Not only did the former Soviet empire disintegrate into disparate independent states, which created the most urgent security problems for Russia, but the reconstituted Russian state was plunged into perennial political and economic crisis, diminishing its influence in the international arena. Although still possessing a formidable arsenal of nuclear weapons, Russia has ceased to be a superpower capable of projecting itself globally. Its status has been reduced to at best that of a declining great power with marginal influence abroad.

2. *The loss of a stable framework* and the consequences of that. Conflicts that were previously kept within limits within the framework of the East-West global contest have lost their moorings. Ideology, communist or anti-communist, is no longer the powerful driving force of policies. Instead, nationalism is on the rise. From Japan's perspective this means that the hostility and conflict between Japan and China (over the Senkaku islands), between Japan and South Korea (over the issues of the World War II 'comfort women' and Takeshima Island) and between Japan and the USA (over the US military bases on Okinawa) that were kept within limits during the cold war have the potential to develop out of control. Japan's territorial conflicts with China and South Korea can no longer be separated from the Kurile Islands problem.

<sup>2</sup> The southern Kurile Islands, termed the Northern Territories in Japan, taken by the Soviet Union in the final days of World War II, consist of Iturup (Etorofu), Kunashir (Kunashiri) and Shikotan, and the Habomai group.

<sup>3</sup> Hasegawa, T., *The Northern Territories Dispute and Russo-Japanese Relations, Volume 2: Neither War Nor Peace* (International and Area Studies Publications, University of California at Berkeley: Berkeley, Calif., 1998).

Nor can Japan any longer complacently continue to justify its claims over the southern Kurile Islands without re-examining its responsibility for the Pacific War.

3. *The end of the Sino-Russian conflict* that characterized international relations in Asia for more than a quarter of a century. Since the collapse of the Soviet Union China and Russia have intensified their cooperation. As Russia distances itself from the West and as China's conflict with the USA continues to irritate its leaders, Russia and China are being drawn closer.

4. *The 'Chinese factor'*. Independently of the collapse of the Soviet Union, China, with its dynamic economic growth, increased military power and revisionist foreign policy, has emerged as an important geo-strategic force that is qualitatively different from what it was in the 1970s and 1980s. Its future direction will have momentous implications for Asian security in the next century.

5. *The continuing danger on the Korean Peninsula*, still the greatest threat to the stability of North-East Asia. South Korean democracy under the new President, Kim Dae Jung, must be rebuilt on the ruins of the recent economic collapse. While millions of North Koreans are suffering from starvation, their unpredictable leader Kim Jong Il chose to test an intermediate-range missile over Japan on 31 August 1998, reminding the Japanese that they are living in a glasshouse vulnerable to nuclear attack from North Korea. This incident more than anything else awakened urgent security concerns in Japan.

6. *The absence of primary adversaries and uncertainty in relations*. On the positive side, after the collapse of the Soviet Union, none of the four powers in North-East Asia—China, Japan, Russia or the USA—faces a primary adversary that threatens its security in the immediate future. This gives a great opportunity, unprecedented in history, to forge a new international order based on the cooperation of them all. On the other hand, none of them can take any other for granted as natural allies, which gives future international relations an element of uncertainty.

### III. The response of the major powers to the new international configuration

How can a major power fashion its new foreign policy in the new environment in order to enhance its national interests?

In his essay on Russia's security predicament, Steven E. Miller lists three broad strategic options for Russia: (a) a 'go-it-alone' strategy; (b) great-power balance-of-power games; and (c) omni-directional friendliness. If Russia is disillusioned with the West, it can choose to go it alone by re-establishing its dominance over the 'near abroad' and restoring its military strength, most likely relying on its still awesome nuclear arsenal. It will reassert what it conceives to be its national interests, often countering and ignoring the West's interests and security concerns. Alternatively, in order to avoid isolation, it may opt for balance-of-power games by pitting one power against the other in pursuit of its own national interests, or it might choose the third option, to avoid creating enemies and forge good relations with all other major powers in order to maximize its engagement with the outside world.<sup>4</sup>

Of these three options, Russia no longer has the luxury of going it alone. The economic weakness that will undoubtedly continue to plague it for years to come will limit its foreign policy options; its leaders will have to devise ways to enhance Russia's national interests within the constraints of economic weakness. The go-it-alone policy would be suicidal. It would certainly mean not only the end of the West's economic aid but also the end of economic relations

<sup>4</sup> Miller, S. E., 'Russia's national interests', eds R. D. Blackwill and S. A. Karaganov, *Damage Limitation or Crisis: Russia and the Outside World* (Brassey's: Washington, DC and London, 1994), pp. 103–105. Ambassador James Goodby proposes: (a) hegemony; (b) balance of power; (c) collective security; and (d) concert as possible options for the security arrangement in East Asia. The first 2 correspond to Miller's 'go-it-alone' option and the balance-of-power game. Later on in his article, Goodby introduces the concept of multilateralism, which is similar to Miller's 3rd option, omni-directional friendliness. Goodby, J. E., 'Cooperative security in Northeast Asia', eds J. E. Goodby, V. I. Ivanov and N. Shimotomai, *Northern Territories' and Beyond: Russian, Japanese, and American Perspectives* (Praeger: Westport, Conn. and London, 1995), pp. 299–304.

with the advanced capitalist world, into which the Russian economy has already been deeply integrated. For this reason alone this policy would probably alienate not only the powerful economic and regional elites but also the emerging middle class who have benefited from the open economic policy.

There will be ample opportunity for Russia to play the balance-of-power game, however. The emergence of China as a major geo-strategic power will make Russia a critical player in the reconfiguration of power in North-East Asia. Positioning itself between China and the USA, Russia could play a crucial role in tipping the balance. Closer relations with China will provide anti-Western conservative political forces in Russia with an attractive alternative. Russia will also find it advantageous to opt for a balance-of-power policy designed to isolate Japan by exploiting US–Japanese economic friction and/or by courting favour with China.

It would clearly go against Russia's national interests to seek an alliance with China as the only alternative for its foreign policy. It is not ready and it cannot afford to sever its ties with the West entirely: on the contrary, although it follows foreign policy goals that are different from those of the West, it finds it advantageous to seek accommodation with the West whenever it can. To balance the tilt towards China and pressure from the West, Russia has also found it advantageous to improve relations with Japan.

In the end, Russia has pursued omni-directional friendliness. Although it has made attempts to jockey for marginal advantage in the balance-of-power game, its fundamental orientation has definitely been to seek friendly relations with all three major powers.

Japan also faces a challenge with its foreign policy options. Like Russia, it is surrounded by neighbours which basically distrust it or with which it has serious historic and economic conflict. The most disadvantageous and therefore the most unlikely scenario is for Japan to adopt a go-it-alone policy. This could conceivably happen only if the US–Japanese security alliance were to collapse. If Japan is forced out from under the US nuclear umbrella it will almost definitely develop formidable military force with a nuclear capability. No one, neither its neighbours nor the Japanese themselves, favours this option, at least at present.

Japan cannot afford to go it alone for another reason. Its survival depends on the prosperity of the global economy. Cooperation with other powers is therefore fundamental to its foreign policy. To Japan more than any other country security cannot be merely military but must be comprehensive, encompassing economic aspects. A go-it-alone option would be more suicidal for Japan than for Russia. Nor does Japan have the luxury of a balance-of-power option. Its economic and security ties with the USA are so fundamental to its well-being that it can ill afford to play either China or Russia off against the USA, and as long as the stalemate of Russo-Japanese relations is a permanent fixture of Asian international relations Japan will not be able to use Russia to balance its relations with China either. To the extent that its future is tied to the continuing stability and prosperity of the region, Japan's interests will be best served by a policy of omni-directional friendliness. As long as the Kurile Islands issue is left unresolved, however, it will not be able to follow this policy.

#### IV. Omni-directional friendliness and interlocking bilateral dialogues

In Asia, in contrast to Europe, omni-directional friendliness is not based on any multilateral institutions. The most important mechanism for North Asian security at present is the interlocking of six sets of bilateral relations between pairs of the four major powers. There has been unprecedented traffic between their top leaders since 1996.

In April 1996 Clinton and Hashimoto met in Tokyo, signing the US–Japanese Joint Declaration on Security, in which they pledged to strengthen the security alliance for the 21st century and agreed to draft new guidelines for US–Japan defence cooperation.<sup>5</sup> Significantly,

<sup>5</sup> The 1978 Guidelines for US–Japan Defense Cooperation were revised in Sep. 1997.

by issuing this declaration they also emphasized the importance of cooperation with China and the need to normalize Russo-Japanese relations.<sup>6</sup>

A few days later, Hashimoto attended a summit conference on nuclear energy safety in Moscow, where he met Yeltsin. A week later, on 25 April 1996, after a summit meeting in Beijing, Yeltsin and Jiang Zemin issued a joint communiqué pledging to strengthen the 'strategic partnership' between China and Russia. Yeltsin also succeeded in mobilizing Jiang's opposition to NATO expansion. The Sino-Russian strategic partnership may at first glance be construed as a classical balance-of-power game, with two weaker powers attempting to provide a corrective to the emergence of a unipolar world order dictated by the USA. Nevertheless, it is not an alliance aimed at anyone. Yeltsin stressed: 'Russia considers not a single state of the region as a potential opponent'.<sup>7</sup> In this sense, the joint communiqué has a common thread with the Clinton–Hashimoto declaration on the US–Japanese security alliance.

In April 1997, Jiang Zemin visited Moscow. The Yeltsin–Jiang joint statement confirmed their commitment 'to promote the multipolarization of the world and the establishment of a new international order'. Strongly opposed to the development of a 'unipolar world' dominated by the USA, Yeltsin and Jiang nevertheless emphasized that the disappearance of bipolarity gives great opportunities for cooperation among the major powers.

Immediately after the Yeltsin–Jiang summit meeting, Hashimoto and Clinton had their own summit meeting in Tokyo, reaffirming the continuing presence of US troops in Japan in the wake of the Okinawa base crisis. While strengthening Japan's ties with the USA, Hashimoto embarked on creating better relations with Russia and China. Already in January 1997 the Ministry of Foreign Affairs had announced the initiation of the 'multi-layered approach' to Russia. In June Hashimoto and Yeltsin met again at Denver, establishing a strong personal relationship. Hashimoto's historic speech of July 1997 pronounced Japan's initiative for a Eurasian foreign policy and enunciated three principles of Russo-Japanese relations.<sup>8</sup> In September Hashimoto unveiled a four-point policy—deepening mutual understanding, expanding dialogue, promoting cooperation and creating a common order—to improve Japan's relations with China.<sup>9</sup> In Beijing, Jiang Zemin and Hashimoto called Sino-Japanese relations 'constructive partnership'.<sup>10</sup>

October and November 1997 saw the busiest top-level traffic among the leaders of the four powers. Jiang visited the USA. In Washington, Jiang and Clinton declared that both countries aimed at 'constructive strategic partnership'. While Jiang was in Washington, Yeltsin and Hashimoto had a 'no-necktie' meeting in Krasnoyarsk, immediately followed by Yeltsin's visit to China. While Yeltsin was meeting Jiang, China's Prime Minister Li Peng was visiting Japan. Li told Hashimoto that China welcomes improvement in Russo-Japanese relations. It was also noted that Li Peng's criticism of the new Guidelines for US–Japan Defense Cooperation became less strident.

This rapid pace continued in 1998. In April 1998, Yeltsin and Hashimoto had their second 'no-necktie' meeting in Japan. In July Clinton's nine-day tour of China took place. Clinton also went ahead to meet Yeltsin in the middle of the political crisis in September.

Japan's political crisis in July and Russia's economic and political collapse in August did not slow down the pace of interlocking bilateral summit meetings. On 1 September 1998, President Clinton visited Moscow and on 22 September he held a summit meeting with Obuchi in New York. A lull in October was followed by a busy November. On 11–13 November Obuchi and Yeltsin held a summit meeting and signed a joint communiqué defining Russo-Japanese relations as a 'creative partnership'. On 20 November Clinton met Obuchi in Tokyo; three days later Jiang Zemin held a summit meeting with the hospitalized Yeltsin. Jiang then came to

<sup>6</sup> *Asahi Shimbun*, 17 Apr. 1996.

<sup>7</sup> Reuters, 22 Apr. 1996, 25 Apr. 1996; UPI, 25 Apr. 1996; Kyodo, 25 Apr. 1996; and 'Chinese-Russian relations embark on all-round development', *Liaowang*, 13 Jan. 1997, URL <<http://russia.shaps.hawaii.edu>>.

<sup>8</sup> See note 1.

<sup>9</sup> *Japan Weekly* (Kyodo), 5 Sep. 1997, URL <<http://russia.shaps.hawaii.edu>>.

<sup>10</sup> *Asahi Shimbun*, 4 Sep. 1997.

Tokyo on the first official visit of a Chinese head of state to Japan. He and Obuchi signed a joint communiqué which stated that China and Japan are working for 'friendly and cooperative partnership'.

These meetings and other consultation processes between prime ministers and others represent a new forum in Asian international relations through which the major powers are adjusting to the emerging geopolitical reconfiguration. This is not a formal multilateral institutional mechanism such as exists in Europe, but meetings are no longer confined to discussion of bilateral issues. In fact, the most important objective is to adjust bilateral relations to changes in international relations elsewhere. It is possible to observe the contours of the emerging international order in Asia in this system of interlocking bilateral meetings and contacts.

First and foremost, all the major powers have opted for omni-directional friendliness. No fundamental factors divide the major powers. Although they occasionally jockey for marginal advantage at the expense of others, no power is playing a blatant balance-of-power game. No one is an enemy of any other and every power is the partner of others, although the adjective attached to 'partner' may be 'strategic', 'constructive' or 'creative'. Thus, international relations in the post-cold war period are fundamentally different both from the bipolar superpower conflict and from the balance-of-power politics of pre-World War I international relations.

## V. Japan's multi-layered approach

Japan's new multi-layered approach emerged as a reaction to the new configuration of international relations. There is no doubt that, of the six bilateral relationships described, Russo-Japanese relations represent the weakest link. For a long time Japan's relations with Russia were treated separately from its relations with others. Japan treated its relations with Russia in cavalier fashion as having little to do with its own vital national interests.

This view began to change. Japan can no longer take the US security alliance for granted. It became clear that if the alliance were to survive it would have to be adjusted to the new post-cold war reality. The speed with which China and Russia forged a 'strategic partnership' alarmed Japan and the partnership will inevitably be strengthened unless Russo-Japanese relations are repaired, posing a formidable threat to Japan's security. Russia's military exports to China will destabilize the military balance. Moreover, the stalemate in Russo-Japanese relations will give China the leverage to put pressure on Japan on contentious issues. It has finally dawned on the Japanese political leadership and the Ministry of Foreign Affairs that keeping Russo-Japanese relations in a state of continuing stalemate will not serve Japan's best interests. In order to prevent a Sino-Russian entente in opposition to the US-Japanese security alliance and further to entice China out of its isolationist shell in security matters and into a security dialogue, Russo-Japanese rapprochement is essential.

It is not necessary to describe in detail how the new orientation of policy towards Russia has been implemented since the spring of 1996. Here it will be enough to give a few salient features of the new phase in relations.

The most important change is the disappearance of mutual distrust. On the Japanese side, policy makers no longer harbour the lingering suspicion that unless they settle the territorial dispute first Russia might 'eat and run'. Russia, for its part, trusts that Japan is eager to develop closer economic cooperation, not as leverage to extract territorial concessions from Russia, but for its own sake. Another important element was the close personal relationship between the top leaders. Hashimoto personally took the initiative to steer Japan's policy towards Russia in a positive direction. Beginning with his Moscow trip in April 1996, Hashimoto met Yeltsin five times. No other prime minister in Japan ever established such close and personal relations with a Russian leader in the long history of Russo-Japanese relations.

The improvement in relations is not limited to leadership and psychology alone. It is supported by concrete developments in security and economic relations. The most striking development is the speed with which the two sides have stepped up defence cooperation. For

the first time in history their defence chiefs of staff exchanged visits. They signed a document to initiate bilateral security dialogue.<sup>11</sup> In 1996 Japan's defence White Paper altered its negative approach to Russia. There was an exchange of visits by warships. The then Russian Defence Minister, Igor Rodionov, officially welcomed the Guidelines for US–Japan Defense Cooperation as contributing to Asian security and suggested a trilateral defence exchange between Japan, Russia and the USA.<sup>12</sup> The Russian military leaders, once staunch opponents of any territorial concessions, now openly advocate a compromise solution to the territorial dispute.<sup>13</sup>

Russo-Japanese defence cooperation reflects a dramatic shift in security priorities in both countries. According to Japanese military expert Maeda Tetsuo, Japan now ranks Russia third as a potential threat, after North Korea and China.<sup>14</sup> The annual defence analysis issued by Japan's Defense Research Institute, *Strategic Survey in East Asia*, takes the position that there is emerging in East Asia a strategic regime based on the balance of power in which each power combines efforts to improve relations with attempts to hold others in check.<sup>15</sup>

This view seems to miss an important dimension of the security environment—a distinct trend towards multilateralism which Japan and Russia, which were once the most reluctant to espouse multilateralism, are leading. Russia refused to accept China's denunciation of the US–Japan defence guidelines, stating emphatically that they promote stability and security in Asia. At the beginning of 1997 the Japanese Ministry of Foreign Affairs began to study the possibility of a trilateral security 'dialogue' involving Japan, the USA and China in the effort to convince China to create a stable security environment envisioned in the guidelines.<sup>16</sup> Not only did the ministry discover that Russo-Japanese security cooperation could exert effective leverage to bring China into this dialogue, but the initial idea of a trilateral dialogue was also now expanded to a quadrilateral dialogue including Russia. Interestingly, Japan calls this 'North Asia Trust Orbit' an Asian version of NATO. The growing assertiveness in Japan's push towards multilateralism is almost palpable. To Russia, too, its support for multilateralism is not necessarily for negative reasons—that there is no alternative to the 'US system of regional alliances'—but actively promotes a multilateral mechanism as the most desirable system where its voice is assured.

The Japanese concept of an Asian NATO is not limited to security. True to its traditional concept of comprehensive security, it includes economic cooperation. In economic relations as well, Russo-Japanese relations have entered a new stage. At the end of June and the beginning of July 1997, a large Japanese delegation visited Russia and four Central Asian countries. At the meeting with Russian representatives, former Foreign Minister Taro Nakayama proposed large-scale Japanese economic aid to develop the energy sector in Siberia and the Russian far east and to lay a pipeline from Irkutsk to China. Although the pipeline would eventually benefit Japan, the immediate beneficiaries would be China and Russia.<sup>17</sup> This was one novel example of Japan demonstrating omni-directional friendliness.

At the Krasnoyarsk meeting in November 1997, Hashimoto and Yeltsin signed the Hashimoto–Yeltsin Plan for economic cooperation, which specified six areas of cooperation. These items are not merely promises on paper. Within a year various projects were initiated. Nor is cooperation confined to interaction between Moscow and Tokyo. Various regional projects have been also developed in tandem. Hokkaido and Sakhalin have concluded a friendship and economic cooperation agreement. The Japanese Ministry of Foreign Affairs has encouraged

<sup>11</sup> Kyodo, 29 Apr. 1996; and AFP, 29 Apr. 1996, URL <<http://russia.shaps.hawaii.edu>>.

<sup>12</sup> *Japan Times Weekly News Roundup*, 26 May–1 June 1997; *Hokkaido Shimbun*, 17, 18 May 1997; *Asahi Shimbun*, 17 May 1997; and *Nezavisimaya Gazeta*, 17, 20 May 1997, cited in *Nautilus Daily News*, 13 May 1997.

<sup>13</sup> UPI, 30 May 1996, URL <<http://russia.shaps.hawaii.edu>>; and *Asahi Shimbun*, 28 Nov. 1996.

<sup>14</sup> TASS, 13 June 1996, URL <<http://russia.shaps.hawaii.edu>>.

<sup>15</sup> *Yomiuri Shimbun*, 19 Feb. 1998.

<sup>16</sup> *Asahi Shimbun*, 3 Nov. 1997. See also Obuchi's foreign policy speech on 16 Feb. 1998, *Hokkaido Shimbun*, 17 Feb. 1998.

<sup>17</sup> Obuchi, K., 'Tairoshia, chûo ajia taiwa misshon oete (shikan)' [Ending the mission to Russia and Central Asia: my personal impression], July 1997. Unpublished.

contacts between the Japanese prefectures along the Sea of Japan and the Russian far east by sponsoring the annual Japan–Russia Far East Governors’ Conference since 1993.

Finally, Japan has begun extending small-scale aid to the Kurile Islands. Breaking its self-imposed ban on contributing to infrastructure, it extended 100 million yen for the construction of a modern clinic and a school in Shikotan. After lengthy negotiations an agreement to allow Japanese fishermen to fish around the disputed Kurile Islands was finally signed in February 1998. After the Kawana meeting, Japan provided the disputed islands with diesel generators to alleviate the chronic power shortage in the Kuriles and undertook the repair of a pier in Yuzhno-Kurilsk on Kunashir.<sup>18</sup>

At Kawana Yeltsin requested Japan’s participation in large-scale development in the canning industry in the Kuriles, including the construction of airports, roads and harbours. Since a project such as this involves complicated questions of property rights, legal jurisdiction over criminal and civil cases, and taxation, Japan intends to consider this request in conjunction with the territorial question.<sup>19</sup>

## VI. Future scenarios

It can be argued that, despite the recent economic and political turmoil in Japan and Russia, the basic logic of their relations has not changed. The trend for omni-directional friendliness is fundamental and no major power can deviate from it without danger to its national interests.

Even so, a stable and successful security regime based on omni-directional friendliness is by no means assured. A number of factors militate against this.

### **A weak domestic basis**

First, all four major powers in North-East Asia have weak domestic political bases. President Clinton’s effectiveness has been greatly damaged by the impeachment process. In Japan, few believe that the new government of Prime Minister Obuchi will take a bold initiative to restore the health of the economy. Having reduced the Russian economy to unprecedented collapse, Yeltsin has exhausted his credibility. Jiang Zemin’s China is only beginning to chart the post-Deng Xiaoping era, without the charisma of Deng.

To the extent that much of the positive trend relied on the personal relationship between Hashimoto and Yeltsin, Hashimoto’s resignation and the erosion of Yeltsin’s political prestige are without doubt a major setback for Russo-Japanese relations.

### **A weaker economic basis**

Russia and Japan are undergoing severe economic crises. Japan, the locomotive of the other Asian economies, has suffered the most serious recession in recent years. Once the envy of the world, its economy is now in shambles with no recovery in sight. Japan’s GNP is seven times that of China and equal to 60 per cent of the combined GNPs of East Asia. A further deepening of the economic crisis there will delay the recovery of the whole region, derail China’s economic growth and eventually trigger a global economic crisis. It is imperative, therefore, that Japan finds its way to recovery. The most difficult task for it to tackle is drastic financial reform, but it still has considerable staying-power. Even in this transitional stage, Japan enjoys considerable wealth with which to continue economic cooperation with Russia. Realistically, however, large-scale economic assistance from Japan will be possible only when the territorial issue is settled.

Russia’s economic situation is more troubling. With its foreign currency reserves almost exhausted and foreign investors fleeing from the Russian market, and faced with reluctance

<sup>18</sup> *Hokkaido Shimbun*, 23, 24 June 1998; and *Sankei Shimbun*, 11 July 1998.

<sup>19</sup> *Yomiuri Shimbun*, 20 Apr. 1998 (evening edn); and *Hokkaido Shimbun*, 20 Apr. 1998.

from the IMF, the World Bank and creditor nations, it is difficult to imagine how Russia will be able to reconstruct its shattered economy.

It is difficult to predict at this point what Russia's continuing economic crisis will mean for its relations with Japan. One possible answer is that the crisis will slow down their economic cooperation. Russia will not be able to implement all the promises it made for specific projects under the Hashimoto–Yeltsin Plan; certainly it will not be able to guarantee the loans Japan has extended. There is another possibility, however: given the reluctance of Western nations to extend economic assistance, Russia might seek Japan's help as the only hope of survival.

### **The continuing territorial dispute**

It is true that an improvement in their relations is dictated by the broader geo-strategic needs of both Russia and Japan. Moreover, goodwill, mutual respect and a trust that never existed before now prevail on the part of their negotiators. However, this improvement must be guarded by strenuous efforts on both sides so that unpredictable events do not destroy the fruit of their hard work, as has happened many times in the past.

At Kawana, Hashimoto reportedly made a startling proposal on the territorial issue that might have broken the deadlock. The details are not public, but it is generally assumed that it contained two elements: (a) a demarcation of the border should be drawn; and (b) for the time being Russia should have administrative rights over the disputed islands.<sup>20</sup> The second proposal has some similarities with the 'Hong Kong formula': the disputed islands would be leased to Russia for a specified time. *Mainichi Shimbun* reported that the line of demarcation proposed by Hashimoto was between Kunashir and Iturup, leaving Iturup to be negotiated later.<sup>21</sup> This was denied by officials of the Japanese Ministry of Foreign Affairs, and it is more likely that the original proposal by Hashimoto was to draw the line between Iturup and Urup, that is, to include all the disputed islands in the Japanese jurisdiction.

Yeltsin expressed interest in this proposal and promised to give his answer at the Moscow summit meeting scheduled for the autumn of 1998. However, the double political crisis dashed all hope of a resolution of the territorial question. When Obuchi visited Moscow in November, Yeltsin proposed the conclusion of a peace treaty without a territorial settlement, which would be postponed for future negotiations. This virtual rejection of the proposal shocked the Japanese Government, which had expected some signs of compromise, if not acceptance of the Hashimoto proposal in full. Both sides attempted to salvage what might have been a total disaster by creating a border demarcation committee to work out a compromise solution in time for Yeltsin's expected visit to Japan in 1999. Its first meeting in January 1999 and a foreign ministerial conference in February revealed how wide the remaining differences are.

It was reported that, having finally come to the grim realization that insistence on the Hashimoto proposal would virtually ensure not only failure to conclude a peace treaty by the year 2000 but also the return of bilateral relations to stalemate, the Japanese Government was considering the option of proposing an intermediate treaty on the basis of the return of Shikotan and the Habomai group.<sup>22</sup> If this is correct, it is the first time in the history of territorial negotiations since 1956 that the Japanese Ministry of Foreign Affairs has entertained the 'two-island solution' as a realistic measure.<sup>23</sup> In this author's view, if a territorial settlement is possible at all, the two-island solution is the most realistic and probably the only possible solution.

For two reasons, however, it appears highly unlikely that the territorial question will be resolved by 2000. There are two problems with the two-island solution. First, the premature

<sup>20</sup> Shinjiro, M., 'Nichiro shuno "Kawana kaidan" no butaiura: "kokkyo kakutei" teian no imisurumoto' [Behind the scenes of the Russo-Japanese Kawana meeting: significance of the border demarcation proposal], *Sekai*, June 1998, p. 128.

<sup>21</sup> *Mainichi Shimbun*, 10 May 1998.

<sup>22</sup> *Yomiuri Shimbun*, 23 Jan. 1999.

<sup>23</sup> In 1956 the Soviet Union and Japan signed the Joint Declaration in which the Soviet Government pledged the return of Shikotan and the Habomai group to Japan after the conclusion of a peace treaty.



leaking of the information that the Japanese Government was contemplating it might be construed as a pre-emptive move on the part of the opposition within the Ministry of Foreign Affairs to this solution. They have used the tactic of leaking information to the press in order to silence those who hold such a heretical view. The leak therefore augurs ill for the solution proposed by the government. It also required strong leadership outside the ministry to venture into a new, bold policy. Obuchi, who is known as a consensus builder, is unlikely to do this.

Second, even if the Japanese Government adopts the two-island solution as an interim measure, there is no guarantee that it will be accepted by the Russian Government. Russia is now preparing for the next presidential election, and any proposal that includes the transfer of territory to Japan is anathema. Its adoption would require an even greater degree of courage and leadership on the part of Russia's leaders than of Japan's.

In retrospect, both sides made egregious errors of judgement at Krasnoyarsk. Yeltsin in proposing the conclusion of a peace treaty by 2000 resolving the territorial question was carried away by enthusiasm. The Japanese side, forgetting that this president was notorious for making promises that he could not fulfil, threw away caution and decided to gamble everything on Yeltsin's political prestige. The multi-layered approach—the policy of de-linking the territorial question from the rest of bilateral relations, which had provided the major force behind the positive momentum—was at this point reversed and the territorial issue was pushed to the front line of negotiations. If Japan bet all on Yeltsin, it has now become clear that this gamble has failed.

Political predictions are dangerous and unexpected things might happen. It seems clear, however, that without some kind of resolution of the territorial dispute there will be no peace treaty. It is also unlikely that either side will be able to narrow the differences and come up with a workable compromise in time for Yeltsin's visit to Japan, if indeed it takes place. Failure to conclude a peace treaty by 2000 will be a devastating blow to bilateral relations and is bound to provoke a backlash.

It is therefore imperative for both countries to take all possible measures to insulate the positive trends of recent years from the failure of a territorial settlement. For Japan it is imperative to return to the pre-Krasnoyarsk multi-layered approach, developing the other aspects of relations, especially in economic and security cooperation, independently of the territorial question. In this respect the joint economic development of the Kurile Islands will provide a symbolic manifestation of the new era of Russo-Japanese cooperation. Both countries must develop a forward-looking vision of future relations.

# 9. Russia's policy towards Japan

MOTOHIDE SAITO

## I. Introduction

After the collapse of the Soviet Union, Russia's foreign policy orientation shifted from an initial pro-Western stance to one based on Eurasianism or national interests.<sup>1</sup> In the process, Russia came to pay more attention than ever to the Asia-Pacific region. Additionally, the problem of NATO's eastward expansion meant that Russia found itself in a difficult strategic situation in Europe, and thus turned further towards Asia and the Middle East. Even so, the top priority of Russian foreign policy was still the European theatre; even after the disintegration of the USSR, Russia followed its traditional Eurocentrism. This was clearly evidenced by the September 1998 appointment of Igor Ivanov as Foreign Minister: Ivanov is well versed with the European situation but is perceived as unfamiliar with the changing Asian situation.

Interestingly, President Boris Yeltsin's diplomacy towards North-East Asia shares some features with the policy of President Mikhail Gorbachev after 1988. Like the Gorbachev Government, except for a short period the Yeltsin Administration has viewed China as the most important state in North-East Asia, followed by Japan and South Korea, in order of importance. Japan, an economic giant with long-standing territorial disputes with Russia, is considered secondary, although its place has gradually risen in recent years since the pragmatic eastward diplomacy of then Foreign Minister Yevgeny Primakov started in 1996.<sup>2</sup> China, contiguous with Russia and possessing growing weight and a large population, is at the heart of Russia's foreign policy in the Asia-Pacific region.<sup>3</sup>

This paper illustrates Russia's policy towards Japan from the appointment of Primakov as Foreign Minister in January 1996 through to the November 1997 Krasnoyarsk 'no-necktie' talks between President Yeltsin and Japanese Prime Minister Ryutaro Hashimoto and the November 1998 Moscow summit meeting between Yeltsin and Prime Minister Keizo Obuchi, and makes proposals for Japan's Russia policy in the foreseeable future.

## II. The goals of Russia's diplomacy towards Japan

Sino-Russian relations have made remarkable progress since normalization was achieved by Gorbachev's 1989 visit to Beijing. In April 1996 the two countries issued a joint declaration stressing the construction of a 'strategic partnership' oriented to the 21st century. According to *Izvestiya*, the phrase 'strategic partnership' was inserted at the last moment at Russia's earnest request. No definition of strategic partnership was given in the declaration, but it seems that the heart is non-participation in any military or political alliance against the partner nation and in the maintenance and promotion of a long-term friendly relationship on the basis of the principles of equality, mutual benefit and non-intervention in internal affairs. Relations between Russia and China are currently better than they have been for the past 20 years.

<sup>1</sup> On the evolution of Russian foreign policy, see Ito, T., 'Roshia Gaiko no Supekutoramu' [Spectrum of Russia's foreign policy], eds T. Ito and T. Hayashi, *Posuto Reisen Jidai no Roshia Gaiko* [Russian foreign policy in the post-cold war period] (Yushindo: Tokyo, 1999), pp. 3–88; and Light, M., 'Foreign policy thinking', eds N. Malcolm *et al.*, *Internal Factors in Russian Foreign Policy* (Oxford University Press: New York, 1996), pp. 4–61.

<sup>2</sup> For an analysis of Soviet–Japanese relations after World War II, see Saito, M., 'Japan's northward diplomacy', ed. G. L. Curtis, *Japanese Foreign Policy After the Cold War* (M. E. Sharpe: Armonk, N.Y., 1993), pp. 274–302.

<sup>3</sup> For a comprehensive analysis of Russia's policy in East Asia, see Saito, M., 'Sorenpo Hokai go no Roshia no Higashi Ajia Gaiko' [Russia's diplomacy in East Asia after the collapse of the Soviet Union], ed. M. Saito, *Higashi Ajia Kokusai Kankei no Dinamizumu* [Dynamism of international relations in East Asia] (Toyo Keizai Shimposha: Tokyo, 1998), pp. 21–42.

In sharp contrast, Russian–Japanese relations remained stagnant, mainly because of the dispute over possession of the islands—Etorofu (Iturup), Kunashiri (Kunashir), Shikotan and the Habomais—known to the Japanese as the Northern Territories and to Russia as the southern Kurile Islands. In September 1992 President Yeltsin was to pay an official visit to Japan but the Russian Parliament, swayed by conservative nationalists, the leaders of the administration of Sakhalin *oblast* in the Russian far east and the prevailing domestic atmosphere, persuaded him to cancel his trip at the last minute. The Russian General Staff opposed the visit and emphasized the strategic importance of the disputed islands, warning of dire consequences if Russia made concessions to Japan. The cancellation of the visit took place at about the time when Russia's initial pro-Western foreign policy orientation was beginning to change as a result of denunciations by conservative nationalist forces.

In October 1993 Yeltsin finally flew to Japan and held talks with Prime Minister Morihiro Hosokawa, in spite of the Russian political crisis. The major objectives of his visit were to demonstrate his unshaken political strength in the international community and to halt the deterioration of relations between Russia and Japan.

During his visit, President Yeltsin stated that Russia had already withdrawn half the troops stationed in the Northern Territories and that he planned to pull out those remaining, except for an estimated 3000 border guards, and apologized for the inhumane treatment of Japanese detainees in Siberia after World War II by the former Soviet Union. These steps favourably impressed the Japanese at large. Although no breakthrough was made regarding the territorial dispute, some progress was made at the talks. The Tokyo Declaration, signed by the two leaders at the meeting, stipulated that both sides agreed to continue talks towards the early conclusion of a peace treaty by resolving the question of sovereignty over the islands in dispute in accordance with the principles of 'law and justice'.<sup>4</sup>

On a visit to Japan in April 1991, Gorbachev had refused to recognize the validity of the territorial clause of the 1956 Soviet–Japanese Joint Declaration, which called for the transfer of two of the four disputed islands after the conclusion of a peace treaty. Yeltsin, while refusing, in the light of the political climate prevailing in Russia, to make a direct reference to the Joint Declaration, now agreed to insert wording in the Tokyo Declaration to the effect that Russia would honour all treaties and international agreements which the two countries had concluded. Thus he confirmed, if indirectly, the validity of the territorial clause in the 1956 Joint Declaration. In short, Yeltsin perhaps showed a slightly more forward-looking attitude than Gorbachev in connection with the territorial question. Japan considers the Tokyo Declaration to be one of the most significant documents in Russian–Japanese relations.

A bilateral security dialogue was specified in the Tokyo Declaration. In addition, an agreement on the prevention of maritime accidents, an agreement on Japanese assistance to help Russia destroy nuclear weapons and the Russian–Japanese Economic Declaration were signed.<sup>5</sup> In the latter Japan agreed to assist Russia's transition to a market economy and the development of the Russian far east on the basis of an 'expanded equilibrium approach'.

Russian–Japanese relations were now expected to move forward, but no significant progress was made because of the rise of nationalism in Russia. It was amidst this stalemate in relations that Primakov was appointed Foreign Minister.

At his first press conference as Foreign Minister in January 1996, Primakov stated that 'Russia is a great power and its foreign policy should reflect its status as such'. After criticizing the unipolar world which had emerged after the end of the cold war and expressing his opposition to NATO's expansion eastward, Primakov stressed the need to strengthen Russia's ties with the CIS countries as well as his intention to step up Russia's ties with influential Asian nations, such as India, China and Japan.

Primakov's Japanese policy had the following three major objectives.

<sup>4</sup> For the text of the Tokyo Declaration, see *Diplomaticheskii Vestnik*, no. 21–22 (1993), pp. 13–14.

<sup>5</sup> For the text of the Russian–Japanese Economic Declaration, see *Diplomaticheskii Vestnik* (note 4), p. 15.

The first and top priority was to extract maximum economic and technological cooperation from Japan in order (a) to facilitate Russia's economic reform, and (b) to promote the development of the Russian far east and Siberia. In the spring of 1996 Russia officially approved a long-term development scheme for the Russian far east and the Trans-Baikal region. The federal government was suffering from a severe lack of financial resources and was in desperate need of large-scale economic assistance from the Japanese Government. Russia also thought it essential to obtain Japan's support for its bid to join the Council of APEC, thus integrating the Russian far east into the economy of the Asia-Pacific region—economically the most dynamic area of the world before it was hit by the unprecedented financial crisis of 1997–98.

The second goal, a geopolitical and mid- to long-term objective, was to rectify the thrust of Russia's foreign policy orientation in Asia, which had tilted too much towards China. Primakov wished to break the stalemate in relations with Japan in order to pursue a more balanced policy in East Asia and at the same time keep a potentially hegemonic China in check. To achieve this he considered it extremely important to improve Russia's ties with Japan on the basis of a positive assessment of the existing US–Japanese security system and a US political role and military presence in the Asia-Pacific area as a whole. Russia regards both these as pillars of peace and stability in the region.

Given the fact that Russia has been working hard to expand its advanced arms sales to China, Russia's primary foreign policy goal in North-East Asia does not seem to have been counter-measures against the rise of a strong China. After Russia was hit by financial crisis in the summer of 1998, it accelerated its arms sales to China, including Su-30 fighter aircraft.

The third objective, which was systemic, was related to Russia's objection to a unipolar world dominated by the United States in the post-cold war period. While recognizing the strength of the USA, Russia hopes to secure or restore its influence in world politics as a great power through the creation of a multipolar system of international relations, in which such actors as the USA, the European Union (EU), Iran, India, China and Japan are under mutual restraints. The optimum strategy for Russia in the next decade is a strategy of 'equal closeness'. It is against this background that, on a visit to India in December 1998, Primakov, who had been appointed Russian Prime Minister in September, publicly proposed a strategic partnership between Russia, India and China.

Unquestionably Russia does not in the least want to see Japan re-emerge as a military giant, but it has been urging Japan to be an autonomous actor in the theatre of international politics in conformity with its economic weight so as to realize multipolarity.

### III. Primakov's pragmatic diplomacy

Immediately after his appointment as Foreign Minister, Primakov began to make serious efforts to break the impasse in relations with Japan by eliminating distrust of Russia, which was widely recognizable among the Japanese, through various confidence-building measures and by taking into consideration Japan's growing concern about a potentially hegemonic China, while firmly adhering to the principle of territorial integrity where the Northern Territories question was concerned. At a press conference he stressed that Japan should adopt the same attitude to the territorial dispute with Russia as it had in agreeing to leave the settlement of the territorial question with China to future generations.

In June 1996, just before the final round of the Russian presidential election scheduled for July, President Yeltsin presented his guidelines on national security to the Russian Parliament, which illustrated the basic thrust of the security policy of his administration in the period 1996–2000. The guidelines emphasized the need to work to improve ties with Japan, while asserting that Russia could not approve Japan's territorial claims. It identified territorial claims by other nations as external threats to Russia's national security.

In November 1996, when Primakov visited Japan in commemoration of the 40th anniversary of the restoration of Russian–Japanese diplomatic relations, he presented a joint development

plan of the four islands in dispute to the Japanese side. The scheme contained, among other things, the improvement of facilities for tourists, the construction of large-scale marine product processing factories and the improvement of infrastructure of industry and social systems.<sup>6</sup>

To create a favourable political and psychological atmosphere between Japan and Russia, Primakov attached the utmost importance to confidence-building measures. In April 1996, the first meeting between then Russian Defence Minister Pavel Grachev and Japan Defense Agency chief Hideo Usui took place in Moscow and a memorandum on security dialogue was signed. The document, which opened security dialogue between Russia and Japan, covered such items as mutual notification of large-scale exercises and basic defence policy, reciprocal visits by naval vessels, joint communications exercises for the prevention of maritime accidents and reciprocal visits by high-ranking officers of the Russian Army and the Japanese Self-Defense Forces.<sup>7</sup> The Japanese destroyer *Kurama* anchored at Vladivostok, long a source of Soviet threat to Japan, to celebrate the tercentenary of the Russian Navy. The Russians presented navigational charts, formerly regarded as secret, to their Japanese counterparts and even offered detailed accounts of the entry route to the port of Vladivostok. The appointment in autumn 1996 of Deputy Foreign Minister Alexander Panov, a Japanese specialist in the Russian Foreign Ministry, as ambassador to Japan was a clear sign of Russia's determination to improve relations with Japan. In November 1996, the Commander-in-Chief of the Russian Pacific Fleet paid a historic visit to Japan to attend a symposium on naval forces in the West Pacific. In June 1997 the *Admiral Vinogradov*, a Udaloy Class destroyer of the Russian Pacific Fleet, paid a courtesy call at Harumi in Tokyo Bay, the first visit by a Russian warship there in 103 years. (No Chinese naval vessels have yet sailed to Japan, although Japan and China agreed to study the idea of reciprocal visits by naval vessels during the visit of Chinese President Jiang Zemin to Japan in November 1998.)

In May 1997, Russian Defence Minister Igor Rodionov went to Japan. This was the first visit by a Russian defence minister. He expressed his support for the existing US–Japanese security system and the revision of the US–Japan defence guidelines. Both sides agreed not only to hold regular talks between defence officials but also to set up a joint working group on confidence building. In July, a Japanese destroyer passed through the Uruppu (Urup) Strait, north of Etorofu Island, for the first time since the end of World War II.

In late June 1997, when a Japan–Russia summit meeting was held on the occasion of the Denver G8 summit meeting, the Russian side made another effort to break the stalemate in relations with Japan. Yeltsin seized the opportunity of his first meeting with Prime Minister Hashimoto to declare that the time had come for Russia to cease aiming its nuclear missiles at Japan. He expressed his support for Japan becoming a permanent member of a reformed UN Security Council, although without the power of veto, and even proposed a strategic partnership with Japan, but Hashimoto avoided making a direct reply on the grounds that Yeltsin's intentions were ambiguous. Hashimoto supported Yeltsin's proposal for Russia's entry into APEC and Yeltsin agreed to Hashimoto's suggestion of reciprocal annual visits. They also agreed to set up a 'hot line' between Russia and Japan.<sup>8</sup>

In the words of Ambassador Panov, Russia hopes to build a 'strategic partnership' with Japan similar to that which it has with China.<sup>9</sup> Russia's influence in the Asia–Pacific region, Panov predicts, will be greatly enhanced when its efforts to build a strategic partnership with Japan bear fruit. Although Russia has no intention of concluding a military alliance with Japan, it plans to promote security dialogue and to broaden exchanges of military personnel. It even contemplates the export of advanced arms to Japan. It hopes Japan will be its quasi-ally. Although Russia offers no definition of a quasi-ally, the phrase seems to imply more advanced cooperation in security affairs than a strategic partnership offers.

<sup>6</sup> *Hokkaido Shimbun*, 26 Dec. 1996.

<sup>7</sup> *Tokyo Shimbun*, 30 Apr. 1996.

<sup>8</sup> *Sankei Shimbun*, 21 June 1997; and *Japan Times*, 22 June 1997.

<sup>9</sup> *Sankei Shimbun*, 22 Oct. 1997.

#### IV. From Krasnoyarsk to Kawana

Fortunately for Russia, Prime Minister Hashimoto, who had shown strong interest in improving Japan's relations with Russia when he was Minister of International Trade and Industry, was determined to break the stalemate. As early as April 1996, when he attended the Moscow nuclear energy summit meeting as Prime Minister, he expressed Japan's support for Yeltsin in the forthcoming presidential election and pledged to extend financial support to Russia without linking it to the settlement of the territorial issue. His policy of improving ties with Russia was in line with US President Clinton's policy of securing the re-election of Yeltsin and integrating Russia into the world economic system, partly to soften Russia's objection to NATO's eastward expansion.

In December 1996, after Russia's presidential election, Hashimoto sent a personal note to Yeltsin announcing Japan's new Russia policy of a 'multi-layered approach', replacing its 'expanded equilibrium approach', in order to advance relations with Russia in various domains, including political dialogue at the top level, security dialogue, and trade and economic cooperation, in parallel with negotiations on the territorial question.<sup>10</sup> Later, in July 1997, before his visit to the Krasnoyarsk informal talks with Yeltsin, Hashimoto publicly launched his 'Eurasian diplomacy' and sent a strong message to Russia that his administration was ready to improve Russian–Japanese relations in accordance with the Hashimoto Doctrine, which consisted of the three principles of trust, mutual benefit and a long-term view.<sup>11</sup>

Hashimoto considered it extremely important for Japan to pursue a more balanced foreign policy by improving relations with Russia, which had lagged far behind relations with the USA and China. He was also eager to create an atmosphere favourable to the conclusion of a long-awaited peace treaty with Russia quickly while he was in power. To achieve this he intended to build a personal relationship of confidence with President Yeltsin and tried to prompt him to make a decision on a peace treaty on mutually acceptable terms. His Russia policy may in part have been motivated by his desire to retain power and win the presidential election in the ruling Liberal Democratic Party, scheduled for the summer of 1998, by creating the impression that he was the only person capable of concluding the peace treaty with Russia.

The Hashimoto Doctrine received high praise from the Russian side, which concluded that Japan had finally made a drastic shift in its traditional stance on Russia, de-linking economics from politics.

#### The Krasnoyarsk talks

Following the announcement of the Hashimoto Doctrine, and mainly thanks to the efforts of Hashimoto rather than to the diplomatic skill of Yeltsin and Primakov, Russian–Japanese relations began to make remarkable progress, particularly in the economic field, to the extent that Russia praised the development with admiration. Within one year, Japan and Russia held a series of summit talks, first in Krasnoyarsk in November 1997, then in Kawana in April 1998 and most recently in Moscow in November 1998.

