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TOWARD THE GREAT OCEAN — 5: FROM THE TURN TO THE EAST TO GREATER EURASIA

MOSCOW, SEPTEMBER 2017

The report has been prepared based on the series of research conducted in late 2016 – early 2017 and the situation analysis “Turn to the East: a new stage and agenda for co-operation” which took place on February 20, 2017 with participation:

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The views and opinions expressed in this Report are those of the authors and do not represent the views of the Valdai Discussion Club, unless explicitly stated otherwise.

Acronyms and Abbreviations

ADB – Asian Development Bank

AIIB – Asian Infrastructure Investment Bank

APR – Asia-Pacific Region

ASEAN – Association of Southeast Asian Nations

ASEZ – Advanced Special Economic Zones

BRICS – an association of five national economies: Brazil, Russia, India, China and South Africa

CSTO – Collective Security Treaty Organization

EBRD – European Bank for Reconstruction and Development

EEC – Eurasian Economic Commission

EEU – Eurasian Economic Union

EU – European Union

FDI – foreign direct investment

FTA – free-trade area

MTC – military-technical cooperation

NDB – BRICS New Development Bank

OECD – Organisation for Economic Co-operation and Development

OSCE – Organization for Security and Co-operation in Europe

PRC – People's Republic of China

SCO – Shanghai Cooperation Organisation

SMEs – Small and medium-sized enterprises

RCEP – Regional Comprehensive Economic Partnership

SREB – Silk Road Economic Belt

UN – United Nations

WTO – World Trade Organization

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Introduction. The Accomplished Turn

The current stage of Russia's turn to the East was conceived in the latter half of the 2000s as a somewhat late response to Asia's economic rise, which opened many new development opportunities for Russia, primarily its eastern regions. Building on this potential, parts of Russia to the east of the Urals and its Far East could become national development and growth drivers. This would be a marked shift from the past, when these territories were considered a burden inherited from the Russian Empire or served as a rear base in Russia's standoff with the West and occasionally as a frontline in its rivalry with Japan or China. The inevitable slowdown of the European economy, traditionally Russia's main partner, and the increasingly complicated relations with Europe and the West as a whole was another way of justifying the expediency of this turn.

These assessments were supported by a number of powerful trends that emerged over the past decade. The first trend consisted of the redistribution of global power at a pace never seen before in history. The second trend was the breakdown and crisis of the world order that the West had been trying to impose on the rest of the world since the early 1990s, believing in having secured the final 'victory.' Third, a de-globalizing and regionalization trend emerged in the global economy and politics. The fourth trend consisted in economic relations being increasingly driven by a political agenda rooted in yesterday's tendencies, and making the interdependence or dependence on a single market relatively less profitable, if not outright dangerous.

Finally, 'Asia for Asia' replaced the 'Asia for the World' concept. The advancement of Asia, and specifically China, is more and more driven by the domestic and regional markets. At the same time, these once great Asian civilizations started following the route of spiritual and ideological emancipation after two centuries of colonial or post-colonial dependence from the West. The Asian countries absorbed many of the Western achievements, benefiting from this liberal and globalized economic order to become stronger.

This led them to aspire to an adequate place in the global ideological and strategic landscape.

Tired of its costly role as a global hegemon, the US is clearly and inevitably poised to step back from global affairs, at least temporarily. Barack Obama was elected on the promise of an internal revival. However, the old elites and inertia prevented him from moving away from the costly and inefficient interventionist agenda. Trump reinforced this withdrawal trend, turning the US into a dangerous mix of residual interventionism and faulty isolationism. It is increasingly apparent that the US is trying to establish its own center by divesting global responsibilities that do not promise any benefit. This trend may lead to the evolution of the multipolar world with its inevitable chaos into a bipolar world. One pole will be the US, and Eurasia as the other with China at its core. However, Eurasia will be able to establish itself as a center of gravity only if Beijing does not aspire to hegemony. In any way, Russia's turn to the East brought about many opportunities that were not so obvious in the beginning.

Although declared on multiple occasions, Russia's political and economic turn to the East really started in 2011–2012. Despite the decline in foreign trade and the depreciation of the ruble, trade with Asia is once again on the rise, and its share in the overall foreign trade is growing. The unprofitable and unsound trade structure established after the collapse of the Soviet economy and over the years of chaotic recovery, whereby the country exchanged its energy resources for relatively expensive and less cost-efficient Western products, primarily from Europe, is becoming a thing of the past. By diversifying its foreign trade, Russia is moving into a more lucrative position in terms of its economic and political bargaining power with the balance shifting in its favor.

Apart from its energy resources, Russia has been increasing eastbound exports of agricultural and other water-intensive products, as well as arms. Investment is growing rapidly, mostly from China so far. According to various estimates, the accumulated investment is already between

\$16 billion and \$30 billion, and maybe even \$40 billion. The further expansion of trade and investment is expected to result from a series of macro projects in the energy sector, as well as the Free Port of Vladivostok project, which includes most Russian ports along the Pacific coast. In addition, 18 Advanced Special Economic Zones (ASEZ) were launched. There are also obvious issues and shortcomings at the level of the Ministry for the Development of the Russian Far East and its agencies, as well as at the level of regional governments. The now obsolete Eurocentric approach has preserved its momentum.

The relations between Russia and China can be described as a de facto, albeit not de jure, alliance. However, this relationship is increasingly supplemented and balanced by stronger ties with Japan, Vietnam and other ASEAN countries, as well as India, South Korea and Iran. The EEU and China's Belt and Road initiative are slowly but steadily stepping up their coordination efforts in Central Asia, despite the once predicted rivalry between Moscow and Beijing. In fact, a strategic partnership to ensure stability in the region is taking shape, in which Russia would be primarily in charge of security matters, and China of driving prosperity. Still, for most of the countries in Central Asia, Russia is currently the main guarantor of social stability, since it provides jobs

momentum, including the economic mindset, and the slowness of the Russian bureaucracy, corruption within the elite and most importantly economic stagnation and poor investment climate, above all for Russian SMEs. Siberia has yet to become a land of economic freedom, as was the case in Tsarist times, when it was growing. It is telling that the government decision to transfer the headquarters of a number of corporations and federal agencies to Russia's Far East has not been implemented so far. We can go even further by arguing that it would be advisable to establish Russia's third capital there for its Eastern, Siberian and Pacific coast regions.

It has to be stressed that there is still a long way to go. However, the main shift has taken place with the change in the geostrategic and geo-ideological positioning in Russia's ruling elite. For more than 300 years, despite the continuing eastward expansion, the Russian elite mostly viewed the country as a European periphery oscillating between approaching and distancing itself from its core. Europe encouraged these aspirations while trying to receive and often receiving economic and political concessions from the aspiring candidate. The failed attempt by the late Soviet and then Russian elites to join the European club and play by its rules in the role of a disciple was the latest example of this approach.

The current European or, should we say, post-European values, coupled with the mission assumed in the late 2000s by Brussels (and Berlin) to spread democracy against the backdrop of growing problems within the EU, added momentum to the cooling of Russia's Europe-bound aspirations. At the social level, a vast part of Russian society got what they thought Europe was all about: stores bursting with goods, a more people-friendly and humane living environment, Christian revival, some elements of democracy, and most of the technologies people may need. At the same time, the current European political system and the newest post-European values are so far irrelevant for

From a European peripheral state, Russia has evolved into a central Eurasian and possibly a northern Eurasian power

to hundreds of thousands of people from this region. Russia's policy towards Asia is taking on an inclusive and strategic dimension. However, there is still a long way to go.

Migration flows from Russia's Far East have slowed down, and could be expected to stop, and even become reversed in the coming decade. Of course, the slow pace of this economic shift is attributable to both the accumulated

a large part of Russian society, and may never become relevant.

The greedy and irresponsible neo-Weimar-style policy to expand Western alliances to territories that Russia viewed as vital in terms of its security, and for which the Russian Empire and the USSR sacrificed millions of lives, obviously contributed to the weakening of the once prevalent affinity among the Russian elites toward Europe. This policy resulted in the failure of the project to create a sustainable European security mechanism, a common European home, a United Europe.

The tension and mutual withdrawal manifested themselves gradually. Finally, political relations sharply deteriorated in 2013–2014. Sanctions were introduced to pressure Russia, and even more importantly to create an ‘external enemy’ and thereby stop the EU from disintegrating. This demonstrated the danger of excessive economic dependence on the European market, and pushed Russia toward new ones.

There was also an ideological dimension to the separation from Europe. Old-fashioned anti-Western and anti-European supporters of the Eurasian project were somewhat sidetracked by former pro-Western elites with some of them now saying that ‘Russia is not Europe.’ Another part of the elite started saying that Russia is the true Europe, while the EU was not. There was also a third segment in the elite that did not go that far, opting for temporary cultural and political separation.

As far as culture is concerned, Russia has yet to choose an attitude it wants to adopt toward Europe. However, what matters the most is Russia’s self-determination in terms of politics and geostrategic matters, and increasingly the economy. From a European peripheral state, Russia has evolved into a central Eurasian and possibly a northern Eurasian power. In the current geopolitical thinking, Eurasia includes the West and is not an inherently anti-Western concept, unlike the theories of the pre-Revolutionary, Soviet and Russian supporters of the Eurasian idea.

This new geopolitical and geoeconomic identity implies moral and political independence from the West, and the strengthening of positions in relations with the West. At the same time, Russia does not intend to give up on cooperation with European countries in areas that promise benefits, since a withdrawal of this kind would be detrimental, and even impossible, to its economy, but also dangerous from the ideological perspective, threatening the identity of a large part of the Russian population, who consider themselves European and are not ready to give up on the core values adopted by Russia, even if they do not like many things about today’s Europe, which is increasingly becoming a post-Europe.

Proceeding from its assessment of the current and future geoeconomic and geopolitical trends, and based on the initial results of its economic, political and moral turn to the East, Russia put forward the idea of shaping a new community in the form of a Greater Eurasian partnership. This idea was backed by the leaders of Russia and China, and became a bilateral initiative open to other countries.

Russia’s new Asia policy will be intertwined with its policies toward Europe and the south. There is a fourth, northern dimension, which covers the Arctic. Of course, there are also relations with the United States, as long as they are possible. At this new stage, having adopted a new approach and created a new foundation, it would be advisable for Russia to step up cooperation with other European countries and promote people-to-people ties. Europe is a familiar partner, and a convenient source of all kinds of technology and goods.

