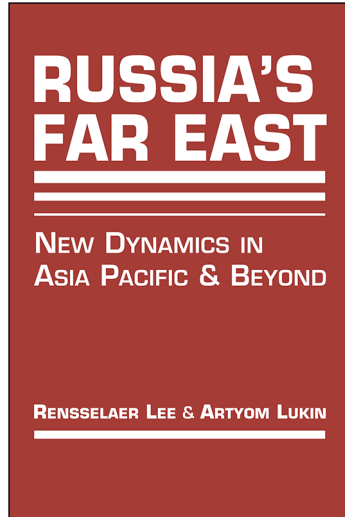


EXCERPTED FROM

Russia's Far East:
New Dynamics in
Asia Pacific and Beyond

Rensselaer Lee
and Artyom Lukin

Copyright © 2015
ISBN: 978-1-62637-389-1 hc



LYNNE RIENNER PUBLISHERS

1800 30th Street, Suite 314
Boulder, CO 80301 USA
telephone 303.444.6684
fax 303.444.0824

This excerpt was downloaded from the
Lynne Rienner Publishers website
www.rienner.com

Contents

<i>List of Tables and Figures</i>	vii
<i>Preface</i>	ix
1 Setting the Stage	1
2 What Is the Russian Far East?	7
3 History of the Russian Far East	25
4 A Region of Troubles	45
5 Moscow's Game Plan for the Russian Far East	75
6 Russia's Changing Perceptions of China	99
7 A Russian-Chinese Alliance: Chimera or Emerging Reality?	117
8 Is Russia Moving into China's Economic Orbit?	137
9 A Symbiotic Relationship: Russia's Far East and China's Northeast	153
10 Beijing Sets Its Sights on the Russian Far East	179
11 Russia and the United States in Asia Pacific: Is Collaboration Possible?	203
12 What Next for the Russian Far East?	237
<i>Selected Bibliography</i>	259
<i>Index</i>	265
<i>About the Book</i>	276

1

Setting the Stage

THIS BOOK IS ABOUT THE RUSSIAN FAR EAST (RFE), A VAST AND resource-rich territory and a volatile arena of intersecting great-power interests. In the book, we provide a broad-brush treatment of the RFE's historical antecedents, internal economic and political dynamics, and importance as a development priority for Moscow. We evaluate the RFE's growing geopolitical significance in the light of changing strategic realities in Asia Pacific, especially China's growing regional influence and clout. We also give considerable attention to the nature and extent of the region's external entanglements (which differ significantly by subregion) within and outside Asia. Finally, our discussion necessarily focuses on recent changes in the international environment—the Ukraine crisis, US-led Western sanctions, and accelerating Russian-Chinese rapprochement, among others—that impact on the RFE's development trajectory and the broader security balance in East and Northeast Asia. We contend that, from an Asia Pacific perspective, Russia and the United States have more interests in common than they do in the European theater and that the RFE could be one of the building blocks of a revitalized relationship, if other areas of contention can be deescalated or at least managed.

The RFE is a special part of Russia. It is the largest of Russia's eight administrative federal districts comprising about 36 percent of the national territory—equivalent to two-thirds the size of the United States.¹ It boasts extensive hydrocarbon and mineral endowments as well as large empty spaces of arable and uncontaminated land, huge reserves of clean water, and biological resources in the forests and seas—assets in short supply among the RFE's Asian neighbors. It fronts on the North Pacific and Arctic Oceans—theaters of intersecting great-power interests and rivalries. At the same time, in important respects, the RFE is a weak and underdeveloped backwater. This huge territory accounts for just 4 percent of Russia's gross

regional product (GRP) and about 4 percent of its population. Despite massive state investments in the Vladimir Putin era, its growth has barely kept pace with that of the Russian Federation as a whole and the region continues to lose population. Moreover, the RFE's isolation from European Russia and its proximity to dynamic and ambitious Asian states accentuate its vulnerability to the interplay of outside forces. Ever since the Soviet collapse, the RFE has risked becoming more a part of the East Asian periphery than the Russian periphery,² signifying the innate precariousness of Moscow's real sovereignty over the region.³ The main modern-day challenge to Moscow's domains in Asia comes from China—at once Russia's benefactor and its bane—a theme that necessarily receives considerable prominence in this book.

In recent years, Moscow has come to recognize the geopolitical significance and vulnerabilities of its Far Eastern territories and has made development of the region and the adjoining Trans-Baikal provinces, in Putin's words, "our national priority for the entire twenty-first century."⁴ By doing so, Russia has hoped to alleviate pressures for regional autonomy (especially insistent in the early post-Soviet years) and also to establish its credentials as a power in Asia Pacific and on the global stage. As of 2013, state investments of some 3.2 trillion rubles (slightly less than \$100 billion) were planned for the RFE-Baikal region in the period from 2013 to 2025. Yet such plans were drawn up on the basis of oil prices (Brent) hovering around \$110 a barrel, as opposed to around \$55 in early 2015, and on a degree of access to Western investment and credit markets that narrowed significantly in the wake of the Ukraine imbroglio. The RFE's development prospects thus seem increasingly uncertain, as the Russian economy sputters and the crisis in the West shows few signs of easing.

