44
POINT OF VIEW
OSW

THE TURN TO THE EAST

THE FLAWED DIVERSIFICATION OF RUSSIAN FOREIGN POLICY

Witold Rodkiewicz

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NUMBER 44
WARSAW
NOVEMBER 2014

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OSW | CENTRE FOR EASTERN STUDIES
OŚRODEK STUDIÓW WSCHODNICH im. **Marka Karpia**

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ISBN 978-83-62936-50-2

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EXECUTIVE SUMMARY

- The 'turn to the East' in Russian foreign policy announced in 2010 has failed to bring about the heralded fundamental change in relations between Russia and its Asian partners, nor has it significantly reinforced Russia's position in East Asia. It has also failed to create an effective mechanism for harnessing the economic dynamism of the Asia-Pacific region for the purpose of modernising Russia's Far Eastern territories.

- However, the 'turn to the East' has not been merely rhetorical. Moscow has genuinely become more active and visible in the regional multilateral structures, and it has been consistently developing bilateral relations with a number of major regional actors. One result of this activity is the diversification (albeit so far limited) of Russian foreign policy, which is gradually becoming less 'West-centric'. This diversification has allowed the Russian political elite to avoid a feeling of isolation during the recent serious crisis in relations with the West over Ukraine. However, this diversification has been restricted to the political and diplomatic dimensions, and does not extend to the economic realm. The share of Asian countries in Russia's foreign trade and foreign direct investments has not increased significantly compared to the still predominant share of Western countries. It is too early to ascertain whether the limited sanctions imposed by the West in response to Russian policy towards Ukraine will change this proportion in favour of Asian countries at the expense of the West.

- Moscow's response to the challenge posed to Russia by the rise of Chinese power consists of three complementary components: the continued development and enhancement of co-operation with China, especially in the energy sector; attempts to diversify economic ties and political contacts through intensifying relations with other Asian countries; and ostentatiously distancing itself from Washington's attempts

or intentions to adopt a policy of containment – even soft, let alone hard (military) – with regard to Beijing.

- Relations with Beijing are becoming much more important to the Kremlin than co-operation with other Asian partners. Increasingly, Moscow's contacts with other Asian countries are being subordinated to its relations with Beijing. As its relations with the West, and especially the United States, are deteriorating, relations with China may soon become the central axis of Russian foreign policy as a whole.

- The relations the Kremlin is building with China and India are expected to serve as a model for relations between powers in a new, polycentric international order, as postulated by Russian diplomacy. This order, unlike the post-Cold War order based on US hegemony, should (in Moscow's view) be based on an oligarchic consensus of great powers, civilisational pluralism, the de-ideologisation of interstate relations, the absolute non-interference in the internal affairs of 'great powers', respect for their spheres of influence, and the prioritisation of business co-operation.

- The Kremlin has been successfully playing a subtle game with Japan in an attempt to convince it that in view of the rapid growth of Chinese power, Tokyo should be interested in cultivating good relations with Moscow and therefore must accept Russian conditions for settling the dispute over the Kuril Islands, as well as increase without preconditions its economic engagement with Russia. By making efforts to intensify political and economic relations with Japan, the Kremlin wants to reinforce its position with regard to Beijing, diversify its economic contacts in the region, and create more room for manoeuvre for Tokyo in the international arena, thus contributing to a loosening of the Japanese-US alliance.

I. THE INTENSIFICATION OF RELATIONS WITH THE EAST AND ITS PREREQUISITES

Since 2010 Russian officials and experts have regularly called for Russian foreign policy to strengthen its 'Eastern vector' by becoming more actively involved in political and economic processes in the Asia-Pacific region. A direct stimulus for this was provided by a special meeting held in Khabarovsk on 2 July 2010 by the then president of Russia, Dmitry Medvedev. During this meeting, he set two goals: intensifying economic co-operation with countries from the Asia-Pacific region, and strengthening Russia's role in regional organisations. Medvedev ordered the development of a "comprehensive action plan to reinforce Russia's position in the Asia-Pacific region"[1]. A few days later, the head of the state-controlled *Russkiy Mir* foundation, Vyacheslav Nikonov, presented a 'Russian strategy in the Asia-Pacific region' as developed by a group of diplomats and academics from the Moscow State Institute of International Relations (MGIMO), with a suggestion that Russia should be transformed into a 'European-Pacific' state[2]. At the same time the term 'turn to the East' (*povorot/razvorot*)[3], began to appear in Russian foreign policy discourse, signalling a radical change in Russian foreign policy. As one Russian expert put it, Russia "has set itself the fundamental goal of balancing the

[1] 'Stenograficheskiy otchet o soveshchanii po sotsialno-ekonomicheskomu razvitiyu Dalnego Vostoka i sotrudnichestvu so stranami Aziatsko-Tikhookeanskogo regiona', pp. 2, 10; www.kremlin.ru/transcripts/8234. The agenda was only signed in April 2011; 'S vostochnostyu do naoborot', *Kommersant*, 29 November 2011.

[2] 'Tikhookeanskaya strategiya Rossii', 8 July 2010, p. 1; http://russkiymir2.ru/export/sites/default/russkiymir/ru/events/advertisement/docs/Nikonov_080710.pdf

[3] For example, this term was used by Vyacheslav Nikonov during the 'round table' entitled 'Russia's Foreign Policy in the Pacific Region' held by the PIR-Centre on 6 December 2010, *Index Bezopasnosti* No. 2 (2011); http://www.pircenter.org/en/articles/102-russias-foreign-policy-in-the-pacific-region. See also the report from the Russian International Affairs Council 'Aziatsko-Tikhookeanskiye Orientiry Rossii posle sammita ATES vo Vladivostoke', 2013, pp. 5, 7; http://russiancouncil.ru/inner/?id_4=1523#top, and Viktor Kuvaldin, 'Razvorot na vostok', *Izvestia*, 29 March 2011.

European and the Pacific vectors in its foreign policy[4]." In a 2013 report assessing the results of this policy turn, the Russian International Affairs Council concluded that "never before has the Russian Federation dedicated so much attention to its Far Eastern regions and to issues of co-operation with Asia-Pacific countries[5]."