Russia’s achievements on the foreign policy front make a new rapprochement with the old partners only easier. The dangerous expansion of the Western alliances was stopped in Ukraine, even if it happened too late and the cost was high. In Syria, Russia halted the mad policy of regime change. From a Weimar-like struggling country, Russia returned to its familiar role of a strong state, and recovered its confidence. Today, Russia is one of the main masterminds of the Greater Eurasia,

the new global geoeconomic and geopolitical pole. Over the past two years, the Russian diplomacy has achieved substantial progress in this area by strengthening its ties with its key regional partners.

However, the Greater Eurasia remains an inclusive project open to anyone, and not only on the Eurasian continent.

Sergei Karaganov

I. Russia and its Partners in Asia and Eurasia

Diversification of economic and partially political ties with key regional players is a major distinctive feature of the turn to the East. Today relations of every major regional partner with Russia are much better than with each other, which is one of the results of this policy. Owing to the markedly economic character of the turn that is aimed at promoting Russia's domestic development by attracting investors and opening Asian markets, the countries involved are successfully avoiding being drawn into maritime, territorial and other disputes typical of the region. Russia is also sufficiently detached from the North Korean nuclear issue although it supports UN efforts to compel Pyongyang to renounce its nuclear program.

However, our regional partners do not yet fully understand Russia's goals and policy in Asia and Eurasia. At this point, this is still an obstacle to establishing a firm presence for Russia, its commodities and services in regional markets.

Myths and bad experience of 20 years ago are considered to be an obstacle to investment cooperation in the Far East. We shall reiterate that the goal of the turn policy is to develop Russia and its regions and make it a fully-fledged great power of the modern world. In Russia's case this means a Pacific, Atlantic, Northern and Central Eurasian power. To achieve this aim, a country must be a sovereign player in global politics and economy and able to launch important regional initiatives and projects. It can also actively join in projects of other states, as the experience of alignment with China's One Belt One Road initiative

bears out. Such cooperation may be expressed in trade contracts of different scope and presence on political, diplomatic and expert venues. All this should promote Russia's integration in regional ties and diversification of its trade, economic and political relations.

China and its leadership played a vitally important role in helping Russia to uphold its interests in the difficult period of 2014–2016. Given the continuation of the existing paradigm, Russia will not accept decisions that impinge on China's vital interests in any way. At the same time, the development of economic cooperation, for instance with Japan or South Korea is almost as important as the promotion and consolidation of the already established partnership, if not a de facto alliance with China.

Japan occupies a unique place in the global economy and technology. Russia initially viewed it as one of its key partners, primarily because it is Asia's most advanced nation in technology and management that could help Russian companies master both better than any other country. However, the Ukrainian crisis and the escalation of Russia's confrontation with the West adjusted these plans. Japan joined the anti-Russian sanctions under US pressure and talks on the majority of new projects were suspended.

For the time being the outstanding territorial issue as regards four southern Kuril Islands is the main obstacle to the development of Russian-Japanese relations. Weak trade that has further declined in the past few years is a serious problem. In 2015 bilateral trade amounted

to \$21.2 billion, which is 30.9 percent less than in the previous year. Trade went down again in 2016, amounting to \$16 billion.

Despite the negative trends in trade, this should not be considered as a sign of crisis in bilateral relations. The figures showing a relative decline in Japan's exports to Russia are related to the economic crisis, during which Russian consumers stop buying durable goods that form the basis of these exports.

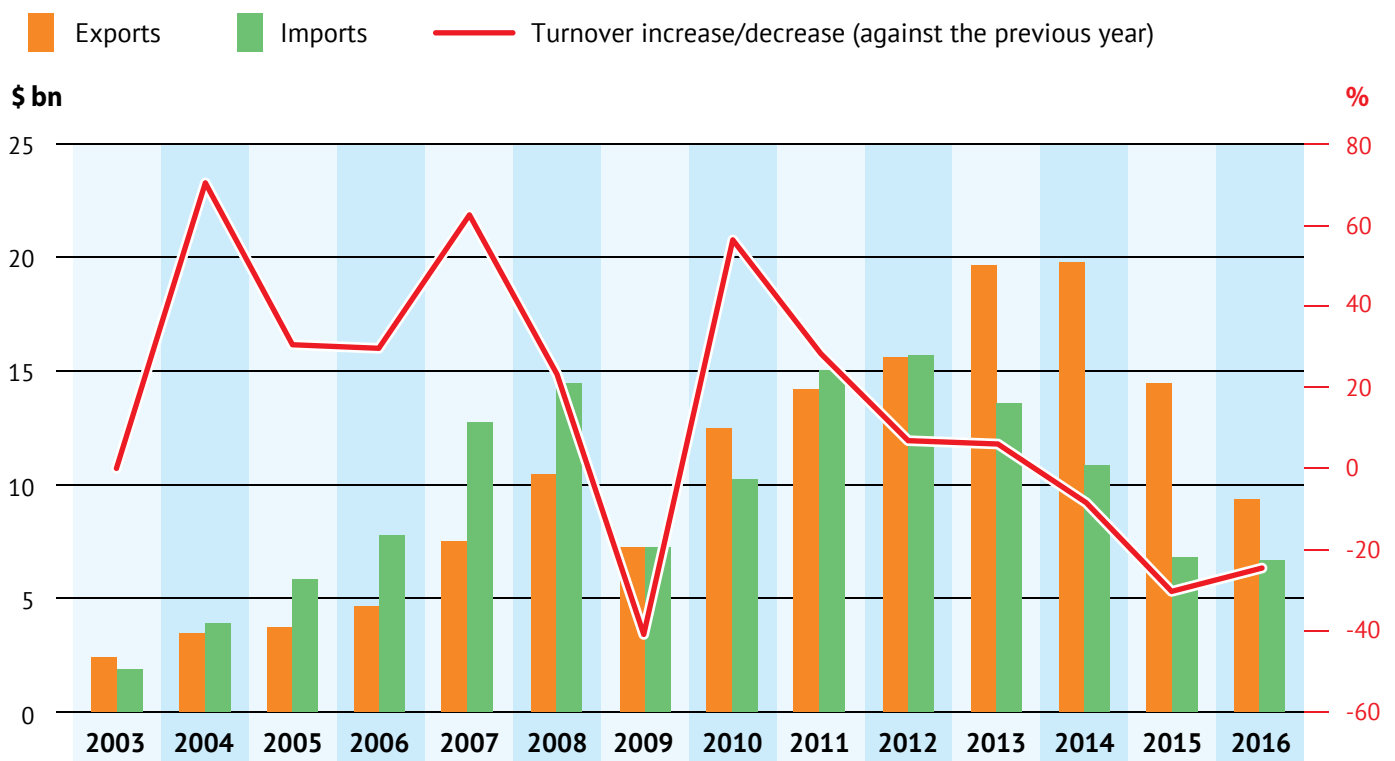
Moreover, there are grounds to expect Tokyo to step up its economic cooperation with Moscow owing to the three major factors. First, Japanese companies are interested in expanding their presence in Russia's energy sector. For instance, Japan has 30 percent of shares in Sakhalin-1 and 22.5 percent in Sakhalin-2. In 2014 the share of Russian gas in the Japanese market reached 9.5 percent (11.5 billion cubic meters).

Second, due to economic stagnation Japanese companies are looking to expand their

presence in foreign markets and Russia is a natural choice in this respect. This primarily applies to resource-intensive industries (agriculture is a good example apart from the energy sector) and, to a certain extent, to industrial branches. Russia may be able to compete with its Asian neighbors in some industries like car assembly in the near future, considering the rapid growth of profits in East Asia, the ruble devaluation (which has reduced labor costs in dollar terms), and Russia's geographical proximity.

Finally, Japanese political circles view the development of economic cooperation as an instrument for normalizing diplomatic dialogue with Moscow with a view to the subsequent resolution of the territorial issue. Efforts in this area were stepped up in 2016. On May 6, 2016 Japanese Prime Minister Shinzo Abe made an unofficial visit to Sochi to discuss prospects of economic cooperation with President Vladimir Putin. This was the first meeting of the two leaders

RUSSIA'S TRADE WITH JAPAN



Source: Market Analysis and Research, International Trade Centre (ITC).

since Crimea's accession to the Russian Federation in 2014. The meeting produced a number of key results: the Japanese Prime Minister announced a 'new approach' to Russia; the leaders agreed to resume bilateral talks in the 2+2 format (defense and foreign ministers) and reviewed an eight-point plan for deepening bilateral economic cooperation.

Shinzo Abe's first visit to the Eastern Economic Forum in September 2016 became another landmark in bilateral cooperation. At

and production of energy resources and the construction of a gas chemical facility. Lack of a tough response from the United States showed that it has limited opportunities for controlling its allies when it comes to their vital foreign policy interests. Tokyo either coordinated its position with the United States or imposed its decision on Washington.

The consolidation of security cooperation with Japan in the medium term cannot be ruled out. Thus, Tokyo considers Russia a key player in resolving North Korea's nuclear problem. On a broader plane and considering invigorated US activities in the region on the one hand and the aggravation of territorial disputes on the other, Russia could help balance the security interests of different players in the Asia-Pacific Region. As it was noted, relations of all East Asian countries with Russia are much better than their relations among themselves and Japan is fully aware of Russia's strengths.

Although the current agreements create a foundation for bilateral cooperation, for the time being they merely determine potential areas of its development without guaranteeing its success. Russia has many more problems in its cooperation with Japan than with China and it will take several years of serious efforts to overcome these problems. Yet, Japan's readiness to enhance cooperation in energy and a number of other areas is definitely a positive sign and may have a favorable impact on the political aspect of bilateral ties.