From the viewpoint of Russia, the biggest achievement of the Krasnoyarsk 'no-necktie' talks, which President Yeltsin and First Deputy Prime Minister Boris Nemtsov (in charge of economic affairs) attended, was the creation of the Hashimoto–Yeltsin Plan, a comprehensive economic cooperation package, to which Hashimoto pledged Japan's commitment.

The plan covered a wide range of expanded cooperative relations up to the year 2000, when Yeltsin's presidency would come to an end. It encompassed: (a) the development of oil and natural gas fields in Russia's far east and Siberia; (b) the launching of negotiations on a long-delayed bilateral investment protection agreement; (c) Japanese support for Russia's bid to join

<sup>10</sup> *Yomiuri Shimbun*, 4 Jan. 1997.

<sup>11</sup> *Asahi Shimbun*, 25 July 1997.

APEC and the World Trade Organization (WTO); (d) Japan's cooperation in upgrading the Trans-Siberian railway system; and (e) a training programme for Russian business managers.

From the perspective of Hashimoto, the most remarkable thing was the agreement that the two leaders would do their utmost to conclude a peace treaty by resolving the Northern Territories issue by 2000 on the basis of the 1993 Tokyo Declaration. Before his departure for the Krasnoyarsk talks, Yeltsin stressed that 'we cannot surrender the Kurile Islands to Japan' and that 'the settlement of the Kuriles problem should be left to the next generation'; yet at Krasnoyarsk he made the sensational proposal to Hashimoto that they should do their best to conclude the peace treaty by the year 2000, totally bypassing Primakov and the Ministry of Foreign Affairs. The ministry was astonished at the news.<sup>12</sup>

Yeltsin's proposal for a peace treaty by the year 2000 was a pleasant surprise to Hashimoto, but Nemtsov made a comment discouraging to Japan, asserting that 'Article 4 of the Russian Constitution stipulates territorial integrity and designates the president as the guarantor of the constitution'.<sup>13</sup> Immediately after the Krasnoyarsk talks, Sergey Yastrzhembsky, Russia's presidential spokesman, publicly stated that the 'Hong Kong formula', which provided for the surrender of sovereignty in the future, would be inapplicable.<sup>14</sup>

At Krasnoyarsk, Yeltsin's proposal for a security dialogue obtained Hashimoto's consent. In March 1998 two Japanese pilots received training on Su-27 jet fighters, which were becoming the main fighter aircraft of the Chinese Air Force, on the outskirts of Moscow. In May the chairman of the Japanese Joint Staff Council visited Russia and conferred with the defence minister, his Russian counterpart and the Commander-in-Chief of the Russian Navy. In July the Russian Pacific Fleet and the Japanese Maritime Self-Defense Force conducted their first joint search-and-rescue exercise ever in the Sea of Japan about 390 km east of Vladivostok. In December of the same year, the Chief of the General Staff of the Russian Army paid a historic courtesy visit to Tokyo. According to *Izvestiya*, the contacts between the military authorities of Russia and Japan lag behind those between Russia and other G8 nations.<sup>15</sup>

At the Krasnoyarsk talks Yeltsin also agreed to visit Japan in the spring of 1998. Both leaders admitted the need for an agreement to ensure safe fishing in the waters surrounding the disputed islands. In March 1993 the Russian Parliament had adopted a law on national borders which approved the use of weapons against violations of its national boundaries, and Japanese fishing boats operating in the waters around the Northern Territories had since been fired on by the Russian border guard. These shooting incidents had become a serious issue between the two countries.<sup>16</sup>

The second major achievement for Russia after the Hashimoto–Yeltsin Plan was its entry into APEC. Following the Krasnoyarsk summit meeting, Hashimoto made great efforts to realize the admission of Russia as a fully-fledged member of APEC, and with Japan's help Russia officially joined in November 1998, together with Viet Nam and Peru. This was in addition to its previous admission to the ASEAN Regional Forum (ARF), a multilateral forum on security affairs in Asia–Pacific, where since 1996 Russia has held the status of a non-regional partner in dialogue, like the USA, China and Japan.

Following Krasnoyarsk, some progress was made in Japan's relations with the administration of Sakhalin *oblast*. In December 1997 an office of the Japanese Consulate-General was opened in Yuzhno-Sakhalinsk, the capital of the *oblast*, and this was followed by a decision by the Export–Import Bank of Japan to extend \$100 million to support the Sakhalin 2 project to promote the development of natural gas and oil resources.

<sup>12</sup> Saito, M., 'Nihon ni sekkin suru Roshia' [Russia is struggling to rectify relations with Japan], *Gaiko Jiho*, May 1998, p. 13.

<sup>13</sup> *Rossiyskiye Vesti*, 4 Nov. 1997; and *Tokyo Shimbun*, 21 Apr. 1998.

<sup>14</sup> *Tokyo Shimbun*, 21 Apr. 1998.

<sup>15</sup> *Izvestiya*, 2 June 1998.

<sup>16</sup> The Russo-Japanese agreement on safe fishing operations was signed on 21 Feb. 1998.

### The Kawana talks

In April 1998, President Yeltsin held the second round of ‘no-necktie’ talks with Hashimoto in Kawana. His main objectives (in the midst of the political crisis triggered by his dismissal of Prime Minister Viktor Chernomyrdin) were: (a) to obtain emergency financial aid from Japan; and (b) to urge the Japanese Government to promptly implement the Hashimoto–Yeltsin Plan and expand it to include cooperation in space development.

At Kawana, Hashimoto told Yeltsin that, of \$1.5 billion previously pledged in untied loans to Russia, Japan would provide \$600 million by the end of the year. The two leaders agreed to establish a committee for bilateral cooperation in the development of space stations and establishing a satellite network. With regard to energy development projects in the Russian far east and Siberia, Yeltsin called for greater participation by Japanese companies. He also proposed the construction of large-scale marine product processing facilities and the improvement of roads and ports on the Northern Territories, but failed to obtain a positive response from Hashimoto.

The result of the talks was satisfactory to Yeltsin. At a press conference immediately afterwards, he remarked that ‘at Kawana I am convinced that the two great nations were able to establish a strategic partnership in the economic field’.<sup>17</sup>

At the Kawana meeting Yeltsin proposed a future-oriented treaty of peace, friendship and cooperation to expand cooperative relations between Russia and Japan, stressing that the current framework of the peace treaty talks was too narrow in scope because the legal state of war between the two nations had been terminated in 1956.<sup>18</sup> In response, Hashimoto made a counter-proposal for a peace treaty which reportedly stipulated a demarcation line between the islands of Etorofu and Uruppu. As to the timetable for the reversion of the four islands in dispute, he made the extremely flexible proposal that until both sides reached agreement Russia would retain administrative power over all four in return for acknowledgement of Japan’s residual sovereignty. On the Habomais and Shikotan, which in the 1956 Joint Declaration the Soviet Union had agreed to hand over after the conclusion of a peace treaty, Hashimoto suggested that Japan would not call for immediate reversion. He went on to propose that the conclusion of a treaty for transferring the four disputed islands be left to the next generation.<sup>19</sup> According to a high-ranking official of the Japanese Foreign Ministry, Yeltsin was on the verge of approving this counter-proposal on the spot, but after desperate efforts by Yastrzhembsky he decided to reply at the formal talks to be held later in Moscow.<sup>20</sup>

At Kawana both leaders publicly agreed to accelerate negotiations on a peace treaty. It could be argued that Yeltsin’s pledge to accelerate the peace treaty negotiations was a ‘card’ to extract maximum economic support from Japan.

## V. The Moscow summit meeting

In November 1998, newly-elected Prime Minister Obuchi paid an official visit to Moscow—the first official visit by a Japanese prime minister in 25 years. For the Russian side the top priority was to obtain Japan’s consent to joint economic activities on the disputed islands, while it confirmed its commitment to do its utmost to conclude a peace treaty by the year 2000.

At the end of the Moscow summit meeting, the Moscow Declaration was signed, in which the two nations agreed on the construction of a ‘creative partnership’ consistent with their strategic and geopolitical interests, overcoming the legacy of the past. It defined the construction of a creative partnership as the most significant task. It also illustrated the fundamental orientation

<sup>17</sup> *Sankei Shimbun*, 21 Apr. 1998.

<sup>18</sup> *Tokyo Shimbun*, 19 Apr. 1998.

<sup>19</sup> *Yomiuri Shimbun*, 26 Feb. 1999.

<sup>20</sup> Kato, K., ‘Okiku Zenshin demo Nuguenai Kenen’ [Concerns remain despite big step forward], *Sekai Shuho*, 15 Dec. 1998, p. 17.



of a creative partnership between Japan and Russia in their bilateral relations as well as in the Asia-Pacific region and on a global scale.<sup>21</sup>

The outcome of the meeting appears to have satisfied Russia. Obuchi offered to extend \$8 billion in untied loans to help bail Russia out of its severe financial crisis and signed the bilateral investment agreement which Russia had been long pressing for to promote investment by the Japanese private sector in Russia. Most importantly for Russia, the Moscow Declaration called for the establishment of a creative partnership based on the principles of trust, mutual benefits, a long-term perspective and close economic cooperation, overcoming the legacy of the past. The principle of close economic cooperation was added to the three principles of Hashimoto's policy. The Moscow Declaration officially not only approved the Hashimoto-Yeltsin Plan but also announced Japan's consent to establish a panel to study the possibility of joint economic activities on the four Russian-held islands, albeit 'without damaging each other's legal positions'.

On the territorial issue, Yeltsin gave Obuchi a written reply to Hashimoto's demarcation proposal. He proposed that a treaty of peace, friendship and cooperation be concluded first, and negotiations on the demarcation issue continued afterwards, thus separating the territorial question from the peace treaty. To realize joint economic development, he also proposed that a special zone be designated on the disputed islands separate from the jurisdiction of Sakhalin *oblast*, in which Japan would enjoy special treatment in its economic activities.<sup>22</sup> This stance, reportedly formulated by Primakov in consultation with the ministries and the agencies concerned, did not basically go beyond Yeltsin's favourite 'five-stage solution scheme', which left the final settlement of the territorial issue to future generations. Nonetheless, Yeltsin's proposal to designate the four disputed islands as a special zone provoked severe opposition from the local government of Sakhalin, which had jurisdiction over the four islands.

The discrepancy between the Russian and Japanese positions was still wide. Yeltsin's stance on a peace treaty was clearly a retreat from the Tokyo Declaration of 1993, which stipulated that the peace treaty would be concluded after the territorial issue was settled. Studies of Russian negotiating behaviour suggest that Russians have a tendency to make a maximum demand at the start of negotiations.<sup>23</sup> It seems that President Yeltsin, whose political and physical strength was waning, especially after the summer 1998 fiscal crisis in Russia, followed this traditional pattern at the Moscow summit meeting.

According to Vyacheslav Kostikov, a former presidential press secretary, Yeltsin understands that the four islands in dispute belong to Japan but fears that the reversion of the islands to Japan would lead to his own overthrow.<sup>24</sup> In the case of the demarcation of the border with China, both Yeltsin and Primakov had firmly committed themselves to an early settlement, even making personal efforts to persuade local opposition forces in the Russian far east to realize the prompt demarcation of the borders, and appearing strongly convinced that the demarcation of the Chinese-Russian borders before China became too strong was very advantageous to Russia.<sup>25</sup> In contrast, in the case of the territorial issue with Japan, the Russian leadership faces difficulties since it would have to surrender the islands obtained at Yalta in 1945. This is why President Yeltsin takes a cautious stance on a settlement.

Putting aside the territorial question, the Moscow Declaration on the establishment of a creative partnership stipulated that both leaders agreed to strengthen bilateral ties by holding official top-level dialogues annually and informal talks. They also pledged their commitment to continue and expand recent exchanges in the security and defence field.

<sup>21</sup> For the text of the Moscow Declaration, see *Diplomaticeskii Vestnik*, no. 12 (1998), pp. 11–14.

<sup>22</sup> *Nihon Keizai Shimbun*, 13 Nov. 1998; and *Sankei Shimbun* (evening ed.), 13 Nov. 1998.

<sup>23</sup> See, e.g., Whelan, G., *Soviet Diplomacy and Negotiating Behavior* (Westview Press: Boulder, Colo., 1983), p. 494.

<sup>24</sup> Kostinov, V., *Roman s Prezidentom* (Vagris: Moscow, 1997), pp. 96–97.

<sup>25</sup> For a detailed analysis of the stance of the Yeltsin Government on the demarcation of the Russo-Chinese border, see Saito, M., 'Roshia no Taichu Senryakuteki Patonashippu Gaiko no Kozo' [Russia's policy of strategic partnership with China], *Kyorin Shakai Kagaku Kenkyu*, vol. 12, no. 2 (1996), pp. 5–10.

After the serious financial turmoil in Russia in the summer of 1998, the power of the federal government weakened further and the 'Sakhalinization' of Russia's policy towards Japan became increasingly noticeable. Prior to his February 1999 visit to Japan, Foreign Minister Ivanov made a stopover at Yuzhno-Sakhalinsk and referred to the islanders of the southern Kuriles, declaring there that 'the land they live in is and remains an inseparable part of Russia', thus reconfirming that the Russian Government strongly supported Sakhalin in the territorial dispute with Japan.<sup>26</sup>

In Tokyo, Ivanov indicated to his Japanese counterpart that the conclusion of a peace treaty by 2000 would be impossible and proposed instead a treaty of friendship and cooperation, while asking Japan to aggressively promote joint economic activities, including the development of offshore oil and gas resources near Sakhalin Island.<sup>27</sup> At the deputy foreign ministerial talks held in Moscow in January, the Russian side even refused to admit the validity of the territorial clause in the 1956 Soviet-Japanese Joint Declaration.

On security questions, whereas the Yeltsin Administration took a supportive stance on the new Guidelines for US–Japan Defense Cooperation (revised in 1997), Sakhalin *oblast*, which is near the island of Hokkaido, has been critical of them, fearing an expansion of the operational activities of US troops stationed in Japan. However, in January 1999 the Russian Foreign Ministry changed its position on the guidelines: for instance, after stating that Russia had no intention of interfering with the contents of the US–Japan treaty, a Foreign Ministry spokesman expressed Russia's concern, stressing that it was unacceptable to include Russia in the 'area surrounding Japan'. Russia is also critical of the proposed TMD (Theater Missile Defense) system on the ground that it would destabilize the existing regional balance.<sup>28</sup>

The prospects for the conclusion of a peace treaty by the year 2000 are grim indeed.

## VI. Proposals for Japan's Russian policy in the 21st century

After the announcement of the Hashimoto Doctrine, remarkable progress was made in a short period of time in the areas of economic cooperation and political and security dialogue. The 1998 Moscow Declaration stipulated the construction of a 'creative partnership' consistent with the strategic and geopolitical interests of both parties, overcoming the legacy of the past. However, after the Moscow summit meeting, there is a widespread feeling of stagnation in Japan because of Russia's inflexibility on the territorial question. The construction of a creative partnership is now at a crossroads. In this situation, what sort of policy options should Japan pursue regarding its northern neighbour?

What is most desirable for Japan's security as well as the security of the Western industrial nations is a stable Russia pursuing democracy and a market economy. An upsurge of neo-communism and the restoration of the expansive Russian empire is by no means compatible with Western security interests. Yet democracy in Russia has not yet taken root firmly and the Russia political situation is still unstable and in a transitional stage.

Japan should therefore continue to commit itself to helping Russia's transition to democracy and a market economy in cooperation with other industrial nations, including the USA, on the basis of its own national interests, and continue to help Russia to overcome its financial crisis within a multinational framework such as the IMF. Japan should continue to assist Russia's promising large-scale projects for development of the rich oil and natural gas resources of the Russian far east insofar as they are likely to bring commercial profits. Yet there is a clear limit to the financial aid Japan can extend to Russia while a solution of the territorial issue is not in sight.

In security affairs, it seems that the stability and prosperity of the Asia–Pacific region in the next century depends on five nations—the USA, China, Japan, Russia and North Korea. Japan

<sup>26</sup> *Nezavisimaya Gazeta*, 23 Feb. 1999.

<sup>27</sup> *Japan Times*, 22 Feb. 1999; and *Mainichi Shimbun*, 26 Feb. 1999.

<sup>28</sup> *Sankei Shimbun*, 23 Feb. 1999; and *RP Roshia Seisaku Doko*, 27 Feb. 1999.

should promote security dialogue with Russia to build confidence between the two nations regardless of progress in the Northern Territories issue, while firmly upholding the US–Japanese security system, which is the nexus of Japan's security policy. In this regard Japan should make further efforts to dispel Russia's concern over the new US–Japan defence guidelines and the proposed TMD system. In recognition of the possibility of China becoming a hegemonic power in Asia in the next century, the establishment of a long-term stable relationship with Russia will have profound importance for Japan as well as Russia. However, the utmost care should be taken to avoid criticism from China. In essence, in parallel with the rapprochement with Russia, Japan should strive to create a cooperative security system in North-East Asia comprising the USA, China, Russia and Japan on the basis of the US–Japanese security treaty.

The Korean Peninsula problem is one of the most critical issues affecting the peace and stability of the Asia–Pacific region. At present the USA, China and the two Koreas are not very supportive of the expansion of their four-party talks into six-party talks by adding Japan and Russia. It is therefore advisable that Japan first of all take the initiative by launching a semi-official multilateral forum on security in North-East Asia, with the participation of scholars and experts from the USA, China, Japan, Russia, South Korea and (hopefully) North Korea. In other words, a multilateral forum on security problems in the Asia–Pacific region should be established in a phased manner, starting at the most feasible stage.

Japan should urge Russia to cease arms exports to China and warn that they will eventually prove to be seriously hazardous to Russia's own national interests. It would be ideal if Japan could devise a strategy that would bring Russia closer to the Japanese side and convince Russia that improved relations with Japan and the United States are far more desirable in terms of long-term Russian interests than accelerated arms sales to China.

In cooperation with the United States, Japan needs to expand efforts with Russia to safeguard nuclear materials and technology so that they do not fall into the wrong hands. In this connection, a recent decision by the Japanese Government to help Russia to convert plutonium is praiseworthy. It goes without saying that Japan ought to continue its assistance in the disposal of nuclear waste and in nuclear safety control in the Russian far east.

Last but not least, as for the settlement of the long-standing Northern Territories question, Japan should make the utmost effort to achieve an early conclusion of a peace treaty on the basis of the Tokyo Declaration and the Moscow Declaration. For the settlement of territorial disputes by peaceful means, it is essential that Russia concludes that: (a) the advantages it can expect to gain by a negotiated solution are substantial; and/or (b) the costs involved in maintaining the territories are excessive or outweigh the benefits. Japan should make persistent endeavours to convince Russia, including Sakhalin *oblast*, of the merits of the demarcation in more concrete terms and should emphasize that the sooner demarcation takes place, the more it will benefit Russia's national interests.

# 10. The future of US–Japanese defence cooperation and its implications for regional security

SATOSHI MORIMOTO

## I. The security outlook in Asia–Pacific and the US–Japanese security alliance

Since the end of the 1980s, the Asia–Pacific region has enjoyed a pace of growth and development unmatched in other regions. Most Asian countries have enjoyed a 10–12 per cent increase in GNP and have promoted open and free trade and economic systems. With economic advances they are becoming more confident in managing political and security policy.

Nevertheless, there exist a number of elements of potential instability in the Asia–Pacific region—the Korean Peninsula, relations between China and Taiwan, and the South China Sea, as well as the current economic–currency crisis, issues of territorial sovereignty, nationalism, military build-ups and the proliferation of weapons of mass destruction. From a medium- to long-term perspective the region faces other serious problems such as food and energy shortages, environmental degradation, shifts in labour resources and economic disparities.

Political leaders in the region have been concerned with attaining and maintaining a stable political and security environment in order to sustain their economic development and interdependence. This has been a strong incentive for most countries in the region to promote multilateral security dialogue and cooperation.

Side by side with the trend towards multilateral cooperation in economic, political and security affairs, nationalist movements seeking to strengthen the position and influence of their respective countries have emerged in many of the states in the region since the cold war.

The promotion of cooperation has been manifested in multilateral dialogues and cooperative approaches within the region, leading to the steady strengthening of APEC in matters of economic development and cooperation and of the ARF (the ASEAN Regional Forum) for political and security issues. In July 1998 the ARF held its fifth ministerial conference since it was established in 1994, and the 1990s have seen remarkable progress in dialogue and cooperation on regional security. China's participation in the ARF and its active engagement in multilateral dialogue have been of special significance.

Two major factors lie behind these developments in security dialogue. The first is the region's remarkable economic development and growth, which has infused its countries with confidence and sparked moves to seek out a collective identity for Asia as a whole. The second is growing recognition of the many potential elements of instability that exist there and of the need to build a framework for dialogue within the region to prevent disputes escalating into conflicts. An indication of this recognition was given at the second ARF conference, where agreement was reached on a three-step approach to the pursuit of regional stability through confidence-building measures, preventive diplomacy and approaches to conflict resolution.

Given this security environment, it is essential that Japan and the United States play a substantive role to support the peace and stability of the entire region.

The US–Japanese alliance is the cornerstone of the Asia–Pacific policies of both Japan and the United States. Throughout the cold war period it played a crucial role in assuring the commitment and presence of the United States, and in the post-cold war period it has remained important for dealing with various situations arising in the region. With regard to the various sources of instability in the region, the alliance needs to be made more substantial and effective.

In the post-cold war period, however, the alliance has faced serious challenges. After the collapse of the Soviet Union, its purpose has become more difficult to explain and the number of Japanese who feel that they can live without it is increasing. The April 1996 Japanese–US summit meeting and Joint Declaration on Security did provide one answer to the question what character the alliance should assume after the cold war. The Japanese Prime Minister and the US President reaffirmed its importance for the peace and stability of the entire Asia–Pacific region and defined the partnership in terms of common interests and values. In many ways, the Joint Declaration marks the most significant turning point for the alliance since the 1960 Treaty of Mutual Cooperation and Security between Japan and the USA.

## II. Background to the review of the Guidelines for US–Japan Defense Cooperation

The Japanese Self-Defense Forces came into being in the mid-1950s and in 1960 the 1951 US–Japanese Security Treaty was revised to reallocate roles, Japan taking responsibility for defence operations, and the USA for offensive operations.

In reality, however, until the Self-Defense Forces acquired a real defence capability in the 1970s, Japan’s national security remained almost entirely dependent on the alliance with the USA. With economic growth, Japan made steady progress in developing its defence capability, and when this capability came into its own around the mid-1970s the USA requested Japan to provide Host Nation Support to US forces based in Japan and to make greater effort in the field of defence. The US position was closely linked with two circumstances. First, at around that time the USA had slid into a difficult economic situation as a result of its spending on the Viet Nam War. Second, in the Soviet Union’s drive to catch up with the USA, the military balance between it and the USA had reached almost parity. A steady Soviet military build-up in the Far East was also getting under way. However, under the 1960 treaty and the Status of Forces Agreement there was no plan for the types of defence cooperation between the USA and Japan in the event of a military threat in the Far East, in particular an armed attack on Japan. The USA therefore sought to decide on action guidelines for its defence cooperation with Japan. These efforts culminated in 1978 with the completion of the Guidelines for US–Japan Defense Cooperation.

The guidelines were drawn up as a part of the US strategy to counter the Soviet Union in the Far East. The scenario underlying them was an attack in the Far East by the Soviet Union, and the focus of the guidelines was the form of cooperation between US forces and Japan’s Self-Defense Forces to counter an armed attack on Japan.

For 10 years after the formulation of the guidelines, the USA and Japan based their bilateral defence plans on them. This planning was based on two scenarios for the outbreak of hostilities between the USA and the Soviet Union in the Far East—resulting from East–West confrontation (*a*) on the European front and (*b*) in the Middle East. In both the confrontation in another region would spread to the vicinity of Japan and part of northern Japan would be the target of an attack by the Soviet Union. These two bilateral defence plans were given the code names 5051 and 5053, although they were known only to defence officials and were treated with such secrecy that they were locked away and never presented at discussions between the US and Japanese governments throughout the period of the cold war. Fortunately, they were never put into practice.

When it became obvious that the cold war was coming to an end, the likelihood of either scenario clearly diminished, with the result that the plans based on the old guidelines became virtually meaningless.

Since the end of the cold war, the situation in the Far East has changed considerably. Since North Korea was suspected of having a nuclear weapon programme, the situation on the Korean Peninsula has steadily been giving greater cause for concern, and domestic politics and military developments in China have become the subject of common anxiety in East Asia. In Japan,

meanwhile, numerous serious incidents have occurred over the past few years and a sense of unease within the country has been growing. The appropriate form of crisis management for the nation to adopt has become a worrying problem, and no effective measures have yet been taken.

Amid these changes in Japan's domestic and external environment, it would appear that in the USA the belief is beginning to emerge that the strong ties with Japan that were built up during the cold war have loosened since the cold war ended.

The most effective way to solve this problem was to strengthen the alliance. The US–Japanese Joint Declaration on Security was concluded in April 1996.

### III. Evaluation of the new Guidelines for US–Japan Defense Cooperation

The new guidelines must be evaluated from the two perspectives of (a) the US–Japanese alliance, and (b) Japan's national security.

Viewed from the first perspective, they have unmistakably brought about a turning point in the alliance. They enable Japan to extend more substantial cooperation than before to the USA in the field of logistical support, to the extent that cooperation between the USA and Japan will come close to the level of the USA's cooperation with its Atlantic allies. Viewed from the second perspective, they are actually guidelines for national crisis management, although they borrow the name of the US–Japanese alliance. Although the cornerstone of the guidelines is to specify responses based on the alliance, in reality they delineate a framework that enables Japan to act by itself in time of crisis, and to that extent the guidelines are commendable.

In any event, the guidelines simply present a broad framework and direction for the national security practices. It is now essential to prepare the appropriate national structure, including legislation. Once the necessary legislation and other domestic systems based on the guidelines are in place, Japan will at last come close to being a 'normal country' simply in the sense of being a country with the normal functions and structure of a modern nation. Japan has hitherto been a nation with no guidelines as to how to respond as a nation in times of crisis.

The new guidelines are extremely important pointers towards the future direction both of the US–Japanese alliance and of Japan's national security. Japan was able to build its post-war stability and prosperity because it had chosen the path of alliance with the USA. Most certainly this was an appropriate choice. If, as a result of the new guidelines, the US–Japanese alliance becomes still firmer, as regards the future path that Japan should follow, the guidelines could be the most important pillar of Japan's diplomacy and national security policy.

In view of this, it is essential to understand fully the significance for Japan's national security of the matters prescribed by the new guidelines.

#### **The objectives of the guidelines**

The new guidelines appear to have two major objectives.

The first, needless to say, is to set out the broad framework and direction of the form of the cooperation between the USA and Japan that should be engaged in at times when Japan is confronted by crisis.

The time-frame for US–Japanese cooperation in such events is divided into three levels: (a) cooperation under normal circumstances; (b) actions in response to an armed attack against Japan; and (c) cooperation in situations in areas surrounding Japan. These crisis situations therefore include not only armed attack against Japan but also situations in which Japan's peace and security are seriously influenced by situations not in Japan itself but nearby. Accordingly, compared with the old guidelines, the new ones prescribe cooperation in a far broader framework, both as regards time-frame and as regards the scenarios for cooperation. Another special feature of the new guidelines is that they prescribe a framework for cooperation by the US and Japanese nations and societies in their entirety. Given this, it can be assumed that the nature of

the new guidelines is to make the US–Japanese alliance as far as possible a proper relationship between allied countries.

The new guidelines thus seek to create a framework that will make it possible for Japan, within the confines of its own constitution, to extend full-scale cooperation to activities carried out by the USA. However, the extent to which the new guidelines satisfy the USA is unclear.

The second objective is to prescribe a basic framework for the ways in which Japan as a nation should respond to crisis situations that confront it. This means that essentially the guidelines are simply guidelines for Japan's own national security under the guise of the alliance. This is clear from the fact, for example, that emergency laws are included in the formulation of legislation that should be carried out under the new guidelines. Emergency laws are not needed for US–Japanese cooperation: they set out the framework for essential national action to be taken to deal with emergencies in Japan. The government and the ruling parties wish to derive emergency laws from the guidelines in order to ensure that as far as possible they incorporate guidelines on how Japan should deal with emergencies.

Cooperation under normal circumstances includes: (a) information sharing and policy consultations; (b) various types of security cooperation; and (c) bilateral programmes. Among these there are provisions for US–Japanese cooperation to promote the taking of action on transnational activities such as terrorism, the movement of refugees, international crime, environmental pollution, population growth and arms proliferation, and also to promote peacekeeping operations and cooperation relating to international humanitarian relief activities.

Clearly these are not issues of direct relevance to the Treaty of Mutual Cooperation and Security. The new guidelines do not change the framework of the treaty but they lay out significant aspects of US–Japanese cooperation that are not prescribed in it. That is, they set out a much broader framework for cooperation between the USA and Japan as allied countries.

Action to respond to armed aggression against Japan was covered almost completely in the old guidelines, but a number of revisions have been made. One is the laying down of joint procedures for cases in which armed aggression against Japan is imminent. However, the provision that 'the two governments will make preparations necessary for ensuring coordinated responses according to the readiness stage selected by mutual agreement' will not be possible unless there is considerable domestic cooperation and understanding. Also important is the process for determining whether or not armed aggression against Japan is imminent.

Whereas the old guidelines focused strictly on full-scale military attack, the new ones also pay attention to other types of armed aggression against Japan such as unconventional warfare, for example waged by guerrillas, and ballistic-missile attacks.

The new guidelines contain another new aspect—logistics in an emergency. They stipulate: 'To improve the effectiveness of logistics and to alleviate functional shortfalls, the two Governments will undertake mutual support activities, making appropriate use of authorities and assets'. It is natural to anticipate the occurrence of 'functional shortfalls' in both Japan and the USA and to conduct support activities that include the use of private entities, but it will not be possible to gain the cooperation and understanding of the Japanese public unless the kind of functional shortfalls that may occur, and how the capabilities of private entities are to be used, are clearly spelled out.

The parts which deal with situations in areas surrounding Japan are the most important and momentous aspects of the new guidelines.

Since the publication of the interim report there has been ongoing debate about the definition of 'areas surrounding Japan', and in particular about whether or not that definition includes the Taiwan Strait. However, the expression 'situations in areas surrounding Japan' was intended to describe situations and clearly does not refer to regions. The main point is to make judgements, autonomously and independently, as to whether or not any particular situation that arises has an important impact on Japan's peace and security and as to what action to take.

Nevertheless, it will be vital to hold full discussions in advance on the questions how Japan and the USA will recognize such situations and how they should act if their perceptions differ.

Politicians are currently saying either that the Taiwan Strait should or that it should not fall into the category of 'areas surrounding Japan', but both interpretations are mistaken. As regards the question whether specific areas should be included in this category, if it is not possible to make specific designations in individual cases, then no such designations should be made at all. Even if the situation on the Korean Peninsula takes a central place in the category of 'situations in the area around Japan', events there should be judged in the light of Japan's national interests on each occasion when they occur. Similarly, the very fact of saying that the Taiwan Strait falls outside the scope of the new guidelines would be itself contrary to Japan's national interests. It is also utterly impossible for the conduct of overseas operations by US forces to totally exclude any specific area of the sea or of the skies.

One major feature of the new guidelines is that they specifically set out itemized details of cooperation and support between Japan and the USA for dealing with situations in areas surrounding Japan, and stipulate concrete examples of types of cooperation in the event of a situation occurring. These include provisions not only for the use of Japanese facilities by US forces but also for logistical support in such areas as supply, transport, maintenance and medical services, and for cooperation in warning, surveillance and minesweeping.

The new guidelines prescribe matters that are of greater importance. They call for a study of bilateral defence planning and mutual cooperation planning in the future through a comprehensive mechanism and the establishment of common standards and common rules of engagement based on the guidelines.

The bilateral defence plan is the plan for US–Japanese cooperation in the event of an emergency in Japan, and the mutual cooperation plan is the plan for cooperation in the event of an emergency in the Far East. The study of these two plans will lay the ground-work and indicate the direction to be adopted in the drafting and enactment of legislation, and the results of the drafting and enactment of legislation will then be reflected in the drafting of the two plans. In other words, there is a close correlation between the two plans and the formulation of legislation.

To establish a common standard and common rules of engagement, the USA wishes to adapt the NATO standard and NATO Rules of Engagement to the case of cooperation with Japan. If this is achieved it may mean that cooperation between the two countries will eventually be on a par with NATO, at least as far as logistical support is concerned. Nevertheless it is strange that, even though the USA and Japan are allies, they have not already devised a common standard and common rules of engagement of this kind.

Something else to be created on the basis of the new guidelines is a US–Japanese bilateral coordination centre. It is not yet clear what kind of institution this will be, but presumably US and Japanese officials will work in a certain place within the Japan Defense Agency to coordinate joint activities. Needless to say, coordination carried out through this centre will differ from command and supervision powers that the USA and Japan already possess, and it will be essential to ensure that the powers of command and supervision and the principle of civilian control that each possess independently are not damaged under the pretext of coordination.

### **Implications of the guidelines for security in Asia–Pacific**

The guidelines enable Japan to assist and support the activities of US forces for the peace and stability of the region by providing such logistical support as transport, supply, surveillance and so on. However, in order to make these logistical operations more effective, Japan, the USA and South Korea have to coordinate and cooperate with each other on the Korean Peninsula. In this context, it is expected that the guidelines will have to be expanded and extended to include South Korea.

At present, the guidelines are not expected to be applied automatically to situations in the Taiwan Strait. However, whether or not they should apply there needs to be clarified. This



determination should be based on the significance that situations in the Strait are seen to have for peace and stability in both Japan and the USA. That is the common rule of the alliance.

Nevertheless, the guidelines are the subject of various criticisms both at home and abroad. Abroad, criticism arises mainly among Japan's neighbours and is based on the perception that the guidelines mark the beginning of Japan taking the path toward militarism. It is feared that, as a result of the guidelines, Japan will make military inroads into the Asia–Pacific region. It is not clear which aspect of the new guidelines this criticism refers to but the guidelines do contain an element that creates a degree of unease in East Asian countries, particularly those neighbouring Japan. There is of course also the view that as long as Japan remains allied to the USA those concerns are unwarranted.

Japan considers that ultimately the new guidelines will support the presence of the USA in the Asia–Pacific region, which is helpful to peace and stability there, and from this perspective help Japan to contribute to the peace and stability of the region. Nevertheless, out of consideration for the anxieties of neighbouring countries, steps must be taken to increase transparency concerning the actual state of the alliance. These might include inviting observers from neighbouring countries to monitor joint US–Japanese exercises and US bases in Japan. In particular, full-scale deliberations on the subject of emergency laws, including their interpretation under the constitution, are essential.

Second, to ensure that the various ministries prepare legislation, the Japanese Prime Minister's Office will coordinate the ministries and agencies laterally and will develop a national security structure. This will be Japan's first such experience in the post-war era.

Third, through the development of legislation in this way it will become necessary to revise all domestic systems from the standpoint of national crisis management, encompassing not only the Self-Defense Forces but also national institutions, local governments and the whole of Japanese society. This too will be the first such attempt in the post-war era.

The new guidelines are only simple guidelines, but how they are implemented and how they are used within Japan will depend on the wisdom of the Japanese people.

#### IV. Future prospects for US–Japanese defence cooperation

While multilateral security cooperation and dialogue will develop in the Asia–Pacific region, US–Japanese defence cooperation will also expand, not only for peace and stability in the region but also for the defence of Japan. As Japan also extends its security contribution to UN activities for peace-making, peacekeeping and preventive diplomacy, security and defence cooperation between it and the USA will increase in the future.

So far, multilateral security cooperation in the region has been promoted to reinforce the bilateral security alliance, which would not be replaced with a multilateral approach such as the ARF, even if the ARF develops in the future. However, if there is broad agreement on creating a regional security framework in the Asia–Pacific region, the ARF process should be developed and established. By the time such a multilateral framework is established, concrete measures including confidence-building measures and preventive diplomacy should be taken.

The USA and Japan should contribute to such measures through their bilateral defence cooperation.

On the other hand, no bilateral alliance can be sustained forever. The alliance should explore the rationale for meeting security change flexibly.

US–Japanese defence cooperation based on the alliance will be promoted and increased as Japan is able to exercise the right of collective defence, which has been restrained by the interpretation of the constitution. The alliance will face the most critical and structural challenge after the two Koreas are reunified. The nature of the US forces in Japan and defence cooperation between the USA and Japan will also undergo structural change. In order to sustain and maintain their alliance, both nations will have to explore the option of changing their bilateral alliance to a multilateral approach, by which some nations can share common national values

and contribute multilateral security cooperation under a loose security framework with the US–Japanese alliance at the core. Each nation can cooperate and contribute to the multilateral security approach in those areas in which it can and wishes.

This kind of loose security framework may expand to nations which share common national values and interests with the US–Japanese alliance.

# 11. The evolving security environment in Asia: its impact on Russia

JONATHAN D. POLLACK

## I. The legacy of the cold war

Political–military developments in the Asia–Pacific region over the past decade highlight a mix of accommodation, paradoxes and continuing questions. From the standpoint of regional security, perhaps the most positive trend has been the sharp reduction of major strategic rivalries in most of continental Asia. This has been a direct outgrowth of the political transition in Russia, the country's greatly diminished regional military profile and its parallel efforts to achieve normal, non-adversarial relations with all neighbouring states.<sup>1</sup> Without such changes it would have been impossible for Russia to make major foreign policy breakthroughs, notably with China and South Korea but also potentially with Japan. The diminished military component of Russia's Asia policy also reflects the loss of a globalist impulse in Russian security strategy, as well as Russia's abandoning the Soviet Union's efforts to undermine or oppose the US military presence in the region. As a consequence, much of Russia's military power in the region is a diminishing asset, since these capabilities no longer serve a global strategy and since the Russian state can no longer afford to maintain high rates of operational readiness of these forces.<sup>2</sup>

### The US military presence

Despite these changes, US force deployments in the region remain substantial. They have been reduced by about one-third from mid-1980s levels and US defence policy makers assert that the USA will retain *c.* 100 000 military personnel in East Asia.<sup>3</sup> Thus, notwithstanding the end of the Soviet–US global strategic rivalry, the USA deems it prudent to retain major military forces in the region to reinforce and selectively enhance its bilateral security alliances and to sustain a vigorous and visible profile in multinational military exercises, including new activities that extend to Central Asia.

The proximate explanations for maintaining this substantial military presence are twofold: first, undiminished concern about peace and stability on the Korean Peninsula; and, second, the need to ensure the capacity to project military power within and through East Asia to other regions of vital strategic interest. Unless there is an appreciable change in US global strategy or a major reduction in the level of military tensions on the Korean Peninsula, it remains very unlikely that these policies and deployments will undergo significant reappraisal in the near term. Although many observers question whether it will prove possible for the USA to maintain its regional presence on an open-ended basis, there are at present no conspicuous pressures either within the region or in the USA to compel it to reassess these arrangements. Over time,

<sup>1</sup> An earlier but still very useful overview is contained in de Nevers, R., International Institute for Strategic Studies, *Russia's Strategic Renovation*, Adelphi Paper no. 289 (IISS: London, July 1994). See also Harada, C., International Institute for Strategic Studies, *Russia and North-east Asia*, Adelphi Paper no. 310 (IISS: London, July 1997). For an assessment focused primarily on the transformation of Sino-Russian relations, see Bazhanov, Ye., 'Russian perspectives on China's foreign policy and military development', eds J. D. Pollack and R. H. Yang, *In China's Shadow*, CF-137-CAPP (RAND Corporation: Santa Monica, Calif., 1998), pp. 70–90.

<sup>2</sup> For relevant data highlighting the sharp reductions in nearly all categories of Russian military power deployed in Asia and the Pacific over the past decade, see *East Asian Strategic Review, 1997/1998* (National Institute for Defense Studies: Tokyo, 1998), p. 164.

<sup>3</sup> See most recently *The United States Security Strategy for the East Asia–Pacific Region* (US Department of Defense, Office of International Security Affairs: Washington, DC, Nov. 1998), esp. pp. 1, 9–12. The 100 000 level comprises only those forces forward deployed by the USA in the Pacific; the actual number under the operational command of the US Pacific Command based in Honolulu is *c.* 300 000.

the USA may see less need to be as visibly and fully deployed in Asia and the western Pacific, and some in the region could ultimately challenge the legitimacy of and need for the US military presence, but this day has yet to arrive.

Regional attitudes towards the US military presence are shaped by latent but widespread concern about maintaining a tolerable power equilibrium in Asia and the Pacific. Concerns about security threats deriving from the Soviet–US global strategic rivalry have been supplanted by worries about the prospect of potential turbulence and realignment in the regional balance of power. Even as many countries appear discomfited by its strategic predominance in a ‘sole superpower’ world, the USA is still viewed by most as largely benign. In view of the USA’s dominant position in commerce, finance and technology, regional actors have ample incentive to encourage its regional involvement. If this involvement were to diminish significantly, many fear heightened regional rivalries, including potential strategic competition between China and Japan, instability of various kinds and the possibility of local power imbalances that could result in armed conflict.

### **The options of the regional states**

These circumstances appear to dictate a three-part strategy for many regional states: (a) enhanced support for the US military presence or US military operations in the region; (b) upgraded regional or subregional security arrangements to reduce the risks of military rivalry or overt hostilities; and (c) continued defence modernization. Although the prerequisites for enhanced multinational security collaboration are partly evident in some subregions (notably in South-East Asia), few national leaders are prepared to entrust their fundamental national security interests to such nascent possibilities. Thus, notwithstanding a near-term need to defer some procurement as a consequence of the Asian financial crisis, the longer-term trend towards enhanced military capabilities persists, in particular capabilities that will enable new types of military operations and more extended military reach.

#### *The multilateral security approach*

Although most regional actors support collaborative security approaches, these sentiments do not seem to be deeply rooted. In North-East Asia, despite a burgeoning array of non-governmental and quasi-governmental security dialogues and various bilateral declarations and understandings, there is barely even the semblance of a regional security structure. Latent suspicions and conflicts of interest, many focused on the potential for heightened strategic tensions between China and the USA and between China and Japan, are never far removed from bilateral relations among these major powers. There remains an extraordinary concentration of military power in the area, with no state prepared to impose significant restraints on plans for indigenous defence development. At best, multilateral initiatives remain exploratory and do not significantly inhibit the autonomous pursuit of national security goals. The possibility of major hostilities persists on the Korean Peninsula and in the Taiwan Strait and all actors potentially involved in a future crisis are developing more advanced weapons and intelligence capabilities. In the case of the US–Japanese alliance, routinely characterized by US officials as the linchpin of US regional defence strategy, both governments are committed to enhancing their capabilities to collaborate in the event of future regional crises, creating suspicions on the part of other states that see themselves as the unspoken target of such plans, most notably China.

### **Threats to regional security**

Not all potential conflicts fit in past planning scenarios. Unresolved disputes over territory and control of sea-based resources constitute longer-term security concerns for which regional states are now quietly but unmistakably preparing. The relationship between China and the maritime

nations of South-East Asia offers some instructive examples, despite China's political and economic accommodation with its smaller neighbours over the past decade.<sup>4</sup> Although China intermittently signals readiness to set aside disputes over sovereignty in favour of joint resource development, most of its initiatives seem largely devoid of operational significance. By contrast, the border and security- and confidence-building agreements signed between China, Russia and the Central Asian republics (including limitations on military deployments, establishment of demilitarized zones and advance notification of military exercises) constitute tangible accomplishments and attest to important political and security changes.

Manoeuvres among the parties involved in maritime disputes are qualitatively different. Various rivals are beginning to augment their air and naval capabilities in ways that could increase their capacity for unilateral action or for conveying tacit threats to enforce specific claims. Much recent attention has focused on the South China Sea, where China asserts sovereignty over strategically located maritime domains. Given the continental focus of Russian strategy, such maritime disputes do not directly impinge on Russia's main security interests. On the other hand, China's increasing reliance on maritime encroachment creates a worrying precedent for all states, especially should future Chinese actions preclude negotiated outcomes.

The largest near- to medium-term anxieties remain focused on the Korean Peninsula. To be sure, the Russian role in Korean security has diminished in recent years and Russia has few incentives to become embroiled in any prospective crisis there; but the possibility of internal disequilibrium in the North and the external consequences this could trigger would directly affect Russian political and security interests. Efforts to negotiate a new bilateral treaty to replace the now lapsed 1961 treaty of alliance underscore Russia's effort to retain a voice and role in future peninsular security without committing itself to automatic support for North Korea.<sup>5</sup> The acute privation and vulnerabilities of the North Korean regime, even as it enhances its longer-range missile programmes and threatens to resume development of nuclear weapons, underline the latent possibilities of acute instability on the Korean Peninsula and the risk of a hugely destructive armed conflict.<sup>6</sup>

The incentives for drawing North Korea out of its defiant isolation seem self-evident, but the country's pre-eminent concern with national survival has dictated a complex mix of policies, including appeals for unconditional humanitarian and economic assistance, continued threats of retaliation against US and South Korean forces, and demands for compensation in return for ambiguous pledges of restraint in its future military development. Although some observers believe that North Korea is simply intent on extracting maximal concessions as its bargaining power dwindles, the circumstances on the peninsula remain volatile and worrying.

Perhaps no factor in Asian security contributes more immediately to sustaining the US military presence in East Asia than acute concern about the future behaviour of North Korea. The consequences of any serious rupture of the status quo and the need to manage potential spillover effects would inescapably concern Russia as well as other neighbouring states. Russia at present is not remotely able to assume a role commensurate with its past involvement. Should reunification happen, however, it would reconfigure regional strategic patterns in a major war. This issue is examined below.

Thus, a focus on immediate threats to regional peace and stability obscures the political and strategic transitions that will shape the relations and interests of the major powers in 21st-century Asia. Russia's prospects for pursuing a credible omni-directional role will depend on the incentives of various regional powers to work with it towards complementary strategic ends. These, in turn, will derive from the capabilities and national strategies of different states and the congruence of both with longer-term Russian security interests.

<sup>4</sup> See, in particular, Austin, G., *China's Ocean Frontier: International Law, Military Force and National Development* (Allen and Unwin: St Leonards, Australia, 1998).

<sup>5</sup> According to Russian diplomats, agreement on a draft treaty was reached in early 1999, and the formal signing of the treaty was expected in the late spring.

<sup>6</sup> For an extended analysis, see Pollack, J. D. and Chung Min Lee, *Preparing for Korean Unification: Scenarios and Implications*, MR-1040-A (RAND Corporation: Santa Monica, Calif., 1998).