The idea of intensifying relations with the East is not a complete novelty in Russian foreign policy rhetoric. In the late 1990s, it was forcefully put forward and promoted by Yevgeny Primakov, the then minister of foreign affairs. In implementing the idea he initiated regular meetings of the so-called 'Moscow-Delhi-Beijing triangle'. The 'Concept for the foreign policy of the Russian Federation' signed by Vladimir Putin in June 2000 at the onset of his first presidency also spoke about the necessity of paying greater attention to the Asian vector in Russia's foreign policy, linking this with the need to ensure economic development in Russia's Far East. It also included a proposal to raise the level of economic relations with China up to the existing (implicitly 'high') level of political partnership with this country[6]. In autumn 2000, Putin himself wrote that "the time has come to move, together with the states from the Asia-Pacific region, from words to action, and to enhance (*narashchivat)* economic, political and other bonds"[7].

In practice, Putin has paid the greatest attention to China and continued the consistent development of relations with Beijing in many fields which had been initiated by Boris Yeltsin. At the same time, Moscow retained the close and friendly diplomatic relations as well as military-technical co-operation with Delhi which it had

4 Vladimir Orlov, the president of PIR-Centre, 'Russia's Foreign Policy in the Pacific Region', *Index Bezopasnosti* No. 2 (2011), p. 90.

5 'Aziatsko-Tikhookeanskiye Orientiry Rossii posle sammita ATES vo Vladivostoke', p. 7.

6 According to this concept, Russia would develop 'friendly relations' in Asia, "above all with China and India", *Nezavisimaya Gazeta*, 11 July 2000.

7 'Rossiya: Novyie vostochnyie perspektivy', *Nezavisimaya Gazeta*, 14 November 2000.

inherited from Soviet times. In contrast, relations with Japan, which – given its security alliance with the United States – was viewed in Moscow as an integral part of the West, remained cool. Any fundamental improvement in relations was blocked by the unresolved dispute over the Kuril Islands. (These islands were occupied by the Soviet Union during World War II, and Japan has been demanding that the islands be returned to it ever since.)

The intensification of Russian discourse concerning policy towards the Asia-Pacific region seen since 2010 has been accompanied by a major evolution in the Russian elite's perception of the balance of powers in the international arena. The key stimulus for this evolution was provided by the economic crisis of 2008–2009, and more precisely by the conclusions the Russian political elite drew from it. They saw the crisis as a manifestation of fundamental changes in the global economy, the essence of which is the approaching decline of the global domination of the West. According to this interpretation, East Asia is gradually becoming the centre of the global economy by increasing its share in industrial production, trade and financial assets, at the expense of the West. As one report prepared by prominent Russian experts put it, "The Asia-Pacific region is increasingly becoming the engine of global civilisation, taking over the role which Europe has been playing over the last five centuries."[8]

In the opinion of the Russian political elite, the economic rise of the Asia-Pacific region will gradually be converted by Asian powers, especially by China, into greater political influence and military power. As a result, within a decade, China may become sufficiently strong to assume a position as America's geopolitical rival on equal terms[9]. For Moscow, the US-China rivalry, which is

[8] 'Tikhookeanskaya strategiya Rossii', 8 July 2010, p. 1.

[9] The authors of the collective report developed under the auspices of the Russian International Affairs Council (which at present is the leading semi-official Russian think-tank specialising in international relations) write: "It is almost universally recognised that the Asia-Pacific region is becoming

today still restricted to the Asia-Pacific region but will soon reach a global scale, has already become the main 'axis' determining the nature of international relations.

It is commonly believed in Russia that the rise of the new Asian powers is inevitably leading to fundamental changes in the global balance of powers. The Russian political establishment believes that the international system is currently in a transitional phase between the post-Cold War order based on US (and more broadly, Western) hegemony, and a polycentric order (the term 'multi-polar order' is frequently used in Russian expert and official discourse, despite the logical absurdity of this phrase: there can only be two poles), based on a relative balance between several great powers, more or less equal as regards status and strength, each with its own zone of influence, and each interacting with the others as part of a 'concert of powers'. Moscow has emphasised for several years now that this kind of order provides not only for a pluralism of political and economic decision-making centres, but also for a pluralism of value systems (civilisations).

Some Russian experts view East Asia as an attractive political model, providing an alternative to that of the West. As Vyacheslav Nikonov[10], a leading Russian expert in international affairs, has said, Asia today is "the most important global testing ground of

the main platform for global international relations in the 21st century. The global order and its most important component, the links between the key powers, will be defined by the situation in the Asia-Pacific region, which is changing primarily under the influence of the relationship between the present global leader, the United States, and the emerging global power, the People's Republic of China." 'Rossiyskiy Sovet po Mezhdunarodnym Delam, Interesy Rossii v Aziatsko-Tikhookeanskom Regione: Bezopasnost' i Razvitiye', 2012, p. 18; a "sharpening of Chinese-US contradictions over a broad spectrum of issues" was also mentioned in another report from RSMD, 'Aziatsko-Tikhookeanskiye Orientiry Rossii posle sammita ATES vo Vladivostoke', 2013, p. 13.

[10] Nikonov is currently a member of the lower house of the Russian parliament, and the director (nominated by the President) of the state-controlled *Russkiy Mir* Foundation.

a model for political modernisation, which does not involve Westernisation but represents a unique path of development based on the synthesis of democratic forms of government and local political culture."[11] It is symptomatic of the mood prevailing in Moscow that the 'Asian model' is presently also appealing to such moderate Westernisers as Sergey Karaganov, who regard Russia as an integral part of European civilisation. A report he edited characterises the "Asian path of development" as "an example of the most successful strategy for improving competitiveness in global economy" and emphasises the "objective advantages of the Asian state governance model and socio-economic development." This positive picture of Asian models is juxtaposed in the report with assertions about a crisis of "traditional Western economic and political institutions" and the incongruity of the existing model of "developed democracy", which is incapable of coping with the highly competitive nature of the contemporary international environment[12].

A distinctive feature of Russian foreign policy is its extreme focus on relations with great powers; this is a consequence of thinking in terms of *Realpolitik*, which is characteristic of the post-Soviet political elite. For this reason, this analysis of Russian policy concentrates on Moscow's relations with its three largest Eastern partners, China, India and Japan. This will allow us to draw a number of conclusions regarding the nature and the results of Russia's Eastern policy as a whole.

[11] Vyacheslav Nikonov, 'Russia's Foreign Policy in the Pacific Region', *Index Bezopasnosti* No. 2 (97) (2011), p. 90.

[12] Sergey Karaganov, Oleg Barabanov, Timofey Bordachev, *K Velikomu Okeanu, ili novaya globalizatsiya Rossii*, Moscow, July 2012, pp. 12 and 16.