Russia's strategic priorities in relations with South Korea are largely the same as with Japan. First, it is trying to reduce the destructive US influence in the Asia-Pacific Region by at least partially consolidating economic and political ties with Seoul. South Korea has apprehensions about China, which is increasingly becoming Russia's main partner in the region and Asia's potential leader. South Korea is bound to react to the increasingly vigorous

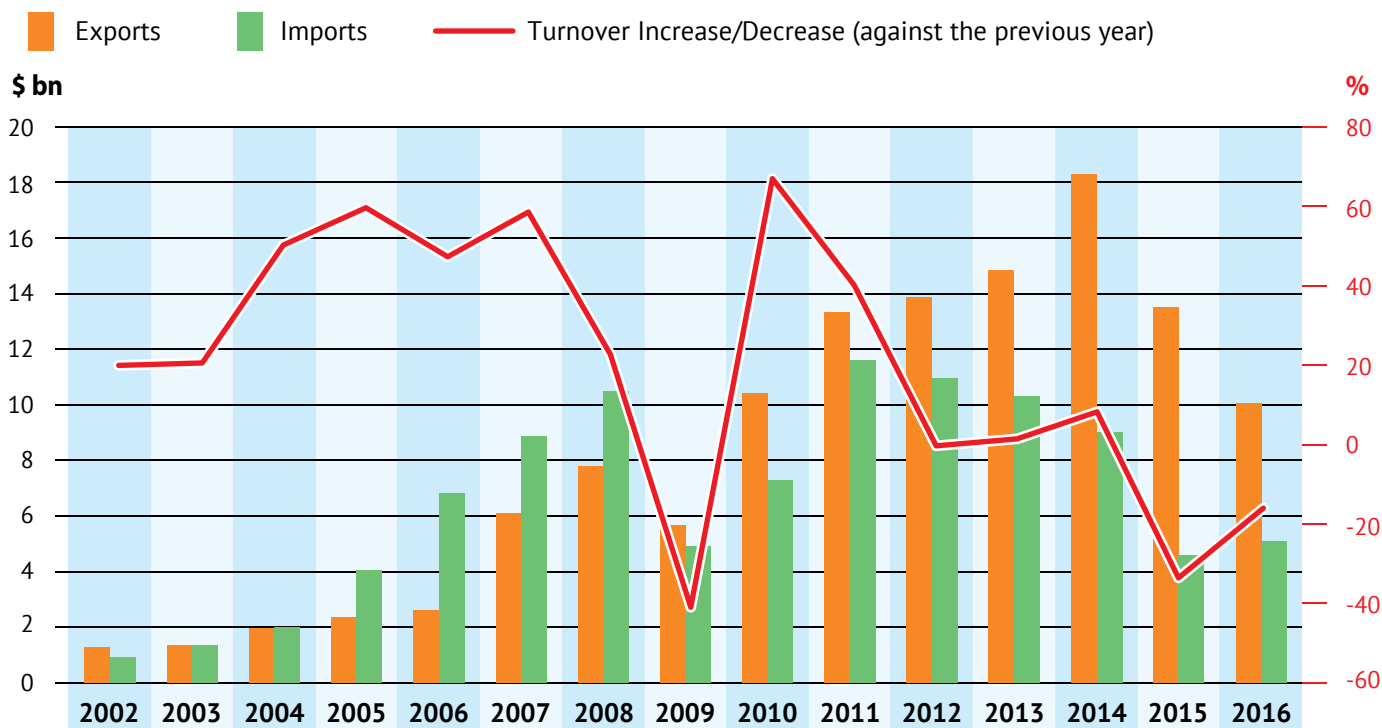
Our regional partners do not yet fully understand Russia's goals and policy in Asia and Eurasia. At this point, this is still an obstacle to establishing a firm presence for Russia, its commodities and services in regional markets

the forum Japanese companies made dozens of proposals for various projects. The Russian-Japanese rapprochement reached its peak in December 2016, when President Putin arrived in Japan for the first time in 11 years. During his visit the sides announced an interim decision to start consultations on joint economic

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development of southern Kuril Islands, primarily fishing, fish and seafood farming and tourism. During the visit Japanese banks agreed to issue loans to Novatek and Gazprom. The sides also approved the agreement between Rosneft and Marubeni Corporation on joint exploration

RUSSIA'S TRADE WITH REPUBLIC OF KOREA



Source: Market Analysis and Research, International Trade Centre (ITC).

cooperation between Russia and China, which is a consequence of their reciprocal policy in Eurasia.

Second, like Japan, South Korea is one of the biggest natural gas importers. Despite a relatively diversified system of gas supplies, Qatar (35.5%), Oman (12.1%) and Indonesia (13%) amount to two thirds of its gas imports.¹ South Korea views Russian hydrocarbons as a component of its energy portfolio in the future, especially considering their advantages (geographical proximity, security of supplies and relatively low political risks, to name a few).

Third, investment in Russia's Far East is becoming increasingly attractive to South Korea. Opportunities exist for investing in agriculture, the food industry, oil and gas production, petrochemistry, urban planning, hydropower industry, aquaculture, water infrastructure and medical equipment. These are just a few

¹ According to BP Statistical Review of World Energy 2017.

of the areas open for South Korea's investment. In addition, as a leader in the shipbuilding market, South Korea has been watching with interest Russia's efforts to develop its Arctic zone. In the mid-term perspective, South Korean companies may increase their participation in transport and logistics supplies to the Arctic.

Trade and economic cooperation between Russia and South Korea does not match its potential for the time being. In the past two years bilateral trade decreased by 45 percent to \$15.1 billion. This reduction was due to a sharp drop in energy prices in late 2014 and subsequent fall of the ruble, which affected the competitiveness of the South Korean imports to Russia.

Bilateral ties are complicated by the fact that last year South Korea agreed to deploy the THAAD system on its territory under US pressure. Like China, Russia believes that the deployment of this US system in Asia disrupts the regional balance of power. In Seoul's opinion, Moscow has not been

sufficiently firm in curbing North Korea's nuclear program, which is yet another stumbling block in bilateral ties. South Korea hopes that Russia will display more initiative as regards sanctions against North Korea approved by the UN Security Council in May 2016 (restrictions on access of North Korean workers to the Russian market), whereas Russia is not ready to take such actions at the expense of its economic interests.

Nevertheless, the meeting of the Russian and South Korean leaders at the Eastern Economic Forum in September 2016 looked promising for stepping up economic cooperation. The sides signed 24 memorandums on potential cooperation in most diverse areas: trade, shipbuilding, agriculture, mariculture, healthcare and space, to name a few.

The aim of both countries to promote a non-Western pattern of global development is determined by their striving to protect national sovereignty and increase their influence in the world arena and, as a consequence, to elaborate a common code of conduct in Greater Eurasia

The domestic political crisis in South Korea that led to the impeachment of President Park Geun-hye and the election of the liberal candidate, Moon Jae-in, to this position is likely to have a positive impact on bilateral political and economic ties.

South Korea may pursue a more realistic and independent policy toward North Korea and will lay greater emphasis on dialogue than sanctions, which have proved to be ineffective, if not counterproductive. That said, for the time being Pyongyang's policy remains venturesome, which prevents the new South Korean leader from implementing his plans.

The invigoration of economic cooperation with South Korea may be particularly beneficial for Russian agrarians. South Korea with a population of over 50 million almost fully depends

on the imports of all basic types of agricultural produce with the exception of rice and potatoes.² Russia doesn't have a presence in this market despite its geographical proximity. At present, food supplies to South Korea are controlled mostly by Western transnationals. However, first, the South Korean government intends to diversify its food imports. Second, Russia's agricultural produce in the Far East is not genetically modified, which makes it more valuable. Third, the ruble devaluation could make potential exports from Russia attractive.

Today, the underdeveloped transport infrastructure of Russia's Far East is the only obstacle. If (and when) an export-oriented grain terminal is built in Zarubino Port, South Korean agricultural companies will be very interested in investing in Russia's agro-industrial complex while the South Korean market will be ready for large-scale supplies of Russian agricultural produce. As a consequence, this creates an opportunity for cooperation under the following pattern: provide attractive investment terms for South Korean companies in exchange for preferences for Russian agricultural producers in the South Korean market. Overall, Russian-South Korean relations

have an enormous development potential both in the bilateral and Eurasian formats.

Consolidation of cooperation and almost allied relations with China is the most vivid example of Russia's turn to the East. This strategic cooperation received a fresh impetus in 2016. Importantly, cooperation is growing stronger even in areas that are sensitive for China, such as maritime territorial disputes and information security. In the former case this means Russia's official support of China on the issue of the South China Sea, followed by the conduct of joint drills in disputed territories in September 2016. This position on Moscow's part is a symbol of its

² According to Food and Agriculture Organization Corporate Statistical Database.

rapprochement with Beijing with an emphasis on strategic partnership. In ‘return,’ China took part in joint military-political exercises in the Baltic in the summer of 2017.

The absence of systemic contradictions that could undermine the general positive background of Russian-Chinese relations is a substantial advantage. Moreover, Moscow and Beijing hold similar views on key international issues and demonstrate them at the top level. In addition to the decisions adopted in May 2015, Russia and China made another breakthrough during President Vladimir Putin’s visit to China in June 2016, which became one of the most productive in their bilateral relations. The two leaders adopted a joint statement on enhancing global strategic stability, which is aimed at deterring the United States. Common foreign policy views are also reflected in the two countries’ approaches to information security. The signing of the agreement on establishing a permanent mechanism of consultations on information security became a key result of the visit in this area. Ultimately, in the final agreement the sides expressed their intention to move towards creating new geo-economic and geo-strategic space – a comprehensive Eurasian partnership, in which Russia will play a leading role on a par with China, India, Iran and the ASEAN nations.

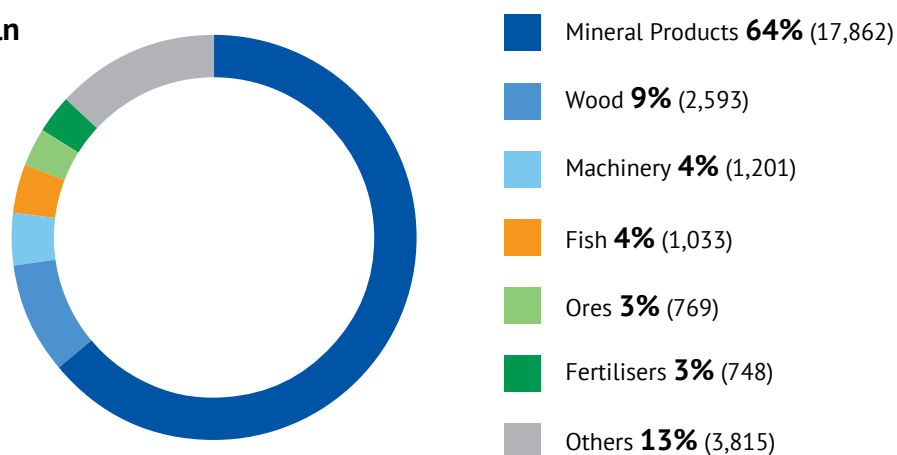
The aim of both countries to promote a non-Western pattern of global development is determined by their striving to protect national sovereignty and increase their influence in the world arena and, as a consequence, to elaborate a common code of conduct in Greater Eurasia, excluding asymmetrical dependence, hegemonism, sanctions and all other instruments of economic war as a method of reaching foreign policy goals.

The two countries also demonstrated their de facto allied relations during Xi Jinping’s two-day visit to Moscow in July 2017, immediately before the G20 summit. The sides had obviously coordinated their positions at the summit as well as their policy on the United States and a number of other issues.