To address these considerations, attention needs to turn to the potential patterns of political and strategic alignment within Asia and what these could imply for Russian policy options over the coming decade.

## II. Potential patterns of alignment in Asia and Russia's strategy

Russia's view of its long-term interests in Asia is predicated on the expectation of a continued diffusion of political, economic and military power in the region, with particular emphasis on the roles of China and Japan. It is no easy matter to reconcile the national interests of these three. In view of China's larger military forces and defence potential, its strategic independence and its capacity to shape security in all Asia's main subregions, there will probably be a tendency over the longer term among China's neighbours to balance Chinese power.

However, Russia's primary focus in Asia in the near-to-medium term must be to reconstitute its economic and political power and to ensure the security of its borders, reinforcing the need to reduce sources of potential instability and political–military threat. With China, which until well into the 1980s remained an avowed adversary of the Soviet Union intent on frustrating its geopolitical goals across Asia, Russia has resumed a substantial arms transfer relationship after a three-decade hiatus. Russia's predominant policy goals in Asia over the coming 10 years assume an essential complementarity of interests with Asia's major powers, although the agendas with each of the three will necessarily vary. This fundamental strategic judgment has overcome the unease, especially in military circles, about the risks these policies (in particular with China) could pose to Russian interests.

A larger Russian strategic calculation is that Asia's major powers have an incentive to ensure that no single country (that is, the USA) enjoys unquestioned political–military dominance. Russia clearly hopes to restrain the unilateral exercise of US military power, an objective also shared by China. However, all major powers have their separate agendas and interests in relation to the USA. For Russia, this means diminishing its economic vulnerabilities and ensuring support from Western governments and multilateral lending institutions. It also means cuts in and the modernization of Russia's beleaguered conventional forces, with an enhanced reliance on the nuclear forces to uphold the state's vital security interests. Despite the strident opinions expressed in nationalist political circles, Russia has no incentive to revert to an adversarial logic in relations with the USA since this would hugely complicate its future security requirements at a time of acute domestic uncertainty and pervasive resource constraints.

By characterizing multipolarity as an appropriate and realistic strategy for Russia in Asia, the leadership hopes to fulfil national goals in the region and beyond while limiting the country's military requirements. This is also expected to enhance the incentives for neighbouring powers to collaborate with Russia economically as well as politically. It is true that there is no single Russian interest, and the diversity of political and institutional goals within the Russian Federation as well as within China and Japan seems self-evident. The goal is to establish sufficient coherence and direction in Russian policies to define a centre of gravity in relations with all three states. Equally important, Russia seeks to ensure that its policies with each are maintained on a simultaneous, independent basis, i.e., that no relationship will be conditional on the status of ties with either of the other powers. Over the longer run, this could prove one of the largest challenges to the credibility of Russia's Asian strategy.

### **Relations with China**

Among Asia's three major powers, the most substantial changes in Russian policy of the past decade have been with respect to China. Profoundly different international conditions have allowed a longer-term normalization process initiated in the 1980s to reach fruition. Since the early 1990s, China and Russia, despite the differences in the internal paths they chose in the aftermath of the dissolution of the Soviet Union, have achieved major political and strategic

breakthroughs, including ongoing consultations among senior political and military leaders, border demarcation agreements and security accords, enhanced technical and institutional collaboration and the resumption of a substantial arms transfer relationship.

Although both governments officially subscribe to the concept of a 'strategic partnership' initially proposed by Russian President Boris Yeltsin in April 1996, the concept is subject to different meanings and expectations. Chinese officials have characterized the relationship with Russia in much more positive terms than that with either the USA or Japan, with emphasis on the greater degree of equality and trust, including the quality and regularity of senior leadership exchanges.<sup>7</sup> Russian officials have attached greater import and significance to these ties: at times Chinese leaders, including President Jiang Zemin, have failed to make reference at all to the strategic partnership.<sup>8</sup>

It also seems plausible that both leaderships see their respective characterizations of bilateral relations as an indirect signal of the status of their respective relations with the USA. However, China's consistent reluctance to subscribe to a more explicit and potentially encumbering concept of the relationship reflects a deeper aversion to overly binding ties with any external power. Chinese policy calculations seem straightforward and sensible: China is able to reap tangible strategic gains without imposing significant costs on its room for manoeuvre with other states. It thus enjoys an increased latitude that Russia, given its weakened security and economic position, has neither the incentive nor the capability to contest.

The gains to both countries from the strategic partnership are clear. Neither any longer confronts the need to plan actively for possible military action against the other and neither seems overly concerned by the prospect of collusive understandings with a third party at the expense of the other's vital interests. This constitutes substantial 'strategic convergence'.

Major question marks persist, however, beginning with trade ties. Russian officials remain deeply disappointed by the economic results generated by the relationship. In April 1996, in a display of excessive exuberance at the outset of the strategic partnership (which also coincided with an especially tense atmosphere in Sino-US relations following US carrier deployments during China's military exercises opposite Taiwan), President Yeltsin put forward the goal of increasing their bilateral trade to a value of \$20 billion per year by the year 2000. This target, although acknowledged by both states, has proved wildly unrealistic: official two-way trade has yet to surpass the 1993 peak of \$7.6 billion. The reimposition of tighter controls on border trade during 1994 had already somewhat curtailed trade. Trade data also failed to capture what (until Russia's financial meltdown of August 1998) had been increasingly vigorous 'vendor trade' or 'shuttle trade' undertaken outside formal channels.

A more fundamental political grievance underlies these limited trade ties, reflecting Russia's continued marginalization among the dynamic regional economies. Bearing in mind Russia's daunting economic vulnerabilities and the major efforts it has made to conciliate China's long-standing security grievances, officials in Moscow probably expected political compensation through important economic accords with China, especially large-scale industrial and infrastructure projects where Russia believed it enjoyed comparative advantage. With a few partial exceptions, these anticipated benefits remain either notional or unrealized, highlighting China's unwillingness to make major commitments to projects where the economic or technical benefits

<sup>7</sup> See the comments of former Chinese Prime Minister Li Peng to Russian journalists during his Feb. 1998 visit to Moscow. Xinhua, 18 Feb. 1998, in *Summary of World Broadcasts*, FE/3157 (21 Feb. 1998), pp. G2–3. Asked by a Russian reporter to explain the differences between China's strategic partnerships with Russia and with the USA, Li observed: 'China and Russia *have established* an equal and trustworthy strategic partnership toward the 21st century, whereas China and the United States *will devote their efforts to establishing* a constructive strategic partnership'. Author's italics. See also 'Joint statement on the results of the Chinese–Russian high-level meeting', Xinhua, 23 Nov. 1998, in *Summary of World Broadcasts*, FE/3393 (25 Nov. 1998), pp. G1–3.

<sup>8</sup> Sun Shangwu, 'Jiang: summit to be a success', *China Daily*, 24 July 1998, p. 1. Jiang in discussions with then Russian Foreign Minister Primakov noted China's 'fixed policy to develop a long, stable and good-neighbourly friendship with Russia . . . We are willing to undertake joint efforts and coordinate closely with Russia to bring a healthy and stable Sino-Russian relationship into the 21st century'. There was no reference to the strategic partnership.

are problematic. Many of the industrial enterprises in China built with Soviet assistance, for example, represent enormous drains on central and provincial financial resources; despite the state's readiness to provide open-ended subsidies to sustain these plants, they are highly questionable priorities for technical upgrading or for new investment.

Given the scale and scope of China's looming infrastructural needs, it is possible that Russian firms will in the longer run secure a larger share of development projects, especially in the energy sector. Construction of two VVER-1000 light-water nuclear reactors in Jiangsu Province has been initiated, augmenting separate uranium enrichment projects already in operation. Depending on the results, Russia hopes to undertake the construction of two more reactors. Nuclear energy development is clearly a market niche in China for Russian industry, although China seems intent on distributing these projects among an array of major suppliers.

Can comparable long-term projects be secured in other areas of Chinese economic need? Results to date are not encouraging, most notably the failure of Russia's bid to supply power generators for the Three Gorges Dam project, which (in the words of the Chinese Ambassador to Russia) 'failed to meet the requirements'.<sup>9</sup> A failure to market Russian commercial aircraft to the Chinese civil aviation sector—not a single transport aircraft has been sold to China in nearly three years—reveals equivalent problems, even when such transactions are broached on highly advantageous terms to Chinese customers.

Russia's 1998 financial crisis is certain to compound the reluctance of Chinese firms or Chinese government entities to undertake major collaborative projects unless the financing arrangements are fully guaranteed and the activities and products entail unquestioned advantage for all parties involved. The longer-term possibility of large-scale collaborative energy projects, including the construction of major oil and gas pipelines and joint energy development projects in Siberia, fits very much in this context.<sup>10</sup> Given its projected energy requirements in the next century, China is intent on diversifying its future supply relationships. Russia is potentially a major participant in this, but it is far from alone. Given Kazakhstan's incentive to reduce its economic and political dependence on Russia, the Chinese are already important entrants in Kazakh energy development, having outbid rivals for controlling interest of several major oilfields in western Kazakhstan. Turkmenistan also looms as a potentially significant partner.

The broad outlines of long-term Sino-Russian energy collaboration are already in place. China and Russia have signed agreements pledging them to joint development of Siberian gas fields and construction of a major oil pipeline from Irkutsk to north-eastern China, at an estimated cost of \$10 billion.<sup>11</sup> The prospects for such ambitious undertakings will depend on the active participation of multinational lending consortia and a programme for a region-wide energy infrastructure, in which Japan and South Korea represent highly important participants. The logic of such undertakings seems incontestable, but the obstacles and uncertainties remain substantial. Thus, at the end of the century, the fuller economic and technological potential of Sino-Russian relations remains largely unrealized.

In view of the somewhat modest economic results to date, bilateral collaboration continues to be dominated by arms sales, negotiations over weapons co-production and ancillary scientific and technological assistance from Russia to China.<sup>12</sup> This assistance leaves many observers concerned about a looming imbalance in the Sino-Russian relationship. Arms collaboration has

<sup>9</sup> The ambassador's comments are cited in 'Sino-Russia summit: all talk, no action', *Wall Street Journal*, 7 Nov. 1997.

<sup>10</sup> For an excellent overview, see Christoffersen, G., 'China's intentions for Russian and Central Asian oil and gas', National Bureau of Asian Research, *NBR Analysis*, vol. 9, no. 2 (Mar. 1998).

<sup>11</sup> Christoffersen (note 10), p. 21.

<sup>12</sup> It is unclear whether and how weapon transactions are incorporated in government trade data, but they clearly comprise a substantial component of Sino-Russian economic interactions. Media coverage of the arms sales relationship is frequently unreliable, with a tendency to present rumour and speculation as consummated transactions or completed deliveries. For more considered summaries, see Menon, R., 'The strategic convergence between Russia and China', *Survival*, vol. 39, no. 2 (summer 1997), pp. 109–15; and Anderson, J., International Institute for Strategic Studies, *The Limits of Sino-Russian Strategic Partnership*, Adelphi Paper no. 315 (IISS: London, Dec. 1997), pp. 69–73.



proved essential to cementing political–security ties between the two governments and military establishments, but a bilateral relationship that is ‘carried’ too much by these interactions will engender suspicions about their longer-term strategic implications. It could also erode the somewhat tenuous bureaucratic consensus within Russia favouring such transactions if the results of these programmes appeared overly risky to longer-term Russian security interests. It is true that the scope and scale of these transactions, while reflecting a qualitative transformation in relations unimaginable a decade ago, has proceeded somewhat unevenly, but this is partly because of the complex and frequently sensitive character of such deals and the protracted, contentious negotiations involved.

The resumption of the arms transfer relationship reflects the inescapable convergence of needs on both sides. Following the imposition of sanctions by Western governments after the 1989 Tiananmen Square incident, China no longer had a realistic possibility of consummating some major weapon agreements either with the USA or with European defence firms. Although some of these constraints have eased over time, the fundamental reality is inescapable. Russia represents the only realistic source of finished weapon systems and of large-scale technical assistance to China across a broad spectrum of military needs, notably those focused on the enhancement of Chinese air and naval power. Chinese modernization programmes are also concentrating on sub-systems and software that can be acquired from additional sources, but there is a demonstrable need for more advanced military hardware to replace weapon systems that cannot meet China’s future military requirements.

For a military establishment whose factories and facilities have for decades proved largely unable to meet China’s conventional defence needs, the availability of Russian advanced combat aircraft, transport aircraft, helicopters, surface-to-air missiles, destroyers, anti-ship missiles, submarines, tanks and aircraft engines has been a great breakthrough and an unparalleled opportunity. Even more important, licensed production in China of major weapon systems (beginning with the project to produce up to 200 Su-27 fighters in Shenyang) seems likely to extend to collaborative R&D projects, with China over time shifting the balance away from finished systems and local assembly and towards increased transfer of know-how.

The Russian side of the arms supply ledger has received less attention than have the results of Russian sales for China’s military modernization. To many in the cash-starved defence industries, the prospect of an open-ended arms sales relationship with China must seem a virtual lifeline. Without large orders from China (and from India) production in important weapons factories would be at a virtual standstill. However, although senior officials are mindful of the these considerations, the process as a whole is subject to close scrutiny and review: the sluice-gates are far from totally open.<sup>13</sup> A more worrying concern is the erosion of control over the activities of individual scientists no longer employed by Russian R&D institutes, some of whom have made their expertise available to China as economic conditions within Russia have become ever more desperate. However, despite the unease of many Russian officials with a large-scale arms supply relationship with China, an array of imperatives seem all but certain to sustain this relationship in the years to come.

Under the prevailing circumstances, there is evident agreement within the Russian political and defence leadership that the risks in such a relationship can be managed. There are clear limits to what Russia is prepared to sell, to what the Chinese are able and prepared to spend and to the terms of the transactions them-selves; and Russian defence specialists are keenly attentive to limits in the absorptive capabilities of the Chinese defence industries. Although China will continue to press for higher levels of technology and know-how transfer, Russian enterprises involved in these transactions are seeking to retain control of proprietary technologies, especially in areas where the Chinese have been unable to achieve scientific and production breakthroughs of their own. This retention of specific core technologies (for example, engine tech-

<sup>13</sup> See, *inter alia*, Pierre, A. and Trenin, D., *Russia in the World Arms Trade* (Carnegie Endowment for International Peace: Washington, DC, 1997). On the regulation of the Russian arms trade, see Anthony, I., SIPRI, *Russia and the Arms Trade* (Oxford University Press: Oxford, 1998), especially chapters 4–6.

nologies) helps guarantee a long-term supply relationship for core components, locking the Chinese into open-ended cooperation with Russian defence enterprises. Russian officials therefore believe that, notwithstanding the grievous conditions in their own defence industries, they can define the basic parameters of this supply relationship.

There is another, more worrying prognosis, for reasons that encompass arms sales but go well beyond them. Unlike India, the other major customer for advanced Russian weaponry, China is a former adversary. Many Russians recognize that they are dealing with China from a greatly disadvantaged position, and this could entail ever larger consequences should the balance of power between the two continue to shift in China's favour. It is not necessary to subscribe to the xenophobic views of the provincial leaders of the Russian far east to appreciate their resonance with local populations.

All the same, the operative assumption of the central leadership is that China is neither capable of nor intent upon exercising hegemonic influence in Asia and that Russia can find effective means to accommodate to a more powerful China. Russia and China also voice a shared commitment 'to create conditions to prevent various big countries from expanding existing military and political alliances or establishing new ones, and from practicing confrontation or various forms of mutual containment, and to enable them to give up their attempts to carve up the sphere of influence in various regions'. In addition, as neighbouring states, they face common cross-border problems related to 'all forms of organized lawless activities'. As sprawling multi-ethnic systems, they have shared needs 'in containing national separatism and religious extremism'—a threat that may well be growing.<sup>14</sup>

In the final analysis, the realities of geography, shared economic and political needs and complementary geopolitical concerns have again led Russia and China to collaborate, but with Russia having a far weaker hand. Such asymmetries mean that the longer-term sustainability of this relationship remains to be seen.

## Relations with Japan

The Russian–Japanese political–security relationship has long constituted one of the major abnormalities and anomalies in the Asia–Pacific region. More than five decades after the end of the Pacific War and nearly a decade since the dissolution of the Soviet Union, Japan and Russia have yet to sign a peace treaty and the territorial dispute persists without resolution. The potential for economic relations between them has remained comparably underdeveloped. This extraordinary record of missed opportunities reflects divided leadership politics, ideological rigidities, the veto power of specific political and bureaucratic constituencies and mutual security suspicions. This history has been extensively analysed elsewhere.<sup>15</sup> Notwithstanding the seeming incentives on both sides, the latent possibilities for a true normalization of interstate relations have long remained unfulfilled.

Yet relations are far from frozen. Incrementally but inexorably, actions by both leaderships have transformed the character of the bilateral relationship, including security relations. At the 'no-necktie' summit meeting held in Krasnoyarsk in November 1997, then Japanese Prime Minister Hashimoto and President Yeltsin pledged to sign a peace treaty before the year 2000.<sup>16</sup> Given what still seem to be irreconcilable differences over national sovereignty, this goal may yet prove elusive. By mutual consent, however, the larger bilateral relationship is no longer held hostage to the territorial dispute over the southern Kurile Islands (called the Northern Terri-

<sup>14</sup> All the above quotations are drawn from 'Joint statement on the results of Chinese–Russian high-level meeting' (note 7), pp. G2–3.

<sup>15</sup> For a valuable rendering of this history, with particular attention to the Gorbachev era, see Gelman, H., *Russo-Japanese Relations and the Future of the US–Japan Alliance*, MR-168-AF (RAND Corporation: Santa Monica, Calif., 1993).

<sup>16</sup> Takehiro Togo, Japan's Ambassador to Russia, has provided an insightful account of the summit and the prospects for the bilateral relationship as a whole. Togo, T., 'Japanese–Russian relations: a breakthrough into the 21st century', *Far Eastern Affairs*, no. 1 (1998), pp. 8–22.

tories in Japan). As a consequence, the end of adversarial relations is palpable, if not yet complete, given the absence of a peace treaty. Over the longer run, Russian–Japanese accommodation might enable a more differentiated approach to Asian security, unencumbered by the ‘hardy perennials’ that long seemed insuperable obstacles to constructive bilateral relations.

These possibilities have emerged at a time when Japan and Russia have both been relegated to subordinate political and strategic roles within East Asia. Given the pervasive attention to developments on the Korean Peninsula and the latent potential of a longer-term Sino-US strategic rivalry, the positions and contributions of Japan and Russia as the region’s other major powers seem eerily ill-defined. Japan has been generally depicted as a strategic appendage to the USA and Russia is usually treated as a lapsed superpower. These characterizations trivialize both countries and their capacity to define their respective political and security interests. They also discount the possibility for Japan and Russia to define strategic identities unencumbered by many of the traditional terms of reference in regional security. This latter is the larger consideration for both Japan and Russia. The outcome of this process will reveal a good deal about the capabilities of both and their capacity to navigate treacherous political waters. This seems a particular challenge for Russia in view of its acute internal problems.

The pursuit of closer relations is occurring in the shadow of the major political and security transitions in Asia discussed above. However, the enhancement of the relationship is not a function of collusive understandings achieved at the expense of third parties, especially China. Rather, both states are seeking to circumvent or at least play down the implications of their growing accommodation for their respective relations with China. Somewhat ironically, Russia’s accommodation with Japan highlights the continued value of bilateral understandings at a time when efforts to achieve regional norms seem pervasive. Yet this seems wholly appropriate to the circumstances: the horse must precede the cart. A credible Russian–Japanese relationship is an essential condition of and complement to a viable regional political and security order in which both countries play a full part.

Both countries, however, are acutely aware of their respective relations with China. In this sense, the fuller development of Russian–Japanese relations has important implications for longer-term political and security alignments within the region, even if they remain unacknowledged by either country. For many years China could pursue its power and national security goals without appreciable attention to how its actions might influence Russian–Japanese ties. Should relations between Russia and Japan continue along their current path, this will be far less the case in the future. Without credible Russian–Japanese ties, China’s capacity to shape the future East Asian political and security order would be far less constrained. With the fuller establishment of these relations, the prospects for genuine multipolarity in Asia increase.

Both Russia and Japan have also remained mindful of US interests and of the centrality of the US–Japanese alliance in regional politics and security. It would have been next to impossible for Japan to pursue meaningful defence ties with Russia had Russia not dispensed with the Soviet Union’s time-honoured strategy of seeking to undermine US–Japanese security ties at every turn.

Russian–Japanese security relations, initiated when former Foreign Minister Yukihiko Ikeda visited Moscow in March 1996, have proceeded steadily ever since, encompassing a broadening set of consultations, security and confidence-building measures, ship visits and formal ministerial exchanges. Many of these activities are without historical precedent. When former Defence Minister Igor Rodionov visited Tokyo in May 1997, he made it clear that Russia no longer either opposed the US–Japanese alliance or objected to the efforts then under way to enhance Japan’s contributions to US regional security through modification of the Guidelines for US–Japan Defence Cooperation. This made it possible for Japan to advance with Russia without detriment to its core security links to the USA. However, this development was not intended to signal automatic concurrence with all dimensions of US–Japan security cooperation. Underlining this point, Russian Defence Minister Igor Sergeev during a visit to Beijing in October 1998 asserted that the potential development of a US Theater Missile Defense (TMD)

programme in which Japan collaborated 'could upset the balance in the region [and] could increase rather than decrease tension'.<sup>17</sup>

Irrespective of particular policy differences, the logic of a more fully developed Russian–Japanese relationship is now in place. It presumes far more substantial economic ties, with particular attention to the energy sector and infrastructural development, a much more diversified set of political and institutional linkages and mutual concurrence on security policies in the region. On the latter, defence officials in Moscow have emphasized to Japan that 'Russia does not plan to [further] reduce its military forces based in the Far East . . . the present size is optimal and meets the interests of Russia's national security . . . The Defence Ministry [reaffirms its] negative attitude to the idea of a US–Japanese anti-missile system in the region'.<sup>18</sup> Thus, Russian defence policy makers have sought to define the broad parameters within which they expect to operate with Japan in the years to come.

The larger issue is what longer-term political investment both states are prepared to make in bilateral relations, assuming that the major political obstacles (related to the territorial dispute and the signing of a peace treaty) are resolved, circumvented or overtaken by events. Prime Minister Keizo Obuchi has committed Japan again to the policy breakthroughs achieved during Hashimoto's tenure of office and various elements of a diplomatic compromise, if not a grand bargain, seem discernible, subject to the vagaries of internal politics in both countries. The establishment of a new ruling coalition in Japanese politics appears to enhance the prospects for advancing the Eurasian strategy initially proposed by Hashimoto in July 1997: Ichiro Ozawa, now returned to a position of political influence in the ruling coalition, was in the early 1990s among the most important advocates of a major Japanese initiative towards Russia. Russian observers have noted that 'Japan is the only great power that again renders the Russian Federation [financial] assistance on a bilateral basis, not through the International Monetary Fund'.<sup>19</sup>

The intensive manoeuvrings between Moscow and Tokyo in late 1998 may represent movement towards a diplomatic end-game leading to a peace treaty and resolution of the territorial dispute, in which larger economic aid commitments would be part of a larger package. Despite their inability so far to achieve a definite breakthrough, both countries have reiterated their desire to seek a formula acceptable to both. It seems clear that Russia would prefer an outcome that de-links the territorial issue from the peace treaty, whereas Japan continues to insist that the territorial issue must be resolved either in tandem with the treaty or prior to it.

### III. The Russia factor in Asian security: some tentative conclusions

Even in greatly weakened political and strategic circumstances, by dint of geography, history, resource potential and strategic interest Russia retains a pivotal role in Central, South and East Asian security. A credible, longer-term security order in Asia cannot be realized without Russia being included. Although some states are now paying less heed to Russian security interests, given the country's diminished strategic position, inattention or outright exclusion of Russia would be needless and highly imprudent.

However, a credible longer-term Russian role in Asia–Pacific security will ultimately depend on political and economic stability and institutional coherence within Russia, and this still seems a distant prospect. In the absence of these, Russia will, unavoidably, remain in a highly disadvantaged political and strategic position, arriving at agreements more out of weakness than out of considered long-term judgment. These incapacities combined with sharp internal divisions, including between central and regional leaders, may find Russia incapable of realizing potential policy breakthroughs when possibilities do materialize. Relations with Japan offer an

<sup>17</sup> Sergeyev's remarks are cited in ITAR-TASS, 22 Oct. 1998, in *Summary of World Broadcasts*, FE/3366 (24 Oct. 1998), p. G2.

<sup>18</sup> The above remarks, attributed to Defence Ministry sources, are cited in Interfax News Agency, 11 Nov. 1998, in *Summary of World Broadcasts*, FE/3383 (13 Nov. 1998), pp. E1–2.

<sup>19</sup> Golovnin, V., *Izvestiya*, 16 Oct. 1998, summarized in *NAPSNet Daily Report*, 21 Oct. 1998, URL <<http://www.nautilus.org/napsnet/dailyreport.html>>.

especially telling example. Such breakthroughs will of course also depend on the actions of others; all too often, Japan has proved incapable of a politically imaginative strategy.

Although there may be case-by-case developments that advance some of Russia's main foreign and security policy goals, domestic instability will reduce the opportunities and possibilities for larger accomplishments. This suggests a still tentative forecast for Russia's role in multilateral energy and economic development, without which the links between Russia's east and west will remain tenuous. If failure to achieve this development leads to ever larger shifts in the regional balance of power to China and other neighbouring states, Russia's pursuit of strategic collaboration with China may prove illusory and could entail longer-term security risks for it.

It is nonetheless possible to hypothesize a Russia linked more integrally to Asia as a whole, assuming an enhanced regional position as a more stable, prosperous major power. This would include pursuit of non-adversarial relations with all its neighbours, freedom from instability or threat along any of its borders and far fuller integration with the economies of East Asia. These in turn would facilitate credible strategic understandings with the USA and other major powers, while also permitting an appropriate level of Russian military capabilities in the region.

Such prospects are at present still largely unrealized, reflecting Russia's intense domestic preoccupations, the deterioration and demoralization of its armed forces and the leadership's inability to establish the longer-term directions of national security strategy, including the balance of Russian interests to the east, west and south.

These weaknesses and vulnerabilities are highly unlikely to prove transitory. Quite apart from these internal constraints, Russian policy makers will need to respond and adapt to a larger set of strategic realities.

First, the predominant (although by no means exclusive) arena of major-power competition, conflict and cooperation in Asia over the past 50 years has been East Asia, especially North-East Asia, and this is unlikely to change. Although developments in Central and South Asia (for example, a more powerful and assertive India) could reduce North-East Asia's predominance, by virtue of its material, military, technological and human resources it will almost assuredly persist as Asia's centre of strategic gravity in the next century. Given the realities of distance, demography and national development, this places Russia (and the Russian far east) at a pronounced disadvantage. Compensatory steps in infrastructural investment and economic integration will be essential if Russia is to satisfy regional strategic interests commensurate with its pursuit of enhanced major-power status.

Second, the character of the Asian security environment will be increasingly determined by factors intrinsic to the region, rather than reflecting the role of extra-regional powers. As the region's power grows, the USA will need to compensate for its geographical distance by enhanced commercial and institutional linkages as well as by the application of advanced technologies in as yet unforeseen ways, but it will also have to adapt to inescapable strategic realities. The determining factors seem likely to include: (a) the role of China and Japan as major powers and the extent to which their strategic relationship proves collaborative, competitive or overtly adversarial; (b) the implications of major political and strategic change between China and Taiwan and on the Korean Peninsula, and whether such change occurs peacefully or by the use of force; (c) the ability of regional states to regulate and stabilize their military activities and deployments, including the deployment of strategic missiles and nuclear weapons capabilities; (d) East Asia's capacity to sustain its rapid economic growth and technological development both in regional and in global terms; and (e) the rate, directions and security consequences of regional military modernization.

Russia will be affected by each of the above considerations, but it will attempt within the limits of its capabilities to shape crucial policy outcomes, especially where it may possess potential comparative advantage. It will seek to remain linked to political-strategic developments throughout East, Central and South Asia. Its success will be highly contingent on its own institutional and economic evolution. Thus, some potential involvements could prove more a

distraction and a drain on resources than an opportunity to enhance the credibility of Russian power and policy. Although it will be impossible to ignore potential threats posed by instability in various contiguous areas, the fundamental test for Russian policy will be to keep any prospective direct threats to its national security as limited as possible. This will very likely be determined substantially by political and diplomatic actions rather than by military means, although the former possibilities will also depend on the credibility of the country's military capacities.

In assessing Russia's potential role in Asian security, much will depend on how its leaders apportion their capabilities relative to: (a) the possibilities of military conflict; (b) the potential for other forms of crisis (economic, political, or social); and (c) the prospects of multilateral collaboration. The credibility of Russian power and policy will further depend on whether major bilateral relationships between Russia and its neighbours are embedded both politically and economically and whether Russian policy seeks largely to exploit momentary opportunities as opposed to developing more durable approaches to diplomacy and conflict management. As in so many areas of Russian policy, there is neither certainty nor predictability about the shape of things to come.

We thus return to where we began. Russia clearly hopes to recoup much of its diminished influence, stature and regional presence over the next decades, but this challenge in no way resembles the history of the cold war. Russia needs to achieve a more meaningful and more balanced application of the political, economic and military resources at its disposal. However, the expectations of its neighbours will depend substantially on its domestic evolution and the way in which it approaches and articulates its larger political and strategic interests. These concerns may seem less relevant at a time of acute economic turmoil and political uncertainty. However, without attention to such longer-range goals, the forecast for Russia in Asia will remain tentative and potentially very troubled, with the consequences for regional stability and security equally unsettled.

# 12. Russian policy and interests on the Korean Peninsula

ALEXANDER N. FEDOROVSKY

## I. Introduction

There have been three stages of Russian policy towards the Korean Peninsula in the decade 1989–98: (a) under President Gorbachev; (b) at the beginning of reforms in Russia in 1991–95; and (c) during the period of ‘balanced’ foreign policy of President Boris Yeltsin and Foreign Minister Yevgeny Primakov in 1996–98. The policy is now at a turning-point again.

## II. The evolution of policy

Under Gorbachev the Soviet Union began to change its policy towards the Asia–Pacific countries. It was very important for it to develop its economic relations with East Asia and to find new economic partners. Gorbachev sought to shake off the legacy of the cold war, stabilize political relations with neighbouring countries and be one of the guarantors of regional security.

The USSR tried to initiate dialogue with the two parts of Korea and to support the reconciliation process on the Korean Peninsula during the Gorbachev period. For the first time it had the opportunity to cooperate with North and South Korea simultaneously. There were some positive results. Although North Korea reacted coolly to the successful negotiations between the USSR and South Korea, it had to take the new political realities into account. It agreed to join the United Nations together with the Republic of Korea in 1991. However, the improvement in Russian–South Korean relations coincided with a gradual change for the worse in Russian–North Korean relations.

There were objective reasons why Yeltsin’s policy towards the Korean Peninsula during the first half of the 1990s concentrated primarily on South Korea. Gorbachev’s policy had made it possible to continue fruitful negotiations with South Korea. The new democratic government proclaimed the main principles of Russian foreign policy as being the de-ideologization of foreign policy and large-scale security and economic cooperation with foreign countries. There were, however, at least two weaknesses in Russian foreign policy at that time. First, it was primarily oriented towards the USA and the European Community; and, second, Russia was unable to work out a new policy towards its former allies. Some Russian scholars criticized the ‘naive romantic’ pro-Western Russian foreign policy of the first half of the 1990s.

De-ideologization meant that Russia was no longer prepared to support its former socialist allies by all possible means. Apart from this, however, there were important objective reasons for the deterioration of relations between Russia and North Korea. Russia lacked the economic and financial resources to support North Korea. Kim Il Sung’s regime criticized Russia’s democratic reforms and disagreed with the new market mechanism of bilateral economic cooperation. It was clear for Russia that North Korea was sympathetic to the radical anti-democratic opposition and that it would welcome a restoration of the communist totalitarian system in Russia. At the same time public opinion opposed any continuation of economic assistance to former Soviet allies because Russia was in deep crisis and having to borrow abroad on a large scale. Under these circumstances it was impossible for Russia to mobilize scarce domestic resources in order to assist Kim Il Sung’s regime. Market reforms had begun vigorously in Russia and its new businessmen had the opportunity to select their own business partners, and a few of them were ready to make money in North Korea, although the local governments of the Russian far east regions did engage in barter trade and in limited cooperation with North Korea. As a result trade between North Korea and Russia fell constantly during the first half of the 1990s—from

\$600 million in 1992 to \$115 million in 1994 and \$90 million in 1997.<sup>1</sup> Because the problem of North Korean debt to Russia had not been resolved, Russian investment in North Korea shrank and there were no new Russian loans to North Korea.<sup>2</sup>

For four decades the USSR and North Korea had had close military relations. The USSR supplied North Korea with arms and military equipment and regularly trained its military personnel. Their scientific and technical cooperation gave a powerful impulse to R&D and the development of facilities in the military and nuclear industries in North Korea. This cooperation has been frozen since the beginning of the 1990s as the two countries have diverged ideologically, politically and economically.

Meanwhile economic reforms in Russia boosted trade and economic relations with South Korea. Trade between them increased from \$889 million in 1990 to \$2.2 billion in 1994 and \$3.3 billion in 1997.<sup>3</sup> Political relations were fairly stable. Yeltsin paid an official visit to Seoul in November 1992 and signed the Treaty on Bilateral Relations between Russia and South Korea, which laid down the main principles of relations, including the support of peace and security on the Korean Peninsula, and proposed the establishment of a nuclear-weapon-free zone there.<sup>4</sup> President Kim En Sam visited Moscow in June 1994. Exchanges at the ministerial level and between members of the two parliaments, military delegations and organizations, and cooperation in education, culture and sport expanded. Relations with North Korea were frozen. Here the most significant event was Russia's decision on 10 September 1996 not to prolong the 1961 Treaty of Friendship and Cooperation. The text of a new treaty became the subject of lengthy bilateral negotiations. As a result Russian policy on Korea was unbalanced in favouring South Korea, and Russia had limited opportunity to negotiate with North Korea or to play a positive role on the Korean Peninsula.

A further sign of the new Russian policy was the establishment of military ties with South Korea, which included not only exchange visits for military personnel but also the export of Russian arms and military equipment to South Korea. During 1996–97, Russia transferred to South Korea arms and military equipment, including 26 tanks and 13 combat vehicles, worth c. \$200 million in part repayment of its debt to South Korea (totalling \$1.4 billion).<sup>5</sup> Russia hoped to continue these arms transfers, for instance, with fighter aircraft, helicopters, submarines and anti-aircraft missiles, and it seemed that South Korea was ready to receive at least some more arms and technology. However, the USA (as well as North Korea) was strongly opposed to Russian–South Korean military cooperation, and pressure from the USA, combined with the consequences of the financial and economic crisis in South Korea in 1997–98, limited its further development.

In 1995 the third stage of Russian policy towards Korea began. Since then Russia has tried to balance its foreign policy in order to improve relations not only with the West but also with the Asia–Pacific region, especially with the neighbouring North-East Asian countries. This trend was reinforced when Primakov was appointed Foreign Minister in January 1996. Pragmatism and the establishment of friendly relations with the neighbouring countries were now the main features of Russian foreign policy. Russia reached some very important agreements on military and border issues with China, improved relations with Japan, and tried to resume political dialogue and economic cooperation with its old partners, including North Korea.

There were some signs that North Korea was ready to respond positively to the change of Russian foreign policy. As a result, the bilateral intergovernmental commission on economic

<sup>1</sup> *Tamozhennaya Statistika Vneshney Torgovli Rossiyskoy Federatsii* [Customs statistics of the foreign trade of the Russian Federation] (Goskomstat: Moscow, 1998), pp. 505, 511.

<sup>2</sup> Levchenko, G. K., 'Voprosy o vneshneekonomicheskoy deyatel'nosti Rossii na Koreyskom poluostrove' [Issues of the foreign economic policy of Russia on the Korean Peninsula], Paper presented at the 7th IFANS–IMEMO Conference on the Current Situation in North East Asia and Korea–Russian Cooperation, Seoul, 28–29 Oct. 1997, p. 3–4.

<sup>3</sup> See note 1.

<sup>4</sup> *Rossiyskaya Gazeta*, 20 Nov. 1992, pp. 1, 3.

<sup>5</sup> 'North and South Korea', in A. A. Sergounin and A. V. Subbotin, *Russian Arms Transfers to East Asia in the 1990s*, SIPRI Research Report no. 15 (Oxford University Press: Oxford, 1999), p. 113.



issues<sup>6</sup> resumed its annual session in April 1996. Three agreements on cooperation in agriculture were signed.<sup>7</sup> In 1996 Yeltsin congratulated the North Korean leader on his birthday. Vice-Prime Minister Vitaly Ignatenko and the speaker of the State Duma, Gennady Seleznev, paid official visits to North Korea. The two ministries of foreign affairs resumed regular political consultations and Russia began to deliver food aid to North Korea in 1997. In turn the North Korean Foreign Minister, Kim Yong-nam, noted that both countries had an opportunity to upgrade their relations and expressed satisfaction with the increasingly positive development of those relations. Russia confirmed to North Korea that the stabilization of relations was the long-term aim of its policy towards North Korea. Russian Deputy Foreign Minister Grigory Karasin stressed at the end of 1997 that 'We [Russia] are interested in having active ties with our neighbour [North Korea]'.<sup>8</sup>

A sudden collapse of the North Korean regime would cause chaos and a series of conflicts on the Korean Peninsula. Russia is afraid of becoming involved and would therefore support a transition in North Korea towards a predictable regime and a more open society, and any form of cooperation between the South and the North. It would also support the reunification of Korea, although it is sure that North and South Korea will continue to exist separately in the long run.

Although Russia gradually corrected and balanced its foreign policy in 1996–99, it seems that neither of the two Koreas nor Russia is satisfied with the results of the development of their relations in the 1990s. Russia's influence on the Korean Peninsula is still insignificant and Russia is isolated from the negotiations on Korean problems and from consultations on the main security issues. In fact only the USA and China are the international guarantors of the status quo on the peninsula and it is not clear to Russia in what way and under what conditions it can support security there. Russia is furthermore disappointed at South Korea's will and ability to maintain large-scale economic relations with Russia.

In turn, South Korea expected that realization of its 'Northern policy' would create new opportunities for the establishment of better relations between the former political rivals in North-East Asia. It believed that under these conditions it would be possible for Russia to stimulate the transition of North Korea towards a more open and predictable society. However, the reduction of political, military and economic ties between Russia and North Korea in the 1990s increased the isolation of North Korea from Russia. South Korea hoped also to find in Russia a huge market for its exports and new sources of fuel and raw materials. Korean businessmen, however, were dissatisfied with the economic situation in Russia and its political instability, which is why bilateral trade and investment exchanges are limited in scale as yet.

An unprecedented 'spy scandal' in July 1998 further damaged Russian–South Korean relations. According to officials from the Korean Ministry of Foreign Affairs, this was 'nothing more than an episode'<sup>9</sup> and it seemed that the Russian side agreed with that point of view, and that such trouble usually dies down after a few weeks. Nevertheless the episode seems to have been a reaction on the part of both sides to previous problems in their relations. Although Russia and South Korea decided 'to turn over a new leaf' and work together on improving bilateral relations, Russia has to find new ways to develop political and economic relations with South Korea.

North Korea was also disappointed with the new Russian policy. Kim Jong Il's regime resumed its political activity, trying to restore economic and military cooperation with Russia. North Korea wished to see Russia as a possible partner which could help it to avoid dependence on the USA and to balance its foreign political and economic relations. The totalitarian regime hopes that the growing influence of the Russian Communist Party and other left-wing and

<sup>6</sup> *Diplomaticheskii Vestnik*, no. 11 (1997), p. 28. The commission consists of senior officials and discusses among other things the debt problem, the presence of North Korean workers in Siberia and the Russian far east, and Russia's excessively favourable balance of trade with North Korea.

<sup>7</sup> See note 6.

<sup>8</sup> 'Russia prepares for foreign minister's visit to N. Korea', *Korea Herald*, 1 Nov. 1997, p. 4.

<sup>9</sup> 'Korea–Russia diplomatic row seen to end with counsellor's expulsion', *Newsreview*, 11 July 1998, p. 8.

nationalist forces in Russia could in future change Russia's policy in North Korea's favour. Indeed, the Russian left-wing and nationalist opposition does advocate strong support for Kim's regime by radical improvement of political relations, economic assistance and military cooperation. It will of course be impossible for Russia to maintain its economic assistance to North Korea at the level of the 1980s in the near and medium term because of its own economic crisis.

Any future improvement of Russian–North Korean relations on an ideological and anti-US basis would be very dangerous for the security situation on the Korean Peninsula and in North-East Asia. Nevertheless President Yeltsin and the Russian Government will be under constant and strong political pressure from the nationalists and the left-wing opposition, which will continue to insist on an improvement of relations with North Korea. The future trend of democratization of Russian society and the stabilization of the Russian economy will therefore greatly influence the development of the political and security situation on the Korean Peninsula.

North Korea, South Korea and Russia are now at a turning-point in their relations. The situation on the Korean Peninsula will depend on the general political and economic evolution of these states. If they develop in the same direction, at least economically, it will give a positive impulse to mutual understanding and stability on the peninsula. The realization of market reforms in Russia, the transformation of North Korea's administrative economy in the direction of a market economy and liberalization of the South Korean economy could provide the basis for long-term efficient cooperation between the two Koreas and Russia and create a new political, economic and psychological climate for regional cooperation and stability. On the other hand political and economic stagnation or regression in these countries would have dangerous results and would undermine political and security stability in North-East Asia.

There is some evidence that North Korea is in the preliminary stage of market reform. The law is being changed in order to soften administrative control over state enterprises, and a group of officials, economists and statisticians is to study market mechanisms abroad with financial assistance from the World Bank and the UN. If this trend is strengthened, North Korea's domestic and foreign policies will change gradually. However, foreign policy has not yet been modernized. While Russia and South Korea will maintain friendly relations with foreign countries, it seems that North Korea is trying to improve its international position by old political measures. Russia therefore has to take North Korean policy into account while looking for new opportunities to improve its policy towards the Korean Peninsula.

### III. The North Korean missile test

When on 31 August 1998 North Korea test-fired a ballistic missile with a range of 5000 km over Japan, a good deal of its aims were achieved. At least for a time, the launch mobilized supporters of North Korea among the left-wing political forces in Russia. It took some time for the Russian Foreign Ministry and Defence Ministry to work out a joint position on the episode. The launch was unexpected for Moscow, although according to the Russian Foreign Intelligence Service North Korea had been in possession of nuclear, chemical and biological weapons for some years.<sup>10</sup>

In Japan and South Korea public opinion was divided. In Japan the opposition agreed with the government in criticizing the test but, while the New Komei Party and the Liberal Democratic Party felt that the normalization of relations should be put on hold, the Social Democratic Party argued that talks on this should be resumed. In South Korea, according to an opinion poll, 57 per cent of respondents saw the test as a positive development and only 24 per cent perceived it negatively.<sup>11</sup> South Korean President Kim Dae Jung indicted that the missile launch would

<sup>10</sup> 'Severnaya Koreya otnyne grozit miru iz kozmosa' [North Korea threatens the world from space now], *Russkiy Telegraf*, 5 Sep. 1998, p. 1.

<sup>11</sup> 'Some locals proud of NK missile over Japan', *Korea Herald*, 14 Sep. 1998, p. 3.

not affect his 'sunshine policy' towards North Korea, meaning that political and economic cooperation were separate.<sup>12</sup>

North Korea had succeeded in dividing the countries involved in Korean affairs. While Japan adopted a number of responses, including putting off talks on normalizing relations with North Korea, halting food aid for the time being and freezing a decision on the final cost-sharing agreement for the light-water reactors to be built by the Korean Peninsula Energy Development Organization (KEDO), the USA agreed to send emergency food aid to North Korea.<sup>13</sup> Later North Korea successfully continued to put pressure on the USA and involved the USA in bilateral discussions on security issues in New York.

One consequence of the episode was that Japan intended to consider two defensive options to ward off what it saw as a growing threat from North Korea—the US Theater Missile Defense system (TMD) and an intelligence satellite to upgrade its own intelligence capabilities and reduce reliance on US cooperation. Any unilateral move by Japan to improve its defence system could shift the regional military balance and raise tension in North-East Asia.

Under these circumstances, Japan and South Korea agreed to work with the USA to counter North Korea. Meanwhile it will be impossible to maintain security on the Korean Peninsula without the participation of other North-East Asian countries in regional cooperation.

#### IV. Conclusions for Russian policy

The end of the cold war in North-East Asia has not meant the normalization of relations between the two Koreas. Military conflict is still possible on the Korean Peninsula. Russia needs to correct its policy towards Korea in order to prevent a deterioration of the political and security situation near the Russian far east. Russia is not ready to address North Korea from a position of strength and believes that the development of economic cooperation with North Korea is necessary in order to maintain peaceful coexistence on the Korean Peninsula. In some ways, therefore, this policy coincides with South Korea's 'sunshine policy'. Russia, however, has few opportunities to develop bilateral relations with the Korean states in the near future because of its own financial crisis and the non-market economic system of North Korea.

The role of economic factors in international relations, especially in North-East Asia, will grow. It will be very important for Russia to take part in regional integration and to support North Korean economic cooperation with neighbouring countries, including South Korea. Regional cooperation could improve the energy, transport, food and environmental situation in North-East Asia and strengthen mutual trust and political stability on the Korean Peninsula.

On the other hand it is impossible for Russia to ignore the danger of North Korea's nuclear and missile blackmail any longer. Russia must therefore coordinate its policy on North Korea with other regional powers in order to firmly oppose any attempts by North Korea at blackmail.

In an interview with *Asahi Shimbun* on 23 January 1998, President Kim Dae Jung expressed the idea that a collective security regime something like the Organization for Security and Cooperation in Europe (OSCE) and involving China, Japan, the two Koreas, Mongolia, Russia and the USA was needed.<sup>14</sup> This proposal coincides with key features of Russia's policy on the Korean Peninsula. Russia will try to support the transition of the North Korean regime towards a more open society as well as inter-Korean dialogue and reunification. At the same time it will continue its attempt to raise a political dialogue on Korean issues with China, Japan, the two Koreas and the USA (the 'two plus four' format) in order to seek close political, economic and security cooperation between the neighbouring countries and the USA.

<sup>12</sup> 'Chronicle of major events in South and North Korea', *Korea and World Affairs*, vol. 22, no. 4 (1998), p. 632.