II. THE POLICY OF ENGAGEMENT – THE RUSSIAN REACTION TO THE RISE OF CHINA'S POWER

Over the past few years, relations between Moscow and Beijing have acquired a special, privileged nature. The Russian president has been meeting with Chinese leaders more frequently than with leaders of any other country (with the exception of CIS countries) as frequently as he does with leaders of the People's Republic of China. In 2013, the Chinese and Russian leaders met on five occasions, as they will in 2014[13]. The network of contacts between high-ranking officials and politicians from these two countries is similarly dense. Over thirty meetings at the levels of prime ministers, ministers, parliamentary speakers and senior military officials were held in 2013[14]. Since 2003, the armed forces of the two countries have held joint exercises almost annually (these exercises have been either bilateral or as part of the Shanghai Co-operation Organisation)[15]. These ever closer diplomatic and military contacts have been accompanied by the intensification of economic relations. Symptomatically, since 2010 China has been Russia's largest trade partner, outpacing Germany.

The Kremlin clearly views its relations with Beijing as incomparably more significant than contacts with any other Asian partner. Moscow is increasingly instrumentalising its relations with the other Asian countries in order to enhance its position in dealing with Beijing. One could even risk the thesis that relations with China are gradually becoming the main pivot in Russian foreign policy in general.

[13] An interview with the ambassador of the Russian Federation to Beijing, Andrey Denisov; http://www.rg.ru/2014/03/31/obmen.html

[14] Calculated on the basis of data compiled by Yu Bin in *Comparative Connections. A Triannual E-Journal on East Asia Bilateral Relations*, vol. 15, no. 1, pp. 146–147; vol. 15, no. 2, pp. 142–144, vol. 15, no. 3, pp. 133-135.

[15] The exercises were not held in 2006, 2008 and 2011; however they were held twice in 2009, 2012 and 2013. For details see Yu Bin, 'Summer Heat and Sino--Russian Strategizing' in: *Comparative Connections. A Triannual E-Journal on East Asia Bilateral Relations*, volume 15, no. 2, p. 141.

Russian elites are impressed by the rapid growth of China's economic, political and military power seen over the past decade. They are also aware of the reversal in the power ratio between the two countries. Bearing this in mind, the Kremlin has apparently come to the conclusion that avoiding open confrontation with China should be an absolute imperative in Russian policy. For this reason, it formulated an official slogan that the policy of partnership and building closer bonds with China has "no alternative." Moscow officially stresses that presently its bilateral relations with Beijing are exemplary, and denies that increasing Chinese power could pose any direct threat to Russia. Vladimir Putin has on several occasions emphasised in public that growing Chinese power does not constitute a threat to Russia. In November 2011, while answering a question concerning the Chinese threat, he explained that although the natural resources in Siberia and the Far East could be very attractive, the "main struggle is for global leadership, and we do not intend to go into disputes with China over this. China has other competitors in this area. So let them contend with one another."[16] In other words, he was suggesting that China did not pose a threat to Russia because it was engaged in rivalry with the United States. Putin reiterated this diagnosis a few months later, arguing that "China's behaviour on the global arena has given no cause to speak about its aspirations to dominance" and added that the growing Chinese economy did not pose a threat, but instead created the opportunity "to fill our economy's sails with the Chinese wind."[17] Before the Shanghai summit in May 2014, the Russian president described relations with China as "exemplary co-operation which should serve as a model to great global powers."[18]

[16] An interview for the Russian media, 17 November 2011; http://archive.premier.gov.ru/events/pressconferences/16755/

[17] 'Rossiya i menyayushchiysia mir', *Moskovskie Novosti*, 27 February 2012.

[18] An interview for the Chinese media, 19 May 2014; http://news.kremlin.ru/transcripts/21031.

Experts close to the Kremlin back the thesis that China poses no direct threat to Russia. Vyacheslav Nikonov even claims that "direct *diktat* and dominance are not part of the Chinese tradition."[19] Similarly, in a report prepared for the Valdai Club, the group of authors led by Sergey Karaganov maintain that China will pose no military, political or demographic threat to Russia in the short or medium term[20].

While downplaying or even negating the existence of the threats posed by China, the Russian leaders seem to be applying a strategy towards Beijing based on three elements:

(1) developing economic co-operation with China, especially in the energy sector;

(2) searching for a diversification of economic and political ties with China by developing contacts with other Asian countries (India, Japan, Vietnam and South Korea);

(3) ostentatiously distancing itself from Washington's attempts or intentions to conduct a policy of soft, let alone hard (military) containment with regard to Beijing, while at the same time promoting a regional security concept which boils down to removing the US military presence from the region.

It has become almost a ritual for the leaders of the two countries to emphasise that economic co-operation is the foundation of Russian-Chinese relations. As mentioned already, China has been Russia's largest trade partner since 2010. Bilateral trade has been growing rapidly over the past few years (43% in 2010, 42.7% in 2011, 11.2% in 2012 and 1.7% in 2013) to reach a volume of US$88.8

[19] 'Tikhookeanskaya strategiya Rossii', 8 July 2010, p. 6.

[20] Sergey Karaganov (ed.), *K Velikomu okeanu–2, ili rossiyskiy ryvok k Azii*, Moscow, February 2014, p. 25.

billion in 2013[21]. However, these trade relations are asymmetrical in a way which is unfavourable to Russia. China's share in Russian trade is 10.5%, while Russia's share in China's trade only slightly exceeds 2%. At the same time, despite Russia's frequently reiterated declarations, Russia has been unable to change the structure of bilateral trade where it predominantly supplies oil and gas (in 2012, they accounted for 70% of the value of Russian exports, while machines and equipment only 0.7%)[22], and imports industrial goods, including, increasingly, machines and equipment.

Energy co-operation has beyond any doubt become the strategic core of Russian-Chinese economic relations. The most important element of this co-operation is the long-term contracts signed by Russia's state-controlled company Rosneft, which envisage oil supplies with prepayments (see Table 1).

Table 1. Rosneft's contracts for supplying oil to China

Year	Partner	timeframe	oil quantity (millions of tonnes)	estimated contract value (US$ billions)	prepayment value (US$ billions)
2009	CNPC	2011-2030	180	65	15
2013	CNPC	2013-2038	360	270	60
2013*	SINOPEC	2013-2023	100	85	20

*A framework agreement

As regards the gas sector, in contrast, larger-scale Chinese--Russian co-operation had until recently remained at the planning level. Russia would sporadically export relatively small

[21] http://en.ria.ru/business/20130110/178687770/China-Russia_Trade_Up_11_to_88_Bln_in.html; 10 January 2013.