Nevertheless, a number of problems exist in the bilateral relations, the main of which is the limited character of economic cooperation. Hydrocarbons still prevail in the structure of Russia’s exports to China. In 2016 they amounted to 64 percent of Russia’s total exports to China. Both countries’ business communities are poorly informed on the rules of conducting business in the partner country, which is also a problem, along with excessive red tape that impedes mutual approval and subsequent implementation of joint projects.

STRUCTURE OF RUSSIA’S EXPORTS TO CHINA, 2016

\$ mln



Source: Market Analysis and Research, International Trade Centre (ITC).

Development of industrial cooperation would promote more active bilateral cooperation, primarily in the economy. It would be useful to establish a joint structure for filing information on promising industrial and infrastructure projects. In addition, Russia could upgrade its investment legislation by easing access of foreign capital. This could become one of the potential ways of increasing Chinese investment in the Russian economy. Finally, it makes sense to establish joint financial institutions guided by China's experience of cooperating with key trade

with the Silk Road Economic Belt (One Belt—One Road) continues to be the main driver of cooperation in the EEU-China format. It is justifiably viewed not only as a transit-transport project but as a comprehensive plan of economic modernization of several states. It includes projects in infrastructure, industry, trade and services that are vital for all participants.

At present the focus is on signing an agreement on trade and economic cooperation with China. By 2017 the sides completed preparations for talks and reached agreements on the negotiating mechanism. They are expected to discuss the future draft agreement in more detail in the near future. The agreement will cover a broad range of issues, including sectoral and customs cooperation, sanitary, veterinary and phytosanitary measures, and technical barriers. It will pay much

attention to intellectual property protection, access to advance technology and China's experience, and greater transparency in trade remedy actions and subsidies.

However, there are quite a few problems in this area as well. To begin with, the institutional foundation of such alignment is weak and there are apprehensions that it may slide to the bilateral track of cooperation with Beijing. Lack of a proper

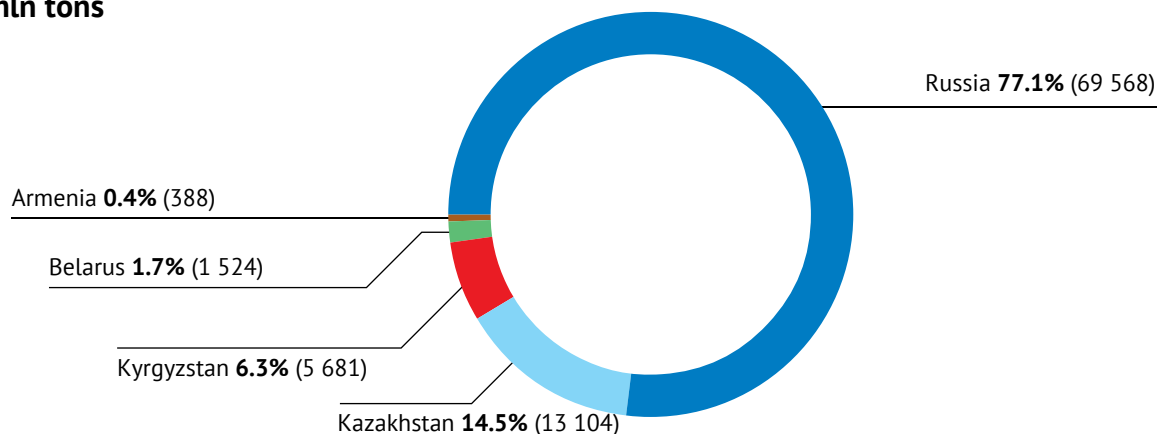
The initiative on aligning the EEU with the Silk Road Economic Belt (One Belt—One Road) continues to be the main driver of cooperation in the EEU-China format

and economic partners and to sign a full-fledged document on protecting investment and capital to replace the 2006 intergovernmental agreement for the promotion and mutual protection of investment.

Trade and economic relations with Russia are only one part, albeit the most important part, of China's relations with the Eurasian Economic Union (EEU). The initiative on aligning the EEU

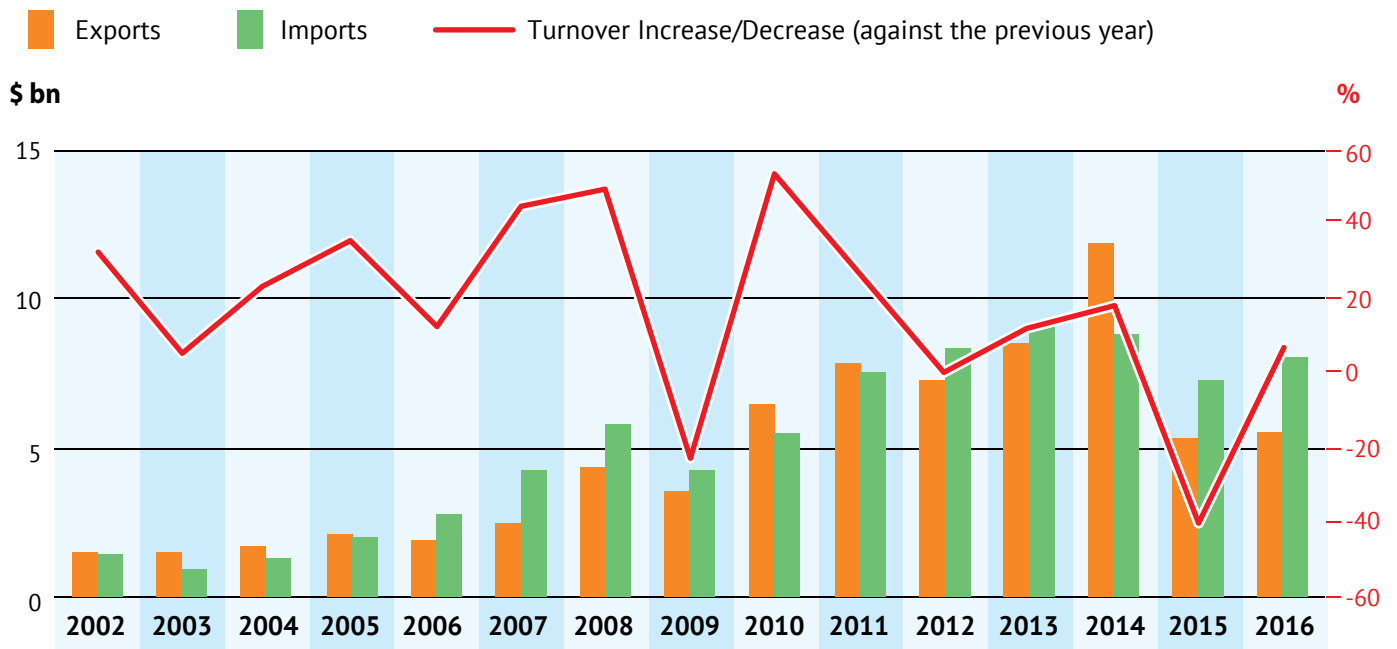
EEU – CHINA TRADE TURNOVER, 2016

mln tons



Source: Federal Customs Service of the Russian Federation, Market Analysis and Research, International Trade Centre (ITC).

RUSSIA'S TRADE WITH ASEAN



Source: Market Analysis and Research, International Trade Centre (ITC).

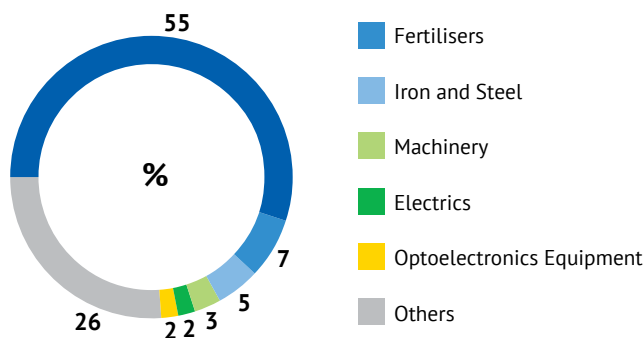
dialogue between Russia and its EEU partners and between the EEU and China on key issues of alignment, including non-tariff regulation, remains an urgent problem as well. It should be noted that the Chinese political quarters do not have an integral approach to the alignment, which

impedes the functionality of this multilateral initiative.

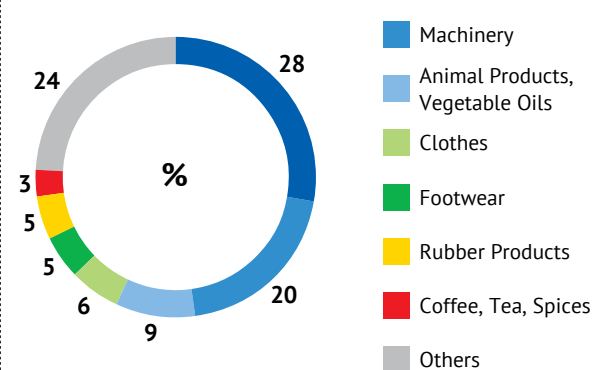
Finally, the low level of trade and economic cooperation between the EEU countries and China is another major problem. In addition, there is a strong imbalance in trade with these countries.

STRUCTURE OF RUSSIA'S TRADE WITH ASEAN, 2016

Exports



Imports



Source: Market Analysis and Research, International Trade Centre (ITC).

For instance, Russia conducts 77.1 percent of all EEU-China trade, Kazakhstan 14.5 percent, Kyrgyzstan 6.3 percent, Belarus 1.7 percent and Armenia 0.4 percent.

In 2016 the sides reached agreement on a number of major problems, in particular, cooperation in competition policy and antimonopoly regulation. Moreover, the EEU countries and China believe it is necessary to conduct mutual settlements in national currencies, expand exchanges of long-term loans with currency swaps, and increase foreign investment in the economy of partner states by more actively involving the Silk Road Fund and the Asian Infrastructure Investment Bank.

Russia's cooperation with **ASEAN** has traditionally been viewed as a low priority. The level of economic relations of the two sides is inadequate compared to other regional partners. Russia occupies the eighth place in ASEAN's foreign trade with a mere \$13.6 billion in 2016. This is over 25 times lower than trade between China and ASEAN.

The structure of Russian exports to ASEAN states is generally traditional: the bulk is mineral fuel (55 percent), in which oil and oil products prevail. As distinct from Russia, ASEAN countries' exports are very diverse.

In 2014–2015 the outflow of Russia's foreign direct investment (FDI) from ASEAN economies made \$1.67 bn. The scale of FDI from ASEAN countries also continues to remain low, amounting to less than 0.1 percent of the FDI total in Russia. As for military-technical cooperation (MTC), Russia's main partner in this area is Vietnam. In 2008–2015 Vietnam was fourth in Russia's overall military exports. Indonesia and Malaysia import fewer Russian weapons, but it is expected that Russian supplies to Thailand and Myanmar will increase.