<sup>13</sup> Foreign experts note that very little of it will go to the needy: it will go to loyal party members and the army. 'Korea: aid agency pulls out of North', *International Herald Tribune*, 30 Sep. 1998, p. 5.

<sup>14</sup> Kang In-duk, '1998 perspective of the situation around the Korean peninsula and the roles of the surrounding countries', *East Asian Review*, vol. 1, no. 10 (1998), p. 21.

# 13. Russia and a new balance of power in East Asia: implications for stability on the Korean Peninsula

SANG-WOO RHEE

## I. Introduction

Unlike Europe, East Asia has no institutionalized cooperative security system. In Europe, a well-defined cooperative security system consisting of the OSCE and the European Union is already in place, but in Asia there is no such system on the horizon. The cold war was over in Europe in 1989 but its legacy still lingers in East Asia.

A precarious and volatile system based on three separate bilateral security treaties has served to stabilize the peace in the region—the security treaty between China and North Korea (the Democratic People’s Republic of Korea, DPRK) and the US–Japan and US–South Korea treaties of mutual defence. This means that the basic security structure inherited from the cold war system remains largely unchanged. The basic problem therefore stems from the discrepancy between the old security system and the changing political dynamics in East Asia.

During the cold war, a strategic balance between communist and non-communist states successfully deterred large-scale military conflict between the major powers. In the post-cold war era, however, security ties based on ideological fraternity are weakening and as a result bilateral security treaties that were forged in the past are being transformed. Released from tight control by the leader state of the blocs, every nation is striving for its own national interest. The tight bipolar system has collapsed and a new alliance system is emerging based on newly defined common interests. Old security treaties are being readjusted and a new multilateral balance-of-power system is likely to replace the old bipolar alliance.<sup>1</sup>

The USA is seeking to sustain a dominant position in East Asia so that it can fulfil the dream of *Pax Americana*—a worldwide community of free-market democracies. China, a re-emerging power in Asia, is gradually moving to restore the old China-centred world order, although this may take decades to accomplish. Japan dreams of *Pax Consortis*, a system of joint management of the security of East Asia by the US–Japanese security alliance.<sup>2</sup> Russia, whose centre is located west of the Urals far from East Asia, is relatively free from the power competition among the major powers in East Asia. However, it has a dream of expanding its influence into the Asia–Pacific area and is preparing to intervene in the regional strategic environment as a balancer.

Situated at the geographic centre of East Asia, Korea is a relatively small nation. It is divided and suffers from intra-national conflict. Because of the Korean Peninsula’s strategic location and relative weakness, stability there is destined to be strongly affected by the balance of power between the great powers. At the same time, because of its location, Korea may play a very positive role as an ‘inside balancer’. Whether it becomes a disturber of regional stability or a

<sup>1</sup> Gerald Segal observes that ‘there are signs of a developing post-cold war balance of power in Asia’. He stresses in particular that in order to manage China, ‘constraintment’ or ‘conditional engagement’ based on the concept of balance of power will be more effective than ‘constructive engagement’. To ensure security in Asia, he suggests that a stable balance of power be built. Segal, G., ‘How insecure is Pacific Asia?’, *International Affairs*, vol. 73, no. 2 (1997), pp. 235–49.

<sup>2</sup> Inoguchi, T., *Japan’s Foreign Policy in an Era of Global Change* (Pinter: London, 1993), pp. 171–76. Inoguchi suggests 4 scenarios for Japan’s future course: (a) *Pax Americana*, phase 2; (b) *Pax Ameriponica*; (c) *Pax Consortis*; and (d) *Pax Nipponica*. In a recent article he concluded that *Pax Consortis* is the most popular but *Pax Americana*, phase 2 the most feasible. Inoguchi, T., ‘Japan’s foreign policy under US unipolarity: coping with uncertainty and swallowing some bitterness’, *Asian Journal of Political Science*, vol. 6, no. 2 (Dec. 1998), pp. 1–20.

stabilizing influence depends largely on the policy visions of the powers concerned and the strategic wisdom of the Korean leadership.

## II. *Pax Americana*

Unlike those countries which have evolved from traditional monarchies, the USA is an artificially created nation designed to fulfil the idea, revolutionary at that time, of a liberal democracy. 'All men are created equal.' Individual freedom, a pluralistic political system and a social order based on free contracts between its constituents formed the ideological core.

Liberal democracy also characterizes the USA's foreign policy. In the 20th century the USA fought World War I and World War II to preserve it. Even though its foreign policy has shifted between isolation and engagement, for the past 200 years the USA has been basically guided by liberal democratic idealism. To understand US foreign policy, it is essential to understand its ideological commitment. The USA will pursue its goal of fostering a worldwide democratic community under its leadership in the post-cold war era just as it did before. The fact that it won three consecutive wars against totalitarianism (if the cold war is included) has given its leaders a strong confidence in their belief in liberal democracy. This confidence is now reflected in the dream of *Pax Americana*.

The goal of *Pax Americana* is to create a community of free-market democracies. To achieve this, the USA is trying to convert all nations to liberal democracies, first engaging with the 'target' nations and then following up with 'sticks and carrots' to bring about this 'conversion'. This, somewhat simplified, is the post-cold war US policy of engagement and enlargement.<sup>3</sup> To carry it out, the USA is ready to use its unmatched military supremacy combined with the strongest economic base in the world.

With the help of Western democratic nations, the USA has successfully converted most of the former communist nations in Eastern Europe into democracies. The mission in Europe is almost accomplished. On the other hand, in East Asia 'conversion' has not been so successful. To begin with, the USA encountered China's resistance.<sup>4</sup> China, a gigantic socialist nation, is too big and strong for the USA to handle alone. Thus it has 'invited' Japan as a partner in approaching China very cautiously and prudently under an overall policy of 'conditional engagement'.<sup>5</sup>

## III. The Japanese concept of *Pax Consortis*

Since the 19th century, Japan has dreamed of creating a region-wide empire which it referred to as the 'Great East Asia co-prosperity sphere'. Imperial Japan wished to divide the world into two camps—the Western, to be managed by the Western powers, and the Eastern, to be led by

<sup>3</sup> 'A national security strategy of engagement and enlargement', The White House, Washington, DC, Feb. 1995. This declaration has become a new guideline for US foreign policy in the post-cold war era. It declares 3 goals—(a) to enhance US security, (b) to promote prosperity at home, and (c) to promote democracy globally. To pursue these goals the US Government officially declared that it would use its unopposed military supremacy and the strongest economy in the world.

<sup>4</sup> The USA doubts China's willingness to accommodate long-held US interests. One report states that 'the primary threat is that China will seek to dominate economic and security affairs in Asia to the exclusion of the US and that, in the long run, it may be capable of doing so'. Holmes, K. R. and Moore, T. G. (eds), *Restoring American Leadership* (Heritage Foundation: Washington, DC, 1996), p. 19. On the other hand, Chinese ideologues suspect that the United States is waging another cold war against China. Shinn, J. (ed.), *Weaving the Net: Conditional Engagement with China* (Council on Foreign Relations: New York, 1996), p. 135. There are different views of possible Sino-US rivalry. Zbigniew Brzezinski considers that 'greater China's geopolitical influence is not necessarily incompatible with America's strategic interest in a stable, pluralistic Eurasia'. Brzezinski, Z., 'A geostrategy for Eurasia', *Foreign Affairs*, vol. 76, no. 5 (Sep./Oct. 1997), p. 61.

<sup>5</sup> On China's resistance, see Shambaugh, D., 'Growing strong: China's challenge to Asian security', *Survival*, vol. 36, no. 2 (summer 1994); and Wortzel, L. M., 'China pursues traditional great power status', *Orbis*, vol. 38, no. 2 (spring 1994). On the US conditional engagement policy, see Shinn (note 4); and Nye, J. S., 'China's re-emergence and the future of Asia-Pacific', *Survival*, vol. 39, no. 4 (winter 1997/98), pp. 65–79. Nye clarifies conditional engagement as 'from that position of strength [to] encourage China to define its interests in ways that could be compatible with ours' (p. 76).

Japan. The Pacific War was fought to fulfil this dream, but Japan's ambitions were shattered by the US intervention.

After its defeat Japan realized that it was wiser to cooperate with the USA than to fight it. Accordingly it modified its idea of monopolistic, hegemonic control of East Asia into a joint plan for the management of security in East Asia. The former plan was referred to as *Pax Nipponica* and the new as *Pax Ameriponica*. According to the new scheme, the USA was to provide military supremacy while Japan was to exert its economic influence. In this context, the 1997 revised Guidelines for US–Japan Defense Cooperation could be construed as a symbol that Japan has arrived at equal partnership with the USA for the joint leadership of East Asia along the lines of *Pax Ameriponica*.

Will this be the end of Japan's aspirations? In essence, probably not, since Japan eventually may move to formulate a global governing consortium comprising the great powers—the USA, the EU and others such as China and Russia. This is the Japanese dream of *Pax Consortis*.

In the 1990s, Japan emerged as a new global economic power. Its per capita national income in 1997 was \$33 596, higher than that of the USA (\$30 321 in 1997) and Germany (\$25 596).<sup>6</sup> Japan could thus envision a new Asian world order where it could play a leading role and may have begun to think of partially deviating from its close alliance with the USA. Liberating itself from critical dependency on the USA, Japan is trying to form a new regional order consisting of a joint strategy crafted by all concerned powers, including China and Russia. The long-term vision of *Pax Consortis*, an idea based on a condominium of the region, is an outgrowth of *Pax Ameriponica*. This vision is still in a state of flux and there is no consensus among the country's leaders. The Rightists opt for monopolistic hegemony while the Liberals prefer a coordinating peace system within which Japan will enjoy a leading role.

#### IV. The dream of restoring China-centrism

For more than 2000 years, roughly from the 6th century BC to the 18th century AD, China dominated Asia as sole hegemon. In East Asia, a hierarchical international order existed with China at the apex as the maintainer of the system. Only China was entitled to make the rules for the conduct of the nations in the system and to implement them. All others were to remain as tributary states.

Chinese supremacy in East Asia was shattered after the Opium War of 1848. The Western powers and Japan left China a semi-colonized nation. A century of national humiliation revived the Chinese ethos and after two revolutions, in 1912 and 1949, China finally regained its status as a great power in the 1980s. Although not yet fully industrialized, it is a formidable power with significant military capability. Today, it is difficult to imagine that China can be denied the role of a key constituent in East Asian power politics.

China denies the universality of liberal democratic values.<sup>7</sup> It has its own version of idealism, humanism and democracy. Emphasizing organic harmony rather than individual freedom, the Chinese envision a world of common moral principles which place greater value on the health of the broader community than on individual rights.

China will cooperate with the USA as long as the USA honours the Chinese political philosophy but it will not tolerate *Pax Americana*, which demands China's conversion into a Western-style democracy. As a result, China will keep a measured distance from the USA for the time being.

<sup>6</sup> South Korea, Ministry of Finance and Economy, *Monthly Economy*, vol. 38, no. 1 (Jan. 1999), pp. 91–94.

<sup>7</sup> Huntington, S. P., 'The West unique, not universal', *Foreign Affairs*, vol. 75, no. 6 (Nov./Dec. 1996), pp. 28–46.

## V. The emerging balance of power

Will China accept Japanese hegemony in East Asia? The short answer is 'never'. Will Japan be satisfied with a junior position in the traditional hierarchical tributary system of a China-centred order? Again, the answer is 'never'. It is therefore inevitable that the two major Asian powers will remain in a competitive relationship. The Sino-Japanese rivalry will therefore be the axis of future stability in East Asia. If they maintain a peaceful and cooperative relationship, East Asia will enjoy stable peace. If they do not, it will remain in a state of sustained tension.

It is inconceivable that Japan will cooperate with China for shared leadership in a regional peace system in East Asia. Japan chose to become a 'Western' nation, leaving its Asian neighbours behind in the 19th century. The *tatsu-a niu-yo* ('Escape from Asia, enter Europe') concept still remains in the psyche of the Japanese leadership. Furthermore, its Asian neighbours will not accept Japanese leadership. Even half a century after the end of Japanese colonialism, Japan still has not officially admitted its crimes against innocent victims in East Asia. Although it has made an effort to improve ties with South Korea, including a written apology, it has not yet made a region-wide apology.

Japan will probably keep close cooperative ties with the USA. It is the most practical way for it to maintain its security from a potential Chinese threat and enjoy economic prosperity. Thus, the alliance with the USA is the most likely choice for Japan. The USA will almost certainly remain in Asia and continue to try to transform China into a democratic partner to fulfil the dream of *Pax Americana*.

Considering the different aspirations and dreams of the three big powers—the USA, China and Japan—the most probable picture of the future political structure is a non-institutionalized peace system sustained by a multilateral balance of power among them. For the time being, the balance will remain stable, since no nation can easily disrupt it. However, there is a new contingency—Russian participation in this balance of power system.

## VI. Russia's role as balancer

Russia was once the leading contender for global hegemony against the USA. It is now transforming its old system of a totalitarian planned economy into a democracy with a free-market economy. While it is temporarily suffering hardship as a result of this transition and has only limited scope to exert influence in world power politics, it is only a matter of time before it regains its status of a global power.

The fact that the centre of Russian power is located west of the Urals gives its decision makers some freedom of choice. Russia could intervene in a power competition in East Asia or it could withdraw from the region without any serious damage to its power status. This very fact, however, also constrains its ability to exert influence on the nations in the region.<sup>8</sup>

One could postulate that in the years to come Russia will try to play the role of 'outside balancer' in the East Asian balance of power system.<sup>9</sup> This role, although it might appear insignificant, will be critical to the management of regional stability.

If Russia sides with the US–Japanese alliance, China will be surrounded by a triple alliance, isolated, and possibly deprived of the chance to re-emerge as a superpower. Cut off from the sources of modern technology, it will not be able to sustain a high economic growth rate and catch up with other powers. On the other hand, if Russia allies itself with China, China's

<sup>8</sup> Russia's goals, means and constraints are well analysed in Harada, C., *Russia and Northeast Asia*, Adelphi Paper no. 310 (International Institute for Strategic Studies: London, 1997).

<sup>9</sup> For a supportive analysis of Russia's balancing role in a multilateral power balance in North-East Asia, see [Formulation on the new security order in Northeast Asia and the role of Russia], *Chuyo Kukje Munje Bunseok* [Analysis of major international issues] (Institute of Foreign Affairs and National Security: Seoul, 2 Sep. 1998).

influence will be greatly enhanced and a tight balance of power system will be put in place in East Asia. In this case tensions will increase and stability will be jeopardized.<sup>10</sup>

If Russia can bring the Korean Peninsula under its control, the entire regional balance will be changed. Russia's position will be enhanced from that of 'outside balancer' to that of a more active player. During the cold war the Soviet Union once attempted to extend its influence on the peninsula by helping its ally, North Korea, to 'liberate' the southern half. The situation today has changed drastically. North Korea has become too weak to achieve reunification on its own terms and too disloyal to Russia to allow Russian dominance on the peninsula.

There is another possibility: if Russia decides to forge close cooperative relations with a new Korea reunified by South Korea, quite a different picture will emerge. A reunified Korea may wish to play the role of 'inside balancer' in the USA–China–Japan balance of power system and may wish to cooperate with Russia.

## VII. Conclusions: Korea in the new balance of power system

Korea was colonized by Japan and divided by the USA and the Soviet Union. It lost an opportunity to reunify in 1950 because of Chinese intervention. In essence, it has been victimized by the surrounding powers for the past century.

Over the past 50 years, the Korean people have struggled to regain their national pride and to transform their nation into a prosperous, independent, sovereign state secure from external threat. Through their efforts they built a small but prosperous democratic state, the Republic of Korea, in the southern half of the peninsula. Today they aspire to bring their 25 million fellow Koreans in the north into a more prosperous era, akin to what has been achieved in the south.

Koreans are fully aware that their dream will be realized only when there is no intervention by the surrounding powers, especially by China and the USA. South Korea is carefully adjusting its foreign policy in order not to jeopardize its relations with all its neighbours. It is maintaining a 'good-neighbourly' policy in order to create a political environment favourable to its efforts to achieve national reunification. It will maintain its alliance with the USA in order to counterbalance potential Chinese and Russian intervention. It will also not antagonize China and Russia. Even after South Korea achieves reunification, the new Korea will maintain its alliance with the USA. Basically the same conditions will be needed to protect its sovereign status—a close alliance with the USA and amicable relations with China and Russia.

If the USA and China maintain friendly, cooperative relations, Korea's strategic manoeuvring room will increase, but if tension develops between them Korea will be in a difficult position. Stability in the East Asian regional system has critical implications for Korea's independence.

If Russia decides to play a positive role to strengthen stability in the East Asian peaceful balance, Korea will welcome it and will eagerly collaborate with its northern neighbour. Russia, the 'outside balancer', and Korea, the 'inside balancer', will easily find many common tasks, since they share the common interest of maintaining peace in East Asia.

At present, all four powers surrounding the Korean Peninsula are dealing with the Korean issue in relation to their individual designs of acquiring a dominant position in the region. The USA has just begun to engage with North Korea and improve relations so that it can then extend its dominance over both Koreas. China, on the other hand, maintains close ties with North Korea in order to deny control of it to any hostile power. Russia wants to restore cooperative

<sup>10</sup> [Russo-Chinese strategic partner relationship: prognosis], *Chuyo Kukje Munje Bunseok*, 9 Sep. 1998. The authors predict that Russia and China will develop strategic partnership relations for shared security interests in the multilateral power balance in North-East Asia. For a comprehensive review of the development of Sino-Russian military cooperation and its implications for the stability of the North-East Asian regional security system, see Tae-Ho Kim, [Sino-Russian military cooperation and Northeast Asian security], *Jeonryak Nonchong* [Quarterly journal of strategic studies] (Korean Research Institute of Strategy, Seoul), vol. 6, no. 1 (1998), pp. 157–214. The author concludes that close military cooperation between China and Russia enhances the influence of both nations, producing synergistic effects.



relations with North Korea in order to acquire a strategic foothold in the heart of the East Asian region.

What then should be South Korea's policy if it is to maintain its independence in such a strategic situation?

1. It should stick to the policy of the status quo. It should try to persuade North Korea to accept the peaceful coexistence of the two Koreas because a policy that aims to change the status quo will only increase the chances of major-power intervention.

2. It should maintain a close security alliance with the USA<sup>11</sup> and close cooperative relations with Japan to deter Chinese and Russian intervention. Korea shares the same ideology with these two nations and if it is to keep its democratic system it needs their support.

3. It should maintain close, cooperative relations with China and Russia. Korea must avoid any ambiguous behaviour that could disturb the two giants to its north. It should convince China and Russia that it will not make any hostile move even after reunification. Korea should consider installing a self-imposed demilitarized zone on its territory along the borders with China and Russia and relocating US bases to the southern coastal area in order not to arouse the suspicions of the northern neighbours.

4. In the meantime, it should concentrate its efforts on improving its relations with North Korea. Continuing hostility between them will likely invite foreign intervention, which it wishes to avoid. South Korea wishes to resolve the inter-Korean conflict by itself and does not want to leave it in the hands of neighbouring powers. This is why it is reluctant to accept the idea, put forward by Japan, of a six-party conference. Once South Korea manages to produce an agreement with North Korea on peaceful coexistence, however, it will invite all four surrounding powers, including Japan and Russia, to guarantee the peace agreement.<sup>12</sup>

Needless, to say, South Koreans dream of reunification at the earliest possible time. Pragmatic considerations, however, dictate a policy of peaceful coexistence for the time being. South Korea is afraid that attempting to hasten reunification might disrupt not only local stability on the Korean Peninsula but also the regional power balance and thus invite negative sanctions by some of the neighbouring powers. It is therefore currently putting more emphasis on 'management of division' than on reunification. In brief, it should pursue reunification in such a way as not to jeopardize North-East Asian regional peace and stability.

<sup>11</sup> The character of the alliance should, however, be changed from that of a 'threat-driven' one to a 'profit-generating' form which allows the partners greater independence. Pollack, J. D. and Young Koo Cha, *A New Alliance for the Next Century* (RAND: Santa Monica, Cal., 1995). The US Government recently declared its intention to keep the US military presence after reunification. US Secretary of Defense, 'The United States security strategy for the East Asia-Pacific region', 23 Nov. 1998, p. 62, URL <<http://www.defenselink.mil/pubs/easr98/index.html>>. For the rationale for sustaining the US-Korean alliance after reunification, see Jin-Hyun Paik, 'ROK-US alliance in the post-unification era', eds Kyung-Won Kim and Sung-Joo Han, *Managing Change on the Korean Peninsula* (Seoul Press: Seoul, 1998), pp. 227-41.

<sup>12</sup> On 16 Apr. 1996, the presidents of South Korea and the USA jointly proposed 4-party talks on a new inter-Korean peace system to replace the current armistice agreement. China was invited but Japan and Russia were excluded. Russia strongly resented its exclusion. The 4th meeting of the talks was held on 21-22 Jan. 1999. So far there has been no significant progress.

# 14. Economic relations between Russia and the Asia–Pacific countries

TSUNEAKI SATO

## I. Introduction

At the start of this paper, at least three provisos should be made. First, the term ‘Asia–Pacific’ is here used to mean Russia, China, Japan and some major North-East and South-East Asian countries. If it is taken to mean the same as APEC, which Russia joined in November 1998 and of which the USA and Canada are members, it covers too vast an area. Second, because of the subject itself, when talking about Russia here the main focus is placed more on the Russian far east than on Russia as a whole. Third, this is not perhaps a good time for writing on the economic relations of Russia with the Asia–Pacific region, as the Asian countries have been suffering from deep economic crisis since the second half of 1997 and in Russia itself a chronic crisis has turned into an acute one, covering both economic and political systems, since the financial crisis of 17 August 1998. It is no wonder that the once widely-held euphoric vision of a prosperous Asia–Pacific Economic Rim, to which the centre of gravity of the world economy would shift in the next century, has disappeared or drastically weakened. We may have to wait some years to be able to deal seriously with this topic.

If we follow the generally accepted view that economic interdependence between nations tends to strengthen security in the region concerned, Russia is still not a very good partner in this sense for the Asia–Pacific countries.

First, although Russia’s dependence on foreign trade is not low, accounting for *c.* 30 per cent of GDP,<sup>1</sup> its trade is mainly with the OECD countries. Russia’s exports to and imports from the OECD countries accounted for 48.3 per cent and 47.2 per cent of the total in 1996, respectively, the EU alone accounting for 32.2 per cent and 34.5 per cent. In 1997 the shares of Central and Eastern Europe were 11.0 per cent for exports and 5.3 per cent for imports; the shares of the CIS countries were 19.0 per cent and 25.9 per cent, respectively; those of China 4.6 per cent and 1.9 per cent; the shares of the USA 5.4 per cent and 6.0 per cent; and the shares of Japan 3.6 per cent and 1.4 per cent. Of Russia’s total foreign trade turnover of \$151 billion in 1996, trade with Japan and China together barely exceeds \$10 billion (see table 14.1).

Second, the most significant development of the past few years has been the weakening of the fundamentals of the Russian economy, as seen from the trends in the balance of trade and the current account. This resulted in part from a sharp fall in world energy prices, but has been a symptom of a longer-term and chronic ‘Dutch disease’—the ‘primitivization’ of the Russian economy, to use the term coined by Sergey Glaziev, former Russian Minister for External Economic Relations.<sup>2</sup> Russia has become too dependent on exports of just a few commodities. In 1997 and 1998, energy and basic metal products accounted for some 70 per cent of its exports. Although economic cooperation between Western countries and Russia has been and will undoubtedly be successful in the energy sector, the reasonable question should be raised whether Russia’s integration into the world economy can really be realized in that way alone, as

<sup>1</sup> Calculated from Russian State Committee for Statistics (Goskomstat), *Sotsialno-Ekonomicheskoye Polozheniye Rossi 1997 g.* [The social and economic situation of Russia, 1997], pp. 22, 159.

<sup>2</sup> Glaziev, S., *Ekonomika i Politika* (Giozis: Moscow, 1994). See also Hedlund, S., ‘Russia’s “market” economy: a bad case of predatory capitalism’, Uppsala, 1998, pp. 388–89 (mimeograph); Ellman, M. and Scarrenberg, R., ‘The Russian economic crisis’, *Economic and Political Weekly*, 26 Dec. 1998; Goetz R., *Deindustrialisierung Russlands: Unabwendbares Schicksal oder Problem der Struktur- und Waerungspolitik?*, Aktuelle Analysen des Bundesinstituts für ostwissenschaftliche und internationale Studien, no. 50 (Bundesinstituts für ostwissenschaftliche und internationale Studien: Cologne, 1994); and Sutela, P., *The Future of the Russian Economy*, ed. P. Sutela, *The Road to the Russian Market Economy* (Kikimora Publications: Helsinki, 1998).

it involves the de-industrialization ('primitivization') of the Russian economic structure, and this in turn entails risks of arousing Russian nationalism.

Third, against the background of the acute crisis since August 1998, the economy of the Russian far east has nearly collapsed.

### **The near-collapse of the economy of the Russian far east**

While economic decline in Russia as a whole had almost levelled out in 1997, this was not the case in the Russian far east, where decline in output is still going on, albeit at a slower pace than before. According to the available estimates, industrial production in the Russian far east in 1997 was 39 per cent of the 1990 level. Most seriously hit were the southern areas (Khabarovsk and Primorye and the Amur region) where relatively high-value-added metal-working and engineering industries are concentrated, while industries related to fishing and seafood production suffered somewhat less: their decline in production finally came to a halt in the mid-1990s. Especially alarming is the fact that production of natural resources in 1995 as a ratio to the maximum production level ever recorded declined sharply—in raw timber by 28.6 per cent, in paper by 10.3 per cent, in fish products by 56.0 per cent, in coal by 59.2 per cent—and only two products showed better performance—crude oil, by 73.5 per cent, and natural gas, by 96.7 per cent. Also serious is the energy supply situation in the Russian far east. Because of the shortage of supply, power failure or power cuts are frequent.

The crucial problem there is that, although the region is very rich in mineral resources, the cost of development (investment) is much higher here than in other regions and the federal government is not capable of providing the Russian far east with the necessary funds. In a longer-term perspective the most alarming feature may be the continuing outflow of population. In 1993–96, 416 700 people are reported to have left the Russian far east. This, coupled with a sharp fall in the birth rate (by 2.1 per cent in 1997), could threaten the development potential in the future. According to recent estimates, by 2010 the population of the Russian far east will have fallen by 8.9 per cent from the 1996 level.

## **II. Russia's current economic relations with Asia–Pacific**

Even so, and in spite of the acute crisis, at least until 1997 the development of economic ties with dynamic Asia–Pacific countries helped in some degree to compensate for the negative consequences of the remoteness of the Russian far east from the centre of the country. It provided the regional market with consumer goods and food products and enabled it to increase sales of its products and to preserve employment opportunities. Russia's trade with Asia–Pacific countries made up about \$20 billion per year according to a 1995 estimate by the Russian Ministry of Foreign Economic Relations, of which the share of export–import operations by the Russian far east was roughly \$2–3 billion.<sup>3</sup> Between 80 and 90 per cent of exports and 60 and 80 per cent of imports there were concentrated on Japan, China, South Korea and the USA. The main commodities in the trade of the Russian far east are fish, timber, coal, petroleum and its derivatives, and scrap metal.

Almost 85 per cent of total exports from the Russian far east and the Transbaikal area are provided by the Primorye (Maritime) and Khabarovsk territories and the Kamchatka and Sakhalin regions (the first two accounting for more than 60 per cent). There is a very characteristic territorial specialization of exports. Fish, for example, takes a dominant and even exclusive place in exports from the Primorye, Sakhalin, Kamchatka and Magadan regions. The export of fish and marine products from Russia to Japan has increased in value by 200 per cent and in 1995 reached \$1.3 billion, although in volume terms it is still at nearly the same annual level of

<sup>3</sup> Varlanov, V., 'Review of economic relations between Russia and Japan, in particular future relations between the Russian far east and Asia–Pacific region', Paper presented to a symposium of the Japanese Economic Planning Agency, Mar. 1999. Mimeograph.

**Table 14.1.** Russian trade with East Asian countries

Figures are in US \$m., in current prices and purchasing power parity (PPP) terms.

	Exports					Imports				
	1992	1994	1995	1996	1997	1992	1994	1995	1996	1997
China	2 864	2 889	3 432	4 739	3 982	1 790	952	865	1 000	1 258
Japan	1 702	2 823	3 622	3 399	3 115	1 697	1 114	763	974	984
Hong Kong	76.5	323	321	261	223	176	122	92	47	51
North Korea	239	51	70	35	68	72	43	15	29	17
South Korea	266	568	919	1 345	940	778	429	502	793	866
Mongolia	195	144	197	187	166	251	54	40	84	83
Singapore	160	417	499	602	240	550	211	268	221	205
Taiwan	135	194	464	495	289	115	137	88	73	121
Thailand	271	467	389	221	148	253	36	54	54	106
Viet Nam	90	121	322	122	314	137	52	38	32	39
Regional subtotal	5 998	7 997	10 235	11 406	9 485	5 819	3 153	2 726	3 307	3 730
EC countries	20 781	23 977	26 202	27 875	28 111	16 526	15 383	17 999	15 954	17 711
Subtotal without CIS countries	42 376	53 200	65 700	71 874	69 500	36 984	36 900	44 200	44 000	50 100
CIS countries	11 229	14 258	14 346	15 625	16 574	5 987	13 551	16 833	18 259	17 500
<b>TOTAL</b>	<b>53 605</b>	<b>68 100</b>	<b>81 300</b>	<b>89 110</b>	<b>87 400</b>	<b>42 971</b>	<b>50 518</b>	<b>60 945</b>	<b>62 300</b>	<b>67 600</b>

Note: Figures exclude non-organized imports.

Source: Russian State Committee on Statistics, *Rossiya v Tsifrah: Oficial'naya Statistika, 1998* [Russia in figures: official statistics] (Goskomstat: Moscow, 1998).

**Table 14.2.** Commodity structure of Japan's exports to Russia, 1996

Figures are in percentages.

Plant and equipment	44
Electric appliances	25
Transport machines	7
Steel pipes	4
Other	20

*Sources:* Belov, A., [The present state and future prospects of the Russian far east], 1 Dec. 1997, (in Japanese). Mimeograph; and URL <<http://www.s.fpu.ac.jp/home/u-2bcpage/>>.

150 000–180 000 tons. The main exports from Khabarovsk region are timber and timber products, and from Yakut–Sakha coal and other mineral resources. The imports of the Russian far east are mainly machinery, equipment, transport machines, foodstuffs and items of daily consumption.

In both foreign direct investment (FDI) in the Russian far east and external trade, the dominant countries are Japan, China, South Korea and the USA. The total amount of FDI there, as in Russia as a whole, is still very low, but in per capita terms it is almost twice as high as the Russian average (\$80 as against \$44 according to data for the three years 1993–95).<sup>4</sup> Naturally the figures differ considerably as between regions.

Without a sound foundation for economic relations with both Japan and China, Russia's involvement in Asia–Pacific will not be guaranteed.

Trade turnover between Russia and China in 1995 reached \$5.6 billion but then declined again in 1998. Frontier (mostly 'shuttle') and inter-regional trade accounts for roughly 80 per cent of the total, including that with the regions of the Russian far east.

In the Joint Report of the Russo-Japanese Intergovernmental Commission on trade and economic issues of March 1996, it was emphasized that in 1995 trade between Russia and Japan had increased by 11.3 per cent since 1994 and had reached \$4.4 billion, coming close to the peak of 1989.<sup>5</sup> However, it declined again in 1996 by 0.3 per cent and in 1997–98 it was stagnating at around \$4.1–4.3 billion. It should be stressed that Russia's share in Japan's foreign trade turnover is only 0.8 per cent. This is regarded in business circles as showing that the potential complementarity of the economies of two countries was being exhausted under the traditional schemes. The primitivization of the structure of trade must also be stressed here. In Japan's imports from Russia in 1996, fish and marine products accounted for 22 per cent, non-ferrous and precious metals for 35 per cent, timber for 18 per cent and coal for 5.0 per cent, altogether making up 80 per cent of total imports (see table 14.3).

It is quite obvious that in the short- and medium-term perspective Russia has to rely on the export of energy resources and raw materials in order to earn foreign exchange, although the potential for this is gradually weakening. However, while Russia buys time in this way, it should turn its attention steadily to reviving its manufacturing industries in order to enable them to find a proper position in the international division of labour. Economic cooperation between Western countries and Russia should be re-examined from this perspective. The crucial role in this regard, in dealing with the problems arising from 'home risks', belongs to the Russian Government, supported by intellectual aid from the West, not least from Japan. In this author's opinion, some kind of 'strategic industrial policy' is needed such as is reportedly being implemented in China, whereby a selected number (*c.* 500) of strategic viable enterprises are placed under state guidance, although given management autonomy and commercialized, and regenerated so as to be able in the future to compete on the world market. The West should perhaps not

<sup>4</sup> Belov, A., [The present state and future prospects of the Russian far east], 1 Dec. 1997 (in Japanese). Mimeograph.

<sup>5</sup> Japanese Ministry of Finance homepage, URL <<http://www.mof.go.jp>>.

**Table 14.3.** Commodity structure of Japan's imports from Russia, 1996

Figures are percentages.

Non-ferrous metals	35
Platinum	11
Palladium	7
Aluminium	18
Fish and marine products	22
Timber	18
Steel	8
Coal	5
Other	11

*Source:* Belov, A., [The present state and future prospects of the Russian far east], 1 Dec. 1997, table 2 (in Japanese). Mimeograph.

be so reluctant to cooperate with this scheme as it would not regard it as a form of return to the former centrally-controlled system.

Under current conditions, the most successful aspect of Japanese–Russian economic cooperation will undoubtedly be in the energy sector, for example the Sakhalin-1 (offshore crude oil) and Sakhalin-2 (natural gas) projects. Project 1 will be the more successful and will help Russia increase its oil exports, thus earning foreign currency and ‘buying time’, as oil is an international commodity and can be sold everywhere. With Project 2, however, contrary to general belief, the barriers are not insignificant. First, no major users in Japan are prepared to use imported Sakhalin gas before 2005 at the earliest because they have long-term contracts with overseas suppliers. In particular this applies to the power corporations. The projected restructuring of the power system in Japan is also tending to increase the feeling of uncertainty for corporate strategy in Japan for the future.

Another project is the Irkutsk (Kovykta) natural gas pipeline project, on which former Japanese Prime Minister Hashimoto and Russian President Yeltsin basically agreed at their Krasnoyarsk talks in November 1998. Although so far the pipeline is projected to cross China, so as to reach South Korea although not Japan, it is of great strategic importance not only for Russia's economic security but also for China, Korea and North-East Asia as a whole. According to some informed sources, however, the question remains whether Russia and China would welcome heavy Japanese involvement in the project.

Many possibilities are open. The mere fact that Japanese–Russian trade is so low—in 1997 little more than \$5 billion (Japan's exports to Russia accounted for only 0.24 per cent of its total exports and its imports from Russia 1.18 per cent of its imports)—shows that the potential is far from exhausted. The Joint Investment Company proposed by President Yeltsin during talks in Kawana is itself a good idea, but if it is not accompanied by an appropriate investment environment in Russia it may well end up as nothing more. According to the latest report,<sup>6</sup> because of lack of enthusiasm on the part of Japanese private firms, the project is now facing a rough passage, as the government is almost unable to count on investment from private firms. It is rather a bitter fact that, while the political atmosphere has greatly improved since Hashimoto and Yeltsin met in Krasnoyarsk, business circles as a whole have not yet become interested, naturally obsessed as they are with the domestic economic situation, the Asian crisis and the turmoil in Russia since August 1998. According the same report, most Japanese firms are downgrading their targets for exports to Russia or freezing projects under consideration. The suspension of trade insurance by the Japanese Ministry of International Trade and Industry (MITI) for exports to Russia, effective from the end of 1998, is also naturally affecting the situation very negatively. Finding a way out is no easy matter. According to the most informed

<sup>6</sup> *Japan Economic Gazette*, 3 Feb. 1999.

Japanese business sources, Russo-Japanese trade turnover in 1999 would revert to the level of 1994. The Japanese side will naturally have to focus on the still deteriorating economic situation in the Russian far east, the Kurile Islands and Sakhalin.

It is quite clear that Russia cannot depend on market forces alone to promote economic cooperation and FDI by Japanese firms, big or small, in Russia and in the Russian far east. Some more advanced 'device' (I would say 'by-pass' scheme) should be worked out to put into practice the Hashimoto-Yeltsin Plan.

Economic relations between Russia and China lag far behind their political relations. Trade and economic ties have had their ups and downs, but short-term factors have prevailed and there is no sign of a long-term, solid foundation being built. While bilateral trade reached \$5.7 billion in 1996, once again approaching the peak of \$7.7 billion in 1993, it fell in 1997 to c. \$5.2 billion and in 1998, according to a press release issued after talks between the trade ministers of the two countries in early February 1999, was \$5.48 billion.<sup>7</sup> It is now generally admitted that the target for the year 2000 of \$20 billion turnover, agreed between the political leaders of China and Russia in April 1996, will not be reached. According to Russian and Chinese official statistics, this figure represents just 5 per cent and 2 per cent, respectively, of their total foreign trade. Clearly it falls far short of each country's trade with developed countries and areas.

Looking at trade between Russia and Taiwan, a tendency for cooperation to strengthen can be discerned. According to an unofficial Russian press report, annual direct trade would even reach a total of \$5–6 billion in the coming years (in 1997 it was only \$0.4 billion).

Several factors seem to stand out among the many problems influencing Russo-Chinese bilateral relations.

First, complementarity between the two economies is decreasing in the 1990s rather than increasing. It is often claimed that China supplies light industrial products and Russia supplies energy, power, aircraft and weapons,<sup>8</sup> but the supply of Chinese light industrial and consumer goods to Russia is mainly concentrated in local, far east border areas and in low-level shuttle trade, including barter. Industrial and technologically advanced trade is negligible, although there is some.

Second, although regional and border trade (most of it 'unorganized' trade, to use the Russian term) plays an very important role, especially in the Russian far east,<sup>9</sup> it can reasonably be questioned how long this situation will be sustained. A triple-layer structure of shuttle trade seems to have been established, by which people with a high income usually buy US, European or Japanese products, medium-income earners buy Korean goods, and low earners buy cheap Chinese products. This last group is subject to increasing competition from the other two. Without an upgrading of the quality of Chinese goods, the potential of shuttle trade in the Russo-Chinese border areas will be exhausted in the coming years, although, of course, the fundamentals of the trade will be preserved insofar as the Russian far east is not self-supplying in essential consumer goods and foods.

Still, according to an estimate by a former Russian Minister of Fuel and Power, for the coming 15 years Russia's trading partners for its fuel exports will not be the Western countries but China and other countries of East Asia. Here lies potential for future multinational cooperation which should be carefully exploited.

So far as can be seen at present, the 'strategic partnership' between Russia and China is more a relationship at the top of politics than below among the economic actors. Looking at the trade performance in 1998, we see that the problem is not how to meet the \$20 billion target in the year 2000 but how to sustain the current volume of trade until that year.

<sup>7</sup> Russia Today Online, 4 Feb. 1999, URL <<http://www.russiatoday.com/>>.

<sup>8</sup> According to an Agence France Presse report from Tokyo, quoting *Sankei Shimbun*, China has agreed to buy at least 20 Su-30MK jets in 1999. Russia Today Online, 11 Feb. 1999, URL <<http://www.russiatoday.com/>>.

<sup>9</sup> According to an unofficial guesstimate by a Chinese local official, Harbin, July 1998, it amounts to \$6 billion per year.

### **Russia's economic relations with the two Koreas**

After the establishment of formal diplomatic ties in 1990, economic relations between South Korea and Russia expanded rapidly until 1996. Almost the same trend could be found in South Korea's direct investment in Russia. In addition to bilateral trade and South Korean FDI, cooperation between the two economies developed in various fields, such as South Korean fishing in Russian waters and the introduction of some Russian basic science and technology achievements into South Korea.

From the beginning of 1997, however, the environment of relations between the two economies changed drastically for the worse. In 1997, the volume of trade fell by 15.5 per cent and South Korea's direct investment in Russia fell to a meagre \$8 million, from \$41 million the previous year.

The immediate cause of the decline in South Korea's exports to Russia was Russia's decision to enforce customs clearances from the end of 1996 in an effort to solve the problem of its chronic budget deficit. The impact was uneven among Russia's trading partners. The complicated and opaque customs clearance procedure was an insurmountable hurdle for South Korean firms, which were in general inexperienced in the Russian environment. The cost involved drove up prices of South Korean commodities, mainly electronic home appliances and other consumer durables, almost to the level of import prohibition. The setback has continued since the Russian financial crisis which began in August 1998.

Russia's demand for South Korean products was partly met by Russian shuttle traders who began to appear in South Korea's local market from the early 1990s and whose number peaked in late 1997 and early 1998. Their supply of goods was useful in alleviating the extreme shortages of consumer goods in Russia, and in the Russian far east in particular, and accounted for about one-quarter of South Korea's commodity exports to Russia. Without rationalization and modernization of the Russian tax system, however, these unofficial activities cannot be integrated into official trading practice.

Obviously, the sharp decline of Russian exports to the South Korean market in 1997 was attributable to the 'cold spell' of the financial crisis in East Asia, by which South Korea began to be affected in the autumn of 1997. Its unprecedented recession reduced its demand for Russian products, most of which were primary or intermediate goods such as ferrous and non-ferrous metals, agricultural products and chemicals, by 17 per cent in 1997 compared to 1996. Russia's announcement of a moratorium on debt payments in August 1998 and the ensuing rouble devaluation further undermined economic cooperation between the two countries. These detrimental factors have been worse for South Korean firms than for Western investors because their economic relations with Russia were completely severed during the cold war era.

What Russia badly needs now is to stop the increasing structural distortion towards fuel and raw material production and to prevent the disintegration of its scientific and technological potential. In this regard the project for the development of an industrial park in the Nakhodka Free Economic Zone, proposed by the Korea Land Corporation (KLC), could have been an efficient measure for the promotion of direct investment by South Korean firms, especially in the manufacturing sector. So far the project remains largely on paper.

The North Korean issue came to the surface as a potential source of conflict in 1996, when Russia began to restore relations with Soviet-era friends, including such countries as Iraq, Iran and North Korea. Russia would like to recover its old political ties with North Korea in the same context as improving its relations with the former Soviet hinterlands, and this was welcomed by a hunger-stricken North Korea in search of economic as well as political support.

Where the North Korean issue is concerned, the interests of South Korea and Russia are not necessarily in conflict. South Korea desires a 'soft landing' for North Korea's reforms. Russia may well opt for the recovery of the North Korean economy, which is the critical factor for the security environment in and around Russia. In view of the fact that North Korea's major industries were built with Russian technology, Russia still has the potential to help arrest North



Korea's economic run-down. Cooperation involving it and the two Koreas would undoubtedly strengthen Russia's own economic security as well as the stability of the Korean Peninsula.

One possible way to exploit Russia's potential for North Korea's economic recovery is tripartite economic cooperation between Russia, North Korea and South Korea in such regions as the Russian far east. A project to combine North Korean labour, Russian natural and land resources and South Korean technology and marketing skills seems highly probable. Debt-for-credit swaps between Russia's credit to North Korea and North Korea's debt to South Korea perhaps merits reconsideration. It is to be regretted that the once celebrated multinational development scheme in the Tumangan or Tumenjiang River area, which under the aegis of the UN includes Russia, China, North Korea, South Korea and Japan, has remained on paper. Estimates of the cost of building a manufacturing and processing zone in the river estuary ran to \$30 billion. However, as yet no progress has been seen since the opening and closing in October 1994 of the New York Representation of the Project, which used up its budget of \$3.5 million on negotiations and consultations. None of the three parties involved, along whose borders the river flows, has so far offered new financing for the project. In the meantime, as a consequence of the crisis in East Asia and Russia and of the recession in Japan, the project seems to have been forgotten in most of the countries interested. This is the more deplorable as it might have been the first trial to induce North Korea to join a multinational cooperation scheme. The fact that Russians seem not so enthusiastic about the idea of free trade zones is also a serious barrier.

### III. The prospect of integrating the Russian far east into the Asia–Pacific environment: a tentative conclusion

1. So far Russia's presence in Asia–Pacific is, to use a fashionable word, 'virtual', if not non-existent. How it can change its presence from a virtual to a real one is the crux of the matter, and requires no small effort on the part of both Russia and the Asia–Pacific countries, not least Japan. However, the possibilities for the integration of Russia, and the Russian far east in particular, into the Asia–Pacific economic environment mostly depend on the recovery and development of the Russian economy. No external help can replace putting 'home' in order. This applies in particular to the Russian far east, which has been most affected by the economic and political turmoil.

2. It is clear that for Russia Japan is, and in the foreseeable future will remain, its major economic partner in the region. Accommodation of its relations with Japan at a higher level may be the prerequisite for an enhanced presence of Russia in the region.

3. For the above purpose, both Russia and Japan will be well advised to devise unconventional ways of stimulating their economic cooperation. On the Russian side, the establishment of a policy-related financial institution such as the Far East Development Bank might deserve attention. On the part of Japan, extension of the overseas development aid framework to cover the Russian far east might not be a bad idea. In any case, both countries have great unexhausted potential, for the exploitation of which more creative imagination is probably required.

4. Finally, there is a convincing argument that the demand for energy resources in 10 countries of Asia (excepting Japan) by 2010 will increase by 130 per cent compared to 1992, while supply will grow by 90 per cent. Energy resources will have to be transported to Asia from other parts of the world. The only region capable of meeting these requirements is the Russian far east, which has large potential deposits of natural gas. 60 per cent of explored deposits of gas are concentrated in Yakut-Sakha and 36 per cent on the coastal shelf of Sakhalin. This involves two problems: it runs the risk of further primitivization of Russia's export structure; and it depends heavily on the prospects of economic growth and of the growth pattern (and energy savings) of East Asian countries after the crisis. It seems clear that a much longer perspective is needed.

# 15. Prospects for Russia's 'energy diplomacy' in North-East Asia

VLADIMIR I. IVANOV

## I. Introduction

Russia's current economic troubles make assessment of its future role in the Asia-Pacific region difficult or nearly impossible. However, a realistic framework for a constructive partnership with China, Japan, the Koreas and the United States can be proposed. This framework must be based on Russian realities and the needs of its neighbours. It seems that energy projects in eastern Russia, including Sakhalin-1 and Sakhalin-2 which are under way, and cooperation in the energy sector with Japan and China can form a basis for Russia's long-term engagement in the Asia-Pacific region.