[22] Yevgeny Novozhilov, *Vneshniaya torgovla Rossii i Kitaya: polgoda i tri kvartala*, 17 October 2013.

amounts of liquefied natural gas to China under spot contracts (e.g. around 500 million m^3 in 2012). The long-term, 30-year contract signed by Gazprom and CNPC on 21 May 2014 in Shanghai, which provides for supply of up to 38 bcm of natural gas annually from the Kovykta and Chayanda gas fields in Eastern Siberia, marked a real breakthrough. The contract's total value stands at US$400 billion, and envisages a total supply of 1032 bcm of gas. Deliveries are planned to start in 2018, but each of the parties has the right to postpone the start of deliveries by two years[23]. The contract provides for the option of prepayment at US$25 billion[24]. One day before this contract, Russia's Novatek signed a 20-year contract to supply 3 million tonnes of liquefied natural gas (starting in 2017). It is worth noting that the Chinese partner, China Development Bank Corporation, is expected to play the main role in financing the project, and is ready to invest US$20 billion[25]. In his address at the Saint Petersburg International Economic Forum on 23 May 2014, President Putin suggested that China had agreed to start talks on the possibility of supplying Russian gas from Western Siberian fields "via the western route")[26].

The fact that Gazprom and CNPC finally struck the deal after ten years of negotiations, which were still ongoing the night before the date of its signing, was undoubtedly due to political factors, namely Russia's ongoing conflict with the West over Ukraine, and especially the associated Western sanctions and the threat that they could be extended further, as well as the intensifying

[23] http://www.vedomosti.ru/companies/news/26938871/kontrakt

[24] http://www.vedomosti.ru/companies/news/26876561/gazprom-i-kitaj-predvaritelno-soglasovali-avans-na-25-mlrd

[25] www.vedomosti.ru/newsline/news/26697541/novatek-dogovorilsya-s-cnpc-o-postavkah-3-mln-t-szhizhennogo; www.vedomosti.ru/newsline/news/26837031/yamal-spg-mozhet-poluchit-do-20-mlrd-ot-kitaya. It is worth adding that CNPC holds a 20% stake in the Yamal-LNG project.

[26] http://news.kremlin.ru/transcripts/21078. Lack of confirmation from the Chinese side suggests that this statement was aimed at putting pressure on European buyers of Russian gas, and the project itself remains at the planning stage.

discussion on the need for European Union member states to reduce imports of Russian oil and gas. Given this situation, Russia wanted especially strongly to demonstrate its capabilities of diversifying gas exports. Furthermore, the signing of the contract was meant to send a political signal to the West, proving that the Western rhetoric of 'isolating' Russia was unrealistic.

One could put forward the thesis that Russia is gradually building up an energy alliance with China. This alliance will be based on long-term contracts for supplies of large quantities of oil and gas, which will be partly prepaid by China. Russia also seems to be interested in having the Chinese provide investments for the development of Russian oil and gas fields as an integral part of such an alliance[27]. Traditionally, this alliance will also include Russia's participation in constructing nuclear power plants in China[28].

The economic deals struck during Russian Prime Minister Dmitry Medvedev's most recent visit to China in autumn 2013 suggest that China and Russia are trying to gradually shift to a model of economic co-operation in which Chinese companies would invest in projects located in the Russian Federation[29]. The recent announcement by the chairman of the China Chamber of Commerce for Import and Export of Machinery and Electronic Products that

[27] As a part of the contract with Novatek for LNG supplies, China's state-controlled company CNPC bought a 20% stake in the Yamal SPG project, which is planned to provide the natural gas to be supplied under the contract; Rosneft reached an agreement with CNPC in autumn 2013 under which a joint venture was established to operate the oil and gas fields in the Srednebotuobinskoye project in Eastern Siberia. Rosneft would own 51% of the shares, and CNPC 49%.

[28] An intergovernmental agreement on the construction of two nuclear reactors (worth US$1.8 billion) for the Tianwan nuclear power plant built by Russia in 1997–2007 was signed in December 2012; http://en.ria.ru/business/20100209/157817046.html

[29] The firm Metally Vostochnoy Sibiri signed an agreement with China's NFC on the construction and joint operation (on 50:50 basis) of the Ozernoye rare earth metals mine and processing plant in Buryatia; in turn Vneshekonombank signed three loan agreements with the state-controlled China Development Bank worth US$1.9 billion in total.

China would like to increase its investments in Russia to a level of US$12 billion by 2020 (the present level of Chinese direct investments is US$3.5 billion) indicates that China is ready to intensify its investment involvement in Russia[30].

The development of co-operation in the energy sector and the spectacular growth in bilateral trade volumes have to some extent overshadowed Russian-Chinese military-technical co-operation, which used to form the most important component of mutual economic relations in the 1990s. Still, China continues to be the third largest client of the Russian arms industry. It can be estimated on the basis of available data that the value of Russian military exports to China in 2008–2011 stood on average at US$800–900 million annually (this accounted for around 10% of total Russian arms exports within this timeframe), and rose to US$1–1.5 billion annually in 2012–2013. Negotiations on two multibillion contracts for combat aircraft and submarines are underway[31].

The scope of military-technical co-operation between Moscow and Beijing has been quite narrow over the past few years. Russia exports mainly aircraft engines and helicopters. Furthermore, a programme envisaging the production in China on Russian licence of the *Tigr* armoured vehicle is now being implemented[32]. However, two high-value contracts are being negotiated at present: one on the sale of 24 Su-35 fourth-generation combat aircraft; and another to supply two submarines, as well

[30] http://itar-tass.com/ekonomika/695575

[31] Tsentr Analiza Mirovoy Torgovli Oruzhiyem, *Kitay v strukture mirovogo importa vooruzheniy*, 2012, table 7, p. 5; http://www.armstrade.org/files/analytics/304.pdf; http://www.armstrade.org/includes/periodics/mainnews/2012/1120/103015758/detail.shtml, 20 November 2012; Vassily Kashin from the Centre for Analysis of Strategies and Technologies, quoted by Interfax-AVN, 13 January 2013; David Lague, 'China eyes $3.5 billion Russian arms deal despite ire over Sukhoi copy', 27 March 2013; http://www.reuters.com/article/2013/03/27/us-china-russia-arms-idUSBRE92Q0PE20130327

[32] http://www.armstrade.org/includes/periodics/mainnews/2012/1120/103015758/detail.shtml, 20 November 2012.

as the licence to build more in China. It had been announced that the Su-35 contract, worth around US$2 billion, would be signed in November 2013, but Russian sources reported in September 2013 that this would not happen before 2014. The contract for submarine construction is expected to be finalised in 2015; its estimated value is US$1.5 billion[33].