The upshot is that Russia—now ostracized by the West and facing an ongoing financial crisis—is seeking a more intimate relationship with its giant Asian neighbor, China, to develop its vast eastern territories. Some clarification is necessary here: for some time, Russia has been seeking cooperation with East Asia, including China, to diversify away from relatively stagnant European markets. China, by virtue of its overall geopolitical weight, will always be a significant player in eastern Russia, as it is in East Asia generally. But US and allied determination to punish and isolate Moscow over Ukraine left China, which remained aloof from the conflict, as the most obvious option to turn to, and greatly accelerated and expanded the Kremlin's courtship of Beijing. Putin's 2014 visits to Shanghai in May and Beijing in November, Xi Jinping's visit to Moscow in May 2015, as well as other multiple high-level meetings, underscored the growing closeness between the two great powers. They have concluded a host of agreements, more than 100 over the past two years, substantially expanding and deepening bilateral cooperation in key sectors such as energy, mining,

finance, transportation, and high technology. Epitomizing the new shape of things was the signing of a gigantic thirty-year \$400 billion deal to supply natural gas to China from fields in Eastern Siberia and the RFE. As the new economic relationship progresses, hints are emerging of possible strategic collaboration—China’s benevolent neutrality in the Ukraine conflict, Russian-Chinese talks to create an Asian collective security system to balance US influence, and efforts to coordinate their flagship economic activities in Central Asia. These include the Russian-led Eurasian Economic Union of Russia, Belarus, Kazakhstan, and Armenia and China’s more comprehensive Silk Road Economic Belt, a so-called new Eurasian land bridge, linking China, Russia, Central Asia, and Europe in an integrated trade-development framework.⁵ Quite clearly, a Russian-Chinese entente of some sort is in the making, but for now the main axis of this is economic—though a full-blown political-military alliance could develop if Russian-Western hostility persists and deepens.

Such considerations seem to carry little weight in Washington these days. All eyes are focused on a seemingly futile attempt to change Russian behavior in Ukraine and Eastern Europe. Meanwhile, the Ukraine crisis and the US-led response to it are hurting long-term US security interests in East and Northeast Asia. With Russia-West relations at a post-Cold War low, and a crippling sanctions regime in place, China could become the leading outside force in Russia’s valuable eastern territories and a principal arbiter of regional development policy. Already China perceives the RFE and its northeast provinces as a single economic integration for development purposes. A strong and controlling Chinese presence in Russia’s East would certainly subordinate Russian policy in East Asia to China’s core interests and alter the overall power balance in East Asia to China’s advantage—or so we argue in the book. Of course, there are countervailing factors—Russian-Chinese mutual suspicions remain high (though anti-US feeling is higher) and China’s accumulated investment in the RFE still lags well behind that of Western powers, reflecting that Russia has preferred Western partners for major resource extraction projects. Russia is mindful of the costs and risks of bonding intensively with China, and would welcome the chance to diversify its economic partnership. Yet the more Russia is squeezed by the West, and the more intense the hostility becomes between the United States and Russia, the less such factors may matter.

China, by virtue of its size, wealth, and location, will always be a significant player in eastern Russia as in the rest of East Asia. Yet the Russian-Chinese entente, in all of its present ramifications, is not necessarily a natural end state of Asia Pacific power arrangements. Indeed, from a US strategic perspective, very different arrangements might be envisaged. By almost all objective measures, it is China rather than Russia that is poised to be a peer competitor and main geopolitical challenge to the United

States. Certainly, this is the case in East Asia and the western Pacific where core US historical and security interests are at stake. Current US-Russian policy in the West redounds to China's advantage in the East (admittedly an unintended blunder), thus endangering these interests and advancing China's designs for strategic primacy or hegemony in East Asia. Russia, for its part, faces the prospect of marginalization as an Asia Pacific power and the loss of its Eurasian identity from its newfound intimacy with Beijing, even while officially touting the benefits of the deepening ties. This suggests that Moscow and Washington need to grasp the geopolitical picture in its entirety, including their mutual interest in balancing China's growing geopolitical clout. Rather than pushing Russia further into China's embrace, the West should cultivate Moscow as an independent pole in the Asian power equilibrium, a crucial partner in balancing any drive by a third power to establish regional hegemony. Recognizing their common security concerns in Asia, the two sides should develop ways to moderate their disagreements over post-Soviet space and move toward a less contentious relationship overall.⁶