Moreover, it seems that only these projects can help the far eastern provinces of Russia to restore economic growth. Justifying the development of large oil and gas fields is difficult without linking the feasibility assessment with larger neighbouring markets. Close contact with Japan, the United States, China and South Korea in energy resources development is perhaps the only realistic way to secure capital investment and credits from the interested national governments, the private sector and international financial institutions.

## II. Parallel interests

North-East Asia is a major energy importer and its dependence on external sources of supply is likely to grow. In this context, the energy resources of eastern Russia are attracting attention from both the governments and end-users in such countries as China, Japan and South Korea. In Russia, the long-term 'look east' approach to energy resources development has also gained momentum.<sup>1</sup> Recent improvements in Russia's relations with its eastern neighbours allowed them to view deposits of energy resources in eastern Russia as a contribution to regional energy security.<sup>2</sup> In 1997–98 energy resources exploration, development and cross-border transport were on the agendas of the summit meetings and high-level intergovernmental dialogues.

In 1996 Russia and China signed an agreement on cooperation in the energy sector. In 1997, the Russian Ministry of Fuel and Energy reached an agreement with the China Oil Corporation on the development of the Kovykta deposits and pipeline construction.<sup>3</sup> In the same year an intergovernmental agreement on cooperation in oil and gas resources development was concluded. It is expected that Russia will supply China with 10–20 billion m<sup>3</sup> of gas annually for

<sup>1</sup> In Nov. 1997, an international symposium on regional cooperation in the energy sector was held in Tokyo with the participation of Russia, China, South Korea, Mongolia and the International Energy Agency. The meeting was sponsored, among other influential bodies, by the Japanese Ministry of Foreign Affairs, the Japanese Ministry of International Trade and Industry (MITI), the Japan National Oil Corporation (JNOC), and the Export-Import Bank of Japan (JEXIM). In Dec. 1997 ministerial-level representatives in charge of energy policies from China, Japan, South Korea and Mongolia attended a special multilateral meeting organized in Moscow by the Russian Ministry of Fuel and Energy to discuss prospects for multilateral cooperation in energy resources development in eastern Russia.

<sup>2</sup> There are proposals in progress, both competing and overlapping, for multinational development of natural gas reserves and international pipeline projects. These include the Vostok Plan, proposed in 1991 by Russia, the Yakutia gas project discussed between South Korea and Russia in 1992–93, the Sakhalin-Japan gas pipeline project studied in Japan in 1996–97, and the Sakhalin-eastern Russia-China gas pipeline project advanced in 1998. In the mid-1990s, Japanese politicians proposed the idea of the Asia-Pacific Energy Community. At about the same time, the Central Asian countries proposed an Energy Silk Route project, while Russia, China, Japan and South Korea turned their attention to the Irkutsk gas project. Finally, Japanese experts proposed the Trans-Asian gas pipeline network.

<sup>3</sup> [Gazprom and SIDANCO can become partners in exporting gas to China], *Finansovye Izvestiya*, 29 Jan. 1998. At present, the main investors in the project are Uneximbank and the Russian company SIDANCO in partnership with BP. See also *Expert*, 24 Nov. 1997, pp. 26–29; [Russia will build a gas pipeline to China], *Finansovye Izvestiya*, 8 July 1997; and [Gas pipeline Irkutsk-China starts as a 21st-century project], *Izvestiya*, 25 Nov. 1997.

30 years. However, a shortage of investment funds will require the involvement of Japan and other third-party participants.<sup>4</sup>

The participation of Japan in these projects is crucial. During Prime Minister Keizo Obuchi's visit to Russia in November 1998, Russia and Japan agreed to expand the Hashimoto–Yeltsin Plan to include the development of natural resources in Siberia.<sup>5</sup> Under the auspices of the Japanese–Russian Intergovernmental Commission on Trade and Economic Cooperation, ministerial-level dialogue on energy issues was launched.<sup>6</sup>

South Korea was the first country to talk with Russia on how to develop natural gas resources in southern Yakut-Sakha and transport natural gas to the Korean peninsula. A joint feasibility study group was formed. However, the South Korean gas market is not big enough to make mega-projects fully viable. Moreover, investment resources were lacking and the idea of building the gas pipeline through the territory of North Korea was questioned.

### The demand side

The growing consumption of energy in Asia strongly affects the global energy demand and supply equation. Before 1997, it was one of the factors that drove the prices for oil and oil products up. Recently, as a result of the Asian financial crisis and economic slow-down in most East Asian countries, except China, prices for oil fell, creating serious problems for energy exporters, including Indonesia and Russia.<sup>7</sup>

However, Asia is bound to grow economically, and thus face problems in meeting its energy needs. In 1993 the total GDP of the Asian region (China, other East Asia and South Asia) was 23 per cent of the world total. By 2010 this share could reach 36 per cent. Since 1980 growth in energy use has been greatest in rapidly industrializing middle-income economies. At its current pace, energy consumption in low-income and middle-income countries could also double every 13 years.<sup>8</sup> According to Japanese sources, by the year 2010 demand for energy in East Asia will have doubled since 1992.<sup>9</sup> In one decade from now Asia as a whole is likely to increase its energy consumption by 45–50 per cent, covering this increase primarily through imports. According to some observers, fear of a future energy scarcity in Asia combined with environmental concerns requires cooperation in dealing with region-wide energy problems.<sup>10</sup>

Analysing the structure of primary energy use in Asia (see table 15.1) and in the rest of the world, three main conclusions can be drawn. First, Asia's dependence on oil (mainly from the Middle East) is exceptionally high and diversification of sources of supply is desirable. Demand for oil is likely to continue to increase significantly, while an increase in production is likely to be limited, making not only China, but also Indonesia and other oil producers, net importers of oil. Second, dependence on coal is too high (45 per cent compared with 20 per cent for the rest

<sup>4</sup> In Nov. 1998, at one of the events that accompanied the APEC summit meeting in Malaysia, the leading Russian company Gazprom gave a special presentation on the export-oriented natural gas projects and future pipelines linking eastern Russia and Asia. It was proposed that a \$15 billion pipeline could link western Siberia with China, with Japan playing the role of 'strategic investor'. 'Russia plans Siberia–China natural gas pipeline', *Japan Times*, 18 Nov. 1998, p. 4.

<sup>5</sup> Moscow Declaration 'On establishing constructive partnership between the Russian Federation and Japan', 13 Nov. 1998. *Rossiyskaya Gazeta*, 22 Nov. 1998.

<sup>6</sup> In Sep. 1997, a delegation from the Japan Forum of the Nuclear Power Industry visited Russia and a protocol on cooperation was signed encompassing various bilateral programmes such as fast-breeder reactors, spent fuel reprocessing and Japan's involvement in the BN-800 nuclear reactor project designed in Russia. Several high-level Russian delegations representing the energy sector visited Tokyo in 1997–98, including the former Minister of Fuel and Power Engineering, Sergey Kiriyenko, in Mar. 1998.

<sup>7</sup> In Russia, oil and gas account for about 45% of tax revenues, 25% of GDP and 10% of employment. A sharp decline in oil prices put pressure on the exchange rate and left the government unable to defend the rouble.

<sup>8</sup> *1988 World Development Indicators* (World Bank: Washington, DC, 1998), p. 145.

<sup>9</sup> Japanese Ministry of International Trade and Industry, 'Energy in Japan', URL <<http://www.miti.go.jp/intro-e/>>, p. 1.

<sup>10</sup> APEC Energy Ministers' Meeting 1998, URL <<http://www.lifeserver.co.jp/APEC/html/object/html>>.

**Table 15.1.** Primary energy supply in North-East Asia, 1996

Figures are in million tons of oil equivalent. Figures in italics are percentages.

	Coal	Oil and oil products	Gas	Nuclear	Hydro-power and electricity	Others	Total
Japan	84.6 (16.6)	273.5 (53.6)	56.0 (11.0)	78.8 (15.4)	7.0 (1.4)	10.5 (2.1)	510.3 (100)
North Korea	21.0 (82.0)	1.6 (6.3)	–	–	2.0 (7.8)	1.0 (3.9)	25.6 (100)
South Korea	30.5 (18.7)	101.0 (62.0)	10.9 (6.7)	19.3 (11.8)	0.2 (0.1)	1.1 (0.7)	162.9 (100)
China	679.0 (61.9)	173.4 (15.8)	18.7 (1.7)	3.7 (0.3)	16.2 (1.5)	206.8 (18.9)	1096.8 (100)
Taiwan	19.5 (28.9)	33.5 (49.7)	3.7 (5.5)	9.8 (14.5)	0.8 (1.2)	–	67.4 (100)
Hong Kong	4.2 (34.4)	7.3 (59.8)	–	–	0.6 (4.9)	–	12.2 (100)
Russia	103.0 (16.7)	131.3 (21.3)	324.2 (52.6)	28.8 (4.7)	11.7 (1.9)	17.0 (2.8)	615.9 (100)
Russian far east	13.5 (45.8)	10.5 (5.6)	2.6 (8.8)	–	2.2 (7.5)	0.7 (2.4)	29.5 (100)

Source: International Energy Agency, *Energy Balances of OECD Countries, 1995–1996*; and ‘Energy statistics and balances of non-OECD countries, 1995–96’, eds P. A. Minakir and N. N. Mikheeva, *Economy of the Far East: Five Years of Reform* (Institute for Economic Research: Khabarovsk, 1998), p. 158.

of the world). Third, Asia's dependence on natural gas is low. The share of natural gas in energy supply is about 2 per cent in China, 6 per cent in South Korea and 11 per cent in Japan, compared with 19 per cent in Europe, 24 per cent in the USA and 52 per cent in Russia.

Natural gas is considered to be an efficient alternative for electric power generation and household use. Compared with oil, prices for natural gas are relatively stable and it has a less damaging impact on the environment from carbon dioxide emissions. It has no sulphur content and is easy to use in power generation. Deposits are better distributed geographically than deposits of oil and the ratio of reserves to production is also better. Known world reserves of natural gas are estimated at 500–550 trillion m<sup>3</sup>, while resources of oil are said to be in the range of 200–300 billion tons. Moreover, compared with the rest of the world, the ratio of consumption to reserves for oil in Asia is only about 1 : 7 (1 : 56 for the rest of the world). For natural gas this ratio is estimated at 1 : 39 (compared to 1 : 68 for the rest of the world).

In policy terms, the situation requires that the major energy-importing countries such as Japan, China (including Taiwan and Hong Kong) and South Korea encourage the introduction of alternative and additional sources of energy supply, reduce their dependence on petroleum and coal, and promote energy conservation. A major effort is therefore required on the part of the governments concerned to facilitate private capital inflow into large-scale energy projects, particularly in building infrastructure for the transport of natural gas in the region. Moreover, international collaboration is essential to build liquefied natural gas (LNG) facilities and gas pipelines in the region.

### **The supply side**

Although about 67 per cent of natural gas reserves are held in areas other than the Middle East, Asia-Pacific possesses only about 6 per cent of the world's natural gas reserves. The only country in the neighbourhood that can effectively supply the North-East Asian economies with natural gas (both in LNG form and through pipelines) is Russia. It occupies the leading position in terms of deposits (130 trillion m<sup>3</sup>, or 24–26 per cent of all known world deposits) and is second in the world in oil deposits (20 billion tons, or 7–10 per cent of all known world deposits). Proven reserves of natural gas were estimated at 50 trillion m<sup>3</sup> as of January 1994.<sup>11</sup>

The area of eastern Siberia and the Russian far east is estimated to contain 52 trillion m<sup>3</sup> of natural gas, including 4.2 trillion m<sup>3</sup> of proven reserves. The Siberian Platform is one of the leading fields in Russia in terms of oil and gas deposits, with geological estimates for oil at about 11 billion tons and 30–35 trillion m<sup>3</sup> for natural gas. In Irkutsk *oblast* alone recoverable resources of natural gas are estimated at 7.5 trillion m<sup>3</sup> and those of oil at 2.1 billion tons (currently recoverable resources of natural gas are estimated at 1.2 trillion m<sup>3</sup>).

There are also more than 30 discovered oil and gas fields in Yakut-Sakha with 254 million tons of oil (the deposits of the south-western area, including two large fields) and 1310 billion m<sup>3</sup> of natural gas in the central area, including 10 large fields. It is estimated that Sakhalin's inland resources include 170 million tons of oil and 120 billion m<sup>3</sup> of natural gas. The total resources of Sakhalin, including inland deposits and those of the continental shelf, may reach 935 million tons of oil and 3360 billion m<sup>3</sup> of natural gas.

### **The Sakhalin projects**

Technical details and figures are important for forecasting potential policy implications. Russian–Japanese relations over the deposits of Sakhalin oil and gas are indicative. The Sakhalin projects are playing a pioneering role in foreign investment promotion in the whole of far eastern Russia. Total investment in the Sakhalin-1 project is estimated to be \$15 billion, while the Sakhalin-2 project cost was estimated at about \$10 billion.

<sup>11</sup> *Oil and Gas Journal*, Special Issue, 13 Mar. 1995, p. 49.

**Table 15.2.** Sakhalin-1 and Sakhalin-2 estimated reserves

	Oil (m. tons)	Gas (b. m <sup>3</sup> )	Condensed gas (m. tons)
Sakhalin-1	181	663	40
Odoptu	42	198	11
Arktun-Dagi	113	292	16
Chaivo	26	173	13
Sakhalin-2	98	567	42
Piltun-Astokhskoye	90	183	10
Lunskoye	8	384	32

*Source:* OAO Rosneft-Sakhalin Morneftegas, 'Development of the far eastern fuel and energy complex: Sakhalin-1 and Sakhalin-2 projects implementation', May 1997, p. 3.

By 1999, these two projects had received more than \$1 billion in investment. The first oil is expected in 1999 from Sakhalin-2, and in late 2000 from Sakhalin-1, followed by commercial gas extraction in 2002. Two pipelines are to be used to transport oil and gas to the south of Sakhalin (Korsakov) where the first Russian LNG plant will be constructed.<sup>12</sup> The reserves of the Sakhalin-1 and Sakhalin-2 projects are significant (see table 15.2). Total estimated resources of the projects already under way include 279 million tons of oil, 1230 billion m<sup>3</sup> of natural gas and 82 million tons of condensed gas.<sup>13</sup>

Large Japanese companies, including SODECO, Mitsui, Mitsubishi, Itochu, Japax and the Japan National Oil Corporation (JNOC) are involved. The group of companies led by Mitsui will build an oil refinery with the capacity to process 4 million tons of oil, while Japax is preparing a feasibility study for a household gas production plant. Japax also drafted a feasibility study on a Korsakov–Hokkaido–Niigata–Tsuruga–Osaka gas pipeline to handle about 7 billion m<sup>3</sup> (equivalent to about 5 million tons of LNG) of natural gas by 2008.

The initial proposal to jointly develop the offshore resources of Sakhalin was made by Moscow in February 1972 at a meeting of the Soviet–Japan Business Cooperation Committee. In January 1995 the Ministry of Foreign Trade signed an agreement with SODECO which was formed specifically to participate in Sakhalin-1.<sup>14</sup> From 1976 to 1983, extensive research and exploration work was carried out at the Chaivo and Odoptu fields. However, these activities were restarted only in 1991, after international bids were announced for the rights to develop the deposits of the Lunskoye and Piltun–Astokhskoye fields, which currently belong to the

<sup>12</sup> Exxon and SODECO proposed to transport the oil through the 625 km-long pipeline to an oil terminal to be built on the eastern coast of Sakhalin Island. The administration of Sakhalin *oblast* wants the oil to be transported to the south of Sakhalin through a pipeline on the assumption that the same pipeline can be used by the Sakhalin-2 project. Some Russian participants in the project proposed using the pipeline to De Kastri Bay in Khabarovsk *krai* and from there shipping the oil for export by tanker. The rest of the oil is to be refined at Komsomolsk-na-Amure.

<sup>13</sup> Other estimates suggest that the resources of Sakhalin-1 include 324 million tons of oil and gas condensate and 420 billion m<sup>3</sup> of natural gas. The resources of Sakhalin-2 include 433 million tons of oil and gas condensate and 521 billion m<sup>3</sup> of natural gas. For all currently active Sakhalin projects and those in the planning stage the total amount of oil and gas condensate is estimated at 1 billion tons and the resources of natural gas at 3.5 trillion m<sup>3</sup>. Projects such as Sakhalin-3 can be launched in 1999–2000. See, e.g., *ROTOBO Monthly Bulletin on Trade With Russia and East Europe*, July 1997, pp. 8, 12.

<sup>14</sup> The Sakhalin-1 project was launched after Russia proposed to Japan in Feb. 1972 that they jointly explore the offshore oil and gas deposits of Sakhalin Island. In 1975, SODECO and the Ministry of Foreign Trade of the Soviet Union signed an agreement on cooperation. In 1978, the resources of the 2 fields—Chaivo and Odoptu—were confirmed and work began on development plans. However, falling prices for oil made the project less attractive and the 2 sides resumed their working contacts only in 1991 after SODECO teamed up with Exxon. They eventually agreed to cover 30% of the project costs each. In 1993, the Arktun–Dagi oil and gas field was incorporated in the project and in 1995 2 Russian companies, Rosneft (17% of total cost) and Sakhalinmorneftegas (23%), joined the consortium.

Sakhalin-2 project.<sup>15</sup> SODECO teamed up with Exxon in this tender, but the rights to develop the two fields were given to an international consortium initially formed in 1986 by Mitsui and McDermott, which teamed up with Marathon (in 1991), Mitsubishi (1992) and Shell (1992). In 1998 a sea rig was installed in the Piltun–Astokhskoye field and the first oil was expected in 1999.

The production-sharing agreement for Sakhalin-2 was signed on 22 June 1994 and for Sakhalin-1 on 30 June 1995.<sup>16</sup> These agreements stipulate that Russia (the federal government and Sakhalin *oblast*) must delegate the right to develop the offshore resources to the investors who will undertake both financial and technical implementation.<sup>17</sup>

There is a proposed Sakhalin-3 project as well. It will be implemented jointly by Exxon, Mobil,<sup>18</sup> Texaco and the Russian company Sakhalinmorneftegas. The project consists of four main fields including East Odoptu, Ayashskoye, Veninskoye and Kirinskoye. Total reserves of oil and gas condensate are estimated at about 133 million tons and natural gas reserves in excess of 500 billion m<sup>3</sup>. The agreement on Sakhalin-3 allows six years for the exploratory phase and 19 years for extraction. Implementation of the project will begin in the year 2000. The project is very large; geological exploration alone may cost about \$0.5 billion. A Sakhalin-4 project in Sakhalin Bay may follow soon after Sakhalin-3.

### The Kovykta gas project

This deposit of natural gas at Kovykta, near Irkutsk, with reserves preliminarily estimated at 1.5 trillion m<sup>3</sup> of natural gas and 80 million tons of gas condensate, could play a pivotal role in relations between Russia and China and economic interdependence in the whole of North-East Asia. When implemented, the project will enable Russia to export over 30 years *c.* 20–30 billion m<sup>3</sup> of natural gas to China, Korea and Japan. This can be done through a 3400 km-long gas pipeline (with a 1420 mm-diameter and 32 billion m<sup>3</sup> annual capacity) that is likely to link Irkutsk, Ulan-Bator, Beijing and Rizhao, a city in Shandong province.

The project will also allow the switching of nine thermo-power plants in the Irkutsk region to gas, so reducing substantially their environmental impact on the Lake Baikal area. The cost of the project, including the gas pipeline, is estimated at *c.* \$8–10 billion. In early 1997 investment by the Russian side reached \$480 million, or half of the cost of exploration and development of the gas field itself.<sup>19</sup> In 15–20 years, additional resources of natural gas discovered in Yakut-Sakha and Krasnoyarsk *krai* can be linked with this project to make it the largest undertaking in the field of energy resources development in East Asia.

<sup>15</sup> The exploration of the Lunsokoye and Piltun–Astokhskoye oil and gas fields (the Sakhalin-2 project) began in 1984. In 1986, Mitsui and McDermott formed a consortium (Mitsui's share in the project is 25%). In 1991, they were joined by Marathon Oil (37.5% of the cost of the project). In 1992, the consortium acquired the rights to develop the fields through tender and 2 more companies—Mitsubishi (12.5%) and Royal Dutch Shell (25%)—joined the project. In Apr. 1994, the Sakhalin Energy Investment Company was formed to operate the project and to enter into a production-sharing agreement with the Russian Government. Officially, implementation began on 15 Apr. 1996. By that time McDermott had left the consortium.

<sup>16</sup> Under the agreement on Sakhalin-1, the Russian side will receive 15% of the profits if the internal rate of return is lower than 16.5%, but if it is higher its share will increase to 54% with the remaining 46% going to investors. If this is the case, the total share of the Russian side in profits can be as high as 72%, including the share of the 2 Russian companies participating in the consortium. In the production-sharing agreement for Sakhalin-2 the share of the Russian side will be 70% if the internal rate of return is over 24%. If it is between 17.5% and 24%, the profits will be split evenly, but if it is below 17.5% the foreign investors' share in the profits will be 90%.

<sup>17</sup> Profits will be used first to recover the cost of the investment and royalty payments (6–8% of the cost of the product), and only after that initial stage will a profit-sharing mechanism be fully enacted. The production-sharing scheme serves as an effective mechanism to attract investment and advanced technology for oil and gas resources development. In the future, production-sharing agreements for resource development projects will be more attractive to foreign and domestic investors if the federal law enacted on 11 Jan. 1996 on production sharing is adjusted further to better serve the needs of both investors and authorities.

<sup>18</sup> On 1 Dec. 1998, Mobil Oil was absorbed by Exxon for *c.* \$80 billion. Ignatius, D., 'Corporate suicide: Mobil's only option', *Japan Times*, 14 Jan. 1999, p. 18; and Gilley, B., 'Wake-up call', *Far Eastern Economic Review*, 17 Dec. 1998, p. 56.

<sup>19</sup> [Russia will build a gas pipeline to China], *Finansovye Izvestiya*, 8 July 1997.

A semi-governmental consortium, the JNOC, represents the interests of Japan in the project and the private-sector companies, involving Sumitomo, Marubeni, Nippon Steel, Tokyo Gas, Osaka Gas and others. The consortium expressed strong interest in joining all the stages of the project. In December 1997, JNOC representatives and their counterparts from China, Korea and Mongolia discussed the project in Moscow with Russian energy developer SIDANCO, represented in the consortium by its subsidiary, Russia Petroleum, a joint-stock company. A memorandum was signed on a multilateral agreement on a feasibility study, including a gas pipeline route, natural gas marketing, financing and resource evaluation. It was decided to form an international coordinating committee to supervise the feasibility study.

The financial meltdown in Russia and economic crisis of late 1998 may affect these plans negatively. SIDANCO controls Russia Petroleum, but experienced financial problems and had to sell property. In 1997 British Petroleum became a shareholder in SIDANCO and made a 'strategic partnership' agreement with Uneximbank, which controls SIDANCO. Recently, Gazprom also demonstrated its interest in the project.

### Environmental concerns

Energy use is closely linked to the environment—a vast area for long-term regional cooperative efforts in North-East Asia. At present, about 7.3 billion tons of oil equivalent of fossil fuel is consumed annually, of which over three-quarters is carbon-based. In 1975–94 energy-related carbon emissions (CO<sup>2</sup>) grew from 4.3 billion tonnes to 6 billion tonnes. It is likely that carbon emissions in the atmosphere will double in the next 25–30 years and triple in the next 45–50 years, with a possible adverse impact on the global climate. By the year 2020 the share of Asia in world carbon emissions is expected to reach 57 per cent. In 1980, its carbon emissions were only half that amount and its share of world emissions was 28 per cent.

On a country-by-country basis, the USA accounted for 25 per cent of energy-related CO<sup>2</sup> emissions, followed by China at 13 per cent, the Russian Federation<sup>20</sup> at 8 per cent and Japan at c. 6 per cent.<sup>21</sup> These countries are at the top of the group of CO<sup>2</sup>-emitting countries.<sup>22</sup> Moreover, South Korea, Taiwan and Hong Kong have per capita levels of CO<sup>2</sup> emissions much higher than those of China.

Coal is a primary energy resource in Asia, particularly in electricity generation. Its share in final energy consumption is about 45 per cent. For the same number of caloric units coal produces almost twice as much CO<sup>2</sup> as natural gas and c. 25 per cent more CO<sup>2</sup> than oil. Coal-fired power plants are the most common in China. Reportedly, Japanese lakes and forests may experience a major impact from the acid rain caused by coal-burning related pollution, originating mostly in China.

In the long run, coal-burning facilities can be replaced with natural gas power generation. At present, for many countries the least expensive technology to generate electricity is Combined Cycle Gas Turbines (CCGT) because of their low capital, operating and fuel costs. The available estimate of CCGT costs is between \$350 and \$450 per kW.<sup>23</sup> Modernization of existing power plants could also limit CO<sup>2</sup> and sulphur oxide emissions. Recently Japan expressed interest in the Russian energy-saving programme. This created sound prospects for Japanese private companies' involvement in projects aimed at environmental protection, including those designed to reduce CO<sup>2</sup> emission. It was agreed that feasibility studies should be carried out for 20 projects that can enhance energy efficiency.

<sup>20</sup> The reported levelling-off of CO<sup>2</sup> emissions in recent years is due almost entirely to the sharp fall in energy consumption in the successor states of the former Soviet Union.

<sup>21</sup> In 1995, total CO<sup>2</sup> emissions for the United States were estimated at 5469 million tonnes, for China 3192 million tonnes, for Russia 1818 million tonnes, for Japan 1127 million tonnes, for South Korea 374 million tonnes, and for North Korea 257 million tonnes.

<sup>22</sup> *World Economic and Social Survey, 1997: Trends and Policies in the World Economy* (United Nations: New York, 1997), p. 199.

<sup>23</sup> *World Energy Outlook, 1996 Edition* (OECD: Paris, 1996), pp. 73–74.



### Hydropower resources

The emphasis on energy efficiency and fuels that emit fewer pollutants is making power projects based on renewable energy, such as hydro-power, particularly attractive. The hydro-power resources of eastern Siberia and the far eastern economic region can also contribute to sub-regional economic cooperation in the North-East Asian continental area. For example, hydro-power stations could supply electricity to China and Mongolia. It is likely that the Bureyskaya station project will be supported by the governments of Japan and Russia as it is a commercially viable hydro-power project, which is critically important to the far eastern region energy supply.

Capital requirements for hydroelectric power projects are relatively high but there is no cost for fuel. This makes them an attractive option where feasible. Costs are obviously site-specific, ranging, for example, in the case of China from \$370 to \$1200 per kW (compared with \$3880 per kW in Japan).<sup>24</sup> If adequate investment is secured, seven hydro-power projects currently under construction could be generating up to 10 billion kWh of electricity by 2000 and 25–28 billion kWh after completion. This projection includes the Boguchanskaya hydro-power station in eastern Siberia with an installed capacity of 3000 MWt and output estimated at 17.2 billion kWh.

The Russian far east and eastern Siberia together possess more than 80 per cent of the hydro-power resources of Russia and can produce in the long-term perspective about 450–600 billion kWh of electricity annually. The far eastern region's hydro-power potential is estimated at 300 billion kWh, but only 6 per cent of it is either being used or in the planning and construction stages, compared with 33 per cent for eastern Siberia.

### III. Prospects for subregional cooperation

For every country and economy, the energy demand and supply situation is directly linked with its economic security. The choice of making a neighbouring country a long-term partner in the development and supply of energy is not an easy one. However, at the end of the 1990s, Russia, Japan and China were on the verge of promoting closer linkages in the energy sector. From any standpoint, trade and cooperation in energy resources development enhance regional stability. Energy demand and supply forecasts and the changing situation in the energy sector in North-East Asia and world energy markets potentially make Russia an important additional source of oil and natural gas in the early 21st century.

For example, by the year 2010 Japan intends to reduce its dependence on oil to about 48 per cent, compared with 56 per cent in 1995, by promoting wider use of nuclear power and natural gas through large-scale supplies and competition promotion in the energy market.<sup>25</sup> Japan's basic energy policy goal is the simultaneous attainment of the three 'e's'—economic growth, energy security and environmental protection. Considering public attitudes to nuclear power stations, the share of natural gas in Japan's primary energy supply could increase from the current 11 per cent to 17 per cent by 2010. By 2025, it could reach 22–25 per cent, while overall demand for primary energy is likely to be around 750–800 million tons as measured in crude oil equivalent. It is quite possible that between one-quarter and one-third of this amount could be imported from eastern Russia.

China is also expected to import natural gas from Russia. Development of the Kovykta gas field is under discussion. This project can be further expanded if the gas fields of Yakut-Sakha and Krasnoyarsk *krai* are connected to the proposed gas pipeline system that can be extended to Korea and southern Japan. However, the markets of north-eastern China and its central and south-eastern regions are large enough to consume a significant amount of gas from eastern Siberia.

<sup>24</sup> See note 23.

<sup>25</sup> Japanese Ministry of International Trade and Industry, 'Action plan for economic structure reform (Summary)', Tokyo, May 1997, p. 4.

Japan, China and the entire North-East Asian subregion could benefit from cooperation in energy resources development and imports of energy from Russia. Obviously, this may involve changes in their energy strategies—more emphasis could be placed on natural gas and hydro-power instead of coal and nuclear power. Export-oriented natural gas and hydro-power projects in eastern Russia are likely to be a partial remedy to the cross-border environmental pollution caused by coal-fired electricity and heat-producing facilities.

There are, however, critical issues to consider. First, it is desirable that the states of the sub-region approach the problem of energy resource development and use in a joint, multilateral manner. This may require reviewing and modifying their energy policies. Second, inter-governmental cooperation is needed in establishing reliable and efficient mechanisms to encourage private investors' participation in the energy projects. Third, multilateral cooperation is needed in improving energy efficiency, including technological modernization of the existing facilities and the introduction of alternative sources of energy. Finally, large-scale multilateral cooperation in energy resource development requires cooperative and trustful political relations not only among the countries of North-East Asia but also between them and the United States, whose leading role in energy resource development and energy-related strategic issues management is immense.

A common problem, therefore, is how simultaneously to consolidate a newly-born cooperative political climate in the North-East Asian subregion, maintain economic development, ensure energy security and protect nature and the people from the adverse affects of growing energy consumption.<sup>26</sup> If the current plans to enhance links between Russia and Japan and Russia and China in the energy sector are implemented and currents of multilateral cooperation prevail, Russia could significantly improve the economic position of its eastern provinces, develop closer links with the leading Asia-Pacific economies and contribute to peace and stability in North-East Asia. This, however, will take at least several years.

<sup>26</sup>Beyond national development and technological efforts, energy security can be defined as institutional control over the economic factors that can negatively affect energy supply. Reference should also be made to cooperative and multilateral efforts to control non-economic and non-energy policies that can undermine the mutually beneficial relations of economic interdependence, disrupting energy supply and transportation. Mitchell, J. V. *et al.*, *The New Geopolitics of Energy* (Redwood Books: London, 1996).

# 16. Russian–Chinese relations and arms exports

MITSUO MII\*

## I. Introduction

Since the end of the cold war, China has attracted even more attention from Asian countries than before because it exerts an increasingly powerful influence on the security of the Asia–Pacific region. This is due to China’s enormous size, population, growing economy, modernizing military and a history of territorial conflicts.

Historically, Russia has exerted a unique geopolitical influence on China. Even today, if Russia were to maintain sizeable military forces oriented towards China, as in the Soviet period, Chinese military deployments and political influence elsewhere would be constrained. Without Russian pressure on China, China can concentrate resources and attention away from its north. As a result, the relations Russia constructs with China profoundly influence not only the security of China but also regional security.

From this perspective, this paper examines what relations the present Russian Government under President Boris Yeltsin is eager to develop with China.

### **Perceiving China as a threat**

In Russia there are a multitude of views on China. Many are still deeply rooted in an outlook that regards China as a threat. These threat perceptions have arisen partly from the long history of territorial confrontations, but also stem from the large influx of Chinese into Siberia and the Russian far east, where the indigenous population is small. The fear is that this inflow could result in various local movements and eventual Sinicization.

The views of Alexei Arbatov exemplify this threat perception. According to him, China in 10–15 years may become a threat to Russia.<sup>1</sup> China’s building of a professional military, the geopolitical position of both nations, and a long history of territorial disputes could encourage China to pursue an expansionist policy towards Siberia, the Russian far east and some Central Asian nations which are allies of Russia. Arbatov therefore thinks it wise to prepare for possible Chinese activities by maintaining a powerful defence and promoting political and economic cooperation with Japan and the USA. Russia should develop cooperative relations with China but balance in its relations with China, Japan and the USA.

### **Denying China as a threat**

Others perceive far less of a threat from China. Emil Payin, a former presidential councillor, analyses the Chinese inflow to Siberia and the Russian far east as follows: ‘The number of Chinese who actually flowed into Russia in 1992–93 is between 50 000–80 000. But the actual number of Chinese who have resided in the Russian Far East since the end of the 19th century is approximately 500 000 people. Therefore, the opinion that migration of Chinese into Russia would threaten Russian sovereignty is not consistent with the facts.’<sup>2</sup> Payin argues that Russian anxiety over Chinese population pressures on Siberia and the Russian far east is unrealistic and merely a psychological overreaction to immigration.

<sup>1</sup> Arbatov, A. G., ‘Military reform in Russia’, *International Security*, vol. 22, no. 4 (spring 1998), pp. 91–92.

<sup>2</sup> Payin, E., ‘Problem: illegals on Amur shores: on Chinese immigration to the Russian far east’, *Rossiyskiye Vesti*, 6 May 1997, in Foreign Broadcast Information Service, *Daily Report–Central Eurasia (FBIS-SOV)*, FBIS-SOV-97-093, URL <<http://wnc.fedworld.gov>>.

\* The opinions expressed in this paper are the author’s own and do not represent those of the Japan Defense Agency or the National Institute for Defense Studies.

Vladimir Lukin, Chairman of the International Relations Committee of the Russian State Duma, represents a group that believes developing friendly relations with China and India should be Russia's top foreign policy priority. He argues against the view that Russia sought China as a significant partner after NATO's eastward expansion: 'The improvement of relations between Russia and China began at the end of the 1980s. The expansion of NATO towards the east started in 1993. Therefore, it is a mistake to believe Russia has activated relations with China to retaliate against NATO. It not only overvalues NATO, but also underestimates the value of China for us.'<sup>3</sup>

## II. Yeltsin's policy towards China

Yeltsin's policy towards China has been influenced by two main factors.

The first is the legacy of the former government of President Gorbachev. Since 1989, after the long Soviet period, relations between Russia and China have been normalized. The Soviet Union and China had largely confrontational relations before 1989. China demanded specific conditions for improved relations, namely, Soviet withdrawal from Afghanistan, the cutting off of support to Viet Nam's invasion of Cambodia and the reduction of troops along the Chinese border. It was the Soviet side that initiated the improvement in relations by implementing these conditions and compromising on the border demarcation issue. Now more than 60 per cent of the islands in the Amur and Ussuri rivers are under the jurisdiction of China, in accordance with international law.<sup>4</sup> Behind Gorbachev's concessions and improved relations with China was recognition of the need for massive economic reforms in the USSR. Clearly, for Gorbachev, the question whether China was a threat was not as important as developing bilateral relations. The collapse of the Soviet Union and Gorbachev's fall from power left this task to Yeltsin.

From the start, therefore, the Yeltsin Government had the good fortune to escape the border demarcation problem (except for three islands) which in the past had obstructed relations. Yeltsin's policy towards China has been basically a progressive continuation of Gorbachev's initiatives.

The second factor that has influenced Yeltsin's policy towards China is Russian relations with Western Europe. Under Yeltsin, Foreign Minister Andrey Kozyrev worked on the important task of the Westernization of Russia. Even while this was going on, however, there was recognition that Sino-Russian relations had special importance for Russia.<sup>5</sup> When Western governments and businesses did not provide the Marshall Plan scale of effort needed to support Russia's 'shock therapy' economic reforms, this was a major disappointment to Russia. Conservative and nationalist opposition to the instability caused by pro-Western reforms ultimately forced Yeltsin to shift from a European focus to a Eurasian omni-directional policy. As a result, Yeltsin turned towards the Asia-Pacific region and its emerging great power, China. In 1993, Western Europe began to pressure Russia psychologically by expanding NATO towards the east. Russia has been gradually driven into deeper relations with China. In the view of this author, Russia is attempting to avoid adversarial relations on two fronts—Western Europe and Asia, especially China.

Thus, the Yeltsin Government has come to value relations with China more. However, Vassily Likhachev, sub-chairman of the Duma, who has a strong threat perception of China, criticizes this: 'While Russia declines economically and militarily and China rises, Russia's strategic partnership with China places Russia as the decidedly dependent partner, similar to unequal relations between Nazi Germany and Austria and Hungary'.<sup>6</sup>

<sup>3</sup> Lukin, V., 'Strategic partnership between Russia and China: predictable reality', *Problemy Dalnego Vostoka*, no. 3 (May/June 1997), in FBIS-SOV-97-093, URL <<http://wnc.fedworld.gov>>.

<sup>4</sup> Shakirov, M., 'The mysterious islands', *Literaturnaya Gazeta*, 4 Feb. 1998, in FBIS-SOV-98-050, URL <<http://wnc.fedworld.gov>>.

<sup>5</sup> Rakhmanin, V., 'Russia and China: on the road to strategic interaction', *Problemy Dalnego Vostoka*, Jan./Feb. 1997, in FBIS-SOV-97-091, URL <<http://wnc.fedworld.gov>>.

<sup>6</sup> Likhachev, V., 'Russia-China strategic partnership', *Far Eastern Affairs*, no. 2 (1997), p. 40.

What type of relations does the Yeltsin Government desire with China? Relations have developed through three stages.

The first stage was from the beginning of 1992 to autumn of the same year, when the Yeltsin Government's concern about China was relatively low. The second lasted from autumn 1992 to spring 1996. In the first two years of this period relations were cordial. After 1994, Yeltsin's foreign policy adopted what may be described as a 'diplomacy of benefits', that is, Russian diplomacy pursued relations for the purpose of realizing concrete gains and sought to profit from the Sino-Russian relationship. This stage therefore focused on results, such as resolving the border dispute and establishing the confidence-building measures begun by Gorbachev.

The third stage began in the spring of 1996, after the failure of Westernization and the replacement of Kozyrev by Yevgeny Primakov as Foreign Minister. Russian foreign policy became more omni-directional rather than focused on Western Europe. In April 1996, at the third Russian–Chinese summit meeting, Yeltsin described a long-term strategy for relations with China—a 'strategic partnership in the 21st century'—and proclaimed a wish to expand trade with China to \$20 billion by the year 2000. In April 1997, Yeltsin and Chinese President Jiang Zemin announced a common multipolar world outlook. Thus, the Yeltsin Government's new diplomacy of benefits had achieved broad, positive results for security, economic potential and Russia's international political standing.

Under Kozyrev, a strategic partnership was announced jointly with the USA which focused on promoting democracy and human rights. Yeltsin's and Primakov's strategic partnership with China avoids these issues as domestic matters in favour of more tangible benefits. Deputy Foreign Minister Grigory Karasin explains that the term 'strategic partnership' is not used in a military sense but to describe long-term, mutually beneficial relations. According to Karasin, there are five features of the new strategic partnership: (a) a broad increase in the positive interactions with China in the next century; (b) a new quality of relations not affected by the prejudices of ideology or state dogma; (c) the prevention of either partner's entering into an alliance against the other; (d) relations of mutual equality; and (e) the maintenance of interactive relations undisrupted by domestic or international developments.<sup>7</sup>

By constructing this strategic partnership with China, Russia seeks stable, long-term relations that generate practical benefits to both sides.

### **The benefits of strategic partnership**

What benefits has the Yeltsin Government tried to obtain from the strategic partnership?

According to Karasin, strategic partnership would help solve domestic problems in Russia and China and strengthen the international position of both by making their common border a belt of peace and cooperation. Russia could acquire at least five benefits: (a) stability on the border; (b) the prevention of confrontation; (c) practical use of China's economic potential; (d) smoother domestic reforms; and (e) the promotion of its international status.

Yeltsin underlined the political importance of the April 1997 Joint Declaration on a Multipolar World and the Emerging New International Order, stating that Russia had never before signed such a declaration with any country.<sup>8</sup> Since then, Russian and Chinese policy positions have grown closer, sometimes in joint opposition to US policies, as in the case of Iraq. Moreover, the Yeltsin Government does not portray China's great economic potential as a threat, but in practical, positive terms. Primakov expressed the following view at the press conference for the G8 summit meeting of 1997: 'China will certainly become the world's largest economy by

<sup>7</sup> Karasin, G., 'Russia–China: partnership established for the strategic perspective', *Problemy Dalnego Vostoka*, Mar./Apr. 1997, in FBIS-SOV-97-219, URL <<http://wnc.fedworld.gov>>; and Karasin, G., 'Long-term strategy for Russian–Chinese partnership', *Far Eastern Affairs*, no. 2 (1997), pp. 26–29.

<sup>8</sup> Ovcharenko, Ye., 'Comrade Jiang will visit the Kremlin and Yasnaya Polyana while in Russia', *Moscow Komsomolskaya Pravda*, 22 Apr. 1997, in FBIS-SOV-97-078, URL <<http://wnc.fedworld.gov>>.

2010, measured by gross domestic product. Russia is taking this into consideration'.<sup>9</sup> The Yeltsin Government's view of China's economic potential is quite different from that of many Russians, such as Arbatov.

Despite this optimism about the future, however, bilateral trade has not been so robust. Although China has remained Russia's largest Asian trading partner, trade between them fell from \$5.7 billion in 1996 to \$5.2 billion in 1997.<sup>10</sup> China dropped from being Russia's fifth largest trading partner in 1996 to seventh place in 1997.

In this economic context, Russian arms sales provide a quick way to strengthen economic and political relations with China. They have become the most active part of the strategic partnership.

### III. Russia's arms exports to China

Many in Russia are concerned about the increasing arms deals with China. 'Russia should not help China build arms for modern warfare. China selects Western investors when it profits more, and has limited Russian participation in big projects like the construction of hydroelectric power plants. Russia is supplying arms to China, but it is unclear whom China will use the arms against. Should commercial profit for arms suppliers outweigh Russia's security? China's record of aircraft transactions is particularly secretive.'<sup>11</sup>

Those who regard arms trade with China in a positive light typically cite reasons such as the defensive missions of aircraft sold to China,<sup>12</sup> Russia's nuclear deterrent capability,<sup>13</sup> and the desire to satisfy the Chinese market before Western arms competitors do.<sup>14</sup> A brief description of Russian arms exports to China shows their strategic significance.

Russian arms deals restarted in 1990, and their total value for the five years 1992–96 has been estimated at \$4.5 billion.<sup>15</sup> In 1996, the figure was \$1 billion, which fell to \$600–700 million in 1997.<sup>16</sup> Reportedly, orders from China include 72 Su-27 fighters, 50 T-72 tanks, 100 S-300 (SA-10) anti-aircraft missiles, 2 Sovremenny Class destroyers and 4 Kilo Class submarines. Up to now there have been no exports of the SS-18 intercontinental ballistic missile (ICBM), the Tu-22 bomber or Su-35 fighter aircraft.<sup>17</sup>

Licensed production of the Su-27SK fighter seems to have begun in 1998.<sup>18</sup> Apparently the first two Su-27s were assembled before the end of 1998 and annual production is planned to reach 15 by 2000.<sup>19</sup> Total production allowed under this licence is probably 200 aircraft, worth \$1.5 billion. In addition, 50–55 Su-27s and Su-30 multi-purpose fighters may also be produced in the future. There is also a report of a contract for the Su-35S fighter, worth \$3.5 billion.<sup>20</sup>

<sup>9</sup> ITAR-TASS, Moscow, 'Moscow seeks strategic partnership with China, Japan', 22 June 1997, in FBIS-SOV-97-173, URL <<http://wnc.fedworld.gov>>.

<sup>10</sup> Japan Association for Trade with Russia and East European Economic Studies, 'Statistics of foreign trade by Russia in 1997', *Monthly Bulletin on Trade With Russia and East Europe*, July 1997, pp. 81–84; and *Monthly Bulletin on Trade With Russia and East Europe*, July 1998, pp. 94–98.

<sup>11</sup> Urusov, M. A., 'Destroyers in exchange for canned meat', *Moskovskiy Novosti*, no. 44 (2–9 Nov. 1997), in Foreign Broadcast Information Service, *Daily Report—Central Eurasia—Military Affairs (FBIS-UMA)*, FBIS-UMA-97-310, URL <<http://wnc.fedworld.gov>>.

<sup>12</sup> Interfax (Moscow), 'Russian official sees China remaining major arms buyer', 20 Nov. 1998, in FBIS-SOV-98-324, URL <<http://wnc.fedworld.gov>>.

<sup>13</sup> 'Russian official sees China remaining major arms buyer' (note 12).

<sup>14</sup> Bazhanov, Ye., 'Brothers in arms, brothers for ever: should we sell military equipment to China?', *Obshchaya Gazeta*, no. 31 (7–13 Aug. 1997), in Foreign Broadcast Information Service, *Daily Report—Arms Control (FBIS-TAC)*, FBIS-TAC-97-224, URL <<http://wnc.fedworld.gov>>.

<sup>15</sup> Bluth, C., 'Russia and China consolidate their new strategic partnership', *Jane's Intelligence Review*, vol. 10, no. 8 (Aug. 1998), p. 20.

<sup>16</sup> 'Russian official sees China remaining major arms buyer' (note 12).

<sup>17</sup> Bluth (note 15).

<sup>18</sup> 'Russian official sees China remaining major arms buyer' (note 12).

<sup>19</sup> 'Russian official sees China remaining major arms buyer' (note 12).

<sup>20</sup> Interfax (Moscow), 'South Korea to choose between Su-35, Eurofighter, F-15E', 6 Nov. 1997, in FBIS-TAC-97-310, URL <<http://wnc.fedworld.gov>>.

The naval situation is more constrained, as China does not yet have a large warship construction capability. It therefore depends on Russia for modern warships and is buying submarines and destroyers. The construction of two Sovremenny Class destroyers is continuing in St Petersburg. The lead ship reportedly will be handed over in mid-1999 and the second at some time during 2000.<sup>21</sup> Attention is being given to the equipping of the destroyers with the Moskit 3M-80E anti-ship missile (NATO code name SS-N-22 Sunburn). The US Navy is particularly concerned with the missile because it approaches its target at twice the speed of sound, flies at very low altitude and is difficult to detect and intercept even with the latest defence systems.