However, Chinese-Russian military co-operation extends far beyond the export of Russian equipment and technologies. It is worth noting the frequency and the scale of Russian-Chinese military exercises conducted either under the aegis of the Shanghai Co-operation Organisation or on a bilateral basis. With regard to no other state (outside the CIS) does Russia demonstrate such a degree of openness to military co-operation. Between 2003 and 2013, Russia and China have held together ten military exercises in which between 1300 and 10,000 military personnel participated each time. Two large training events were held in 2013: maritime exercises (in the Pacific Ocean) with the participation of nineteen ships; and land exercises at the Chebarkul training ground in Russia. The Chinese President Xi Jinping's tour of the command centre of the Russian armed forces, unprecedented for a foreign leader, during his visit to Moscow in March 2013 was meant to demonstrate Russia's openness and the special nature of military cooperation between the two countries. Although both sides have emphasised they have no intention of entering a military alliance, one may come across the opinion that "basic conditions are being created for such an alliance in the military and technical spheres through holding more and more complex and extensive joint military exercises and through enhancement of contacts between the military personnel of the two countries."[34]

[33] Interfax-AVN, 6 March 2013; http://ria.ru/defense_safety/20130907/961478852.html, 7 September 2013.

[34] Vassily Kashin, 'Summa vsekh strakhov. Faktor kitayskoy ugrozy v rossiyskoy politike', *Mirovoy Poryadok*, March-April 2013, p. 78.

It is worth noting that for the sake of maintaining good relations with China, the Russian political establishment is ready to accept a kind of condominium in Central Asia[35]. Although Moscow is aware of China's increasing economic presence in the region[36] and is concerned that this could lead to an undermining of Russia's political influence there to China's benefit, it has strenuously avoided voicing its concerns in public. The Kremlin seems to assume that both Russia itself and China are sufficiently interested in maintaining good mutual relations to limit their rivalry in this region and to find a mutual accommodation of their interests there[37]. Although the Kremlin has not given up its attempts to counteract the Chinese economic penetration of Central Asia, and has been making efforts to include Kyrgyzstan and Tajikistan in the Eurasian Union, at the same time it appears to have accepted the need to tolerate it. It seems determined to find a *modus vivendi* with China in this region, based on a division of responsibilities and of fields of activity: Russia would maintain its prevalent political influence and its predominance in the area of security, while China would predominate in the economic area, even if the region remains institutionally bound to the Russian economy by membership of the Eurasian Union. During Vladimir Putin's most recent visit to Beijing, Russia and China signalled their readiness to accommodate mutual interests in Central Asia, by including in a joint declaration a positive evaluation of each other's flagship economic integration projects in the region, i.e. Russia's Eurasian

[35] See for example the reflections in the memorandum *K Velikomu Okeanu, ili novaya globalizatsiya Rossii*, pp. 57–58 and 60–61, written by political analysts closely linked to the Russian establishment and published under the auspices of the Valdai Club.

[36] See Aleksandra Jarosiewicz, Krzysztof Strachota, 'China vs. Central Asia. The achievements of the past two decades', *OSW Studies*, 4 November 2013.

[37] The author has been led to believe, on the basis of conversations held in Beijing (9–10 June 2014) with Chinese experts from the China Institutes of Contemporary International Relations and the Eurasian Social Development Research Institute, that the Kremlin's opinion that China is ready for a mutual accommodation of interests in Central Asia and, like Russia, does not want a conflict of interests in the region to undermine the 'strategic partnership' of Moscow and Beijing, is accurate.

Union and China's 'Silk Road Economic Belt.'[38] Furthermore, the Chinese side manifested its readiness to soothe Russian concerns by promising to take Russian interests into consideration during the preparation and implementation of its project.

[38] Sections 20 and 21 of the 'Joint declaration' signed on 20 May 2014, http://news.kremlin.ru/ref_notes/1642

III. MOSCOW–DELHI: A GEOPOLITICAL CONSENSUS

Russia's relations with India draw upon the strategic alliance which existed during the Cold War between India and the Soviet Union. These can be summed up as extremely comfortable – with no other country does Russia enjoy such unproblematic political relations. To emphasise this state of affairs, Russian diplomacy refers to them as a "specially privileged strategic partnership"[39]. Russia and India have no conflicting interests in international politics, while having converging regional interests. The two countries are interested in the stabilisation of Central Asia, and especially of Afghanistan; and they both view the intensification of Islamic radicalism in the region as a serious threat. They also both perceive China's growing power as a problem in the long term. Russia formally supports India's aspirations to a permanent membership on the UN Security Council. Vyacheslav Trubnikov, a former ambassador of the Russian Federation to India and currently a key figure on the Russian International Affairs Council, which is closely linked to the Russian establishment, intimated publicly during the visit by the Indian prime minister Manmohan Singh to Moscow in autumn 2013 that India should be granted not only a permanent membership in the UN Security Council but also the right of veto[40]. This might portend a revision of the official stance of Russian diplomacy, which has so far opposed the vesting of possible new permanent members of the Security Council with the power of veto, as increasing the number of such countries would mean a relative weakening of Russia's own position.

Russia's economic relations with India, when compared with Russia's relations with China, display both similarities and differences. What is similar is that in both cases it is the energy sector and military-technical cooperation that play the central role. The

[39] See for example: *Osnovnyie vneshnepoliticheskiye sobytiya 2013 goda*, section 13, www.mid.ru.

[40] *Krasnaya Zvezda*, 29.10.2013.

differences include the scale of trade, which in the case of India is much smaller: in 2012, Russian-Indian trade volume reached only US$11 billion. The trade structure is also different and (from Russia's point of view) healthier. The trade balance is positive for Russia, and Russian exports consist predominantly of products of the machine-building industry (almost 49% in 2012)[41]. The export of weapons and military technologies plays a much more important role in economic relations with India than in Russian-Chinese relations. India has been the Russian arms industry's biggest client for years: the value of contracts implemented in 2008-2011 stood at US$7.2 billion, and in 2012 alone it reached US$7.3 billion[42]. This sum nearly equalled the value of civilian Russian exports (US$8 billion). The portfolio of orders for March 2013 was worth US$10.3 billion[43]. According to some estimates, India accounts for around 30% of total Russian arms exports. The estimated annual value of supplies is around US$3 billion. The contracts which have been signed and are currently being implemented are worth around US$20 billion[44].