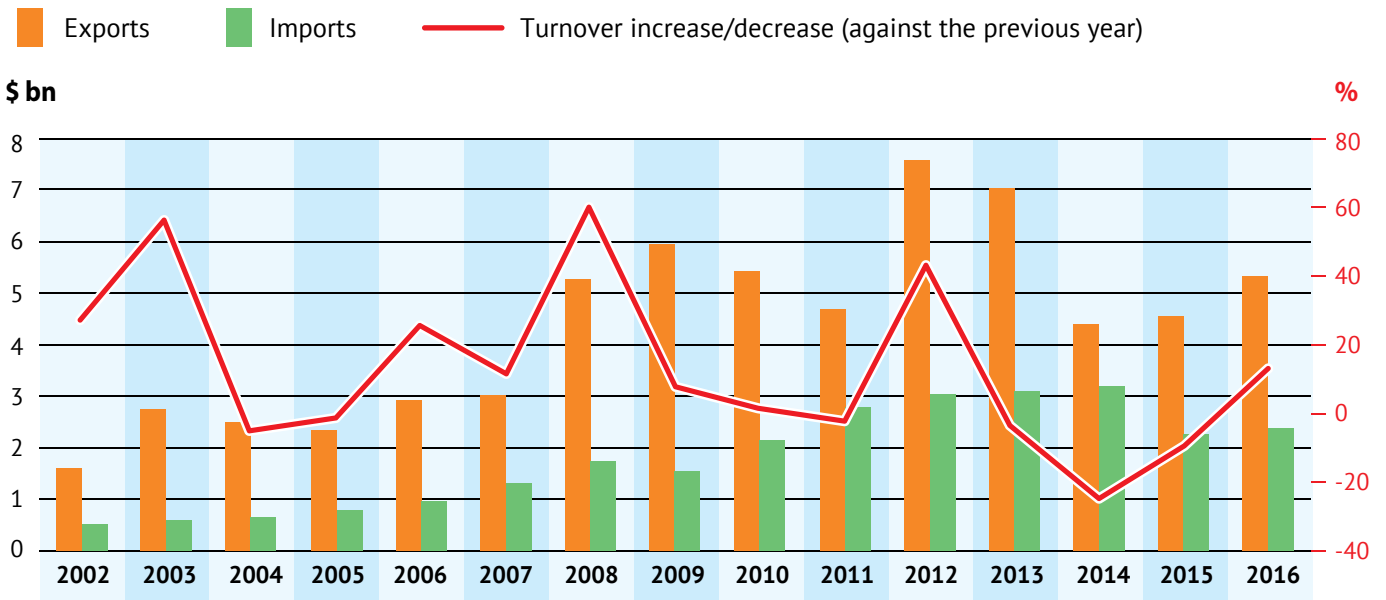
Apart from MTC, hydrocarbons and the nuclear power industry are the most promising areas of Russia-ASEAN cooperation. Vietnam, Malaysia, Singapore and, to a lesser extent Indonesia, are the main purchasers of Russian oil and gas. Considering the trend toward South

East Asia's growing demand for oil and gas, Russia is interested in deepening its cooperation with ASEAN by diversifying energy exports. Russia is conducting talks with Myanmar, Indonesia and Thailand on developing nuclear power engineering. Vietnam's rejection of Russia's Ninh Thuan 1 nuclear power plant project in favor of Japan's Ninh Thuan 2 in November 2016 had a negative impact on cooperation in civilian nuclear industry. However, nuclear energy is potentially a highly important sector for Vietnam, Indonesia and the Philippines, which enables Russia to strengthen relations with them in this area.

On the whole, relations between Russia and ASEAN countries may be described as fragmentary and insignificant, both in scale and depth. Nonetheless, both Russia and ASEAN agree that they should build up the potential of cooperation. Thus, in December 2015 Russia came up with the idea of aligning the EEU, SCO and ASEAN as part of an overarching Eurasian partnership, which became a subject of special discussion at the Russia-ASEAN summit in May 2016. In addition, the EEU-Vietnam free trade agreement came into force in October 2016. In the same month the EEU and Singapore launched talks on establishing a free trade area as well. Such agreements lay the groundwork for stepping up Russia-ASEAN cooperation, but the sides must work hard to increase interest in each other and to take their relations to a new level.

India has moved much higher on the list of Russia's foreign policy priorities in the past few years. Russia views India as one of its major international partners and is actively cooperating with it within BRICS institutions and the SCO, which India joined on a par with Pakistan in 2015. Russia and India have common views on developing a more harmonious and polycentric world order and share similar positions on key international issues. However, their bilateral trade and economic ties remain weak. Thus, in 2016, Russia's trade with Japan was double the amount of its trade with India (\$7.7 billion). According to the Federal

RUSSIA'S TRADE WITH INDIA



Source: Market Analysis and Research, International Trade Centre (ITC).

Customs Service, in 2015 India ranked 17th among Russia's trade partners while Russia was merely 33rd in India's foreign trade.

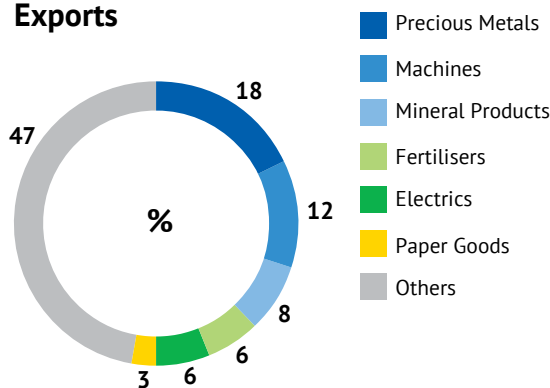
Chemical industry products (including pharmaceuticals), food and mechanical equipment form the bulk of Russia's imports from India. India mostly imports weapons, precious stones,

equipment for nuclear power plants and mineral products.

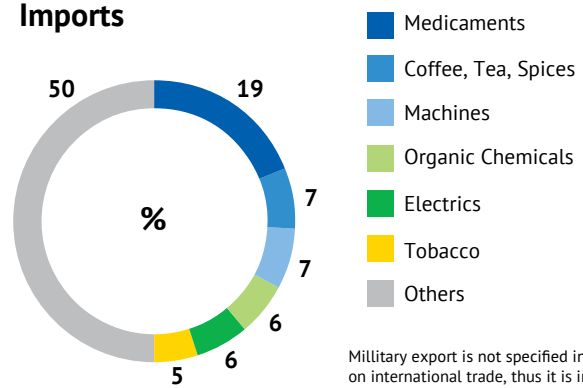
For the time being, the level of investment cooperation between Russia and India remains low. The aggregate amount of India's FDI in Russia reached \$5.6 billion by the end of 2015 while the relevant figure for Russia's FDI in India

STRUCTURE OF RUSSIA'S TRADE WITH INDIA, 2016

Exports



Imports



Military export is not specified in databases on international trade, thus it is included into category 'Others'

Source: Federal Customs Service of the Russian Federation, Market Analysis and Research, International Trade Centre (ITC).

was \$1.27 billion.³ India is primarily investing in the oil and gas and pharmaceutical industries, while Russia's investments mostly go into nuclear power projects.

MTC is one of the most important and developed areas of cooperation between Russia and India, which is confirmed by the strategic character of bilateral partnership. In 2008–2015 India ranked first among the importers of Russian weapons, having exceeded China's share in 2009. Today up to 80 percent of weapons used by the Indian Armed Forces are Russian. Both countries are also jointly developing arms and combat hardware. However, despite India's high interest in Russian military exports, Russia's share in the Indian arms market may decline in the mid-term perspective because of India's striving to diversify arms supplies and develop its own military-industrial complex.

In the nuclear power industry, Indian's Kudankulam nuclear power plant is the largest Russian-Indian joint project. Its construction has been carried out since 1998. Talks on building the fifth and sixth energy units for the plant were launched in 2016.

Russia and India have good prospects of cooperation in oil and gas projects. One of the most promising contracts was signed by Rosneft and India's Essar. It provides for 100 million tons of oil supplies for India's oil refinery in Vadinar in the next decade. This

contract is of strategic importance because it will substantially increase bilateral trade.

In addition, India is also cooperating with the EEU. The sides are expected to sign a free trade agreement in 2017. India's involvement in Eurasian initiatives meets Russia's strategic interests because active participation of yet another influential actor may have a positive impact on the region's integration processes.

General Conclusions

To sum up, Russia's policy in the Asia-Pacific Region is becoming more comprehensive and strategically oriented. Expanding cooperation with China remains Russia's priority. However, in the past two years Russia has established a close network of partnerships with other Asian states and associations, primarily, Japan, India, South Korea and ASEAN nations. To fully integrate into the value and technological chains and turn into an independent growth pole, Russia must expand the range of its supplies to the Asia-Pacific Region with special emphasis on the manufacture of resource-, energy- and water-intensive products. Even a partial resolution of this task will help diversify the national economy, upgrade it technologically, create new jobs, establish major industry and service clusters and comprehensively develop Siberia and the Russian Far East.

II. Development of Siberia and Far East

Having turned to the East in its foreign policy and trade, Russia also had to adjust its domestic policy. In order to fully integrate into the Asia-Pacific Region, Russia has to stop being the region's periphery: it needs to accelerate the development of its regions along the border

with its main Asian partners, i.e. Siberia and Russia's Far East along the Pacific coast.

Since late 16th century, when Russia expanded its territory to the east of the Urals, the development of this region has followed a wave-like pattern. Many attempts were made throughout the history of the Russian Empire, the USSR and post-Soviet Russia to turn

³ According to Eurasian Development Bank.

to the East. The construction of the Trans-Siberian Railway and the Baikal-Amur Mainline, the hydropower plants on the great Siberian rivers, academic and university centers in the southern part of West Siberia, and oil

position, the so-called continental curse, and the remoteness from international markets.

A new development strategy has been devised for Russia's Far East with a view to unleashing its existing potential and taking into account the actual threats and opportunities the region is facing. Taking into consideration the small size of the domestic market and the deficient infrastructure, an export-oriented regional development model was developed with a focus on exports of Russian products to the emerging markets in the Asia-Pacific Region, which could eventually help local producers gain a foothold on the domestic market. The main instruments include

improving the investment climate and creating special economic zones called 'advanced special economic zones (ASEZ).'