One Russian expert analyses the main direction of China's military modernization as follows: 'Presently, China is intensively preparing its armed forces for at least three conflicts: with Taiwan; with a coalition of South-East Asian countries over the right to possess the Spratly islands; and with Viet Nam over the same archipelago. China envisions first and foremost the creation of an effective antimissile defense system by acquiring later generations of Russian fighters and antiaircraft missile systems'.<sup>22</sup>

To increase arms sales, the Yeltsin Government is reorganizing the arms industry. Although Russia has hesitated about providing China with the most advanced military technology, its arms exports to China are likely to continue to grow. It seems fair to say that arms deals will continue to be the clearest definition of what the Russian–Chinese strategic partnership is.

#### IV. Conclusions: future prospects and implications

The Yeltsin Government is taking a positive approach to China by pursuing relations that yield concrete benefits under the rubric of strategic partnership. Russia's need for economic development and international power status have shaped its diplomacy towards China.

The closer Russian–Chinese relationship will very likely continue as Russia's need for political and economic stability and its quest to maintain diplomatic influence will probably not change. Worst-case scenarios at present are renewed ideological disputes, border confrontation with China, increased Russian economic hardship and Russian opposition to NATO policies. The latter two are far more likely than the first and would favour even closer Russian relations with China.

Both today and in the near future, Russia does not seem to have the incentive to regard China as a threat. The desire for economic and political benefit is pushing Russia closer to China.

The international community should therefore not assume that Russian–Chinese relations are controlled by Russian perceptions of a potential Chinese threat. Instead, we should consider the possibility of intimate relations emerging that may endure over a long period of time. It is therefore vital that we think about the influence of this new relationship on existing relationships and the security issues in the Asia–Pacific region.

<sup>21</sup> ITAR-TASS (Moscow), 'Destroyer building plan for Chinese Navy on schedule', 2 Dec. 1998, in FBIS-SOV-98-337, URL <<http://wnc.fedworld.gov>>.

<sup>22</sup> Urusov (note 11).

# 17. Sino-Russian relations after the break-up of the Soviet Union

CHEN QIMAO

## I. Introduction

China has the largest population in the world, while Russia is the largest country in terms of territory. Both are permanent members of the UN Security Council. The significance of their relations extends far beyond their own interests. It also affects the stability of Asia and the world at large.

Sino-Soviet relations before the disintegration of the Soviet Union were characterized by a number of ups and downs. In February 1950, just four months after the establishment of the People's Republic of China, the two countries signed a Treaty on Friendship, Alliance and Mutual Cooperation. In the first half of the 1950s they enjoyed a honeymoon period. However, by the late 1950s differences in national interests and ideologies emerged, leading to serious disputes which developed into acute conflicts and border clashes in 1969. Hence, in the late 1960s and 1970s, the Soviet Union regarded China as one of its main rivals and stationed *c.* 1 million troops and one-third of its SS-20 intermediate-range ballistic missiles along the Sino-Soviet border, threatening to make a 'surgical' first strike on China's nuclear bases. Under serious threat, China had to prepare for a military intrusion from the north. However, in the 1980s, the two countries came to the realization that tense relations were not in the interests of either side and they made efforts to alleviate the situation. These efforts resulted in the normalization of relations during a state visit to Beijing by then Soviet President Mikhail Gorbachev in May 1989.

In December 1991, the Soviet Union disintegrated into 15 independent republics and Russia succeeded it as a permanent member of the UN Security Council. Sino-Russian relations thus faced a new test. Could the two countries maintain normal relations regardless of their different social systems and ideologies, or would their relations deteriorate even to a state of hostility? This was of concern not only to the two countries themselves but also to many others, especially the USA, Japan, and other North-East Asian and European nations. Fortunately, the leaders of both China and Russia handled the transition in the relationship carefully and skillfully.

So far their relations have developed smoothly and are as good as they have ever been. Because of their strategic significance there are bound to be different views of and comments about Sino-Russian relations worldwide. In China and Russia there are also different views of the relationship, which is close to the interests of both countries. This paper aims to describe the development of Sino-Russian relations after the disintegration of the Soviet Union, to examine the foundations of and the problems remaining in the relationship and, finally, to examine the different courses it may take in the future.

## II. The development of relations

On 25 December 1991, Mikhail Gorbachev was forced to resign from the Soviet presidency and the flag of the Soviet Union fell. China lost no time in establishing diplomatic relations with Russia and the other new republics. On 27 December 1991, Chinese Foreign Minister Qian Qichen sent letters to the new republics, including Russia, informing them that China recognized their independence and was preparing to establish diplomatic relations with them. Two days later the Chinese and Russian deputy foreign ministers signed a protocol expressing the mutual desire to develop a 'good-neighbourly', friendly relationship on the basis of the Five



Principles of Peaceful Coexistence and China expressed its support for Russia as successor state to the Soviet Union in the UN. Thus the two nations made a first key step towards normalization of relations.

Since then Sino-Russian relations have developed in a smooth and healthy direction. There have been three stages in the development of the relationship.

First, in December 1992 Russian President Boris Yeltsin visited China and met the then Chinese President, Yang Shang Kun. This was the first summit meeting between China and Russia. The two signed a Joint Statement on the Foundation of Mutual Relations, stipulating that they would establish a good-neighbourly and mutually beneficial relationship on the basis of the Five Principles of Peaceful Coexistence. The document set the tone of friendship and cooperation. In addition there were a further 24 agreements on cooperation in various areas, providing good prospects and ample scope for the development of bilateral relations. This first stage of relations after the disintegration of the Soviet Union could be called the stage of friendly, cooperative partnership.

Second, in September 1994 President Jiang Zemin visited Russia for a second summit meeting with President Yeltsin. It yielded a second joint statement defining the bilateral relationship as a 'constructive partnership oriented toward the 21st century' and a statement affirming the two countries' commitment not to be the first to use nuclear weapons or to target nuclear missiles against each other. The two leaders also signed an agreement delineating the 55-km western sector of the Sino-Russian border.<sup>1</sup> (An agreement on the 4300-km eastern border, signed by China and the former Soviet Union in May 1991, was awaiting implementation.<sup>2</sup>) This second summit meeting brought Sino-Russian relations to a new stage, which could be termed the stage of constructive partnership.

In May 1995 Jiang visited Russia to attend the 50th anniversary ceremonies of the victory in World War II. During his visit Russia confirmed its support for the 'one China' principle and its opposition to Taiwan joining the UN. It also stated that it would abide strictly by the Sino-Soviet eastern border agreement despite some opposition from local officials in the Russian far east. China confirmed again that the Chechnya issue was an internal matter for Russia and that no other country should intervene, expressed its support for Russia's application to join APEC and suggested that the two countries might further cooperate in UN affairs. This visit consolidated and developed the constructive partnership.

Third, in April 1996 the third Sino-Russian summit meeting was held in Beijing. Jiang and Yeltsin signed a new joint statement proclaiming the forging of a 'strategic partnership of equality and trust oriented towards the 21st century'.<sup>3</sup> Both nations appealed for the establishment of a just international political order. The Chinese leaders expressed their understanding of and support for Russia's position against NATO's eastward expansion and Russia committed itself to further strategic cooperation with China to make their shared border and their borders with the new Central Asian nations more peaceful and stable. The two countries also decided to increase their bilateral trade to \$20 billion per year by the end of the century. On 26 April, the heads of state of China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan met in Shanghai and signed an agreement on confidence building in the military field in the border area.<sup>4</sup> Since then, Sino-Russian relations have developed beyond the bilateral relationship into greater cooperation in the international arena. This indicates that the relationship has reached a stage of strategic partnership.

In 1997 the strategic partnership moved to a new level. In April, Jiang visited Russia for a fourth summit meeting with Yeltsin. The two leaders issued a joint statement on the develop-

<sup>1</sup> Shanghai Institute for International Studies, *Guoji Xingshi Nianjian 1995* [SIIS yearbook: survey of international affairs, 1995], p. 91.

<sup>2</sup> This was approved by the Chinese National People's Congress in Dec. 1994 and by the Russian State Duma in June 1995.

<sup>3</sup> Shanghai Institute for International Studies, *Guoji Xingshi Nianjian 1997* [SIIS yearbook: survey of international affairs, 1997], p. 114.

<sup>4</sup> *Guoji Xingshi Nianjian 1997* (note 3), p. 109.

ment of a multipolar world order rather than a unipolar world dominated by a single superpower and expressed their determination to strive for a new international order based on the Five Principles of Peaceful Coexistence. Another important event during Jiang's visit was the signing by the leaders of China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan of a Treaty on Mutual Reduction of Military Forces in Border Areas which, combined with the agreement on confidence building in the military field of a year before, constituted a new kind of security mechanism in Central and North-East Asia. Jiang and Yeltsin also announced the setting up of a committee on Sino-Russian friendship, peace and development for the 21st century.

In November 1997 President Yeltsin made his third visit to China for the fifth summit meeting since 1992. The most important outcome was the accomplishment of the demarcation of the 4300-km eastern border, thus settling a long-standing dispute and leaving only the question of three small islands to be settled by future generations.<sup>5</sup> This was a major breakthrough, especially considering the opposition to the settlement from some local officials in the Russian far east. Demarcation of the 55-km western sector of the border was completed in 1998.<sup>6</sup> A further important development was the setting up of a biannual meeting mechanism at prime ministerial level, which has run well. In June 1997 Russian Prime Minister Viktor Chernomyrdin visited China; in February 1998 Chinese Prime Minister Li Peng visited Russia for the second time. The meetings focused mainly on economic cooperation. A wide range of projects was discussed, including cooperation in machine-building, aeronautical and aerospace technology, the building of a gas pipeline from eastern Siberia to north-east China, and the building of a thermal power network in China. There were a number of agreements including one on the construction of a nuclear power plant in Lianyungang City, Jiangsu Province.

During Chernomyrdin's June 1997 visit the two countries signed a trade agreement for the years 1997–2000 and decided to establish a committee to coordinate border trade and regional economic and commercial cooperation.<sup>7</sup> They discussed joint economic programmes, including the natural gas pipeline project mentioned above. Through their efforts economic and trade cooperation has made remarkable headway. The value of bilateral trade reached \$6.8 billion in 1996—far more than Sino-Soviet annual value of trade at its height in 1991—and it is becoming more orderly and regular, the greater part of it being conducted in cash and between major companies. In July 1998, then Russian Prime Minister Sergey Kiriyenko made a working visit to Beijing, meeting Jiang and the new Chinese Prime Minister, Zhu Rongji. The two prime ministers discussed economic cooperation programmes and reached several new agreements.

### III. The foundation of the relationship

The flourishing state of Sino-Russian relations is not accidental but solidly based.

The first element of the foundation of the relationship is mutual respect. The two countries suffered considerably as a result of their ideological disputes between the 1960s and the 1980s and are now confronted with the arduous task of developing their national economies. They badly need stability in the international environment, particularly in the immediate neighbourhood. When dramatic changes occurred in the former Soviet Union and Eastern Europe, Chinese paramount leader Deng Xiaoping declared that 'no matter whatever change might occur in the Soviet Union, we should calmly develop relations including political relations with the country on the basis of five principles of peaceful coexistence, and should not launch ideological debate once again'.<sup>8</sup> The Chinese Government has followed this consistently. Russia, under the leadership of Yeltsin, affirmed its commitment to all the positive achievements of

<sup>5</sup> See section IV below. The 3 small islands still under dispute are Hei Zia Zi (Ussuri) Island and Yinlong (Tarabarov) Island, located at the intersection of the Amur and Ussuri rivers near Khabarovsk, and Bolshoy Island in the Algan River near Manzhouli.

<sup>6</sup> *Renmin Ribao* [People's daily], 24 Nov. 1998, p. 1.

<sup>7</sup> Shanghai Institute for International Studies, *Guoji Xingshi Nianjian 1998* [SIIS yearbook: survey of international affairs, 1998], p. 301.

<sup>8</sup> *Selected Works of Deng Xiaoping*, vol. 3 (People's Publisher: Beijing, 1993), p. 353.

Sino-Soviet relations and to the continued implementation of the obligations under the treaties and agreements signed by the Soviet Union and China in May 1989 and May 1991. It also confirmed again its support for China's position on the Taiwan issue. On 15 September 1992 President Yeltsin signed the Decree on the Russian Federation's relations with China and reaffirmed that (a) there is only one China; (b) the Government of the People's Republic of China is the sole legal representative of China; (c) Taiwan is a part of China; and (d) Russia will never establish official relations with Taiwan.<sup>9</sup> So far Russia has handled its relations with Taiwan cautiously, restricting non-official contacts. This is very important for the maintenance of normal and friendly relations between China and Russia.

A second element is the two countries' shared views on an increasing number of international issues in the light of the challenge from the USA and its allies. In the first years after the collapse of the Soviet Union, Russia adopted a pro-Western foreign policy, hoping for economic aid from the West and for recognition as a strong power and an equal partner of the USA. Later, deeply disappointed by the level of Western aid and by Western countries' fierce competition over spheres of influence in the newly independent states, it switched to an 'omni-directional' or 'two-headed eagle' policy, pursuing relations with both Western and Eastern countries. Especially after 1995, under heavy pressure from NATO's eastward expansion led by the USA, Russia attached greater importance to its relations with China, India and other Asian countries.

China faces US pressure on human rights, interference on the Taiwan issue and the threat of 'containment'. Naturally, the two countries sympathize with, support and cooperate with each other on many international issues. They agree extensively on the post-cold war situation. Both believe that the world is evolving from a bipolar structure to a multipolar one. Neither can accept a unipolar world. Both are willing to contribute their due share to the establishment of a new, equitable and reasonable international order in which no one country dominates another. In addition, both oppose the re-emergence of hegemonies and power politics and the resurgence of cold-war thinking. This provides a solid political foundation for rapprochement.

Third, the two countries have great potential for economic cooperation. China is a large country with rich human resources, a large market with considerable potential and a good agricultural and industrial base but is relatively lacking in natural resources, including oil, natural gas, water, forest and arable land, and is relatively weak in high technology. Russia is a large country with rich natural resources and an industry with great potential, and is very strong in some high-technology areas but weak in light industry and agriculture. In addition, Russia has a relative lack of labour resources in relation to its large territory. Naturally, the two nations can help and cooperate to mutual benefit.

#### IV. Problems

While the progress achieved by China and Russia in their relations in recent years is significant, some remaining problems should not be ignored.

##### **Bilateral trade**

Economic cooperation between China and Russia is not commensurate with their highly developed political relations. Although since 1992 annual trade has exceeded the highest figures achieved in Soviet times, it is still very low—less than 2 per cent of China's total foreign trade by value,<sup>10</sup> and less than 10 per cent by value of the trade between China and Japan.<sup>11</sup> Moreover, its growth is not yet stable and fluctuates from year to year.

<sup>9</sup> *Renmin Ribao* [People's daily], 18 Sep. 1992.

<sup>10</sup> According to official Chinese statistics, the value of total foreign trade in 1997 was \$325 billion. *Zhengfu Gongzuo Baogao* [Government report 1997, made by the Prime Minister, Li Peng] (People's Publisher: Beijing, 1998), p. 13.

<sup>11</sup> According to official Japanese statistics, the value of trade between China and Japan in 1995 reached \$57.8 billion. [Japan-China economic cooperation monthly], Aug. 1996 (in Japanese).

In 1994, over 12 months, the value of their bilateral trade fell by one-third. This was a major setback to economic cooperation between the two countries. The causes of the drop are somewhat complicated. First, before 1994 citizens of the two nations did not require a visa when travelling between China and Russia. Taking advantage of this opportunity, tens of thousands of small Chinese speculators flowed over into the Russian market with inferior goods, causing considerable harm to China's commercial credibility. In 1994, in order to check speculation, Russia strengthened its border controls, tightened its export control laws and raised import and export taxes. Border trade, which accounted for a high proportion of the bilateral trade, was drastically reduced. Second, China began to adjust its economic policy in 1993 and its demand for Russian products fell. Third, some Russian corporations were not always able to provide quality goods to their Chinese partners or meet contract deadlines, which seriously harmed their commercial credibility. Finally, a large amount of Western consumer goods was flowing into Russia, greatly reducing China's share in the Russian market. These factors combined made the fall inevitable.

After the 1994 drop the two governments took some measures to revitalize bilateral trade and the situation has improved somewhat in recent years, but progress is still unstable and in 1997 bilateral trade fell again, by 11.7 per cent. Both China and Russia are dissatisfied, Russia especially so when it failed to secure the contract for the Three Gorges power project, although China had promised to give favourable consideration to its bid. Some Russians complained: 'Between Chinese and Americans, there is cooperation but no friendship, while between Chinese and Russians, there is friendship but no cooperation'.<sup>12</sup>

In order to realize their goal of increasing annual bilateral trade to \$20 billion by 2000, the two countries have made considerable efforts to promote economic cooperation. Still there are many difficulties. Since both are at present pursuing a market economy, the level and speed of economic cooperation, unlike political cooperation, cannot simply be decided by the leaders. Rather it dictates its own terms. Both China and Russia are capital importers and cannot help each other in this regard. Neither China's consumer goods nor Russia's heavy industrial products are the best in the world or the most attractive to the partner country.

### Misunderstandings and suspicions

For historical, cultural and geopolitical reasons, there are still some misunderstandings and suspicions among the population on both sides. In the early 1990s there were some difficulties with the demarcation of the eastern sector of the border between the two countries. Under the agreement on the eastern border, signed in 1991, an area of 15 km<sup>2</sup> in Russia's Primorskiy *krai* (Maritime Province), including some small islands in the Amur and Ussuri rivers, and small pieces of land along the Tumen River, was to be transferred to China. This is in full conformity with the principle of international law that border rivers should be demarcated along the central line of the navigation route. However, some local officials in Primorskiy Krai denounced the agreement, alleging that the land to be handed over to China would include 'two strategic sections of the Tumen River that would provide direct access to the Sea of Japan' and that 'the Chinese were expected to build a seaport in the area that could compete with existing Russian Far East ports'.<sup>13</sup> This allegation is groundless. China has no intention of building a port on the Tumen River, nor would it be feasible to build a port on the small pieces of land transferred to China.

This issue had been an obstacle for the final solution of the border disputes. Fortunately, under the leadership of President Yeltsin, the Russian Government took a steady position in the implementation of the border agreement. The then Foreign Minister, Andrey Kozyrev, denounced allegations that the agreement harmed Russia's sovereignty and rejected the demand

<sup>12</sup> Personal communication with a senior official of the Chinese Ministry of Foreign Trade and Economic Cooperation.

<sup>13</sup> *Asian Survey* (Berkeley, Calif.), vol. 36, no. 1 (Jan. 1996), p. 106.

for a review. In 1995 the State Duma, after holding a hearing on the border problem, confirmed the 1991 agreement and stressed that it would not be revised. On 25 April 1996 Yeltsin issued an order to accelerate the demarcation of the eastern border. Meanwhile China took a steady but restrained attitude towards the issue and consulted with the Russian Government closely.

Now the border disputes are basically resolved. Nevertheless, some Russians still fear that China will claim territory from Russia in the future. Their fears are based on earlier statements by China that the border treaties signed by the two nations in the 19th century were unfair. However, this is a misunderstanding. It is true that in the 1960s border negotiations China said that the border treaties signed by Qing China and tsarist Russia in the 19th century, including the 1858 Ai Hui Treaty, the 1860 Beijing Treaty, the 1864 Treaty on demarcation of the north-west border and the 1881 Yi Li Treaty, were unequal treaties imposed on China by Russia. However, at the same time China declared: 'Considering the reality, China is willing, through peaceful negotiations, to resolve the border disputes between the two countries comprehensively and to redefine the whole demarcation line on the basis of those treaties. China is not demanding back the territories grabbed by tsarist Russia'.<sup>14</sup> Firmly adhering to this position, the Chinese Government negotiated with the former Soviet Union and Russia to reach the two border agreements. China is happy to see a final settlement of the disputes and has no intention of raising the problem once again.

Some Russians still harbour the old 'yellow peril' thinking. They think that a strong and prosperous China might be a threat to Russia, especially to the Russian far east. In China, some fear that when Russia recovers from its current difficulties it might resume its expansionist policy and constitute a threat to China. This is obsolete thinking, reflecting the hostile past, and does not hold water. Nevertheless, it is a genuine problem, indicating the need for greater exchange between the peoples of the two nations in order to promote mutual understanding.

### Illegal immigration

Another source of friction has been the issue of illegal Chinese immigrants in the Russian far east. In 1994 the Russian news media, with the support of some local officials in the Russian far east, issued a number of reports about China's 'expansion' in the far east, claiming that an estimated 2.5 million Chinese had entered the Russian far east in search of jobs and business opportunities.<sup>15</sup> General Pavel Grachev, then Defence Minister, even asserted that Chinese nationals were conquering the Russian far east by peaceful means.<sup>16</sup> Clearly the problem was greatly exaggerated. According to Emil Payin, adviser to the Russian President, 'The Chinese immigrants mainly concentrated in four cities, Vladivostok, Khabarovsk, Blagoveshchensk, and Nakhodka. As a matter of fact, the total population of the four cities in 1993 was 1.8 million. The two-million figure, hence, is not worth refuting. In fact, in 1992 and 1993, the amount of Chinese immigrants was no more than 50 000 and 80 000 respectively. By 1997, it was no more than 200 000'.<sup>17</sup>

Payin also pointed out that the real problem was that the economy of the Russian far east had been in long-term crisis since 1988. In 1990 the situation deteriorated: the region could not get food, consumer goods or other necessities from the Russian European regions and had to rely on border trade with China. Chinese immigrants flowed in with capital and goods. By 1993, 43 per cent of joint ventures in the Russian far east region had been established by Chinese investors. Chinese workers found employment on farms and in the building industry as cheap labourers. At the same time, China opened its own market to Russians. In 1993 the region's

<sup>14</sup> 'Statement of the Chinese Government', *Renmin Ribao* [People's daily], 24 May 1969, p. 1; and 'Chinese Foreign Ministry document', *Renmin Ribao* [People's daily], 8 Oct. 1969, p. 1.

<sup>15</sup> ITAR-TASS, 26 Jan. 1994, in Foreign Broadcast Information Service, *Daily Report—Central Eurasia (FBIS-SOV)*, FBIS-SOV-94-17, pp. 24–25.

<sup>16</sup> *Asian Survey* (note 13).

<sup>17</sup> Payin, E., 'Problem: "illegals" on the Amur shore: on Chinese immigration to the Russian far east', *Rossiyskiye Vesti*, 6 May 1997 (in Russian), in FBIS-SOV-97-093.

exports to China were 33.6 per cent by value of its total exports, next only to its exports to Japan. This was obviously beneficial to the region's economy. The problem was that some Chinese entered the region and made money illegally, and among those illegal immigrants the crime rate was relatively high.<sup>18</sup>

Payin's report and analysis may be close to the facts. The Russian far east and north-east China are highly complementary. The former is a large territory with rich resources but a relatively small population. The lack of labour and capital are two major problems in its development. North-east China has a big population and a large, cheap labour force, and is more developed than the Russian far east. Obviously the two regions can gain great benefits through cooperation. The problem is good management. In 1994, the Russian Government strengthened its border controls by removing 20 border checkpoints from the control of local governments and putting them under Moscow's direct control, terminated the liberal visa system and restricted the issuing of visas to Chinese businessmen. In 1995, Russia's Federal Immigration Service and China's defence, civil and public security ministries concluded three agreements to prevent illegal migration and illegal trafficking in arms, ammunition, drugs, and poisonous and radioactive materials. Since then the situation has improved substantially. Further cooperation on border control and migration is needed. Any exaggeration of the issue is not in the interests of either country.

## V. Conclusions: Sino-Russian relations in the future

Since China and Russia are large countries with considerable strategic significance, the future of their relations is of concern to the rest of the world. A variety of views have been expressed in the context of this problem. Roughly divided, they can be presented in three possible scenarios for the development of Sino-Russian relations.

### **Scenario one: alliance against the USA**

Some Western scholars suggest that, under certain conditions and on the basis of the current strategic partnership between the two nations, Russia will try to unite with China and probably Iran to form an alliance against the USA.<sup>19</sup> This is very unlikely.

The important question is how to assess the strategic partnership between China and Russia. It was initiated by President Yeltsin and accepted by China. It is a new type of state-to-state relationship based on the Five Principles of Peaceful Coexistence. 'Strategic' here does not mean a military alliance but indicates that the two countries will cooperate not only in bilateral affairs but also to establish a fair, reasonable and stable international order. Both China and Russia believe the world to be in a state of change and believe that the new world configuration will be a multipolar one. Both have an omni-directional foreign policy, which entails the wish to keep good relations with all countries. China wants to maintain good relations with both Russia and the USA, while Russia wants to maintain good relations with the USA and China. They are well aware that the USA is still the strongest power in the world, and certainly it will be one pole of the future multipolar world. Neither China nor Russia will challenge its primacy in today's world. As a matter of fact, both China and Russia have decided to establish a strategic partnership with the USA.<sup>20</sup> What China and Russia do not want to see is US 'world leadership' or a 'unipolar world'.

The Sino-Russian strategic partnership is characterized by three 'nons'—non-confrontation, non-alliance and non-aiming at any third country. Some people believe that, since both have

<sup>18</sup> Payin (note 17).

<sup>19</sup> Brzezinski, Z., *The Grand Chessboard: American Primacy and its Geostrategic Imperatives* (Basic Books: New York, 1997), pp. 115, 116.

<sup>20</sup> After a summit meeting in Washington, China and the USA declared their intention to establish a constructive strategic partnership in a statement of 29 Oct. 1997. *Guoji Xingshi Nianjian 1998* (note 7), p. 410.

expressed their opposition to hegemony in any form, their strategic partnership must be directed against the USA. This is also a misunderstanding. China regards anti-hegemonism as a basic principle of its foreign policy and considers it necessary to oppose hegemony in order to protect sovereignty and safeguard world peace. It will oppose the pursuit of hegemony whether by a global or a regional power or any other. This does not mean that it regards that particular power as its enemy. China will not cease its efforts to improve relations with the USA, despite opposing US hegemonic policy or action on specific issues. Conversely, it will not give up the anti-hegemony principle in order to improve relations with the USA.

Russia holds similar views in this regard. Hence it is not correct to say that their strategic partnership is directed against the USA. The limitation is very clear: when Russia denounced the eastward expansion of NATO, China only expressed its understanding, sympathy and moral support and did nothing further. When China criticized the September 1997 Guidelines for US–Japanese Defense Cooperation and asked Japan and the USA to clarify whether their defence cooperation covered the Taiwan Strait or not, Russia kept silent.

The fact that China has procured some weapons from Russia should not be exaggerated. By 1996 its main procurements from Russia included 48 Su-27 fighter aircraft, 4 sets of surface-to-air missiles, 10 Il-76 transporters and 2 Kilo Class submarines.<sup>21</sup> In addition, it is reported that the two countries signed an agreement to produce an updated model of the Su-27 fighter aircraft in a Shenyang factory.<sup>22</sup> In comparison with the procurement of advanced weapon systems by India, Japan and even Taiwan in recent years, China's procurement is modest. In fact, Russia limited its arms sales to China for political reasons.<sup>23</sup>

Both China and Russia regard Iran as an important developing country and are maintaining good relations with it, but this does not mean that they share the same views as Iran on international affairs. Neither would like to see ultra-nationalism or religious fundamentalism in any region of the world after the cold war. In this respect they share common interests with many countries, probably including the USA.

It therefore seems impossible that China and Russia would ally themselves against the USA unless the USA makes terrible mistakes in regarding them as its enemies.

## Scenario 2: a return to conflict

Some observers suggest that conflicts between China and Russia might emerge again if China becomes stronger or Russia recovers its great-power status. This is also very unlikely. As mentioned above, the border disputes are resolved and China is happy to see the problem settled once and for all. China has no intention of penetrating the Russian far east through immigration. Its position is clear: all Chinese immigrants should abide strictly by Russian law. China sincerely hopes to cooperate with Russia to improve the management of migration and settle the problem of illegal immigration. As long as the two countries stick to the Five Principles of Peaceful Coexistence, there is no reason why they should not live together peacefully and harmoniously. The only possible cause of conflict would be if one of them became powerful and adopted a hegemonic stance. China has made it very clear that it will never pursue hegemony or seek a sphere of influence. At the Sixth Special Session of the UN General Assembly in April 1974, Deng Xiaoping even said that if China were to develop a hegemonic stance some day in the future the world's population should expose, oppose and topple it together with the Chinese people. This reflects China's firm determination never to seek hegemony or to bully, threaten or invade other countries.

<sup>21</sup> See, e.g., Sergounin, A. A. and Subbotin, S. V., *Russian Arms Transfers to East Asia in the 1990s*, SIPRI Research Report no. 15 (Oxford University Press: Oxford, 1999), appendix, pp. 132–33.

<sup>22</sup> *East Asian Strategic Review, 1996–97* (Japanese National Institute for Defense Studies: Tokyo, Dec. 1996), pp. 109–10.

<sup>23</sup> E.g., Russia has sold Su-30 fighter aircraft to India but not to China.

Historically, Russia has had a tradition of expansionism. However, the world situation has changed drastically. Peace and development are the themes of the current epoch and economic matters have become the most important factors in international relations. Russia has also changed greatly. Drawing lessons from history, Russia is concentrating on economic reform and revitalization, and hence needs a peaceful environment. There is no reason why this great country should repeat the mistakes of history. The probability of this scenario is thus slight, if not zero.

### **Scenario 3: normal relations and limited strategic cooperation**

A third scenario is that the two countries maintain a normal, friendly and harmonious relationship, handling disputes through continual dialogue and consultation. Economic cooperation will be pushed forward step by step, although the achievement of the \$20 billion goal for bilateral trade should be postponed to the early 21st century. In international affairs, the two nations will further their strategic dialogue and cooperation and support each other in many but not all areas. China will support Russia's legal interests but not its dominance in other newly independent states on the territory of the former Soviet Union.

China will also support Russia in playing an important role in the Asia-Pacific region. In North-East Asia, China regards Russian-Japanese rapprochement as a positive development, conducive to the strategic balance of power in the region. Both China and Russia want to see peace and stability on the Korean Peninsula. In Central Asia China and Russia are cooperating smoothly, both keeping a vigilant eye on religious fundamentalism and ultra-nationalism. China regards Central Asia as one of its sources of energy supply in the near future, and has made some investments in oil exploration which have so far been supported by Russia. However, as Russia regards the Central Asian republics as its 'near abroad', some conflicting interests in the region might emerge in the future. In South Asia, both China and Russia denounced India and Pakistan for their nuclear tests of May 1998. India is Russia's traditional strategic partner, while China maintains fairly close relations with Pakistan. Some differences of opinion in this respect might therefore emerge under certain conditions. Hence the principle of seeking common ground while reserving differences is also applicable in Sino-Russian relations. This is the most plausible scenario.

Obviously, the third scenario is not only in the interests of China and Russia, but also the most favourable for peace and stability in the Asia-Pacific region and the world at large. No country has reason to fear a healthy development of Sino-Russian relations—rather there is every reason to support and encourage it.



# 18. Russia and China: what is in the pipeline?

YURI V. TSYGANOV

## I. Introduction

One of the many historic developments of the past decade is the rapprochement of China and Russia, which may prove extremely important for the future of international relations. The initial changes in Russian policy towards China may be traced back to the period of President Gorbachev in the late 1980s. With the withdrawal of troops from Afghanistan, troop reductions in the Russian far east and a more balanced approach to the settlement of the Cambodian crisis, the USSR largely responded to China's preconditions for a normalization of relations. Gorbachev's visit to Beijing in May 1989 put a formal end to the period of mutual distrust and alert.

Gorbachev's policy brought changes in attitudes to China among the Soviet conservative ruling elite and military. Cooperation between Soviet and Chinese defence bodies, including cooperation on the issue of arms, became one of the cornerstones of the new partnership. In the view of Gorbachev's conservative critics, the Chinese experience in economic reforms presented an attractive alternative to Gorbachev's domestic political reform and pro-Western orientation in foreign policy. This resulted in demands from a wide spectrum of Russian political forces, ranging from the leftists to the centrists, that the lessons to be learned from the Chinese experience be incorporated in the Russian reforms of the early 1990s. Russian democrats, meanwhile, considered China a totalitarian communist state and avoided any contact with it, emphasizing instead the Western dimension of Soviet foreign policy.

Closer relations with China, a stress on cooperation with China as a priority for Asia-Pacific policy and strategic cooperation with China have since emerged as characteristics of the conservative influence on Russian foreign policy. In turn, China was one of the countries to recognize the Emergency State Committee attempted *coup d'état* of August 1991 and was deeply cautious about Russian reform and the possible future effect of the demise of socialism. Russian efforts for integration into the world democratic community also coincided with a major campaign in the West to protect human rights in China after the 1989 Tiananmen Square incident, strengthening the Russian democrats' negative view of China as a communist totalitarian regime.

The defeat of the 1991 coup, the Soviet Communist Party's loss of power and the victory of anti-communist pro-Western political forces temporarily froze the Sino-Russian rapprochement. An overwhelmingly pro-Western political orientation and the stress that the Russian authorities at first put on the issue of human rights in China did little to overcome this growing gap in mutual perceptions. Thus, in Russian international priorities China came after the USA, Western Europe, Japan and South Korea. It was not by chance that the Russian Foreign Ministry even asserted in 1992 that China was of secondary importance in Russia's foreign policy.<sup>1</sup>

In early 1992 there was a chance to develop a radically new Russian approach to North-East Asia which would place major emphasis on relations with Japan as a member of the Western community that might provide the voice of influence much needed by Russia. However, this met fierce domestic opposition. From the very beginning, foreign policy was targeted by opposition groups who insisted on a more versatile Asian dimension, as opposed to the line of then Foreign Minister Andrey Kozyrev for cooperation with the West. The Asian partners favoured were China and India rather than Japan.

Since 1993 China has emerged as Russia's most natural cooperation partner. There were several reasons for this. First, Sino-Russian relations in the 1990s did not suffer significant setbacks, unlike the dialogue with Japan which was complicated by the dispute over the southern

<sup>1</sup> Goncharov, S., 'Osobyie interesi Rossii: v chem oni zaklyuchayetsya?' [Russia's special interests: what are they?], *Izvestiya*, 25 Feb. 1992, p. 5.

Kurile Islands or the efforts to integrate Russia in Asia–Pacific regional institutions. The ground had been prepared by Gorbachev. The concentration of both countries on domestic economic priorities and the parallel, although uneven, reduction of troops along the border,<sup>2</sup> the first agreement on the delimitation of the eastern part of the border signed in 1991 and the elimination of territorial claims calmed the perceptions of persistent threat that had been felt from the 1960s to the 1980s and removed ideological competition from the agenda. President Boris Yeltsin's visit to Beijing in December 1992, his second in the Asia–Pacific region after Seoul, restored the atmosphere of normal relations.

The second key factor that contributed to improved relations was the expansion of Russian arms sales to China and increased military–technical cooperation between them.<sup>3</sup> As a result of the Tiananmen Square incident sanctions had been imposed on China by the West which restricted the supply of modern arms and military technology<sup>4</sup> while the under-financed Russian military industry, experiencing a decline in domestic sales, benefited from the increase in demand from China. China soon became its largest customer and one that, unusually, was eager to expand its purchases.<sup>5</sup>

A third factor was the growing gap of perceptions and alienation from the West. Throughout the 1990s China has encountered challenges from the West on questions of human rights, its stance on Taiwan, its military programmes and especially activities around the Taiwan Strait and the South China Sea islands. Russia's concerns lay elsewhere, namely in the general trend towards a more assertive foreign policy, periodically diverting attention to the situation in the former Yugoslavia, Iraq, Libya, Iran and the Baltic countries and to the intensifying dispute over NATO expansion—issues which remained remote from China. Even so, a general trend towards distancing themselves from the West and rejecting the model of a US-led international community, an insistence on the need for a multipolar post-cold war international system, and the clear lack of direct conflicts between them all opened the way for China and Russia to give each other at least verbal support and to prepare the ground for strategic partnership aimed at bringing about a multipolar world.

The gradual discovery of China as Russia's most suitable partner in Asia did not stem from any calculated strategy. It emerged as a result of Russia's rather unsuccessful attempts to formulate guidelines for a new Asia–Pacific policy. It was a last attempt to improve cooperation with its Asian neighbours and to escape from the limits imposed on it by the cautious vision and lack of political will of every other possible partner. The intensive development of Sino-Russian cooperation after 1993 mirrored the trend in Russian foreign policy away from the 'romanticism' of Atlantic cooperation and towards a new assertiveness. This enabled Russia to find another important critic of the US-led world that was yet outside the club of 'pariah nations'.

However, the Sino-Russian 'strategic partnership' does not of itself enable Russia to find a new Asia–Pacific or North-East Asian strategy. The stake on priority engagement with China did not simplify Russia's aim to determine and pursue its goals in Asia–Pacific. The dialogue with China did not touch on cooperation on issues vital for Russia's Asian policy, for example, its role on the Korean Peninsula and in the resolution of Korean problems, arms control, the establishment of confidence-building measures (CBMs) in Asia–Pacific (except directly where border arrangements were concerned), Russia's integration into regional structures and so on. It does not settle Russian problems in Asia–Pacific or remove the need for further search for accommodation with other regional powers. The revival of Russian–Japanese dialogue in 1996–97 reflects this last need. It is oriented not so much for mutual practical assistance in

<sup>2</sup> Sevankov, Yu., 'Kitaytsy budut letat na Su-27' [Chinese to fly Su-27s], *Izvestiya*, 3 Mar. 1992, p. 4.

<sup>3</sup> See, e.g., Sergounin, A. A. and Subbotin, S. V., 'Sino-Russian military–technical cooperation: a Russian view', ed. I. Anthony, SIPRI, *Russia and the Arms Trade* (Oxford University Press: Oxford, 1998), pp. 194–216.

<sup>4</sup> Immediately before Yeltsin's 1992 visit to China, the Japanese Kyodo news agency revealed secret instructions of the Chinese Communist Party Central Committee to develop military collaboration with Russia with the aim of obtaining an end to the embargo of the West on the export of military technology to China.

<sup>5</sup> Anthony, I., 'Trends in post-cold war international arms transfers', ed. Anthony (note 3), p. 30, citing the SIPRI arms trade database.

international or regional issues as for a parallel global response to the USA's and its allies' attempts to impose their views on Russia and China, through mutual support on issues where their interests do not overlap. Sino-Russian relations seem to be a trump card in Russia's relations with the West.

China recognized the new Russia as early as December 1991 and in early 1992 adopted a decision to stimulate contacts with Russian business circles. To revive bilateral cooperation, China used existing channels in Russia, primarily with military industrial cooperation and with trade and economic relations which might provide a new basis for bilateral ties.

During 1992 China and Russia managed to overcome their ideologically determined mutual distrust and alienation. The prospect of practical gains from cooperation, primarily in the military industrial sphere, on the basis of agreements reached in the late Gorbachev period finally prevailed. Various contacts on different levels were made. By the time of Yeltsin's December 1992 visit to Beijing the ground for the intensive development of economic cooperation was thoroughly prepared. The Joint Statement on the Foundation of Mutual Relations between the Russian Federation and China was signed.<sup>6</sup> Each made a commitment not to join alliances directed against the other and not to allow any third party to use its territory to endanger the security of the other.

## II. Strategic relations

For at least three decades relations between China and Russia had been based on the triangular interdependent logic of the balance of power between the USSR, the USA and China. The level of confrontation between the participants and their power potential largely determined the functions of the triangle. The logic assumed that the two weaker and/or more passive sides would cooperate to meet the challenge of the strongest and/or most active. In the 1970s, despite supposed détente, Russia was the most offensive, but in the late 1980s the USA gradually took a more active stance. Under these conditions and within the logic of triangular relations, China put the accent on enhancement of relations with the 'weaker' side—the USSR.

With the collapse of the USSR the triangle seemed to vanish too. However, tensions between Russia and the West, confusion over relations among the countries of the CIS and Russia's weak position in the Asia-Pacific region (aggravated by the unsettled territorial dispute with Japan) subsequently led the Russian leadership to return to a triangular logic in its foreign policy.

Thus, by the mid-1990s the 'triangular' political motivation re-surfaced as dominant in Sino-Russian relations. During his visit to Beijing in January 1994, Foreign Minister Kozyrev proposed to raise bilateral cooperation to the level of strategic partnership, an idea accepted by China after a period of hesitation.<sup>7</sup> The Joint Declaration signed during the visit to Moscow of President Jiang Zemin in September 1994 characterized Sino-Russian ties as 'new relations of cooperative partnership'.<sup>8</sup>

Russia's rapprochement with China was smoothed by the fact that the two countries can easily and with minimal effort support each other in two issues that are vital for them, the expansion of NATO and the problem of Taiwan. The Joint Declaration signed in Beijing on 26 April 1996, formulating 'partnership relations of equality and confidence oriented to strategic interaction in the 21st century',<sup>9</sup> was a new step forward. China has stated that it understands the Russian position against NATO expansion eastwards and supports Russian actions to

<sup>6</sup> Kononenko, V. and Skosyrev, V., 'S velikoy Kitayskoy steny B. Yeltsin prizval k sblizheniyu Rossii s Kitayem' [From the Great Wall of China Boris Yeltsin calls for Sino-Russian rapprochement], *Izvestiya*, 18 Dec. 1992, p. 1.

<sup>7</sup> Skosyrev, V. and Eggert, K., 'Ministry inostrannykh del Rossii i Kitaya navodyat poryadok na granitse' [The Russian and Chinese foreign ministers put the border into order], *Izvestiya*, 29 Jan. 1994, p. 4.

<sup>8</sup> Savenkov, Yu., 'Risuyesh derevo, pochuvstvuy, kak ono rastet' [Before painting the tree, sense how it grows], *Izvestiya*, 2 Sep. 1994, p. 3.

<sup>9</sup> Platovskiy, A., 'Politicheskii duet v Pekine zvuchal na redkost slazhenno' [The political duet in Peking sounded uncommonly harmonious], *Izvestiya*, 26 Apr. 1996, p. 3.

preserve the federation, treating the Chechnya issue as an internal matter. Russia in its turn has reiterated that the Chinese Government is the only legal administration to represent all China and Taiwan is an integral part of Chinese territory. Russia will therefore not establish official relations or have official contacts with Taiwan. Russia also recognized Tibet as an integral part of China.

In general in 1991–96 Sino-Russian relations furthered the debate on ‘partnership relations of equality and confidence oriented to strategic interaction in the 21st century’ as a major issue. The year 1996 was also marked by the visit to Moscow of the Chinese Prime Minister, Li Peng, an agreement to intensify top-level contacts (not less than once a year), and the starting of a business cooperation structure similar to the Gore–Chernomyrdin Commission on US–Russian relations. In June 1997 the two governments signed a 10-year agreement to establish a mechanism of regular meetings between their two heads.<sup>10</sup> This is aimed at developing bilateral cooperation in trade and economic ties, military exchange, scientific cooperation, energy and nuclear energy production, and transport. Within the framework of this mechanism relevant commissions were established.

The April 1997 summit meeting highlighted the desire to demonstrate to the international community (primarily the USA) the correlation of the geopolitical postures of the two nations, as represented in the Joint Declaration on a Multipolar World and the Emerging New International Order of 23 April 1997.<sup>11</sup> The document is unique for post-Soviet Russia: nothing of the kind has been agreed with any other country. Both sides praised the declaration as ‘a result of serious analysis of international relations in the post-confrontation period’ showing common views on and approaches to the post-cold war international situation.<sup>12</sup>

The Sino-Russian rapprochement is basically a reaction to the changing balance of power in world politics, enabling the two countries to act in parallel rather than as allies. Their efforts to develop a strategic partnership seek to counter the US line of preserving a unipolar international system and seek the establishment of multipolarity with both countries playing the most independent roles possible. The objectives of joint action by China and Russia are concurrent self-determination, independent influence and separate bargaining positions rather than a close military and political alliance. It is symbolic that the search for terms to define the stages of their bilateral cooperation has been mostly a search for labels to attract the attention of third parties (the USA and Japan). At the same time it is constantly stressed that it is not an alliance relationship.

China and Russia have successfully used the triangular relationship of China, Russia and the USA for their own interests. The verbal support Russia received from China on the question of NATO expansion made it easier for Russia to bargain with the West, to receive compensation in the form of participation in the G7, to be admitted to the Paris Club of Industrial Country Creditors and to restructure debt with the London Club of private lenders.

The Krasnoyarsk meeting between Yeltsin and Japanese Prime Minister Ryutaro Hashimoto in November 1997 was the result of Russian efforts to gain an alternative partner in Asia and avoid being oriented exclusively towards China. One of Japan’s main concerns was to balance stable relations with Russia against China’s growing power.

China seems to know better than Russia what to do with the possibilities that are open to it. In its turn, it was given the opportunity for constructive dialogue with the USA. As China’s ambassador to Russia put it, ‘the Chinese–Russian strategic partnership . . . does not rule out relations of partnership between other countries. Moreover, if the world’s major powers estab-

<sup>10</sup> *Problemy Dalnego Vostoka* (Moscow), no. 4 (1997), pp. 95–96.

<sup>11</sup> Savenkov, Yu., ‘Moskva i Pekin prizyvayut zhit druzhno’ [Moscow and Peking call for friendship], *Izvestiya*, 24 Apr. 1997, p. 3.

<sup>12</sup> Karasin, G., ‘Rossiya i Kitay na poroge tysyacheletiya’ [Russia and China on the threshold of the new millennium], *Mezhdunarodnaya Zhizn*, no. 6 (1997), pp. 13–18; and Zhan Deguang, ‘Strategic partnership oriented towards the 21st century’, *Mezhdunarodnaya Zhizn*, no. 6 (1997), pp. 19–22.

lish relations of partnership, this would benefit global peace and stability'.<sup>13</sup> Practically, China seeks to balance its relations with Russia by promoting ties with the USA. The formula of strategic partnership that was to characterize the Sino-Russian relationship in 1996–97 was discussed by the USA and China as well.<sup>14</sup> A small but significant detail is that in 1996 China and Russia agreed to establish a 'hot line' between the two presidents, but actual implementation was postponed until 1998 when a similar agreement between China and the USA came into force. Li Fenglin cited the following opinion on the ties between the three parties: that between China and the USA there is cooperation without sentimentality and between China and Russia sentimentality without cooperation.<sup>15</sup> This seems to be correct.

China's current assessment of the structure of international relations is based on the premise that international forces are dispersing. Currently the USA is the only superpower in the world, but China believes that the ability of the USA to influence international affairs will gradually diminish in the near future. Thus, the world is becoming a multipolar structure, in which various powers are balanced and large-scale military conflicts are unlikely.