To no other country, except for India, does Russia sell equally advanced military technologies and an equally broad range of weapons, from small arms to warships. In November 2013, the Indian flag was hoisted on an aircraft carrier bought from Russia, after it had been thoroughly modernised and re-fitted. In 2012, India leased a Russian nuclear-powered submarine. Russia also supplies India with shipborne fighter jets (MiG-29K/KUB) and Mi-17B-5 transport helicopters.

Furthermore, co-production based on high technologies occupies a significant niche in the areas of both military-technical and

41 *Torgovo-ekonomicheskoye sotrudnichestvo mezhdu Rossiyskoi Federatsiyei i Indiyei za 2012 g.*, http://www.ved.gov.ru/files/images/kai/TES_Rus_Ind_2012.pdf

42 Tsentr Analiza Mirovoy Torgovli Oruzhiyem, *Osnovnyie programmy modernizatsii VS Indii v 2011-2012 gg.*, 2012, pp. 3-4.

43 RSMD, *Tezisy o rossiysko-indiyskikh otnosheniyakh*, p.18.

44 Interfax-AVN, 15 November 2013.

'civilian' co-operation. Currently, a number of joint projects are being implemented, involving joint design and future manufacture of combat aircraft and guided missiles. India already manufactures Su-30MKI fighter jets and tanks on Russian licence.

Co-operation in the energy sector in Russia's relations with India plays a significantly smaller role compared to its relations with Beijing. The nature of this co-operation is also different. India imports only small amounts of Russian oil, but its state-controlled corporation ONGC Videsh Ltd. has invested around US$4.3 billion in oil extraction in Russia. Videsh has acquired a 20% stake in the Sakhalin-1 project, and has bought Imperial Energy, a firm engaged in oil production in Western Siberia. Gazprom is planning to start exporting liquefied natural gas under a contract signed with Indian firms envisaging annual supplies of between 7.5 and 10 bcm[45].

During the most recent visit by then-PM Manmohan Singh to Moscow in autumn 2013, Russia suggested building a gas pipeline that would run from Western Siberia to India via the Chinese province of Xinjiang. The estimated value of this project is US$30 billion; a Russian-Indian group has been established to study this proposal, and India's largest oil and gas company, ONGC, has expressed interest in the project[46].

[45] This information can be found on the website of India's embassy in Moscow; http://www.indianembassy.ru/index.php/en/economic-cooperation/overview

[46] John Dalym, 'Russia, India Planning $30 Billion Oil Pipeline Through Xinjiang'; http://oilprice.com/Energy-General/Russia-India-Planning-30-Billion-Oil-Pipeline-Through-Xinjiang.html

IV. RUSSIAN-JAPANESE RELATIONS: A FRUITFUL 'STRATEGIC PATIENCE'

Unlike the warm and close political contacts with Beijing and Delhi, Moscow's relations with the third regional Asian power, Japan, have long been overshadowed by the unresolved territorial dispute over the Kuril Islands. Russian-Japanese relations, albeit correct, have remained cold. The Russian side, following President Putin's unsuccessful attempt in 2001 to resolve the dispute through a compromise based on the joint declaration signed in 1956 and envisaging the division of the disputed archipelago between Russia and Japan[47], has evidently adopted the method of 'strategic patience', hoping that Tokyo will sooner or later become ready to accept the compromise. Moscow has not seemed particularly concerned that the unresolved conflict has hampered the development of economic co-operation, and in particular restricted the opportunities to use Japanese capital to improve the economic situation in Russia's Far East. Instead, it has consistently suggested to Japan that economic co-operation issues should be viewed separately from the territorial dispute.

The Kremlin appeared to hope that, as China's power grew and the Japanese-Chinese territorial dispute became more serious, Tokyo would become sufficiently interested in improving relations with Moscow that it would be ready to accept the Russian terms.

The Russian strategy has turned out to be successful. A 'small breakthrough' regarding the disputed islands was seen during the visit by Japan's prime minister, Shinzo Abe, to Moscow in April 2013. Given the growing Chinese threat, Japan accepted the Russian terms for resolving the dispute: the parties agreed to separate the issues of economic co-operation from territorial problems, to resume formal consultations preceding the signing

[47] According to this declaration, two islets in the disputed archipelago, Shikotan and Habomai, could be relinquished by the Soviet Union.

of a peace treaty, and to raise the level of mutual relations. It was also agreed that the ministers of defence and foreign affairs would meet periodically to hold consultations (in the 2+2 format)[48].

The first consultations since 2006 concerning the peace treaty were held in August 2013, and the first ministerial meeting in the 2+2 format followed in November 2013.

In his comment on this meeting, which was a sign of a significant improvement of relations between Moscow and Tokyo, Russia's foreign minister Sergey Lavrov characteristically denied outright that a Russian-Japanese rapprochement could in any way be directed against Beijing. However, he implied that by building constructive relations with Tokyo, Moscow is helping Japan to reduce its dependence on Washington. In other words, Moscow is strengthening its position with regard to Beijing, but at the same time it is also acting in its own interest by loosening the US-Japanese alliance[49].

Despite the ongoing territorial dispute and cool political relations, economic co-operation has been developing very dynamically. Mutual trade volume increased by 59% in 2010, by 29% in 2011, by 5% in 2012 and by 6.6% in 2013, reaching US$33.2 billion. However, the trade structure is extremely unfavourable for Russia, at least from the point of view of Moscow's declared ambitions to make its exports more 'sophisticated'. Russian exports consist almost entirely (98%) of raw materials: crude oil, natural gas, coal, metals, wood and maritime products. In turn, most of its imports (85%) are products of the automotive, machine-building and electronic industries.

[48] Dmitry Kosyrev, 'Yaponsko-rossiyskaya perezagruzka s perezapuskom', *Nezavisimaya Gazeta,* 29 April 2013.

[49] ITAR-TASS, 2 November 2013, 'Tokyo ishchet kompromis s Moskvoi', *Rossiyskaya Gazeta,* 27 December 2013; http://www.rg.ru/2013/12/27/peregovory.html

Paradoxically, while political relations between Moscow and Tokyo have been far from the level Moscow has achieved in its relations with Beijing and Delhi, Japan is the largest Asian investor in Russia. In 2012, total Japanese investments reached US$10.7 billion[50].