Natural resources are the main asset for Siberia and Russia's Far East. Natural resources are quite often viewed in Russia as something primitive and at odds with modern economic sectors. This point of view is completely incorrect. Today, upstream operations are comparable to, if not even more sophisticated in terms of knowledge content involved – the downstream than downstream activity. Extraction technology is becoming increasingly complex, which is partially attributable to the depletion of easily extractable reserves, and also to the tightening of environmental and labor standards. In addition, with the advancement of technology there is rising demand for higher quality raw materials or new kinds of natural resources, for example, rare earth metals and impact diamonds.

Not only did these technological advances transform the mining sector, but also agriculture. New technology, including genetic engineering, drip irrigation, automated agricultural machinery, geo information technology and other innovations are making this industry increasingly precision-guided, in need

Asia's economic rise turns a page in the history of Siberia and Russia's Far East by making it possible to benefit from the potential of Russia's eastern regions, the competitive advantages of the Asian countries, and transform the region into one of Russia's economic growth drivers

fields in northern Siberia – all this is the legacy of those who took over this vast region and developed it. However, despite all these major achievements, Siberia and Russia's Far East were never viewed as the real economic and political centers of Russia. In fact, their development was akin to what Western countries did in their colonies in that it played a secondary role in the national development agenda and benefited the European part of the country. That said, in Russia's colonial policy, it was not uncommon for colonies to become richer than the home country.

Asia's economic rise turns a page in the history of Siberia and Russia's Far East by making it possible to benefit from the potential of Russia's eastern regions, the competitive advantages of the Asian countries, and transform the region into one of Russia's economic growth drivers. This is especially relevant since the current economic development model has hit an impasse.

The main factors holding back the development of Siberia and Russia's Far East are population scarcity, the shortage of infrastructure and the historical focus on the defense industry. In addition, Siberia's development is also hindered by its land-locked

of qualified staff and substantial investment. In the medium term, the key objective for Siberia and Russia's Far East is to promote innovation in the upstream sector. This should be the main axis of all regional development strategies and a prerequisite for attracting investment, both from the state and private investors, including foreign actors.

This makes the goal of coordinating development efforts in Russia's Far East and other regions of Siberia even more urgent. Ambitious plans for the priority development of the Far East, as well as Siberia, including its central and western regions, are needed in order to ensure the transition to resource-intensive production with higher added value, foster the development of an innovation-driven resource-based economy and respond to the shift in demand for resources from China's eastern coast to its western regions.

Siberia has greater economic potential compared to Russia's Far East, both in terms of its natural resources and the quality of its human capital and the size of the available workforce. Siberia also looks more promising when it comes to combining innovations and extraction. The research and development hubs in Novosibirsk, Krasnoyarsk and Tomsk could serve as the core of Siberia's future as an innovation-driven resource-based economy. It is there, as well as to Vladivostok, that major Russian state-owned corporations extracting Siberian resources, as well as certain federal agencies should be relocated. Krasnoyarsk, Novosibirsk or Vladivostok could also be granted the status of Russia's third capital. The Far East Federal University and the Far East Branch of the Russian Academy of Sciences have so far been falling behind Siberian intellectual hubs, but if developed proactively, could reach this level in the future.

In addition, it is important to bear in mind that Siberia and Russia's Far East have deep-rooted historical ties. They are also closely linked in terms of infrastructure, including by the Trans-Siberian Railway and the Northern Sea Route. An effort to ensure accelerated

development of Russia's Far East without due regard to its links with Siberia would inevitably have a negative effect on Siberia, given its continental location. Instead, one of the main goals in terms of developing the Far East is to address Siberia's key challenge, which is its continental location. This should be at the core of any infrastructure development plan, especially in Russia's Far East.

Finally, developing natural resources in the east of Russia with a focus on resource-intensive products implies a different level of industrial cooperation compared to simply extracting and exporting resources. The lack of cooperation of this kind is one of the key obstacles for developing two major deposits in the east of Russia: the Tomtorskoye deposit of rare earth metals, and the Popigai crater with its impact diamonds. The largest consumers of these raw materials can be found in Siberia. So far, it has been easier for them to import these products from abroad for logistic reasons, since they have long established reliable supply chains. At the same time, the absence of guaranteed demand is an important factor blocking investment in developing deposits. The state should step in to coordinate extraction and processing, but there is not a single agency that could be charged with this work. Integrating Siberia into the accelerated development model for Russia's Far East would entail the transfer of this authority to the Ministry for the Development of the Russian Far East, possibly accompanied by the transformation of one or another government body into a Ministry (or some corporation) for the development of Siberia, just as it was planned 7–8 years ago.

One of the key objectives in the development of Russia's Far East is to attract Russian and foreign investment in regional projects. This is the idea behind a number of projects, including the creation of ASEZ and the Free Port of Vladivostok, state support for investment projects, as well as the Far East Development Fund. All in all, these

instruments helped raise over 2.12 trillion rubles, with private investment accounting for 96 percent of this total.

As many as 18 ASEZ have been opened to date. There were a total of 288 applications (1.38 trillion rubles, and 45,600 jobs) for residency in these zones development areas, and 136 agreements were signed (486 billion rubles, 26,500 jobs). They currently count 11 enterprises, and another 34 are under construction. APR countries, including key partners and foreign investors from China, Japan, South Korea, Australia and Singapore, are showing great interest in the existing ASEZ.

The creation of the Free Port of Vladivostok is another tool for attracting foreign investors, who filed 21 residency applications, with China leading the pack both in terms of the number and the worth of the investment applications. One of the key features of the Free Port of Vladivostok project is easing visa restrictions. Foreigners arriving at the Free Port of Vladivostok will be able to obtain an electronic 8-day single entry visa.

Major infrastructure projects in Russia's Far East can benefit from additional government support mechanisms. As of spring 2017, there were 14 approved investment projects worth 328 billion rubles (294 billion rubles in private funds, and more than 12,300 jobs). Subsidies in 2015 and 2016 amounted to 12 billion rubles. Contract for a total of 32 billion rubles were signed to grant subsidies to seven investors for the following projects:

- *opening a mining and processing plant at the Natalkinskoye gold deposit (Magadan Region);*
- *Inaglinsky Mining and Processing Plant (Yakutia);*
- *coal shipment complex in Muchke Bay (Khabarovsk Territory);*
- *mining and metallurgical combine at Ozernovskoye gold ore deposit (Kamchatka Territory);*
- *developing gold mining in Selemdzhinsky District (Amur Region);*

- *setting up dressed and graded lumber production in Beryozovy, Solnechny District, Khabarovsk Territory;*
- *building and launching Taryn Mining and Processing Plant at the Drazhnoye field.*

The annual Eastern Economic Forum was established in Vladivostok to promote projects in Russia's Far East. First held on September 3–5, 2015, the second forum in September 2016 showed that APR countries were eager to work in Russia's Far East. The business program featured 44 sessions, including six strategic sessions and five business dialogues. In addition, 34 investment projects were presented on the sidelines of the forum, and 216 agreements worth 1.85 trillion rubles were signed (compared to 109 agreements for a total of 1.8 trillion rubles in 2015).

The initiative to grant free land in the Far East, informally called the Far Eastern Hectare was launched in the summer of 2016. Any Russian national can apply for a land plot that is granted for a five-year term, after which it can be either leased or become private property. As of June 21, 2017, more than 94,200 applications were received, and over 21,200 land plots granted. The law on the Far Eastern Hectare will be amended before the end of 2017 in order to reduce the number of applications that are turned down.

Apart from the main instruments designed to add momentum to the development of Russia's Far East, there are also supplementary initiatives for promoting the region's industrial and infrastructure development. The region needs developed financial and investment infrastructure in order to integrate into the APR, and is already moving in this direction. In 2016, Voskhod investment system was launched at the Eastern Economic Forum for raising equity and debt for vibrant companies. Investment raised through this system is expected to total at least 3 billion rubles by the end of 2017.

The program called Accessible Loans for SMEs was launched in November 2016 for supporting small and medium-sized enterprises.

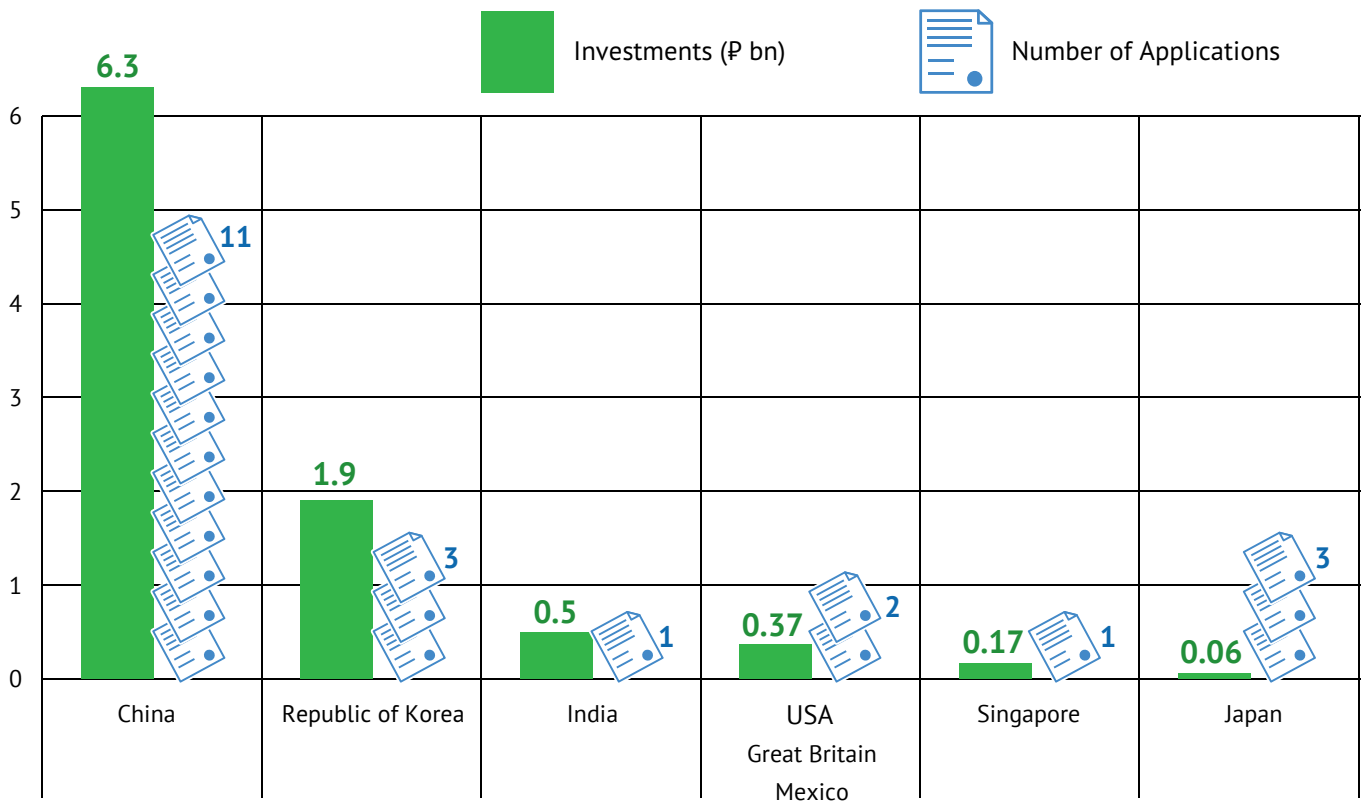
It completed its pilot stage in March 2017, having financed 226 projects for a total of 2.7 billion rubles in Russia’s Far East in cooperation with Sberbank. The agreement to launch the second stage of the program was adopted in June 2017. The Government of the Russian Federation is currently examining the Demographic Policy Concept for Russia’s Far East until 2025. Under the concept, population outflow is expected to stop by 2020, and by 2025 the population in the Far East is projected to increase from the current 6.2 million people to 6.5 million people. The program features special initiatives to increase the birth rate and reduce mortality in Russia’s Far East.