We pursue these various observations, reflections, and lines of argument in the chapters that follow. In Chapter 2, we establish the RFE's core identity as an integral space with common political, economic, and demographic characteristics. We also evaluate the RFE's resource base, geopolitical significance, and development prospects while profiling the diverse socioeconomic endowments, political preferences, and external entanglements of the individual provinces. In Chapter 3, we describe the difficult historical legacy of tsarist and Soviet rule, covering the period from the mid-sixteenth century to the end of Boris Yeltsin's administration in post-communist Russia. Landmark periods and events affecting the RFE receive attention, including Russia's early colonization of Siberia, the border treaties with the Qing dynasty, the Bolshevik revolution and the civil war, the Joseph Stalin era, the Sino-Soviet conflict of the late 1960s, and the final collapse of the USSR. In Chapter 4, we document the catastrophic consequences of the Soviet Union's disintegration for the well-being and stability of the RFE. The retreat of the state, the near collapse of industrial production (much of it military related), the exodus of population, and the emergence of separatist tendencies receive attention there. We also describe a critical legacy of this period—the reorientation of the RFE's economy away from European Russia and toward the Asia Pacific. Additionally, we summarize the main development and quality-of-life challenges faced by the RFE, which are a legacy of official neglect and a product of structural constraints such as geography and climate. In Chapter 5, we examine the evolution of Moscow's game plan for modernizing the RFE during the administration of Putin and Dmitry Medvedev. We discuss the main drivers of Moscow's newly found interest in the RFE such as fears of national irrel-

evance (or even disintegration) and the search for great-power identity. We analyze internal thrusts of policy, including the emphasis on building infrastructure, a deliberate tilt toward Asia Pacific economies and markets, and the creation of special administrative and tax regimes for the RFE. Various controversies surrounding the policy (especially over the issues of regional autonomy) also receive emphasis.

The rest of the chapters deal in various ways with great-power relations as they affect the RFE. China receives primary emphasis, reflecting that country's central significance for the RFE's future development and for Asia's power balance generally. In Chapter 6, we trace the evolution of the Russian-Chinese strategic partnership from Yeltsin to Putin as well as the changing threat perceptions of China and the West (especially during Putin's third term). We also describe ongoing debates on China within Russia's political and intellectual establishment, outlining the positions of Sinophiles, Sinophobes, great power nationalists, and other opinion groups. In Chapter 7, we speculate on the likelihood of a full-fledged Russian-Chinese alliance and sketch out the possible contours and geopolitical implications of such an alliance. At the same time—and to balance the argument—we identify potential rifts in the Russian-Chinese relationship that could work to undermine it in the future. In Chapter 8, we document the eastward reorientation of Russia's economic policy—a shift that has been years in the making, but accelerating since the onset of the Ukraine crisis. In Chapters 9 and 10, we analyze the apparently increasing convergence of Chinese and Russian interests and policies in the Russian Far East, and explore the possibility that the Middle Kingdom could become the preponderant outside player in that vital region.

The remaining two chapters deal mainly with issues of US and Western strategy toward the RFE. In Chapter 11, we detail the long-standing special relationship of the United States with the RFE, including its underlying strategic justification; explore issues and trends in the economic relationship, including the falloff in US commercial interest in the RFE in recent years; and describe current US policy (really the lack of a policy) toward the RFE and eastern Russia generally. In the conclusion, Chapter 12, we sum up the findings in this book and raise significant policy questions: What are the odds that China could come to dominate the RFE, at least indirectly? What would be the effect on the Asian security balance? Are the United States and its Pacific allies, especially Japan and South Korea, capable of responding to this challenge, and if so how? Might the RFE be one of the building blocks of a revitalized US-Russian relationship—one based on common security concerns and a shared Pacific space? Is it possible to multilateralize the development of the RFE and to forge common understandings among participant powers on regional economic and security issues?

Notes

1. Crimea became the ninth federal district on March 21, 2014. Official statistical information on Russia's federal districts will include Crimea beginning in 2016 (reporting on statistics from 2014) and thus for the purposes of comparison and analysis, this book references Russia's eight federal districts, excluding Crimea.

2. Bobo Lo, *Axis of Convenience: Moscow, Beijing, and the New Geopolitics* (Washington, DC: Brookings Institution, 2008), 62.

3. The RFE is often considered together with the adjacent Baikal region, which is made up of three eastern Siberian provinces: Irkutsk Oblast, the Republic of Buryatia, and Zabaikal (Trans-Baikal) Krai. The RFE and Baikal regions together comprise eastern Russia, a macroregion occupying 45 percent of Russia's territory but only 7.8 percent of its total population.

4. Vladimir Putin, "Presidential Address to the Federal Assembly," December 12, 2013, Moscow, www.eng.Kremlin.ru/transcripts/6402.

5. Shannon Tiezzi, "China's Silk Road in Europe: Not just Hungary," *The Diplomat*, June 9, 2015, www.thediplomat.com/2015/06/chinas-silk-road-in-europe-not-just-hungary/. Russia promised to link its new Eurasian Economic Union with China's Silk Road Belt during Xi Jinping's visit to Moscow in May 2015.

6. Robert Legvold writes that Moscow and Washington should study the lessons of the Cold War, when the two sides "developed a variety of mechanisms for reducing tensions and containing risks" and "embraced the wisdom of engaging rather than isolating the other." Robert Legvold, "Managing the New Cold War: What Moscow and Washington Can Learn from the Last One," *Foreign Affairs* 93, no. 4 (July–August 2014), www.foreignaffairs.com/articles/united-states/2014-06-16/managing-new-cold-war.