Co-operation in the energy sector is the core of Russian-Japanese relations. The majority of Japanese investments (86.3%) are made in this sector[51]. Japan's largest investments have included participation in oil and gas production consortiums in Sakhalin: Sakhalin-1 (30%) and Sakhalin-2 (22.5%). As a consequence, Japan has become the main recipient (76%)[52] of Russian liquefied natural gas exports and a major importer of Russian crude oil. Between 2005 and 2010, Russian oil exports to Japan increased by over five times, reaching 13.1 million tonnes (7% of Japanese oil imports)[53].

Both sides have shown interest in enhancing their co-operation in this area. Gazpromneft revealed in June 2013 that Japan's state-controlled company JOGMEC had acquired a 49% stake in the Chonskoye gas fields and would invest US$100 million in the operation of these fields[54]. In May 2013, Rosneft signed an agreement with Japan's state-owned company INPEX setting up a joint venture in charge of operating oil fields on the Sea of Okhotsk[55]. In June 2013, Gazprom and the Japan Far Eastern Gas Co. consortium signed a memorandum of co-operation to start an LNG project in Vladivostok. This plant will produce 15 million tonnes of gas an-

50 'O rossiysko-yaponskikh ekonomicheskikh otnosheniyakh', 7 November 2013; http://www.russia-emb.jp/embassy/economic.html

51 According to data for 2010; http://www.ved.gov.ru/exportcountries/jp/jp_ru_relations/jp_rus_projects/

52 http://www.eia.gov/countries/cab.cfm?fips=rs

53 Stanislav Zhukov, 'Vostochny azimut rossiyskoi energetiki', 17 January 2012; http://www.ecpol.ru/2012-04-05-13-42-46/2012-04-05-13-43-05/144-vostochnyj-azimut-rossijskoj-energetiki.html

54 http://ru.reuters.com/article/businessNews/idRUMSE95602C20130607

55 ITAR-TASS, 29 May 2013.

nually, beginning in 2018, 70% of which will be sold to the Japanese market[56]. In turn, the CEO of Rosneft, Igor Sechin, declared during the fourth Russian-Japanese investment forum in April 2014 that his company was ready to provide Japanese investors with access to its oil and gas fields as part of an assets swap[57].

[56] Céline Pajon, 'Japan-Russia: Toward a Strategic Partnership?', *Russie.Nei. Visions* no. 72; September 2013, p.8.

[57] Rustem Falakhov, 'Japonii Krym ne pomekha', 19 March 2014, http://www.gazeta.ru/business/2014/03/19/5955961.shtml

V. RUSSIA AND THE MULTILATERAL STRUCTURES IN THE REGION

Moscow's consistent efforts to join the multilateral regional organisations, or establish a formal partnership with them (the Asia-Pacific Economic Co-operation (APEC) forum, the ASEAN–ARF Regional Forum, the Defence Ministers Meeting ASEAN+8, the East Asia Summit (EAS), the 'Asia-Europe' Forum), have been another element of Russia's strategy aimed at reinforcing its position in the Asia-Pacific region. Formally, Russia has achieved spectacular successes in this area: in 2011 it (along with the United States) was granted membership in the EAS, the last multilateral organisation it was still not a member of, and it hosted the annual APEC summit in Vladivostok in 2012.

Regardless of these formal successes, and of Russia's undoubtedly more active presence in the regional structures, one could have the impression that Russia has no clear vision of how it could take advantage of this engagement. Russian diplomacy has been unable to generate any major initiatives to make Russia to be seen as a "model citizen of the region" for other countries, and as an integral part of the Asia-Pacific region[58].

The only major Russian initiative was the 2010 proposal to improve regional security through developing framework procedures by the region's countries in this field. However these rules, which are by the way very similar to those put forward by Russian diplomacy for the Euro-Atlantic area, seem above all to be aimed at weakening US military alliances in the region. This initiative cannot be appealing to most countries in this region, which are concerned about China's growing power, including military power, since it fails to offer them any security guarantees as opposed to those they have been given by the USA. For this reason, this

[58] An apt term and observation by Bobo Lo, 'Russia's Eastern Direction-Distinguishing the Real from the Virtual', January 2014, p. 21.

initiative – which (not coincidentally) was announced jointly with Beijing and reiterated (also with Beijing) in 2012 at the EAS summit in the form of a proposal to start multilateral dialogue in order to create a 'security architecture' in the region[59] – has put Russia in the position of Beijing's assistant, rather than that of a state which could help resolve the problems caused by the disturbance of the regional balance resulting from China's growing power.

[59] Speech by the Russian deputy minister of foreign affairs, Igor Morgulov, 5 July 2013; http://www.mid.ru/bdomp/brp_4.nsf/fa711a859c4b939643256999005bcbbc/9668ef80b55334ad44257b82003e03d0!OpenDocument; Speech by the Russian minister of foreign affairs, Sergey Lavrov, 20 November 2012; http://www.mid.ru/bdomp/brp_4.nsf/997e7b027bbf661cc3256f6d00540731/5fcfa53c9c52b32244257abc003a55e6!OpenDocument

VI. THE RUSSIAN RESPONSE TO THE ASIAN CHALLENGES

Russia sees the new balance of forces which has begun to emerge on the international arena as a consequence of the spectacular growth of the Asian countries', and above all China's, economic potential, as presenting both new challenges and new opportunities.

One of the challenges is the increasing contrast between the Russian Far East, which is stuck in economic stagnation, and the rapidly developing countries in this region (with the exception of North Korea), which has created the risk of economic marginalisation for Russia. The rapid growth of China's power is seen as another challenge. The deepening asymmetry – to Russia's disadvantage – of the two countries' potentials gives rise to the risk that in the long run Russia might become unilaterally dependent on China, and as a consequence lose its position as an equal partner of Beijing.

On the other hand, Russia has been offered the opportunity to exploit the economic dynamism of the Asia-Pacific region not only to boost the economic development of its Far East region but also to diversify its sources of investments and trade markets; this might reduce Russia's economic dependence on its Western partners. The growing power of China has also opened up new opportunities for Russia. An ever stronger Chinese partner could become a kind of an insurance policy against the West. Furthermore, intensifying disagreements between Beijing and Washington have put Moscow in a convenient position; even if both rival powers are not competing for Russia's favours, at least they cannot allow themselves to treat it in a way which could push it into their rival's arms[60]. In the Asia-Pacific region itself, rising Chinese power automatically makes Russia more appealing as a partner to other

[60] See for example statements by Gennady Chufrin (IMEMO RAN), Sergey Luzyanin (RAS Institute of Far Eastern Studies), Igor Zevelev (Moscow branch of the MacArthur Foundation), 'Protivoborstvo Kitaya i SShA v Azii: Vyvody dla Rossii', *Index Bezopasnosti* no. 2 (101), vol.18, pp. 104, 108, 111, 112.

countries in this region: India, Japan, the Republic of Korea and the ASEAN countries (above all Vietnam).