A new mechanism for developing the fishing industry and aquaculture was introduced in 2016, including quotas for water bio resources extraction (catch) for investment purposes. The Far Eastern Development Fund is designing a new model

for aquaculture development in the Far Eastern Federal District under the instruction of Russian President Vladimir Putin. It will be an online tool for investors featuring an interactive map of the available aquaculture areas in the Far Eastern Federal District. In addition, the Ministry has devised a mechanism for selecting investment projects in forest management and granting forest plots to investors without auction.

In the transportation sector, there is a program to build Primorye 1 and Primorye 2 international transport corridors connecting China’s provinces Heilongjiang and Jilin with Primorye Territory’s sea ports. The project however is off to a slow start. According to international experts, potential cargo turnover along Primorye 1 and Primorye 2 corridors is expected to reach 45 million tons of grain and container shipments by 2030 (23 million tons of grain and 22 million tons of container shipments) for a total

APPLICATIONS TO THE FREE PORT OF VLADIVOSTOK FROM FOREIGN INVESTORS



Source: Ministry for Development of Russian Far East.

of 1.8 million TEUs. In addition, at the request of the Ministry for the Development of the Russian Far East, the Analytical Center for the Government of the Russian Federation developed a financial and economic model for the development of the Northern Sea Route as a foundation for expanding its potential in terms of domestic and transit shipments.

In 2016–2017, the Government of the Russian Federation prepared a draft directive to approve the Russky Island Development Concept and oversaw the signing of preliminary investment agreements for a total of about 40 billion rubles. Russky Island's socioeconomic development will unfold

applications from foreign investors in ASEZ and the Free Port of Vladivostok, accounting for about 18 percent of the total applications from private investors.

The fact that the development institutions still lack the required social infrastructure, including a system for training personnel for investment projects, is a major shortcoming. Far Eastern development institutions have also failed to establish a working relationship with regional and national research and academic institutions. The objective to develop human capital is part of the Economic and Social Development of Russia's Far East and the Baikal Region federal targeted program. However, it was approved only in 2016, so it is too early to expect any substantial results. Coordination is also in short supply in export support, especially for small exporters. The Russian Export Center, the Far East Investment and Export Agency, as well as a number of regional agencies are all up and running, but the division of duties among them is unclear.

Local authorities lack information about the actual cross-border ties with China, which is another serious administrative barrier. The existing economic statistics do not reflect the real state of affairs, since most Chinese companies working with Russian partners operate through Russian shell entities. The system for reporting Russian investment in China also lacks transparency. It is obvious that the lack of a clear understanding of Russian-Chinese trade and investment cooperation and its development trends makes it harder to take any decisions at the federal and regional levels.

Siberia is less visible in the government agenda compared to Russia's Far East. Still, overcoming its infrastructure problems and preventing its 'continental curse' from getting even worse is the only way the turn to the East can succeed, including in terms of promoting accelerated development of the Far East, due to its close transport and economic ties with

In fact, this region is a gateway to Russia from Asia, a tool for integrating the country in APR, enhancing its influence, and developing the region to the east of the Urals and Siberia

in two stages. The first stage will run from 2017 until 2022, and will consist of creating an environment for attracting private investment (creation of ASEZ, infrastructure construction). The second stage from 2023 until 2027 will focus on implementing investment projects and further developing Russky Island's infrastructure, including the Far Eastern Federal University, creating a technology and innovation park, etc.

The Ministry for the Development of the Russian Far East has achieved substantial results since its founding, and can do even more by enhancing its efficiency. One of the key challenges in this respect is low awareness. Asian businesspeople in countries targeted by these initiatives do not know about these development institutions and even about the ASEZ. An English-language website about the ASEZ was launched only a few months ago, and there are no plans to create similar websites in Korean, Japanese or Chinese. It is telling that so far there have been only 53

Siberia. Helping Siberian regions tap Eurasian markets has special importance. However, the absence of north-south transport routes that would connect Siberia with the rapidly growing regions of China and South Asia is a major obstacle.

Nevertheless, what all these challenges, solutions and achievements prove is that Russia's Far East should no longer be viewed simply as Russia's fortified and sealed outpost in the Asia-Pacific. In fact, this region is a gateway to Russia from Asia, a tool for

integrating the country in APR, enhancing its influence, and developing the region to the east of the Urals and Siberia. The development of the Far East should be a priority as part of creating the Greater Eurasia partnership and community. This community would not only provide a conceptual framework for creating an area of cooperation, development and security in the Eurasian macroregion, including Europe, but also prevent China from becoming a regional hegemon, which is sure to be countered by other countries, leading to new areas of competition.

III. What is Greater Eurasia?

The partnership or community of Greater Eurasia is, first, a conceptual framework intended for decades to come, a framework for geopolitical, geoeconomic and geoideological thinking that sets the vector for interaction between the states in the continent. It should be aimed at a joint economic, political and cultural renaissance and development of dozens of formerly backward and suppressed Eurasian countries and Eurasia's transformation into a world economic and political center. This center will include East, Southeast

a similar philosophy (to be expounded below) was proclaimed by the PRC leader, Xi Jinping, in his keynote One Belt, One Road address delivered at a forum in Beijing on May 15, 2017.

Second, Greater Eurasia is an emerging geoeconomic community underpinned by the Asia for Asians sentiment, China's economic turn to the West, alignment of China's initiatives with the EEU, and Russia's turn to the East. Of key importance for Greater Eurasia's development is the accelerated expansion of a transcontinental transport infrastructure, including the so far underdeveloped and development-slowing east-west and increasingly north-south roads. Third, Greater Eurasia is a space for civilized cooperation being recreated after centuries of slumber, including the vastly important cultural aspect of the Silk Road, which involved and linked the great civilizations of China, India, Persia, and the Arab Middle East with Europe through Byzantium, Venice and Spain.

Fourth, Greater Eurasia is a movement toward a new geostrategic community, a Eurasian community of development, peace and security, designed to overcome splits left by the Cold War,

Let us note that in many elements a similar philosophy (to be expounded below) was proclaimed by the PRC leader, Xi Jinping, in his keynote One Belt, One Road address delivered at a forum in Beijing on May 15, 2017

and South Asian countries, central Eurasian countries, Russia, and, in all evidence, increasingly countries in the European subcontinent and their associations to the extent to which they will be able and inclined to engage in constructive cooperation. Let us note that in many elements

prevent the emergence of new ones, and regulate differences and frictions between participants in the partnership. Its crucial potential function is to ‘immerse’ China in a pool of ties, cooperation institutions, balances and agreements so as to prevent its possible transformation into a hegemon, against which other Eurasian countries would inevitably team up, inviting outside balancers that have less interest in peace and security on the continent. At the same time, Greater Eurasia should be basically open to the rest of the world and its other important center forming around the United States, through APEC and similar forums, the Atlantic organizations, and a trilateral negotiating format we recommend for the future, a format for global problems and international strategic stability potentially involving other leading sovereign countries like India and Japan, serving to promote this openness.

Greater Eurasia should be based on the traditional values of international law and international intercourse, and rejection of any universalism, value superiority, a feeling of one’s undoubted rightness or hegemony. The principles on which Greater Eurasia (and ideally international relations as a whole) should be based are as follows:

- *Unconditional respect for sovereignty and territorial integrity, renunciation of the policy of hegemony, diktat and threats, mutual efforts to maintain peace and stability under the UN aegis.*
- *Unconditional respect for political pluralism, freedom of political choice by the continent’s nations, renunciation of interference in each other’s internal affairs.*
- *Economic openness, the lowering of barriers to international trade and investment, renunciation of the politicization of economic ties that undermines interdependence, the plus-plus economic interaction, and gain for all parties.*
- *Renunciation of efforts to create military alliances and expand the existing ones, all-out support for neutrality and nonalignment, security guarantees for states that have made this choice.*

- *Fostering continent-wide development, cooperation and security system from Jakarta (or Tokyo) to Lisbon, which would cover and compensate for the failed European security project and would provide a new format for dealing with conflicting interests in Europe, along China’s perimeter, on the Korean Peninsula, in the Middle East, etc.*
- *Maintaining military and political stability and preventing conflicts as an absolutely indispensable condition of societal development and increased prosperity, and ultimately the enforcement of human rights.*
- *Maintaining and developing the diversity of cultures; creating new and recreating historical cultural ties. Through the dialogue of Eurasian civilizations – toward peace, cooperation and mutual enrichment.*
- *Protection of human rights in harmony with respect for the rights of societies with the rights of societies and states.*

Greater Eurasia is also a conceptual framework for Russia’s geostrategic and geoeconomic self-identification as the center and north of the rising continent and one of its important transport and economic links and crucial provider of security. Thanks to its many centuries of experience interacting with the West and the East, peaceful interaction of many religions and openness of Russian culture, Russia is certain to play a central role in organizing and reestablishing cultural cooperation in Eurasia. But in so doing, Russia does not intend to renounce its original European cultural roots and will continue to strengthen them. Greater Eurasia is a joint project, or rather many projects by Eurasian states and their organizations prepared to move toward the common goal of creating a continent of development, peace and close cooperation. Originally, the Russia-China tandem will play the leading role in its creation, with their leaders officially endorsing the Greater Eurasia partnership concept. But the concept needs to be fine-tuned in the course of a multilateral discussion.