In the new international situation China is to continue its policy of maintaining independence and keeping the initiative in its own hands. That means that it intends to determine its position on the world arena independently, it refuses to participate in any alliance or arms race, and it is developing cooperation with all the nations of the world on the basis of the Five Principles of Peaceful Coexistence. Essentially, China tries to be pragmatic and does not want any ideological affinity or dispute to determine its international relations. It has mostly removed ideological constraints to its foreign policy in order to avoid letting ideological and geopolitical factors prevail over economic expediency.

On the whole, the emergence of a military and political Sino-Russian alliance seems inconceivable as their geopolitical and strategic national interests do not coincide. China would rather avoid the prospect of becoming a party to a conflict in remote Europe in the event of threats to relations between NATO and Russia. Russia would not endanger its relations with the USA, Japan and other Asia-Pacific nations in the event of a conflict in the Taiwan Strait or serious confrontation over territorial claims to islands in the South China and East China seas. At the same time both countries are ready to develop military-technical cooperation, one of the major driving forces for their current ties.

CBMs along the border have an important symbolic value in bilateral relations. By signing two agreements on border delimitation in 1991 and 1995, Russia and China settled their territorial dispute to ease cooperation on CBMs. In 1992 they signed a memorandum which provided for radical cuts in armaments along the border. In 1994 they adopted a declaration on not targeting strategic nuclear missiles on each other and reinforced their commitments not to use nuclear weapons against each other as a first strike. In 1996 China and four CIS nations (Russia, Kazakhstan, Kyrgyzstan and Tajikistan) signed the agreement on border CBMs, supplemented in April 1997 by the agreement on mutual reductions in their armed forces along the border. Despite their importance, these agreements ensure nothing more than stabilization of the current balance of forces along the Sino-Russian border and have basically only the symbolic value of supporting broader political declarations.

It is more significant that in late 1997 the two countries completed six years of work on the demarcation of the Sino-Russian border. The final demarcation has a profound influence on their relations. It removes a strong irritant for both sides and eliminates possible territorial claims, above all Chinese claims to the Primorye (Maritime) region of Russia.

<sup>13</sup> Li Fenglin, 'Chinese-Russian relations after the fifth summit in Beijing', *Problemy Dalnego Vostoka* (Moscow), no. 1 (1998), p. 4 (in English).

<sup>14</sup> A joint statement released following the US-China summit meeting in Oct. 1997 stated that 'the two Presidents are determined to build toward a constructive strategic partnership between the United States and China through increasing cooperation to meet international challenges and promote peace and development in the world'. United States Information Agency, 'The United States and China', 27 June 1998. Internet edition.

<sup>15</sup> Li Fenglin (note 13), p. 6.

### III. Economic relations

Economic interaction in civil areas is not yet important enough to determine the extent of political cooperation. Sino-Russian economic relations are developing very slowly and chaotically in comparison to their political relations. However, the leaderships of both countries understand the importance of a stable economic basis for an effective political relationship and are encouraging economic ties. In other words, the political motivation in Sino-Russian relations heavily outweighs economic reasons, unlike the case of Chinese cooperation with the USA and Japan where economic interests help to soften political contradictions.

Today Russia has to acknowledge that it cannot cultivate the Chinese market on the basis of 'special relations' arising from the 'strategic partnership', but the illusion persists. For example, Russian energy equipment manufacturers expected to be given favourable terms in China and received a shock in 1997 when they did not win the tender for equipment for the Three Gorges Dam project.<sup>16</sup> It also came as an unpleasant surprise when the USA removed its ban on US companies supplying nuclear reactors to China. The Russian nuclear energy export company Atomenergoexport now expects stiff competition in a market that it practically considered as its inherited estate. These events show that Russian enterprises have an inaccurate idea about the Chinese market. They see it as an alternative to competition on the world market.

In 1994 China experienced something similar. There was a sharp rise in Sino-Russian trade between 1991 and 1993, when it seemed to the Chinese that they could buy Russian products at excessively low prices and that the Russian market would absorb consumer goods of any quality. Later the Russian market was saturated with consumer goods and Chinese sales fell sharply. Bilateral economic ties were highly dependent on small businesses, including individuals (*chelnoki*—shuttles) noted for their short-termism and for using the economic crisis in Russia for their own benefit. The decrease in small companies' activities was the main reason for the dramatic reduction in trade in 1994, after the 1993 record of \$7.6 billion.<sup>17</sup> Only in 1996 did turnover reach \$6.8 billion.<sup>18</sup>

There have appeared in Russia industrial lobbies trying to push the government into creating favourable conditions for economic collaboration. Russian suppliers of energy equipment, energy resources and armaments have staked a great deal on China. For them, mastering the Chinese market is not only a chance to earn profits but a form of survival. These industries still have a high level of government regulation but need government support to ensure large-scale exports of their products. Thus the 1997 increase of government activity in the field of Sino-Russian economic cooperation was not merely a campaign initiated from the top in order to strengthen the basis of political partnership; it also mirrored the real interest of Russia's large business groups in developing cooperation with China.

However, the current trade turnover is far from the target of \$20 billion set by the two governments in 1997. In 1996 China took fifth place among Russia's foreign trade partners, behind Ukraine, Germany, the USA and Belarus, with a share of only 4.5 per cent of total Russian foreign trade. For China, Russia was its eighth most important partner. Bilateral trade grew to \$6.84 billion in 1996, an increase of 25 per cent on 1995<sup>19</sup> but in 1997 there was another fall by 10.5 per cent (to \$5.48 billion).<sup>20</sup>

<sup>16</sup> In Aug. 1997 China signed contracts for the delivery of power equipment with a total output of 14 700 MW for the first machinery section of the Three Gorges Dam. The winning consortium consisted of the Anglo-French group GEC Alstom and ABB was given a contract for the delivery of 8 power units worth \$420 million. A consortium formed by German companies Siemens and Vought and Canadian General Electric won another contract for the delivery of 6 power units for \$320 million. The Chinese counterparts in the contracts are Harbin Power Equipment and Dongfang Electrical Machinery. *Byulleten Inostrannoy Kommercheskoy Informatsii*, 16 Dec. 1997, p. 13.

<sup>17</sup> In current prices.

<sup>18</sup> In current prices. Portanskiy, A., 'Kitay manit Rossiyu perspektivnymi mnogomilliardnymi kontraktami v energetike' [China attracts Russia with multi-billion energy contracts], *Finansovye Izvestiya*, no. 46 (26 June 1997), p. 1.

<sup>19</sup> Portanskiy (note 18).

<sup>20</sup> 'Beijing seeks greater investment ties with Russia', *South China Morning Post*, 4 Feb. 1999.

Russian exports to China are very vulnerable to market changes because of their primitive structure. For example, in 1993 ferrous metals contributed 40 per cent of Russia's total revenue from exports to China and in 1994 50 per cent.<sup>21</sup> This caused protests by Chinese steel producers who felt that the low prices offered by CIS (mainly Russian) companies put them at a disadvantage, even though they were able to produce nearly the full range of steel products. Following these protests, in 1995 China reduced its purchases by 40 per cent. Subsequently, in late 1996 the Chinese Ministry of Metallurgy brought in anti-dumping measures against CIS producers. Inevitably, all this affected bilateral trade.

Russia's major exports to China (\$5.15 billion in 1996 in current prices) include aircraft, cars and trucks, agricultural machines, mining and oil processing equipment, textile equipment, chemical products, construction materials, steel, timber, cement and so on. Fertilizers and ferrous metals continue to be leading export goods and are worth over 50 per cent of total deliveries. In 1996 Russia exported to China machines and equipment with a total value of \$930 million. China supplies Russia with consumer goods (\$893 million in 1996) and food products (\$427 million in 1996, all in current prices).<sup>22</sup>

#### IV. Arms transfers

Today arms sales seem to be the only stable sector of Sino-Russian trade. There is some reason for concern that Sino-Russian economic ties will be reduced to trade in armaments only.<sup>23</sup> Stephen J. Blank argues that the Russian Government has lost control over its arms sales programme but dares not react negatively, despite the military implications of such transfers for its own security.<sup>24</sup> The problem is that, although the government is still capable of controlling arms exports, it not only gives a free hand to arms producers but helps to promote their sales. In 1998 visits of Russian high-ranking military to Beijing showed that Russia was determined to promote this cooperation.

Russian arms suppliers are expanding sales to China despite objections from certain military circles. Former Russian Defence Minister Igor Rodionov, for example, called China a potential opponent.<sup>25</sup> The giant military production complex created in Soviet times has lost orders from the government, as Russia is not able and does not need to support such enormous amounts of military production.<sup>26</sup> China's attempts to increase its regional role by modernizing its army are manna from heaven for the ailing Russian defence industry, which simply cannot turn its back on the potential Chinese market.

As Michael D. Swaine put it, today China is the most critical and the least understandable variable for the future Asian security structure, as current trends suggest that it will emerge as the dominant military and economic power in Asia, capable of projecting its air, ground and naval forces far beyond its boundaries.<sup>27</sup> Precisely that determines most of the suspicions about Sino-Russian military cooperation.

Modern Russian arms have provided China with a unique opportunity to close the technological gap between it and the military superpowers. Russia has supplied and plans to supply the most advanced weapons. They include Su-27 fighter aircraft, C-300PMU-1 air defence missile

<sup>21</sup> Sprogis, Ye., 'O nekotorykh problemakh razvitiya dvustoronnikh torgovo-ekonomicheskikh svyazey' [On some problems in the development of bilateral trade and economic ties], *Biznes i Politika* (Moscow), no. 12 (1997), p. 18.

<sup>22</sup> Portanskiy (note 18).

<sup>23</sup> Russia has earned at least \$1 billion a year for the past 3 years from arms sales to the People's Liberation Army of China. 'PLA preparing to buy 20 fighter planes from Russia, says magazine report', *South China Morning Post*, 20 Aug. 1998.

<sup>24</sup> Blank, S. J., *The Dynamics of Russian Weapon Sales to China*, 4 Mar. 1997, Internet edition, p. 2, URL <<http://carlisle-www.army.mil/usassi/ssipubs/pubs97/ruswep/ruswep.htm>>.

<sup>25</sup> Korotchenko, I., 'Igor Rodionov vystupil za sozdaniye oboronnogo soyuza stran SNG' [Igor Rodionov speaks in support of defence alliance of the CIS countries], *Nezavisimaya Gazeta*, 26 Dec. 1996, p. 1.

<sup>26</sup> On the background to the promotion of arms sales to China, see Denezhkina, E., 'Russian defence firms and the external market', ed. Anthony (note 3), pp. 124–45.

<sup>27</sup> *Strategic Appraisal 1996* (RAND: Santa Monica, Calif., 1996), pp. 186–87.

complexes, Kilo Class submarines, Smerch multiple-rocket launchers, Metis and Konkurs anti-tank rocket systems, AK-630 high-speed ship guns, Kashtan air-defence marine complexes, Sovremenny Class destroyers (the ship has eight of the most modern Moskit anti-ship rocket launchers and two Stihl air-defence guided-missile launchers), T-80U and T-90C tanks, BMP-3 and BTR-80 armoured vehicles, Mi-28N and Ka-50 combat helicopters, the Tor-M1 air-defence missile complex, Msta-S and Vena self-propelled artillery, and the Tunguska air-defence gun-missile complex.<sup>28</sup> Russian Il-76 aircraft may become the basis for installing the Falcon early warning system, the delivery of which China successfully negotiated with Israel in July 1996.<sup>29</sup>

China also, or even in the first instance, intends to buy Russian arms technology. In 1996 it bought from Sukhoi a licence for producing 200 Su-27 fighter aircraft in Shenyang.<sup>30</sup> On the whole, the ratio of Russian weapon deliveries to arms technology sales is 7 : 3. China wishes to reverse this ratio.<sup>31</sup>

Russian arms supplies are especially important for China not only because of the Western embargo but also because China obtained its technological base through Soviet technology transfers and with the help of Soviet experts. Modern Russian armaments help to raise the level of Chinese professionals and to educate military personnel (including training in Russian military colleges) to use modern methods of warfare. Thus, China's own military R&D can be quickly promoted and implemented more easily.

## V. Energy supply

Recently energy supply has emerged as a very promising area for economic cooperation between Russia and China. In June 1997, during the visit of former Prime Minister Viktor Chernomyrdin and former Deputy Prime Minister Boris Nemtsov to China, the Russian Ministry of Fuel and Energy and China's National Oil and Gas Corporation signed an agreement on cooperation in crude oil and natural gas production. Under the agreement the two parties will cooperate in exploration for the Irkutsk project, which should run a 3360-km gas supply main from the Kovykta gas deposit in the Irkutsk district of Russia through Mongolia to a Chinese port—probably Rizhao. Later in 1997 the Russian joint-stock company Gazprom and China's National Oil and Gas Corporation signed another agreement on cooperation in the natural gas industry.

The two parties are also studying the feasibility of a Western project to run a gas main from Russia through the western border of China to China's south-east. At the same time the Russian Ministry of Fuel and Energy and China's National Oil and Gas Corporation will cooperate in crude oil transport from East Siberia to China, and they will study projects for crude oil transport from Kazakhstan and Sakhalin to China. Gazprom and China's National Oil and Gas Corporation intend to cooperate in tapping gas and oil fields in China.

Energy seems to be the only field where Russia now expects no competition from other countries in exporting to China. According to Boris Nemtsov, the Russian Government would give implicit support to Russian energy exporters trying to develop the Chinese market.<sup>32</sup> Successful cooperation in this sphere could have two effects. Internally it would help Russia in developing its rare competitive industries and in raising funds to support eastern Siberia and the Russian far east, which have been the areas hardest hit by the economic crisis of 1997–98. Externally it would offer the basis for Russian integration into the North-East Asian regional economy, which Russia particularly needs since joining APEC. Chinese energy shortages are well known.

<sup>28</sup> 'Kitayskiye shirpotrebnosti Rossiyskikh oruzheynikov' [Russian arms producers' demand for Chinese goods], *Profil* (Moscow), no. 17 (May 1997), p. 14; and Litovkin, V., 'Kitayskaya armiya krepchayet Rossiyskim oruzheniem' [Chinese Army gaining power through Russian arms], *Izvestiya*, 25 Apr. 1997, p. 3.

<sup>29</sup> 'Kitay poluchit Rossiysko-Izraillskuyu sistemu rannego opoveshcheniya' [China to get Russian-Israeli early warning system], *Finansovye Izvestiya*, no. 37 (22 May 1997), p. 1.

<sup>30</sup> Litovkin (note 28).

<sup>31</sup> Litovkin (note 28).

<sup>32</sup> *Izvestiya*, 25 Nov. 1997.



Currently they constitute a bottleneck in the development of the Chinese economy. Russia's expectations thus seem to have a good chance of being realized.

At the same time, cooperation in the supply of energy may have profound consequences. It will change the participants and the entire structure of their bilateral ties as large companies enjoying government support will dominate those ties. The character of cooperation on the provincial level will also change. However, the growing economic interdependence between the two economies may give rise to controversy and could turn into a 'zero-sum game', and if normal cooperation ties fail to develop this may strain political relations.

## VI. Conclusions

Russia does not have a consolidated vision of the prospects for its relationship with China. It is clear that reforms are promoting the status of China from that of regional power to that of global superpower. Currently both countries are using each other to counterbalance US or Japanese regional dominance. Yet the emergence of China as a global superpower may conflict with Russian strategic interests, particularly if it succeeds in becoming an active and important partner with the Asia-Pacific countries, which is also China's ultimate regional goal. China would thereby compete with the USA and Japan for the leading role on the Pacific rim.

On the other hand, there are different evaluations of China's social development and divergent assessments of the problems confronting China and the ability of its leadership to cope with them. One pessimistic vision stresses the probability of isolationism, regionalization, and fluctuations and hesitations in political options. There are, however, also forecasts that China will become completely integrated into the world economy without posing any military or political threats to neighbouring countries. Judging by purely economic factors, the 'catastrophic' scenario seems improbable for the coming two decades. However, the social and economic transformation of China is creating the basis for a profound crisis of its society, contradictions between central government and the provinces as well as between provinces, growing social tensions, an increasing discrepancy between the archaic political system and a booming economy, and deepening ethnic problems. Hence any prognosis of the future of the post-Deng Xiaoping regime is difficult to evaluate.

Pessimists assess China as a potential threat to Russia either as an authoritarian state with growing military might or as a nation doomed to repeat the fate of the USSR with consequences that are difficult to foresee. They therefore counsel the avoidance of measures that would strengthen China, especially arms and weapon technology transfers. Optimists believe that the Chinese leadership is able to manage the nation, which is in Russia's interests, and assess the Chinese military build-up as the modernization of a backward army that does not involve threats to the region, except possibly Taiwan, but this is seen as China's domestic affair. An optimistic vision now prevails among the Russian leadership.

The future of Sino-Russian relations in fact largely depends on (a) US foreign policy, that is, the results of the policy of engagement with China, and (b) the level of trust in Russian-US cooperation. Obviously ideological considerations complicate the improvement of US-Chinese relations. The US allergy to any kind of totalitarianism and periodic emotional campaigns on human rights in China preserve mutual distrust. Joseph Nye assessed US policy towards China as 'a strange alliance of left and right against the center'.<sup>33</sup> Unless the USA plays down these tendencies in its approach to China, China will always have a strong motivation for closer ties with Russia. On the other hand, the increasing Russian feeling of being duped, isolated and neglected by the West is leading it to find its most suitable partner in China.

The following characterize the present Sino-Russian strategic partnership:

<sup>33</sup> Nye, J., 'As China rises, must others bow?', *The Economist*, 27 June-3 July 1998.

1. Rapprochement is motivated by the external logic of the 'triangular' strategic relationship and the main value of their cooperation is determined by a shared need to meet real or perceived challenges from the West.

2. The strategic partnership offers both countries the opportunity to overcome possible isolation in international affairs and helps them to assert their specific national interests vis-à-vis uncooperative Western nations.

3. The absence of overlap or conflict in their national priorities allows the two to give each other verbal support without essential expenditures or sacrifices.

4. The slogans and declarations are vague and the partners' practical understanding of the essence of partnership is inadequate.

5. The level of political coordination on Asia-Pacific regional issues is low.

6. Military industrial and military-technical cooperation is of great mutual value, helping China to modernize the army and opening the market for the Russian defence industry.

7. The two countries have persistent perceptions of possible shared threats of a geopolitical nature and rather cautious evaluations of scenarios for the future.

8. There is no real economic basis for political cooperation. However, Russia's energy supply may close the gap.

On the whole, the strategic partnership seems to lack adequate internal motivation and to be to a great extent determined by the international environment. Narrow isolationism and increasing tension with the West do not correspond to the optimal preferences of either Russia or China and both would prefer to diversify their international connections. In that sense any suspected quasi-alliance is nothing but an unavoidable tactic for dealing with the worst-case scenario imposed from the outside.

Today it is impossible to imagine Russia or China, overloaded as they are with their domestic problems, aspiring to world hegemony. It seems that in future domestic factors will influence the bilateral relationship more than the international environment.

# 19. Russia and ASEAN: emerging partnership

VICTOR SUMSKY

## I. Introduction

The view that South-East Asia has no great importance for Russia is still shared by a number of foreign policy experts in Russia. They believe that Russia has more attractive partners in the Asia-Pacific area than those forming ASEAN. In the words of one such expert, the members of ASEAN 'always meant and will always mean much less to Russia than China or Japan'.<sup>1</sup>

Not even the end of the cold war shattered this perception. The USSR used to have negative trade balances with each of the ASEAN states. Trade between the USSR and ASEAN in 1990 amounted to less than \$1 billion.<sup>2</sup> Clearly, the ASEAN countries could go on without Russian raw materials, machinery and industrial equipment. Thus, there seemed to be few opportunities to boost Russian exports. Cooperation in the form of investment projects seemed problematic because of the precarious economic conditions and lack of legal guarantees in the post-Soviet space.

The conclusion was almost inevitable that ASEAN and its member states lack incentives to develop political relations with Russia, and attitudes on the Russian side are reciprocal. Suggestions by some ASEAN representatives that Russia, together with the USA, China and Japan, could act as a guarantor of stability in South-East Asia aroused little enthusiasm. However, by the mid-1990s there were reasons to believe that reality was disproving these views.

Mutual political understanding was gradually improving through Russia's participation in the annual ASEAN Post-Ministerial Conference (PMC), initially as a guest and after 1997 as an official dialogue partner and member of the ASEAN Regional Forum (ARF). The admission of former allies of the Soviet Union to ASEAN had not resulted in anything like the emotions provoked by the expansion of NATO. On the contrary, there was a feeling in Moscow that it might be still easier to talk to an ASEAN which incorporated Laos and Viet Nam and, in due time, Cambodia.

Without becoming key trading partners of Russia, the members of ASEAN contributed to the increase of its trade. Between 1991 and 1995 total trade between Russia and ASEAN went up from \$1082.5 million to \$4440.3 million. There was a fivefold increase in Russian exports to ASEAN countries (from \$530.5 million to \$2751.2 million) and a threefold increase in its imports from them (from \$551.8 million to \$1689.1 million) over the same period.<sup>3</sup> In their desire to capture new markets some Russians behaved quite aggressively, to the point that in 1997 in Thailand there was an attempt to initiate anti-dumping procedures against the producers of steel from Russia.<sup>4</sup>

In the mid-1990s dozens of joint ventures established by Russian businessmen with counterparts from the Philippines, Singapore, Thailand, Viet Nam and other ASEAN countries were operating in fields as diverse as fishing and fish processing, maritime and land transport, oil extraction, jewellery, assembly of personal computers and so on. Investors from ASEAN were considering new options in Russia, particularly in logging, pulp and paper production, textiles

<sup>1</sup> Nikolayev, B., 'Rossiya-ASEAN: psikhologicheskii baryer preodolevayetsya' [Russia-ASEAN: the psychological barrier is being overcome], *Aziya i Afrika Segodnya*, no. 7 (1993), p. 49.

<sup>2</sup> Nikolayev (note 1), p. 49.

<sup>3</sup> Kostyunina, G., 'ASEAN i Rossiya: osnovnye napravleniya torgovykh i investitsionnykh svyazey v 90-e gody' [ASEAN and Russia: main trends in development of trade and investment links in the 1990s], *Dal'niy Vostok Rossii: Ekonomika, Investitsii, Konyunktura*, no. 1 (1998), p. 21.

<sup>4</sup> Spiridonov, Y., 'Thailand ulichil v dempinge rossiyskikh proizvoditeley metalloprokata' [Thailand has caught Russian producers of rolled metal dumping], *Segodnya*, 6 Feb. 1997; and Spiridonov, Y., 'Rossiya ne namerena sdavat tailandskiy rynek metalloprokata' [Russia is not inclined to give up the Thai market for rolled metal], *Segodnya*, 12 Mar. 1997.

and the clothing industries, hotels and telecommunications. Russians were eager to participate in the construction of the Bangkok underground system, a trans-regional railway from Thailand to Laos, Viet Nam and China, natural gas pipelines and airports in Malaysia, and electric power stations of various types in Laos, Malaysia, Myanmar, the Philippines and Thailand. Opportunities for doing things together were discovered in other parts of the globe, including Iran, where a consortium formed by Russian Gazprom, Malaysian Petronas and French Total was to develop rich deposits of natural gas.<sup>5</sup>

The share of raw materials and low-value-added products in Russian exports to South-East Asia was still high and imports were largely represented by consumer goods and cheap electronics. The ASEAN partners continued to emphasize that they expected much more from their interaction with Russia—cooperation in the field of scientific research, industrial application of high technologies, and marketing and commercial use of innovative products at home and worldwide. Needless to say, this fitted in well with the intentions of highly qualified Russian scientists, designers and producers. Prospects were especially bright in the areas of space communications, biotechnology, new materials, information technology, microelectronics, lasers and alternative sources of energy. Awareness of these opportunities and practical steps to implement them were facilitated by a 1994 agreement between Singapore Aerospace and the Russian Academy of Sciences to explore ways of commercializing Russian technologies and sophisticated products; the founding of the Russia–ASEAN Working Group on Science and Technology (1997); and scientific exhibitions, seminars and presentations of recent discoveries by Russian researchers in Indonesia and Malaysia (1997–98).<sup>6</sup>

Acknowledgement of Russia's economic potential combined with growing political confidence in it found expression in willingness to purchase its sophisticated military equipment. Following Malaysia, which in 1995 bought 18 MiG-29 fighter-interceptors for more than \$500 million, Indonesia, the Philippines and Thailand started to take a serious interest in Russian military aircraft and vessels, helicopters, armoured personnel carriers and so on. In the summer of 1997 another multi-million dollar deal was practically made: Indonesia announced its decision to buy 12 Su-30 fighter aircraft and 8 Mi-17 helicopters.<sup>7</sup>

As a general consequence of these changes, Russia's political positions and economic interests in the region were becoming more evenly balanced. During the Soviet era the country had never enjoyed such a balance in South-East Asia (with the exception of the three Indochinese states).

There is no need to exaggerate the scope of the change or pretend that all change was for the better. The share of the ASEAN countries in Russia's trade in the mid-1990s still amounted to a meagre 3 per cent and the place of Russia in the external economic linkages of the region was equally humble.<sup>8</sup> In post-Soviet Russia the spontaneous degradation of the state resulted in the

<sup>5</sup> Kostyunina (note 3), pp. 21–26.

<sup>6</sup> Tsuruoka, D., 'Sky's the limit: Malaysian Resources considers satellite venture', *Far Eastern Economic Review*, vol. 157, no. 25 (23 June 1994), p. 60; Reuters, 'Singapore, Russian Academy sign deal', *Moscow Tribune*, 17 Aug. 1994; Vorobyev, V. Y., 'Tridtsatiletiye diplomaticheskikh otnoshenii mezhdru Rossiyei i Malayziei' [30 years of diplomatic relations between Russia and Malaysia], *Diplomaticheskii Vestnik*, no. 5 (1997), p. 63; Svistunov, S., 'Rossiyskiye vysokiye tekhnologii prokladivayut marshrut v Yugo-Vostochnuyu Aziyu' [Russian high technologies make their way into South-East Asia], *Finansovye Izvestiya*, 16 Oct. 1997; 'V tsentre vnimaniya—nauka i tekhnologii (iz istorii sotrudnichestva Rossii i ASEAN)' [Attention is focused on science and technologies (from the history of cooperation between Russia and ASEAN)], *Nezavisimaya Gazeta*, 25 Nov. 1997; Zakharov, S., 'Indonezii interesny rossiyskiye tekhnologii' [Indonesia is interested in Russian technologies], *Nezavisimaya Gazeta*, 24 Jan. 1998; and Zakharov, S., 'Planiruyutsya novye soglasheniya mezhdru Rossiyei i Indoneziyei' [New agreements planned between Russia and Indonesia], *Nezavisimaya Gazeta*, 27 Mar. 1998.

<sup>7</sup> AP, 'Russians launching weapons sale drive in Southeast Asia', *Daily Yomiuri*, 11 Mar. 1995 (in English); Litovkin, V., 'Dorogu indoneziyskim "Su" prolozhili malayziyskiye "MiGi"' [The way for Su's to be sold to Indonesia was prepared by the MIGs sold to Malaysia], *Izvestiya*, 7 Aug. 1997; Bickers, C., 'Bear market: Russia wants to be top arms supplier to Asia', *Far Eastern Economic Review*, vol. 160, no. 36 (4 Sep. 1997), pp. 25–26; Kosyrev, D., 'V Moskvu priyechzhayet potentsialnyy pokupatel rossiyskikh istrebiteley' [A potential buyer of Russian fighter planes comes to Moscow], *Nezavisimaya Gazeta*, 10 Sep. 1997; and Korotchenko, I., 'Moskva predlagayet oruzhiye Bangkoku' [Moscow offers weapons to Bangkok], *Nezavisimaya Gazeta*, 24 Oct. 1997.

<sup>8</sup> Kostyunina (note 3), p. 21.

waning of administrative control not only where it was excessive but also where it was justified. In this 'liberalized' social context no one should be surprised that no less than 18 self-appointed Russian intermediaries attempted to 'assist' the sales of MiG aircraft to Malaysia. This frantic 'assistance' complicated the deal probably no less than fierce opposition from the USA.<sup>9</sup> Another colourful episode took place late in 1994: a delegation representing the 'Republic of South Moluccas'—a non-existent entity which had tried to secede from Indonesia in the 1950s—paid a visit to Moscow, had 'unofficial meetings with important functionaries of the Russian Government and Presidential administration', promised many millions of dollars in investment and eventually established an 'embassy' in a private Moscow flat.<sup>10</sup> Such stories hardly improve the image of the new Russia in South-East Asia. Nor is it improved by the rumours that the omnipresent 'Russian mafia' has successfully penetrated the region, establishing friendships with local criminal syndicates.

Be that as it may, in the 1990s Russia and members of ASEAN have taken more interest in each other than before, discovering in the process that they do have common political interests, that their economies are mutually complementary and that productive cooperation is an option. However, precisely at the moment when relations were about to acquire a distinctly new quality, the East Asian financial crisis of 1997 took all parties by surprise. Apart from doing a great deal of harm in Asia and elsewhere, it all but ruined the reputation of the ASEAN 'tigers' in Russia. Especially bad was the impression created by the May 1998 riots in Jakarta. In September 1998 Viktor Chernomyrdin, at that point nominated by President Boris Yeltsin for the position of Prime Minister but rejected by the Duma, warned the deputies that they were provoking a social explosion of the Indonesian type. This parallel did not sound outrageous since Russia was already in the grip of its own crisis. In fact the aftershocks of its financial collapse were rocking East Asia once again, adding to the feeling that Russia is now in the same boat with ASEAN in a somewhat unhappy sense.

Signifying the end of liberal reforms in Russia, the troubles of 1997–98 also meant that a period of high hopes associated with the emerging partnership of Russia and ASEAN is most probably over. Both sides are much more introspective than only two years ago. Purchases of Russian weaponry by Indonesia and the Philippines have been indefinitely postponed, as have scores of other promising projects.<sup>11</sup> Ironically, even this may testify to the fact that political stability in South-East Asia, its economic dynamism and the highest possible level of cooperation with the members of ASEAN form part of the long-term national interest of Russia.

## II. Background to the emerging partnership

An unhappy year for Russia in too many senses, 1997 was marked by one important foreign policy success. At the Vancouver summit meeting of APEC in November it was decided to invite Russia to join. While China, Japan and the USA sponsored its membership actively, the ASEAN states reacted in a rather lukewarm way; some, like Singapore, even openly objected.<sup>12</sup> There is a measure of subtle drama in all this, since it was precisely the members of ASEAN, together and separately, who had done much for Russia to gain acknowledgement as a legitimate participant in the process of Asia–Pacific integration.

<sup>9</sup> Kosarev, V., 'Rossiya dolzhna zanyat svoje mesto na rynke oruzhiya' [Russia must take its place on the arms market], *Krasnaya Zvezda*, 6 Jan. 1994.

<sup>10</sup> Kazakov, M., 'Posol Yuzhnykh Molukkskikh ostrovov pobil rekord Andrey Gromyko' [The Ambassador of South Moluccas has beaten the record of Andrey Gromyko], *Vechernyaya Moskva*, 2 Dec. 1994.

<sup>11</sup> Titova, Y., 'Indoneziya otmenila zakazy na vse vidy vooruzhenii' [Indonesia cancelled orders for all types of weapons], *Finansovye Izvestiya*, 26 Feb. 1998.

<sup>12</sup> Golovnin, V., 'Rossiya zakrepyaetsya na Tikhom okeane' [Russia holds firm on the Pacific Ocean], *Izvestiya*, 27 Nov. 1997.

Why would this prestigious association want to befriend the former superpower which, as Asia watchers often put it, has fallen 'out of the East Asian power equation'?<sup>13</sup> The reasons must be sought back in the 1980s.

First, there was ASEAN's interest in the cooperation of the Soviet Union in solving the Cambodia problem. In the latter half of the 1980s a common feeling that a resolution was urgent was the basis of lively diplomatic exchanges between the ASEAN capitals and Moscow. In ASEAN's view, the Soviet Union could contribute to the peace process by convincing Viet Nam to take a more constructive, conciliatory position and eventually withdraw its troops from Cambodia. The Soviets were also expected to serve as mediators between several competing Cambodian factions. The results of the two Jakarta Informal Meetings on Cambodia of 1988 and 1989 and later of the Paris Conference in 1991 convinced ASEAN that it was quite possible to deal with the Soviet side. Eventually, fully understanding what it was doing, the USSR contributed not just to peace in Indochina but to the start of the transformation of ASEAN into an organization embracing the whole of South-East Asia. With the reduction of the Soviet military presence in Asia-Pacific much of the suspicion generated by it had quietly died down. In 1991 the USSR was invited to attend the annual PMC, and in 1992, after the collapse of the Soviet Union, a similar invitation was extended to Russia.

Furthermore, ASEAN was concerned with the geopolitical challenges facing it at the end of the cold war. For many years the situation in Cambodia and around it had been a matter of vital interest to ASEAN and a key factor promoting its solidarity. Now peace was becoming more of a reality and it was necessary to find a new *raison d'être* for the organization. The Cambodian conflict had practically overshadowed all other potential 'hot spots' in the region. Among the potentially unstable areas was the South China Sea, where no less than six participants had been locked in a prolonged dispute over the possession of the Spratly Islands and the Paracel Islands. Now there was a good chance that these disputes would become more intense.

Members of ASEAN also worried that in the absence of the 'Soviet threat' there would be no equally strong justification for the continued US presence in South-East Asia. As they saw it, US military withdrawal would result in a regional power vacuum and attempts to fill it by other strong players, especially Japan and China, no longer forming together with the USA an anti-Soviet quasi-alliance. Although during the cold war era members of ASEAN stayed close to this threesome, they had very mixed feelings towards all three.

Of all the possible hegemon the USA was seen as the most benign. Its stabilizing role was practically taken for granted. At the same time, however, the region was growing visibly weary of the USA's intention of imposing its own political and humanitarian standards on the rest of the world. Even respecting Japan as they did for its outstanding economic performance and seeing it as an indispensable source of capital and technologies, the members of ASEAN tended to think that it had not abandoned its old expansionist ambitions and might succumb to them in the absence of external limitations. China was admired for its unorthodox and productive reforms, international competitiveness and potential for global economic leadership in the 21st century. However, not embraced by the USA and no longer at loggerheads with Russia, China seemed dangerously free to conduct aggressive policies in its southern neighbourhood. The determined modernization of the Chinese Navy and Air Force only supported such suspicions.

To these challenges ASEAN responded with dignified concern—a sign of growing self-confidence after a long period of almost uninterrupted economic growth (the Philippines being the only exception). In the late 1980s, when APEC was still in preparation, ASEAN managed to position itself in such a way that the fate of this project became dependent on its collective approval. Joining the bigger body, ASEAN acquired additional reasons to buttress group solidarity, because only united could these nations talk more or less as equals to their highly developed partners.

<sup>13</sup> Yuen Foong Khong, 'Making bricks without straw in the Asia Pacific?', *Pacific Review*, vol. 10, no. 2 (1997), p. 290.

With their experience of annual PMCs, the leaders of ASEAN knew how to handle these exchanges. When in the mid-1990s it became clear that a multilateral dialogue on security issues in the wider Asia–Pacific area was becoming the order of the day, ASEAN already had enough prestige to take the initiative into its own hands. Capitalizing on the advantage of being the first to make a move, the association designed the format of the dialogue according to its own typical style. Participants were to discuss contentious issues in a relaxed, informal way without enforcing any commitments on anyone and patiently waiting until consensus emerged as a result of the gradual smoothing out of differences. These have been the procedural principles of the ARF since its first meeting in 1994.<sup>14</sup>

By inviting the Russian Federation to the PMCs and later to the ARF sessions, ASEAN was practically encouraging it to comprehend its own regional interests more deeply. Probably the idea was to prevent Russia's being transformed into a passive 'make-weight' to the USA or China—a possibility which did not look entirely unrealistic in the first half of the 1990s. With all of its profound disorganization Russia would have been too heavy a 'make-weight', changing the regional power balance too much in favour of anybody to whom it attached itself; but it could be expected that, gradually exploring the regional environment, becoming more comfortable with it and behaving more independently, it might in time become more of a counter-balance to the other three Asia–Pacific giants, China, Japan and the USA.

Readiness to pursue this line towards Russia had been growing for some time, nourished by the famous ASEAN pragmatism.

By this time, we should be used to the idea that today's friends could be tomorrow's enemies, that today's enemies could be tomorrow's friends, that every enemy is a potential friend and every friend is a potential enemy . . . Perhaps one day we may need not only an American card or a Chinese card or a Japanese card but also a Russian card. We should do little now to foreclose the Soviet option or to restrict our room for maneuver. It is always useful for any maiden to have many suitors.<sup>15</sup>

Even this writer could not foresee that one day ASEAN itself would have to play the role of the enterprising suitor, while the part of the reluctant maiden would go to the weakened Russia.

There are reasons enough to think that in the early 1990s the top makers of Russian foreign policy all but ignored South-East Asia. Their attention was almost exclusively focused on the West, especially the USA. The efforts of former President Mikhail Gorbachev to develop a more vigorous Asian policy had not been completely in vain: there remained some general feeling of the growing importance of Asia–Pacific in world affairs; but Russia's list of most desired Asian friends consisted basically of the 'big' or 'rich guys'—China, Japan and South Korea. Also, as is customary at times of dramatic social change, politicians opted for impressive 'breakthroughs' in this or that bilateral relationship, for drastic growth of trade turnovers and so on. Russia was almost swinging from one 'strategic partnership' to the other, as if hoping that eventually somebody would take care of its entry into the Asia–Pacific community of nations. What became clear in the course of these swings was that Russia's capacities to develop any bilateral linkage it wants to develop are severely limited. Even worse, the country from which Russia expected special favours—the USA—stubbornly refused to treat Russia as a Pacific nation.

However, lack of interest in ASEAN at the top levels of the Russian Government turned out to be a blessing in disguise. Contacts with the association became a de facto prerogative of middle-level professional diplomats. Perceiving correctly the reasons behind ASEAN's behaviour as regards Russia, they did their best to establish stronger working contacts with their South-East Asian counterparts. Russian movement towards ASEAN was proceeding smoothly, on a day-to-day basis, without grand summit meetings or impressive 'breakthroughs', but also without discouraging retreats. This was precisely the way ASEAN preferred.

<sup>14</sup> Leifer, M., International Institute for Strategic Studies, *The ASEAN Regional Forum: Extending ASEAN's Model of Regional Security*, Adelphi Paper no. 302 (Oxford University Press: Oxford, 1996).

<sup>15</sup> Sopiee, M. N., *The Russian Threat: Between Alarm and Complacency* (Institute of Strategic and International Studies: Kuala Lumpur, 1985), pp. 1, 15.

The atmosphere of steadily growing political understanding proved very conducive to other sorts of interactions. As they started to unfold, it finally occurred to Russia that South-East Asia was that happy place where there might be more demand for Russian know-how than for its raw materials.

Soon after becoming Russian Foreign Minister in January 1996, Yevgeny Primakov indicated that in his vision of the multipolar world there is a special place for ASEAN. Addressing the PMC in Jakarta in 1996, he described the expanding association as a newly emerging centre of influence in world politics. His respectful tone pleased some of his listeners but slightly alerted others. Sensitive Singaporeans even seemed to wonder whether this was a sign of Russia preparing somehow to 'play the ASEAN card'. The Ambassador of Singapore in Moscow, Mark Hong, warned that, in his view, ASEAN was not ready 'to assume the role of a new pole in a multipolar world'.<sup>16</sup>

In 'taking Russia out' to the PMCs, ARF sessions, meetings of ARF working groups on confidence-building measures and so on, ASEAN was not just drawing Russia closer to itself. Represented at these gatherings were practically the same states as were represented in APEC. Even those of them who did not welcome Russia's entry into this club were little by little growing accustomed to the presence of Russian delegates in their circle.

The positions of the USA, Japan and China on Russia's admission to APEC coincided in Vancouver in November 1997. This probably meant that something like a four-sided dialogue on security issues in Asia-Pacific could be started soon, by its very existence improving the regional status of Russia. Without ASEAN and its good services to Russia this would not have been possible.

Why then did some members of ASEAN react to Russia's bid in Vancouver with more restraint than could have been expected? They may have feared the emergence of an informal 'group of four' inside APEC, fearing that such a group might initiate a more 'frank' discussion of regional security issues than the one at the ARF. The USA had already tried to open such discussions within the framework of APEC. ASEAN's attitude to Russia in Vancouver may also have been influenced by the regional financial crisis: Russia may have been viewed as a competitor in the struggle for IMF credits. In September 1998 Lee Kuan Yew, former Prime Minister of Singapore, stated with typical candour: 'Russia is not rescuable at present'.<sup>17</sup> He may have intended to convince the West that Russia is hopeless and that, instead of wasting its money on a dying client, it is better to try to save those who can be saved—the badly but not lethally wounded ASEAN 'tigers'.

### III. The impact of the crisis on ASEAN

Today Russia's interaction with its ASEAN partners is becoming still more complicated because, along with the individual member states, the association itself is badly affected by the Asian financial and economic crisis. Among the major problems created and sharpened by the crisis are the following.

*The 'excessive pluralism' of the enlarged association.* The crisis erupted at the moment when ASEAN was still in the process of absorbing the nations of Indochina into its structures. Moreover, it is not easy for the newcomers—Laos, Viet Nam and especially Myanmar—to adjust to the norms and traditions of behaviour inside the group. Never in its three decades of existence has ASEAN known such a degree of internal heterogeneity in the sense of differences in levels of economic development, types of political regime and official ideologies of its nine member states. Obviously, nothing like a quick smoothing over of differences can be expected and the financial and economic crisis adds to the complexity of this process.

<sup>16</sup> Hong, M., 'Problemy bloka ASEAN: ego potentsial i perspektivy' [Problems of the ASEAN block: its potential and prospects], *Nezavisimaya Gazeta*, 25 Nov. 1997.

<sup>17</sup> 'Politically incorrect: Lee Kuan Yew lays out his provocative views about the region, the economic crisis and the paramount importance of culture', *Far Eastern Economic Review*, vol. 161, no. 39 (24 Sep. 1998), p. 11.



*Systemic crisis in Indonesia.* Lack of internal cohesion could have been partly compensated if one of the member states had been able to exercise strong leadership. Unfortunately for ASEAN, the greatest damage from the regional turmoil has been incurred by Indonesia, which always aspired to be the 'first among equals' in the association. What started as a series of slumps in the value of the rupiah has developed into an all-embracing, systemic crisis suspiciously similar to the one which broke up the Soviet Union.<sup>18</sup> Far-fetched as this parallel might seem, economic hardship and political disorder, labour unrest, assaults on the property and lives of the Indonesian Chinese, and tensions between Jakarta and the provinces dangerously overlap and reinforce each other. Judging by events since the transfer of presidential power from Suharto to Habibie in May 1998, the social forces crying for democracy are still too weak while the potential for a quick switch to 'constructive authoritarianism' is lacking too. This points to a period of poor governability and, consequently, poor economic performance. The worst-case scenario—the 'balkanization' of Indonesia with refugees pouring into the neighbouring states and disturbing their precarious ethnic balances—is not only discussed by journalists but mentioned publicly by the leaders of other ASEAN countries. Even if the nightmare of disintegration is avoided, putting Indonesia back on the road to growth might, on some assessments, take a decade. One can only guess what might happen in the meantime to ASEAN, deprived of its unofficial but in many ways natural leader.

*Erosion of the 'ASEAN style' in diplomacy.* Even in the better days, bilateral relations between Malaysia and Singapore, Singapore and Indonesia, and Indonesia and Malaysia, not to speak of Thailand and its Indochinese neighbours, were not completely free of latent uneasiness. It is therefore no wonder that the twists of the 1997–98 crisis have been reflected in growing tensions between the ASEAN member states. Domestic developments in most of them have been a matter of profound concern to the others, prompting high-level, 'un-ASEAN-like' clashes of opinion. The leaders of Thailand, Indonesia and the Philippines practically protested against the dismissal and arrest of former Malaysian Deputy Prime Minister Anwar Ibrahim in September 1998. The anti-Chinese riots that have rocked Indonesia are provoking bitter reaction all around the region. Malaysian Prime Minister Mohamad Mahathir publicly claimed that the state of inter-ethnic relations in his country is considerably better than in Indonesia.<sup>19</sup> At the 1998 PMC, Thai Foreign Minister Surin Pitsuwan, reflecting Bangkok's concern about illegal immigrants flooding in from Myanmar, proposed 'that members be allowed to discuss each other's domestic affairs if these have an impact outside their own borders'.<sup>20</sup> His only support came from his Filipino colleague, Domingo Siazon: all other participants objected strongly. However, the principle of non-interference in each other's internal matters is no longer sacrosanct among the ASEAN members.

*Challenges to the mentality behind the 'ASEAN style'.* 'ASEAN has achieved its regional standing through the ability to manage problems rather than solving them . . . Indeed, ASEAN is not directly about problem-solving, but about creating the milieu in which they either do not arise or can be readily managed.'<sup>21</sup> At a time when problems are engulfing ASEAN, this approach and the philosophy behind it are hardly justified. Circumstances demand approaches that can be called, in managerial–bureaucratic jargon, proactive. The very titles of the documents adopted in December 1998 at the sixth ASEAN summit meeting in Viet Nam, the 'Hanoi Plan of Action' and 'Statement on Bold Measures', suggest awareness of the need for this drastic change. However, moves that would have been considered 'bold' by pre-crisis standards

<sup>18</sup> For an elaboration of this parallel, see Mitin, S. and Yusin, M., 'Konets indoneziyskogo chuda' [The end of Indonesian miracle], *Izvestiya*, 11 June 1998.

<sup>19</sup> Richardson, M., 'Singapore quickly denies an assertion of "racism": Indonesia President's remark touches a nerve', *International Herald Tribune*, 12 Feb. 1999.

<sup>20</sup> Chanda, N. and Islam, S., 'In the bunker: Southeast Asian foreign ministers are discomfited by a new take on an old principle', *Far Eastern Economic Review*, vol. 161, no. 32 (6 Aug. 1998), p. 24; and Kosyrev, D., 'Manilskaya kantata prozvuchala v minore' [Manila cantata was sung in a minor key], *Nezavisimaya Gazeta*, 4 Aug. 1998.

<sup>21</sup> Leifer, M., 'The issue is Asean', *Far Eastern Economic Review*, vol. 158, no. 48 (30 Nov. 1995), p. 34.