The Kremlin's response to this situation has been equally complex, and consists of three parts. Firstly, the Kremlin has been making efforts to deepen its political and economic relations with Beijing, in order to safeguard Russia from the possibility of conflict with China. By becoming Beijing's valued partner, Moscow has been making China more and more interested in maintaining good mutual relations, and has been increasing the cost Beijing would have to pay should it come into conflict with Russia. Secondly the Kremlin, by capitalising on the other Asian countries' concern with China's growing power, has been actively developing political and economic relations with them, above all with the regional great powers, India and Japan. Thus it has been striving towords geopolitical and geoeconomic diversification in order not to become unilaterally dependent on Beijing. Thirdly, the Kremlin has been making attempts to use its relations with Asian partners, above all China, to give itself more room for manoeuvre in its relations with the West, including first of all with the United States. In other words, by developing its relations with its Eastern partners, Moscow has been aiming at achieving the goal that it had already proclaimed in the 1990s: the construction of a new, polycentric international order to replace the US-centric post-Cold War order.

From the Kremlin's point of view, relations with Beijing and Delhi reflect to the greatest extent its vision of what relations between great powers should be like in the new order[61]. It is precisely in

[61] For example, see the characteristics of Russian-Chinese relations presented in the statement from the Russian ambassador in Beijing, Sergey Razov: 'Pragmatizm vmesto pretenzii i nedoveriya', *Mezhdunarodnaya Zhizn* 11 (2009), or the declaration made by the Russian deputy minister of foreign affairs, Igor Morgulov, during the 'round table' meeting regarding the security of the Asia-Pacific region, 5 June 2013, and Russian-Chinese relations which "can become a model for interstate relations of two great powers in the 21st century"; www.mid.ru.

its relations with the key Asian partners where Moscow wants to develop the 'exemplary' model for the coexistence of the main political centres of the emerging 'polycentric' international order. This model provides for a mutual respect of strategic autonomy (i.e. not being bound by formal obligations as allies) and zones of influence, mutual non-interference in each other's internal affairs, refraining from 'exporting' one's own values and political systems, pragmatic economic co-operation (i.e. without regard to any ideological restrictions), and the search for compromise in regional issues. In its relations with Beijing and Delhi alike, Moscow has emphasised the complete political harmony and similarity of interests and views on both the fundamental rules of operation of the new international order as well as regional crises and problems. Thus Moscow has been suggesting, more or less obliquely, that the main threat to the new international order which is desired by all three countries is posed by Washington's aspirations to hegemony, and more broadly, by 'messianic' impulses from the West. In practice this means coordinating their positions at the UN and other international organisations. For example, Russia and China use their veto power in similar situations, and usually jointly, in the UN Security Council. Over the past few years all three states have demonstrated the desire to create international formats and organisations: BRICS, the Shanghai Cooperation Organisation and RIC (trilateral Russia-China-India consultations), with an intention of making them into alternatives to the institutions created and dominated by "the West". Moscow vests particular hopes in the BRICS structure as a "platform for promoting a non-Western agenda" in the global context[62]. At the same time, all three countries have been pressing for reform of international organisations like the IMF and G20, so that their rules of operation increasingly correspond to the interests of the new non-Western powers.

[62] Dmitry Trenin, 'New era of Sino-Russian tandem begins', *Global Times*, 21 March 2013; www.globaltimes.cn

VII. THE LAME ECONOMY

If the Russian policy of 'turning to the East' can be recognised as having had moderate success in the area of politics and diplomacy, it has failed to bring the expected economic results. Even investing US$21 billion in the spectacular preparation of the APEC summit in Vladivostok in 2012 has not helped[63].

Russia has not succeeded in significantly increasing the share of Asian countries in its foreign trade or in improving its structure. In 2008–2013, the share of countries from the Asia-Pacific region in Russian foreign trade (excluding the two Americas but including India) rose from 17.1% to 21.9%, while the European Union's share fell from 52% to 49.4%[64]. Asian markets still absorb a relatively small part of Russian oil and gas exports. In 2012, 15% of Russian oil exports were sold to Asian markets (as compared to 6% in 2009), 7% of natural gas, 10% of petroleum products and 23% coal exports[65]. The Asian markets' share in exports has been increasing, but quite slowly, and even the fact that the large gas contract was signed with China in May 2014 will not radically change the picture.

The Russian economic offer to Asian partners does not seem to be changing either. It is still restricted to the energy sector (oil and gas exports, oil and gas production and processing, the construction of nuclear power plants) and the arms trade.

It seems that Moscow hopes that the Asian economic giants will become an important alternative to Western economic partners,

[63] See the evaluations in the report of the Valdai Club: Sergey Karaganov (ed.), *K Velikomu Okeanu–2, ili rossiyskiy ryvok k Azii*, Moscow, February 2014, pp. 5, 11 and 13.

[64] My own calculations based on foreign trade statistics from the Federal Statistical Service of the Russian Federation; www.gks.ru

[65] Aleksandr Panov, *Integratsiya Rossii v Aziatsko-Tikhookeansky region. Perspektivy 2020*, 2 April 2013; http://russiancouncil.ru/inner/?id_4=1641#top

offering outlets that will guarantee a growing revenue flow for the Russian budget as well as the investment capital necessary to exploit and develop Russian natural resources. In the Kremlin's opinion, the intensification of economic relations with India and China, unlike its co-operation with Western partners, does not entail any political risk in the form of open or covert pressure on Russian elites to adopt Western rules in business and politics (democratisation), or of Western values permeating Russian elites and society at large. It is probably relevant that the model of state-business relations in all three countries provides for a much greater degree for the 'manual steering' of the international operations of large corporations than is the case in Western countries. The Russian elite may thus feel more at home doing business with partners which operate within a similar business logic, wherein politics is closely intertwined with the economy.

The lack of a solid economic foundation may mean that the undoubted achievements of the Russian policy of 'turning to the East', such as the reinforcement of Russia's political and diplomatic position, may in the longer term prove to be illusory.

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