(like the acceleration of ASEAN Free Trade Area arrangements or initiatives to enhance the ASEAN investment climate) may be a long way from what is actually needed.

*Disagreements over crisis strategy.* Scepticism about the results of the 1998 Hanoi summit meeting is largely based on the fact that real consensus on a coordinated anti-crisis strategy has not been found. Roughly speaking, intra-ASEAN debates centre on the questions whether the crisis was prompted by the excesses of the market or lack of fundamental market freedoms, and whether the priority now is still more openness and a 'dive' into a liberalized global economy or greater caution and moves to check the negative aspects of globalization. Among those opting for 'bolder liberal solutions' are the governments of Brunei, the Philippines, Singapore, IMF-assisted Thailand and Indonesia (the latter probably with some reservations). Firmly on the side of a 'guided liberal economy' are Malaysia, with its currency controls introduced in September 1998, and Viet Nam, supported by Laos and Myanmar. Irrespective of who is right and who is wrong in this debate and who ultimately wins, the obvious loser for the time being is ASEAN, unable to speak with a single voice.

All in all, an organization burdened with problems of this kind and number cannot be expected to operate smoothly and avoid damage to its international prestige. While the 'Hanoi Plan of Action' speaks of the need 'to strengthen ASEAN's role as the primary driving force in the ARF', it is tempting to ask how realistic this goal is in present circumstances.<sup>22</sup> ASEAN's ability to manipulate the regional balance of forces has also visibly diminished.

#### IV. The importance of Russian–Vietnamese ties

Judging by the present shape of ASEAN and its members and Russia, it is unlikely that they will be able to move through the crisis without some losses for their relationships. It is vital, however, to limit the scope of these losses and continue cooperation. One way to achieve this is to give priority to partnerships which are most likely to bear fruit at this difficult time. In that sense ASEAN and Russia do have some unused potential—namely, ties between Russia and Viet Nam.

From the late 1980s to the mid-1990s, relations between the Soviet Union/Russia and Viet Nam were at an all-time low. Much of the blame for that should be placed on the former. Bound to join the world of civilized nations overnight, the new Russia did not worry too much about its sharply decreasing share in the former client's trade, which finally contracted to just 1 per cent.<sup>23</sup> This decrease, however, was the product not just of Russia's passivity but also of the enterprising spirit displayed by the Vietnamese. They virtually taught Russia a lesson in adaptability to the market by discovering new trade partners in Asia–Pacific and Western Europe. By the mid-1990s Viet Nam, not abandoning its communist beliefs but suppressing inflation, enjoying an investment boom and joining ASEAN, was leaving Russia behind on the way to the market economy and integration into the world community.

Repaying its Soviet-period debts by shipments of goods, Viet Nam regularly sent signals that it had not lost its goodwill towards Russia and was ready to resume business contacts in earnest. In a sense, even ASEAN made it known that it sees some value in the Vietnamese experience of dealing with its former 'big brother' when it nominated Viet Nam to coordinate its dialogue with Russia. These 'wake-up calls' plus lack of achievement on other fronts finally prompted Russia to conclude that its relationship with Viet Nam should be revived before it was too late. Supporters of this referred to the example of Vietsovpetro, a joint venture established in 1981, producing up to 95 per cent of Vietnamese oil and contributing millions of dollars to the Russian federal budget. They also pointed out that no less than three-quarters of the armaments and equipment of the Vietnamese People's Army are Soviet-made and in need of urgent repair or replacement. The existence of tens of thousands of Vietnamese educated in the USSR plus

<sup>22</sup> 'Hanoi Plan of Action', URL <[http://www.aseansec.org/summit/6th/prg\\_hpoa.htm](http://www.aseansec.org/summit/6th/prg_hpoa.htm)>, p. 18 of 19.

<sup>23</sup> Keenan, F., 'Don't ring us: Vietnam can't count on old friends for help', *Far Eastern Economic Review*, vol. 161, no. 32 (1998), p. 69.

approximately one million Russian-speakers living in Viet Nam was also presented as an asset.<sup>24</sup>

High-level contacts between the two countries have been frequent and have produced agreements on Russia's participation in the construction of the first oil refinery in Viet Nam, as well as on massive shipments of arms and modernization of the Russian military equipment already in the possession of the Vietnamese Army.

In spite of the inevitable difficulties which Viet Nam is encountering in the process of transforming its economy, it continues to grow. So far it has suffered much less from the Asian crisis than some of the founder members of ASEAN. This is one more important argument for rebuilding Russian–Vietnamese ties. If successful, this will allow Russia to avoid a serious slow-down in its relationship with ASEAN. It may even prompt some other countries of South-East Asia to try to catch up with Viet Nam as far as partnership with Russia is concerned.

## V. The South China Sea paradox and Russia's national interests

The need to arrest the conflict potential of the South China Sea was one of the factors pushing ASEAN towards the formation of the ARF.

Much like the Cambodian conflict in the 1980s, the Asian crisis initially drew the attention of regional élites away from the South China Sea and its problems. Then, prior to the 1998 ASEAN summit meeting in Hanoi, came the news that China was expanding, allegedly with military purposes, the construction operations which it had started around 1995 on Mischief Reef.<sup>25</sup> The latter, geographically belonging to the Spratly archipelago, is viewed by the Philippines as part of its national territory. These recent developments impel both the participants in the dispute and interested observers to think more about the situation, acquiring in the process a better sense of what can and should be done to preserve peace.

The Spratly Islands or certain parts of them are claimed by Brunei, China, Malaysia, the Philippines, Taiwan and Viet Nam, and the Paracel Islands are a matter of dispute between China and Viet Nam. Since 1995, when Viet Nam joined ASEAN, there has been a growing sense that the confrontation in the South China Sea is no longer between six different parties, but basically between China and ASEAN. All these territorial claims and counter-claims are largely a result of a conviction that this area is enormously rich in oil and gas.

Although experts know a great deal about the dispute, not all grasp what might be termed the South China Sea paradox. The essence of the paradox is as follows. The economic progress of the East Asian nations has resulted in their increased interdependence. Generally speaking this helps to prevent conflicts between them. However, rapid economic growth increases demand for energy supplies, creating the preconditions for a struggle for resources. This may at some point escalate into open armed clashes and ruin the prosperity of the region. Thus, the economic dynamism of the nations involved in territorial disputes in the area of the South China Sea in some ways helps to reduce tensions but is also quite likely to sharpen them. The possibility cannot be ruled out of several military clashes coinciding in time and overlapping in space. If this happens, events could get completely out of hand. This is especially dangerous since the shipping routes by which oil from the Persian Gulf is transported to China, Japan and the USA

<sup>24</sup> Blagov, S., 'Rossiya i Vietnam sobirayutsya aktivizirovat ekonomicheskiye otnosheniya' [Russia and Viet Nam intend to activate economic relations], *Finansovye Izvestiya*, 18 Nov. 1997; and Vinogradov, B., 'Rossiya snova vidit vo Vietname svoego soyuznika, i etomu ne meshayut ideologicheskiye dogmy' [Russia again views Viet Nam as its ally and ideological dogmas are no obstacle], *Izvestiya*, 6 Jan. 1998.

<sup>25</sup> Tasker, R., 'A line in the sand: Manila tries to halt China's advance into the Spratlys, blowing up markers and detaining Chinese fishermen. But its diplomatic and military weakness doesn't bode well for the attempt', *Far Eastern Economic Review*, vol. 158, no. 14 (6 Apr. 1995), pp. 14–16; and Tiglao, R., Sherry, A., Thayer, N. and Vatikiotis, M., 'Tis the season: the typhoon season has ended, and China is again building up its presence on a disputed reef in the South China Sea. This time, a weakened ASEAN is doing little about it', *Far Eastern Economic Review*, vol. 161, no. 52 (24 Dec. 1998), pp. 18–20.

go through the South China Sea. Any outbreak of hostilities which disorganized or blocked this passage would seriously harm the world economy.

Are these problems as far away from Russia as some people tend to think? In its present shape Russia is not too actively involved in South China Sea issues. Should it not, however, acknowledge that an interruption to freedom of navigation and chaos on the international maritime routes of East Asia is completely against its interests? It only has to be remembered that since the collapse of the Soviet Union, which resulted in the loss of important facilities on the Baltic Sea and the Black Sea, the development of its far eastern ports is an imperative for Russia. Through Vietsovpetro Russians are participating in the extraction of oil in the region, with the operation concentrated on the sea-shelf. Other Russian–Vietnamese joint ventures of similar type are now being created. A peaceful political environment is essential for their commercial success.

## VI. Conclusions

How should Russia respond to these challenges? First and foremost, it should avoid adding to the existing problems. For instance, it should not do anything to provoke tensions between China and Viet Nam, each of whom, in its own way, is Russia's valuable partner. Tempting as it might be to trade in arms with both of them, their requests should be scrutinized and satisfied in a very careful way. Neither should Russia abuse its access to the naval base in Cam Ranh, prolonged by Viet Nam until the year 2004 (no doubt for reasons of its own and with the approval of its ASEAN allies).

Confidence-building measures and attempts to practise preventive diplomacy encouraged by the ARF are undoubtedly useful, and Russia should by all means participate in such initiatives.

Political stability and economic dynamism in South-East Asia are in the national interest of the Russian Federation. However, in view of the South China Sea paradox it is obvious that the thrust of the South-East Asian nations towards economic prosperity does not always add to political stability and can even severely damage what stability there already is. Helping to achieve harmony between these two objectives should be a matter of special care for all the interested parties, including Russia. The imperative is to avoid situations in which any of the potential participants in the conflict might have a feeling of being cornered economically and forced by circumstances to ruin the political status quo.

Leaving the present crisis aside, in the foreseeable future the nations of South-East Asia will have to address two crucially important problems. One is to provide energy supplies for their growing economies. The other is to secure their competitiveness through greater access to high technology. Anyone contributing to the solution of these problems is contributing to reducing tensions and improving security in this part of the world. Characteristically, the development of energy resources and high technology are those areas where Russia and members of ASEAN were starting to concentrate their joint efforts before the crisis. It is important to preserve and develop this basis of cooperation for the common good of the emerging partners.

## 20. The Asia–Pacific region in Russia’s foreign policy

GENNADY CHUFRIN

### I. Introduction

Relations with Asian countries were always one of the highest priorities in Soviet and then Russian foreign policy. However, at different stages of national development, depending on domestic conditions and trends in the international environment, the role of Asia for Soviet/Russian national interests and national security was seen differently in Moscow. The changes in perceptions were reflected in successive foreign policy and security initiatives or doctrines that followed each other over the past few decades.

At the end of the 1960s then Soviet leader Leonid Brezhnev put forward his proposal for a system of collective security in Asia with a view not only to counterbalancing growing US political influence in this part of the world but also to building up an anti-Chinese alliance as an effective multilateral arrangement against what was seen in Moscow at that time as aggressive Chinese expansionism. It came as little surprise that in the majority of Asian capitals this met with a very cool response: Asian governments did not want to be unduly involved in the global Soviet–US or in the regional Soviet–Chinese confrontations.

In the mid-1980s the new Soviet leadership under Mikhail Gorbachev substituted this Asian security doctrine based on the cold war philosophy with a new one that aimed to overcome the deep ideological and political dividing lines between the Asian and Asia–Pacific countries and to achieve an overall improvement of the international climate in this part of the world. For this purpose Gorbachev proposed to use not only the Asian experience of peacemaking, which was still limited at that time, but also that accumulated in Europe and realized in the 1975 Helsinki Final Act.<sup>1</sup>

The attitude of the Asian/Asia–Pacific countries to this, and especially on the usefulness of the European experience, was largely negative. Their main arguments were that the European experience could not be used in Asia/Asia–Pacific because here there were many more differences in politics, culture, traditions and religions than in Europe, because there were many more unresolved territorial disputes, because, unlike Europe, the region was not divided between two opposing military blocs with clearly defined spheres of responsibility, and so on. No doubt all these considerations were relevant, but a more fundamental reason for their rejection of the Soviet proposals was probably deep-seated suspicion of the motives behind them.

After the Soviet Union ceased to exist at the end of 1991 the foreign policy of the new Russia had to be formulated anew, including policy in Asia. However, in its initial period, which lasted roughly until the mid-1990s, foreign-policy makers, led by Russia’s first Foreign Minister, Andrey Kozyrev, paid very little attention to Asian affairs and almost all parts of Asia were relegated to the background. As a result not only were ties with former Soviet ideological, political and military allies such as Viet Nam or North Korea changed in substance and severely curtailed in scope and intensity, but even relations with India, a major political and trade partner since the middle of the 1950s, started to decline. Scant attention was paid even to relations with the former Soviet Central Asian republics, which in the long run affected their relations with Moscow quite negatively.

Instead Russian foreign policy assumed a strong pro-Western tilt and a clearly idealistic goal of building a strategic partnership with former Soviet enemies in the cold war was pursued. In practice, however, Russia quickly reduced itself to the role of junior partner to the West even on

<sup>1</sup> Novosti Press Agency (Moscow), ‘Peace and security for the Asian–Pacific Ocean region: speech by Mikhail Gorbachev in Vladivostok, July 28, 1986’, p. 27.

major international issues. This endangered its vital national interests and was increasingly losing domestic support. Because of this and the obvious and growing asymmetry of Russian and US interests on a number of major international issues, in particular regarding the situation developing in the post-Soviet space, the 'romantic period' or 'honeymoon' in US–Russian relations did not last long and came to an end by the mid-1990s.

These significant changes in domestic and international developments meant a need for a more assertive Russian policy in Asia and for clear main goals and methods. An attempt was therefore made to work out a new policy doctrine for Asia, its main conceptual principles being: (a) to refuse to consider contradictions with any country in the area as irreconcilable and to work for stable and balanced relations with all regional countries; (b) to give high priority to developing economic relations with the regional countries; and (c) to respond to challenges to regional security on a collective, coordinated basis. Elaborating on this last principle, Kozyrev spoke in favour of creating a collective or cooperative security system, a 'security community' open for every regional country to join. It could be established, in his opinion, stage by stage with due consideration given to concrete conditions in different subregions of Asia–Pacific and taking into account the already existing bilateral and multilateral security arrangements there, starting with relatively simple forms of security cooperation—exchange of information, adoption of confidence-building measures (CBMs) and so on—and proceeding to more complex ones such as joint resolution of conflicts.<sup>2</sup>

Kozyrev's proposals aroused no favourable interest and were largely ignored. This was partly because China, the largest power on the Asian continent, had made it known long before that it was strongly opposed to any formal multilateral security schemes in this part of the world and would stay away from them. Kozyrev's proposals were also found impractical by those Asian countries, such as Japan or South Korea, that preferred to rely on the already established and well-tested bilateral arrangements with the USA in protecting their national security. Similarly, Kozyrev's proposals on conflict prevention either failed to take into account or underestimated concrete realities that already existed or were quickly developing in Asia–Pacific security affairs. The most important were the regular multilateral consultations on regional political and security affairs held originally in the form of annual ASEAN post-ministerial conferences (PMCs) and from 1993 through another ASEAN-initiated scheme, the ASEAN Regional Forum (ARF). For all practical purposes they were already serving as a convenient venue for preventive diplomacy in the region and accepted as such not only by traditional ASEAN 'dialogue partners' but also by other regional countries and even extra-regional ones, including India and EU countries.

The failures of Kozyrev's foreign policy resulted in his dismissal at the beginning of 1996 and replacement by Yevgeny Primakov. The new foreign minister started on the revision of the disoriented and confused policies of his predecessor and took an active stand in international relations in defending and promoting Russian national interests. A new concept of Russian foreign policy and national security was formulated with his active participation. The main provisions included three basic principles: (a) the promotion of multipolarity as a governing principle of international relations; (b) the development of constructive partnership with all countries instead of 'mobile' or permanent coalitions; and (c) the promotion of integration on a voluntary basis within the CIS.<sup>3</sup>

An important part of this new foreign policy doctrine became the need to restore and develop relations with Asian countries, not as a counterbalance to the West, as it was sometimes portrayed by Primakov's critics both at home and abroad, but above all as a means to pursue concrete national political and economic interests in Asia itself.

<sup>2</sup> Kozyrev, A., 'U Rossii net neprimirimykh protivorechiiy so stranami ATR' [Russia does not have any irreconcilable differences with Asia–Pacific states], *Segodnya*, 4 Feb. 1994.

<sup>3</sup> 'Kontseptsiya natsionalnoy bezopasnosti Rossiyskoy Federatsii' [National security concept of the Russian Federation], *Diplomaticheskiy Vestnik*, no. 2 (Feb. 1998), pp. 3–18.

## II. Multipolarity and partnership relationship

In declaring multipolarity to be one of the basic principles of its revised foreign policy, both globally and in Asia in particular, Russia was responding to the new realities and challenges in the post-cold war world. In doing this it tried to withstand attempts by the USA to consolidate its gains after the end of the cold war and to build a new world order on the principle of unipolarity, establishing itself as the only superpower. Short of sliding into a new confrontation with the USA, which for obvious reasons it could not afford politically, economically or militarily, Russia nevertheless maintained that such a unipolar world order could in no adequate way reflect the diversity of national interests and concerns and in fact would cause international tensions and conflicts. Russia also expressed its concern over the US policy of arbitrarily declaring parts of the world to be zones of its own national interest, which in Moscow's opinion might lead to serious disturbance of the entire system of international relations.

Russian policy based on the principles of multipolarity and constructive or strategic partnership was, predictably, welcomed by a wide range of countries that were critical of or openly opposed to the US intention to dominate international affairs. They interpreted the changes in the Russian foreign policy doctrine as an invitation to intensify their cooperation with Russia on political and security issues in order to withstand US pressure and to coordinate their responses to concrete problems. The new Russian policy also gave them opportunities to get access to certain types of sophisticated technologies which were denied to them in the West for political reasons.

Defending the principle of multipolarity, Russia managed to achieve noticeable progress in Asian/Asia–Pacific regional affairs in 1996–98. This was particularly obvious in its relations with China. Underscoring its shared interests with China, Russia succeeded in upgrading their relations from 'good-neighbourly' to the successive levels of a 'constructive partnership' and further to 'strategic partnership'. Although the strategic partnership announced was a far cry from the erstwhile Soviet–Chinese political and military alliance and, as both Moscow and Beijing emphasized, was not aimed at any third party, it undoubtedly contributed to strengthening Russo–Chinese relations on security issues. Indeed one of the most important fields in their relationship became the strengthening of military–technical cooperation. During the 1990s China became the largest buyer of Russian conventional weapons.<sup>4</sup>

Growing mutual trust was reflected in agreements signed by Russia and China and joined also by Kazakhstan, Kyrgyzstan and Tajikistan in 1996 and 1997 on strengthening confidence in the military field in border areas and mutual reduction of armed forces in border areas. These agreements set numerical limits on troops, arms and equipment for ground forces, frontal aviation and air defence troops in a 100-km zone along the borders of Russia and the three Central Asian states with China, although they did not include limits on the strategic forces. In 1997 Russia and China also agreed on demarcation of the 4300 km-long eastern sector of their border with the exception of three small disputed localities. This was a major achievement. It effectively put an end to their long dispute over the border issue and paved the way for a closer relationship on other matters of mutual interest.<sup>5</sup>

Russia and China were able now to devote more attention to their other pressing needs and concerns in international affairs. By creating a working relationship which corresponded to their basic national interests they also gained a unique opportunity, for the first time since the Soviet–Chinese rift in the 1960s, to coordinate their policies on a wide range of security issues outside their immediate bilateral agenda. Thus, addressing the world financial crisis in their Joint Statement adopted at the sixth Russian–Chinese summit in November 1998, Russia and China called for 'ensuring the economic security of sovereign states' and the prevention of 'attempts

<sup>4</sup> For the increased role of China in Russian arms exports in the 1990s, see Anthony, I. (ed.), SIPRI, *Russia and the Arms Trade* (Oxford University Press: Oxford, 1998), pp. 29–30.

<sup>5</sup> In the opinion of the Beijing Institute for International Strategic Studies, these agreements represent 'a new concept of security since the end of the cold war'. *International Strategic Studies* (Beijing), no. 1 (1998), p. 5 (in English).

at using currency or financial levers to impose political or economic conditions which infringe on the legitimate national interests of a particular country'.<sup>6</sup> They joined in criticism of US–Japanese plans to establish a close-range anti-ballistic missile system which, in their opinion, would intensify tension in the Asia–Pacific region.<sup>7</sup> They took a common stand on the need to ensure stability on the Korean Peninsula and on the issue of Islamic extremism, which both of them regarded as a serious threat to their national security.

The 'strategic partnership' did not amount to a closely coordinated policy and did not impose any obligations on either side in its dealings with third countries. Many of their joint statements on international affairs were only declarations of their interests and intent. This may change if they manage to boost their bilateral trade and economic cooperation, which are currently stagnant.<sup>8</sup> Although there may be no close linkage between political, security and economic cooperation, there is little doubt that implementation of long-term agreements on massive sales of Russian oil and gas to China is of a strategic importance for both countries.

It would be an oversimplification and in fact misleading to interpret the new Russian foreign policy doctrine in Asia/Asia–Pacific as merely an attempt to exploit anti-US or anti-Western feelings in regional countries or to focus only on those Russian activities that were critical of US policies. In fact promoting principles of multipolarity and constructive/strategic partnership in international relations, as well as pointedly staying away from coalitions and blocs, was used by Russia to pursue quite different goals—to give itself maximum flexibility in dealing with the outside world at a time when its economic and military capabilities were seriously weakened. Acting in the spirit of multipolarity allowed it to avoid being tied to any one-sided political or ideological approaches and to pursue its national interests in a completely pragmatic manner.

This pragmatic approach was demonstrated when Russia set out actively to improve relations with Japan, which had been poisoned by mutual mistrust and suspicion virtually since the end of World War II. The years 1996–98 saw an intensive exchange of high-level visits between Russia and Japan, including formal and informal summit meetings in Krasnoyarsk (November 1997), Kawana (April 1998) and Moscow (November 1998). At the Moscow summit Russian President Boris Yeltsin and Japanese Prime Minister Keizo Obuchi signed a joint declaration establishing a 'creative partnership' between their countries. New initiatives based on compromise were put forward on both sides on major political, security and economic issues in order to pave the way to signing a long-overdue peace treaty.<sup>9</sup>

In the process significant progress was made in their bilateral relations on security affairs. Russia announced the de-targeting of its strategic missiles aimed at Japan and continued with the planned reduction of its conventional military forces in the Russian far east in the larger framework of military reform. At Krasnoyarsk it was agreed that the Russian and Japanese navies would develop cooperation, to include exchange visits of warships and joint exercises to practise rescue operations at sea. The first-ever exchange of visits of defence ministers supplemented by visits of other senior military officials that followed the Krasnoyarsk meeting helped to establish a regular security dialogue between Moscow and Tokyo.

There were, however, clear limits to Russian–Japanese political and security cooperation dictated, first, by the still unresolved territorial dispute and, second, by the unquestionable priority consistently accorded by Japan in national security matters to the USA. The latter resulted not only in a redefining and strengthening of the US–Japan bilateral security treaty in 1997 but also in Japan's subscribing to security plans that caused legitimate concern in Russia, including, as mentioned above, the intention to establish in cooperation with the USA a close-

<sup>6</sup> 'Russia: Russian–Chinese statement on relations', in Foreign Broadcast Information Service, *Daily Report–Central Eurasia (FBIS-SOV)*, FBIS-SOV-98-327, 23 Nov. 1998.

<sup>7</sup> 'Russia: Russia, PRC reaffirm military cooperation', in FBIS-SOV-98-298, 25 Oct. 1998.

<sup>8</sup> Although Russia and China planned to increase their bilateral trade to \$20 billion by 2000, in 1997 it was only slightly more than \$6 billion and in 1998 it fell by another 10% because of the Russian financial crisis and the drop in the value of the rouble.

<sup>9</sup> The full text of the Russian–Japanese Declaration is available in *Nezavisimaya Gazeta*, 2 Dec. 1998.



range anti-ballistic missile system which was regarded in Russia as a violation of the 1972 US-Soviet Anti-Ballistic Missile (ABM) Treaty.

In the framework of strengthening Russia's security relations with Asia-Pacific countries, Igor Sergeev, Russian Minister of Defence, visited Viet Nam at the end of 1998. Although after the break-up of the Soviet Union the former alliance relationship was over, Russia, in the words of Sergeev, was still regarded in Viet Nam as a strategic partner. During his visit a number of agreements on bilateral military cooperation were signed envisaging large-scale sales of Russian arms to Viet Nam and it was agreed that Russia would continue to maintain its presence at the naval base in Cam Ranh, although the terms were to be renegotiated.<sup>10</sup>

Conducting its policy on the principles of multipolarity and constructive/strategic partnership undoubtedly helped Russia to restore its ties with most of its former friends and allies in Asia and to upgrade significantly its relations with such important regional actors as China or Japan. The new foreign policy doctrine became an effective tool to promote Russian national interests in international and security affairs, but only up to a certain point. It was developed as probably the best possible response to national requirements at a time when Russia's capabilities were extremely limited. However, the same factors set limits to the effectiveness of this approach. Skilful political manoeuvring coupled with the use of available material and technical resources helped Russia to regain some of its previous influence in Asian regional affairs but was not sufficient to persuade even the closest of its new friends to expand their partnership with Russia beyond declarations of common attitudes regarding international issues of common concern.

Russia's considerable loss of status and prestige in the post-Soviet period marked its relations with its counterparts in Asia quite negatively. Russia received a serious setback on the Korean Peninsula, where the Soviet Union and then Russia had had serious national security interests since the end of World War II. Until the late 1980s promotion of these interests was associated in Moscow basically with maintaining alliance relations with North Korea. In the following years Moscow first moved to a more balanced relationship with both North and South Korea and then in the first half of the 1990s tilted towards Seoul, downgrading its relations with Pyongyang to the minimum. These changes culminated in 1995 when Russia called for replacement of the 1961 Soviet-North Korean Treaty on Friendship, Cooperation and Mutual Assistance and proposed to exclude from a new one any obligations to render military support to its former ally. At the same time Russia tried to expand its relationship with South Korea by signing, also in 1995, an agreement on massive arms exports.

The abandonment of a balanced approach to regional affairs backfired. It resulted in the predictable loss of Russian influence not only in Pyongyang but later also in Seoul. The negative consequences were first felt when Russia was not invited to take part in implementation of the 1994 US-sponsored Framework Agreement with North Korea, which envisaged among other things supplying it with light-water nuclear reactors, although Russia had necessary experience and technologies in this field, and when South Korea did not support Russia's inclusion in the proposed four-party talks between the two Koreas, China and the USA on a final settlement of the Korean problem.

Although Russia tried to regain its position on the Korean Peninsula it was not until the new government of President Kim Dae Jung was established in South Korea and launched its 'sunshine policy' towards North Korea that Russian-South Korean relations began to improve. Seoul's positive change of attitude towards the role of Russia in preserving peace and security on the Korean Peninsula and in North-East Asia in general was reflected in Kim's proposal for Russia to participate, along with the USA, China, Japan, Mongolia, and South and North Korea, in multilateral negotiations on North-East Asian security generally.<sup>11</sup> Russian-South Korean ties in the security field were reactivated in 1998. Trying to restore a more balanced approach to Korean affairs, Russia resumed an active dialogue with the North Korea as well. As a result in

<sup>10</sup> 'Strategicheskoye partnyorstvo obrashchonnoye v 21 vek' [Strategic partnership addressed to the 21st century], *Krasnaya Zvezda*, 27 Oct. 1998.

<sup>11</sup> 'Japan: Kim calls for 7-way talks on East Asia security', Foreign Broadcast Information Service, *Daily Report-East Asia (FBIS-EAS)*, FBIS-EAS-98-282, 9 Oct. 1998.

1996 their Joint Commission on economic, trade and technical co-operation resumed work and in the next two years a number of contracts for bilateral cooperation in coal, oil refining and steel were signed.<sup>12</sup> Another step in this direction was made when, after protracted negotiations that had begun in 1993, a trilateral Russian–North Korean–Chinese border agreement defining the border along the Tumen river was finally signed in November 1998.<sup>13</sup>

### III. Multilateral security

Along with active promotion of bilateral relations with major actors in Asia/Asia–Pacific, Russia continued to explore the possibilities for creating effective regional security mechanisms. In the absence of any established regional structures or agreements it had to take into account the already existing security arrangements. These can be divided into three broad categories: bilateral and multilateral political and military treaties and alliances (the US–Japan security treaty and the US–South Korean Mutual Defence Treaty, ANZUS, etc.); organizations dealing mainly with economic security (such as the Economic Cooperation Organization, ECO, consisting of South-West and Central Asian states, the South Asian Association for Regional Cooperation (SAARC) in South Asia, ASEAN in South-East Asia or APEC); and official or ‘track two’ (non-governmental) security dialogue forums like the ARF or CSCAP.

Obviously in dealing with such diverse structures Russia had to follow different strategies. In the case of the political and military treaties and alliances created during the cold war with the clear purpose of containing and ‘rolling back’ the Soviet Union, the best option for Russia was two-pronged: to prevent their changing into anti-Russian political and military structures; and to support those of their activities that were aimed at de-escalation of regional/subregional tensions. It was with this purpose that then Defence Minister Igor Rodionov made the apparently sensational statement in 1997 in support of the US–Japan security treaty, declaring it to be no longer a threat to Russia’s security and even an important stabilizing factor in Asia–Pacific international relations.<sup>14</sup>

Russia set about joining regional/subregional economic structures wherever possible. These efforts culminated in its formal admittance as a fully-fledged member to APEC in November 1998. This was a notable achievement, not only because APEC was the largest trading bloc in the world, accounting for about 50 per cent of world trade and about 20 per cent of Russia’s foreign trade, but also because membership, in the opinion of Russian observers, would enhance the political status of Russia as an Asian/Asia–Pacific country. It may also facilitate the process already started of strengthening Russian commercial, financial, technological and other economic ties with Asia–Pacific, largely because the provinces of the Russian far east and Siberia found it economically attractive to divert a substantial part of their trade to nearby markets in China, Japan and South Korea.

Finally, active participation in different official and unofficial security dialogues in the region became an important part of foreign policy. Promotion of closer relations with ASEAN as one of most important organizations in the post-cold war political and security environment in the region started to play a very significant role in the Russian policy of multipolarity. Annual ASEAN PMCs or the ARF activities began to be seen by Russia as an important contribution to building up an atmosphere of trust in the region and working out concrete CBMs in relations between regional countries. Not only did Russia now participate regularly in the PMCs as an ASEAN ‘dialogue partner’ and become an active member of the ARF; it also established its own direct dialogue with ASEAN at the level of foreign ministers as a forum for the discussion of political issues of mutual interest on a regular basis.

<sup>12</sup> Denisov, V., ‘Rossiya–KNDR: 50 let druzhby i dobrososedstva’ [Russia–DPRK: 50 years of friendship and goodneighbourliness], *Diplomaticheskii Vestnik*, no. 10 (Oct. 1998), p. 51.

<sup>13</sup> Radio Free Europe/Radio Liberty, *RFE/RL Newslines*, vol. 2, no. 215, Part 1 (6 Nov. 1998).

<sup>14</sup> *East Asia Strategic Review 1997/98* (National Institute of Defense Studies: Tokyo, 1998), p. 141.

In the area of political and military security in the region, Russia started with creating CBMs with regional countries on a bilateral level, the basic elements ranging from exchange of visits of military delegations to joint defence and peacekeeping exercises; from exchange of information on defence budgets to informing Russia’s counterparts in the region about changes in defence policy and national doctrine; and from reducing armed forces in border areas to deploying troops in a clearly non-offensive posture. Agreements on CBMs with such major regional actors as China and Japan were an important stepping stone in the Russian policy of promoting a multilateral regional security system. Analysts from IMEMO described the agreements between Russia and China in 1996–97 (joined by Kazakhstan, Kyrgyzstan and Tajikistan) on troop reductions along their common borders as an ‘important breakthrough’ in confidence building on security issues and even as ‘setting a precedent in intra-Asian relations and serving as a model for a possible approach to the resolution of similar problems in the Asia–Pacific region’.<sup>15</sup>

#### IV. What next?

Sometimes the new policy is criticized in the West as being based on the principles of a ‘zero-sum game’ and barely concealed anti-Americanism. ‘Russia still tends to view the world through balance of power lenses: another country’s gain is Russia’s loss, and vice versa, especially when that other country is America.’<sup>16</sup> Other Western observers see it as another form of Gaullism.<sup>17</sup> For Primakov it was not General de Gaulle who served as an example but Prince Alexander Gorchakov, a Russian Chancellor who was at the helm of Russian foreign policy for 26 years after 1856, taking over the post after the defeat of Russia in the Crimean War under extremely adverse international conditions and serious domestic difficulties—a situation very like that in which Russia found itself in the post-Soviet period. He set clear guidelines on how to restore the position of Russia as a great power in the Concert of Nations and advocated a vigorous foreign policy not limited to a single direction or area of concern but active in all areas. In doing this Russia could always exploit the resentment many small countries inevitably feel against larger ones. ‘There are no constant enemies but there are constant national interests’. Drawing his lessons from Prince Gorchakov, Primakov maintained that Russian foreign policy has to adopt a balanced approach, neither advancing excessive claims that fail to recognize what has happened in the last decade nor setting ‘deliberately low standards’ that would ignore its continuing possibilities.<sup>18</sup>

This gained widespread cross-party support at home—no small achievement by any standards. However, the ability of Russia not only to upgrade but even to sustain its role in international relations in the foreseeable future remains in serious doubt.

This uncertainty is predicated above all on Russia’s domestic development. It is clear that unless its current grave domestic political, social and economic problems are resolved Russia’s role in international relations in general and in Asia in particular is bound to decline. No amount of diplomatic efforts will assure a secure and prosperous future for Russia in Asia/Asia–Pacific unless the current crisis of the Russian statehood is arrested. Moreover, if these negative processes are not reversed not only will Russia continue to lose heavily in international relations but domestically the unprecedented economic and social crisis will facilitate the regionalist

<sup>15</sup> Zagorsky, A. and Osroukhov, O., ‘Sokrashcheniye vooruzhenii i mery voyennogo doveriya v rayone granitsy SNG s KNR’ [Arms reductions and military CBMs along the CIS border with China], *Razoruzheniye i bezopasnost, 1997/98* [Disarmament and security, 1997/98], Moscow, 1997, p. 257.

<sup>16</sup> ‘Russia’s world’, *The Economist*, 9 May 1998, p. 16.

<sup>17</sup> A recent report of the US Council on Foreign Relations describes it as fitting ‘quite comfortably into what might be called the Gaullist paradigm: a host of strategic objectives and tactical measures deployed to obtain by other (mostly symbolic) means that which used to flow from the abundance of tangible military–political assets’. Aron, L., ‘The foreign policy doctrine of postcommunist Russia and its domestic context’, ed. M. Mandelbaum, *The New Russian Foreign Policy* (Council on Foreign Relations: New York, 1998), p. 31.

<sup>18</sup> Goble, P., ‘Primakov’s 19th-century model’, *RFE/RL Newslines*, vol. 2, no. 147, Part 1 (3 Aug. 1998).

tendencies already existing in certain areas across Russia, in both the European and the Asian parts of the country, bringing them to the point of open separatism.

Closely linked to Russia's current economic problems is the continuing decline in the state of its national defence and its ability to withstand external military threats. This is especially true of its conventional armed forces, including those deployed in the Asian part of the country, whose numerical strength and combat readiness declined substantially during the 1990s.<sup>19</sup> In these circumstances it is indeed difficult to imagine that Russia's counterparts in Asia/Asia-Pacific (or at least some of them) will remain passive and will not assume a more aggressive policy towards Russia, challenging its territorial integrity and political sovereignty over certain regions, such as Siberia and the Russian far east.<sup>20</sup>

Although domestic factors will be central for the future of Russia in Asia this does not mean that developments in the Asian countries or in regional political and security relations as a whole, which have their own dynamics, cannot influence Russia's interests significantly.

First on the agenda of these potential or real threats to Russia's security comes the proliferation of weapons of mass destruction and the means of their delivery that became endemic in Asia in the 1990s and will most certainly cause periodic escalation of tensions in regional and global international relations in the foreseeable future. India, Pakistan, Iraq, Israel and North Korea, who possess or are suspected of possessing such weapons, form the 'southern belt' in the close vicinity of Russia's borders, obliging Russia to keep these issues high on the priority list of its relations with these countries. From Russia's national perspective it will be essential to prevent tensions in which such states are involved from developing into open military conflicts that may lead to the use of weapons of mass destruction.

A serious threat to Russia's security in Asia may also result from the escalation of tensions and even possible open military conflict in East Asia—either on the Korean Peninsula or in the Taiwan Strait. In both cases and especially in the case of the Korean conflict Russia's national interests will be directly involved.

Summing up this analysis of Russian policy in Asia/Asia-Pacific in the post-Soviet period it is important to emphasize that it is in the national interests of Russia to preserve stability in the region and reduce tensions at the regional or subregional levels to the minimum. Escalation of international tensions and potential military conflicts, especially in areas close to its borders, may pose a direct threat to Russian national security and force Russia to divert much-needed resources from domestic economic and social to security purposes. It is also in the higher national interests of Russia to develop actively its economic ties with the region since this may help it to resolve its current economic problems and ensure sustainable economic growth.

To achieve these goals it is important for Russia to maintain non-adversarial relations with all the regional countries and to promote closer relations (otherwise termed partnership relationships) with the major actors in the area. And, finally, it is in the long-term Russian interests to promote multilateral regional mechanisms of conflict prevention and conflict resolution that may eventually create a fundamentally new, post-cold war regional security structure in the Asia/Asia-Pacific area based on the principles of multipolarity and international cooperation.

<sup>19</sup> According to one Western assessment, at the end of the 1990s 'modern types comprise only about 40% of tanks and infantry vehicles, 30% of SAM and artillery systems and 2% of helicopters' of the Russian armed forces. Dick, C. J., *Russian Military Reform: Status and Prospects* (Conflict Studies Research Centre: Canberra, June 1998), p. 1.

<sup>20</sup> Such scenarios are already being actively considered in the USA. See, e.g., Brzezinski, Z., 'A geostrategy for Eurasia', *Foreign Affairs*, Sep./Oct. 1997, p. 56, which advocates 'a loosely confederated Russia composed of a European Russia, a Siberian republic and a Far Eastern republic'.

## About the authors

**Vyacheslav B. Amirov** (Russia) is Senior Research Fellow at the Centre for Japanese and Pacific studies in the Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences. His recent publications include 'Republic Korea: economic relations with Japan and the United States', in *Korean Peninsula in Northern Asian Regional Affairs* (IMEMO and the Korea Foundation: Moscow, 1997, in English); 'Russia's policy towards Central Asian newly independent states' (Paper presented at the international conference on post-Communist states, Melbourne, Australia, 1998); and 'Strany ASEAN: raznye puti vykhoda iz krizisa' [ASEAN: different ways to solve the crisis], in *Mezhdunarodny Finansovy Krizis: Novy Etap Globalnogo Ekonomicheskogo Razvitiya?* [International financial crisis: a new stage of global economic development?] (IMEMO, 1999).

**Vladimir Baranovsky** (Russia) is Deputy Director of IMEMO. His previous position was at SIPRI as leader of the Project on Russia's Security in Europe. His recent publications include, for SIPRI, *Russia and Europe: The Emerging Security Agenda* (1997); and 'Russia: conflicts and peaceful settlement of disputes', *SIPRI Yearbook 1998: Armaments, Disarmament and International Security* (1998).

**Chen Qimao** (China) is Professor at the Shanghai Institute of International Affairs and President of the Shanghai Society of International Relations. His recent publications include 'The Taiwan Strait crisis: its crux and solutions', *Asian Survey*, 1996; 'China-Korean peninsula relations in the 21st century', *SIIS Journal*, 1997; and (with Wei Yung) *Relations across the Taiwan Strait: Perspectives from Mainland China and Taiwan* (US Atlantic Council, 1998).

**Gennady Chufrin** (Russia), Associate Member of the Russian Academy of Sciences, is Leader of the SIPRI Project on Russia's Security in Asia. His previous positions were Deputy Director and Head of Department at the Institute of Oriental Studies of the Russian Academy of Sciences. His recent publications include *Russian Foreign Policy in Asia-Pacific: Changing Objectives* (Seoul, 1996); *Weapon Sales in Moscow's Foreign Policy* (Singapore, 1996); and *Security Concerns of Russia in Asia-Pacific* (Wellington, New Zealand, 1997).

**Alexander Fedorovsky** (Russia) is Head of the Pacific Economy Section in IMEMO. His recent publications include 'South Korea's economic relations with Russia and China' and 'Inter-Korean economic relations: problems and prospects', both in *Korean Peninsula in Northeast Asian Regional Affairs* (Moscow, 1997); and 'Kim Dae-Jung Administration's unification policy and prospects for Russian-Korean relations', *Korean Journal of National Unification: an Annual Journal*, vol. 7, 1998, pp. 85-100 (in English).

**Tsuyoshi Hasegawa** (USA) is currently Professor at the Department of History, University of California at Santa Barbara (USA). He is the author of *The Northern Territories Dispute and Russo-Japanese Relations*, 2 vols (University of California, 1998).

**Vladimir I. Ivanov** (Russia) is currently Senior Researcher at the Economic Research Institute for North-east Asia, Niigata, Japan. His recent publications include '*Northern Territories*' and *Beyond: Russian, Japanese and American Perspectives* (Praeger, 1995); and 'Japan and Russia in Northeast Asia: building a framework for cooperation in 21st century' (Paper presented at a workshop in Niigata, Japan, July 1997).

**Joyce K. Kallgren** (USA) is Director of the Institute of East Asian Studies, University of California at Berkeley. She is also on the Executive Committee of the US Council for Security Co-operation in the Asia-Pacific and on the Board of Directors of the National Committee of US-China Relations. Among her recent publications is *Progress in the 20th Century: Problems in the 21st. East Asia's Challenges for Japan* (Hiroshima University, 1998).

**Andrew C. Kuchins** (USA) is Associate Director, Centre for International Security and Co-operation, Stanford University. His research interests include Russian foreign and security policy with an emphasis on Asia and he is presently completing a volume entitled *Russia and the World: Dilemmas of Power*.

**Mitsuo Mii** (Japan) is Professor at the National Institute for Defence Studies. His recent publications include [War, revolution and rebellion in the world] (Tokyo, 1998, in Japanese); and, forthcoming, [Current state and view of Russia] (in Japanese).

**Satoshi Morimoto** (Japan) is Senior Researcher at the Nomura Research Institute. He has previously held several positions in the Ministry of Foreign Affairs, including that of Director of the Consular and Migration Policy Division and Director of the Security Policy Division.

**Mikhail G. Nosov** (Russia) is Deputy Director of the Institute of USA and Canada Studies of the Russian Academy of Sciences. His recent publications include *Challenges to the Strategic Balance in East Asia on the Eve of the 21st Century* (Washington, DC, 1997); 'Yaponiya i vneshniy mir: vstupaya v mirovoye soobshchestvo' [Japan and the outside world], *Yaponiya v Poiske Novykh Rubezhey* (Moscow, 1998); and 'Nad stranitsami yaponskoy vneshney politiki' in *Yaponiya: Perevorachivaya Stranitsy* [Re-reading the pages of Japanese foreign policy] (Moscow, 1998).

**Jonathan Pollack** (USA) is Senior Adviser in International Policy at the RAND Corporation, Santa Monica, California. His recent publications include *Designing a New American Security Strategy for Asia* (1996); *Engaging China in the International Export Control Process: Options for US Policy* (co-author, 1997); and *Preparing for Korean Unification: Scenarios and Implications* (senior author, 1999).

**Sang-Woo Rhee** (South Korea) is Professor at Sogang University, Seoul, and Chairman of the Yoido Society for New Asia. His recent publications include *Unification for Co-prosperity* (Seoul, 1996); *Introduction to North Korean Politics* (Seoul, 1997); *Korea and East Asia in the 21st Century* (Seoul, 1998); and *Contemporary Theories of International Relations* (3rd edn, Seoul, 1999).

**Motohide Saito** (Japan) is Professor of International Relations at Kyorin University, Tokyo. He has recently published [The dynamism of international relations in East Asia] (Tokyo, 1998); [Recommendations for strategies of Japan's foreign policy] (co-author) (Tokyo, 1998); and (as co-author) [The post-cold war era and nuclear weaponry] (Tokyo, 1995) (all in Japanese).

**Tsuneaki Sato** (Japan) is Professor Emeritus of Economics at Yokohama City University. His recent publications include [The economic system of post-socialism] (Tokyo, 1997 in Japanese); and 'Structural changes and the emergence of new expression modes of general interest as seen from the experiences in transition economies in Central and Eastern Europe' (Paper presented at the round table discussions in Brussels, Sep. 1997).

**Nobuo Shimotomai** (Japan) is Professor at Hosei University. His recent publications include [Contemporary Russian Politics] (Tokyo, 1997, in Japanese) and [Russian world] (Chikuma, 1999, in Japanese).

**Victor Sumsky** (Russia) is Head of Section at IMEMO. His recent publications include 'Antipolitika i antiekonomika: zametki o politizatsii v Rossii' [Anti-politics and anti-economics: notes on the politicization of Russia], *Rubezhi*, no. 9, 1996; 'Armiya i problematika grazhdanskogo obshchestva' [The army and the problems of civil society], *Mirovaya Ekonomika i Mezhdunarodnye Otnosheniya*, no. 2, 1997; and 'Gosudarstvo, finansovo-promyshlennyye gruppy i krizis v Indonezii' [The state, financial-industrial groups and the crisis in Indonesia] (Moscow, 1998).

**Yuri V. Tsyganov** (Russia) is at present Research Associate, Contemporary Europe Research Centre, University of Melbourne (Australia). He recently published *Taiwan v Strukturu Regionalnoy Bezopasnosti Vostochnoy Azii* [Taiwan in the regional security structures of East Asia] (Moscow, 1998); 'Clans and pressure groups in contemporary Russian politics', ed. L. Holmes, *The Russian Crisis and Its Impact on Australia* (University of Melbourne, 1998); and 'Ekonomicheskiye reformy v KNR i modernizatsiya NOAK' [The PRC's economic reforms and PLA modernization], *Mirovaya Ekonomika i Mezhdunarodnye Otnosheniya*, no. 12, 1998.

**Yoshinobu Yamamoto** (Japan) is Professor of International Relations in the University of Tokyo. His recent publications include [Introduction to international relations research], of which he is co-editor (University of Tokyo Press, 1996, in Japanese); and *Alliances in the Post-Cold War Era: a Japanese Perspective* (Kuala Lumpur, 1998).