The SCO looks like a natural negotiating venue for this partnership, provided that it is infused with more energy and openness and turned from a purely regional organization into an organization of organizations and a discussion forum

The conceptual framework makes it possible, by using trends, to direct the activities by states, the existing organizations and dialogue formats into a single channel intended for shaping and formalizing a new geoeconomic, geopolitical and geocultural community, the partnership and later the community of Greater Eurasia. The SCO looks like a natural negotiating venue for this partnership, provided that it is infused with more energy and openness and turned from a purely regional organization into an organization of organizations and a discussion forum. The SCO–EU and EEU–EU dialogues may be useful as well. An expert forum could also serve as a good start to later evolve into an expert political

forum for Eurasian development, cooperation and security. But using (in the process of development) an existing organization is more convenient than establishing a new a new one, especially in the absence of an institutional basis an institutional basis.

Naturally, to create a new SCO-based organization (given's SCO's preservation and growth) will require effective joint efforts by its members, primarily Russia and China, whose moves in the SCO were earlier fettered by the desire to contain each other's influence in the economic sphere (Russia was obviously afraid of China's domination) and in the security sphere (China was not eager to accept Russia taking a dominant role). Currently, the development is contained by conflicting interests of India and China, India and Pakistan, and Russia and EU/NATO. To reiterate, a new format that would eliminate the old contradictions is needed. This means joint movement toward a Greater Eurasia partnership, which requires a synergy of efforts and competitive advantages for common benefit.

IV. A Roadmap for Tomorrow

4.1. A Strategy in Outline

What has been achieved as the turn to the East was made requires not only the development of the existing focus areas, but also the launch of new projects. But primarily it is necessary to conduct in-depth forecasting of Asian and Pacific markets to channel investment, so far obviously modest, to industries whose products will enjoy long-term demand. It cannot be ruled out, for example, that a surge in infrastructure investment in the United States and China's likely

massive investment there will increase demand for Russian traditional energy-intensive exports like metals and other commodities. At the same time, the highly probable drop in demand for coal in Asia and the world requires that the coal industry and related huge transport flows should be restructured now. The turn policy should be squared with the so far nonexistent economic revival strategy, and become its component or maybe even a crucial element of Russia's development.

Intensifying the turn is also necessary because in many respects we are late in making it and have lost immense benefits owing to the havoc in the economy and the minds in the 1990s and early 2000s. As indicated above, the priority, in addition to developing the latitudinal transport infrastructure, is to develop north-south transport routes that will link not only the Russian Far East,

Partnership has failed for the time being. But there is ASEAN- and China-led Regional Comprehensive Economic Partnership embracing the majority of countries in the region. So far Russia and other EEU members find it difficult to forge a common EEU position and lack sufficient expert potential. For this reason they refrain from joining negotiations and focus on a network of bilateral free trade areas. But it is unclear whether this ‘abstention’ is beneficial in the long term.

Russia is not satisfied with many elements of the growing cooperation; there are barriers to many Russian goods and investment, and bureaucratic and political obstacles remain

but also Central and Western Siberia, and the Urals with the fast growing markets in Western China, Iran, India and Pakistan.

In spite of the current crisis-occasioned slowdown in integration processes within the EEU, the latter needs a new long-term agenda. This could be a single transport policy and a common trade policy, integration on optimal terms in Greater Eurasia’s unified space, and involvement in shaping its standards and rules. It is necessary to establish multilateral hi-tech alliances with other countries in the continent, both in its west and east. Developing the majority of hi-tech industries cannot be geared predominantly to the domestic or even the EEU market. Technological alliances are needed both to forestall and prevent the risks of likely further politicization of the world economy primarily, but not exclusively, by the West.

What has been achieved in the course of the turn to the East requires that we also formulate new demands for our Asian partners. Russia is not satisfied with many elements of the growing cooperation; there are barriers to many Russian goods and investment, and bureaucratic and political obstacles remain. Finally, Russia needs to decide, as soon as possible, on the forms of its participation in integration unions in Asia and the Pacific. The Trans-Pacific

A separate set of goals is related to Russia’s foreign policy and military and political involvement in the Asia-Pacific Region, which is witnessing reemergence of many lingering conflicts, an almost inevitable boost in US containment of China and various propensities to exploit differences and apprehensions of regional players. But possibly the main thing is that China’s neighbors are increasingly fearful of its growing might. These fears may be purely subjective and have no relation to Beijing’s real policy and intentions. But they create a demand for Russia’s constructive involvement as an experienced and diplomatically powerful player that has friendly relations with most countries. The lack of a ramified and stable security system in the region only makes this demand more insistent. Both objectively and potentially, Russia is a major security provider in the region and the world, including by virtue of its containment of and dialogue with the United States (dialogue is so far thin on the ground). Prospectively Russia, China and the US may start a security dialogue, if they finally realize how much it is needed.

The Russian-Chinese ‘comprehensive, equitable and trust-based partnership and strategic interaction’ needs to be broadened as well. It is almost allied in nature, but suffers from insufficiently developed ties at the middle and lower levels, specifically in business. Of no less importance is the fact that it lacks ‘strategic depth,’ specifically a common long-term co-

development goal. Creating a partnership or community of Greater Eurasia through the leaders' interaction should obviously constitute this goal common to all countries in Eurasia.

A Greater Eurasia roadmap can include the following elements:

- *Creating a coordinated transport strategy for Greater Eurasia.*
- *Establishing a system of rating agencies.*
- *Providing support for the Asian Infrastructure Investment Bank, other regional banks and a system parallel to SWIFT that rules out using the latter as an economic weapon and consolidates stability of the world financial system.*
- *Increasing the use of national currencies in trade, creating independent payment systems.*
- *Creating an economic information center parallel to the OECD and operating in conjunction with it.*
- *Creating a Eurasian mutual assistance network or possibly even an organization for emergency situations (increasingly frequent), extreme weather and technological disasters or post-crisis rebuilding. Syria is a likely pilot project in the latter type of activity.*
- *Creating a comprehensive independent news and analysis mega agency combining collection and distribution of information with analytical work, a conventional blend of Al-Jazeera or BBC with Stratfor. Its tentative name may be Eurasia News. This agency will enable the countries in the continent to acquire greater intellectual and political independence and counter the politicization of information flows. The aim in creating this news and analytical agency is, among other things, to shape a sophisticated theory of international relations geared to new realities and prospective developments and reflecting the interests of Eurasian countries. It should envisage, for example, the interaction and interpenetration of civilizations instead of conflict between them, limitless and cyclic*

nature of humanity's development instead of movement toward the final stage, etc.

- *Cooperation in restoring the historical and cultural narrative common for all Eurasian states, from the history of the Genghis Khan Empire to the economic and cultural phenomenon of the Silk Road and the history of the Byzantine (East Roman) Empire, which blended Asian and European cultural flows and preserved the classical culture when Europe was in decline, or the role of Venice as Asia's gateway to Europe and a new perspective on the crusades. The aim is to recreate and create a unified historical and cultural identity for Eurasia and the world and amend the still predominant world history narrative oriented to Europe.*

In parallel with making progress toward Greater Eurasia and intensifying Russia's turn to Asia, we should think about fostering interaction with our traditional partner, Europe, on a new political, economic and conceptual basis. Moreover, the continuing European integration crisis prompts many in the subcontinent to revise their patently counterproductive policy towards Russia. The United States is becoming less and less reliable. European countries are seeking a turn to the East of their own. Many are making it ahead of Russia. So far it is not clear how to relaunch Russia's European policy: the situation in Western Eurasia is too vague. But a 'relaunch' is an objective necessity all the same.

The key component of foreign economic policy in Eurasia is expanding trade and economic cooperation with Greater Eurasia countries, including enabling Russian manufacturers to enter their markets and attracting their investment to Russia. It is impossible to advance in this area unless we simultaneously follow other vectors that were analyzed in other sections. For example, it is difficult to expand trade and investment without developing transport infrastructure, without integrating Russia in the information space of Asian countries and partly without promoting security cooperation.

4.2. Russia's Objectives in Asia and Eurasia

Creating a Continental Security System

The military and political situation in Eurasia is not acutely dangerous or verging on a war. This, however, does not apply to the Middle East, whose conflicts and instability are threatening the entire continent. 'Security vacuums' are proliferating as well, and one of these is in Europe. A prewar situation has been emerging there since last decade due primarily to the West pursuing neo-Weimar-style policy in the wake of the Cold War and expanding its alliances to territories of vital importance for Russia's security. By its moves in Crimea and

A number of conflict zones are being unfrozen or created anew and stimulated from the outside in Asia; military potentials are being actively built up. 'Security vacuums' are multiplying. The biggest of these surrounds China, which is not threatening its neighbors and seeks to strengthen itself mostly by peaceful means. But all its neighbors are increasingly afraid of its might. Russia with its military power and friendly relations with China is an exception. But some people in Russia are also apprehensive of the long-term prospects of Chinese power buildup.

Currently, many countries in Asia look to Russia as an important and relatively independent player with respect to the main conflicts and disputes threatening regional stability. In Central Asia, Russia provides direct guarantees of protection from external threats to the majority of countries, including in the first place its CSTO allies. In East and Southeast Asia, Russia is seen as a necessary balancer and a neutral player with regard to the central regional conflict between the United States and China and equally complicated relations between China and its neighbors (Japan and the Republic of Korea). Potentially it is difficult to deal with the China-India conflict without outside assistance.

However, if a few years ago, the possibility of a direct military conflict between the US and China was practically ruled out, today a local armed clash scenario has become more real and at the center of a broad expert discussion. A gradual, albeit non-linear, increase in the conflict potential is emerging as a new normal in the China-US relations. The small and medium-sized countries in the region are at the same time seeking to use the benefits of Chinese economic might and are apprehensive about falling under China's political and military domination. They increasingly want to diversify their risks to avoid finding themselves between the hammer and anvil of a US-China conflict and in this regard Russia

A number of conflict zones are being unfrozen or created anew and stimulated from the outside in Asia; military potentials are being actively built up

Ukraine, Russia has stopped it and pushed it back. But simultaneously this has dealt a coup de grace to the already defunct European security system that had failed because of NATO expansion and for a number of other reasons. Its vestiges are a still extant possibility of a dialogue between Russia and NATO and the OSCE. The latter,

The small and medium-sized countries in the region are at the same time seeking to use the benefits of Chinese economic might and are apprehensive about falling under China's political and military domination

if it evolves into a sub-regional crisis center and a coordinator of the fight against terrorism and cyberthreats, can and possibly should be retained. But it is unrealistic to expect a return to the old schemas and hopes. The victorious inertia of the Cold War and the accumulated mistrust have buried these hopes.

Despite both countries' statements and genuine reluctance to create an anti-American alliance, the US policy with its growing elements of confrontation in relations with both countries is pushing them toward greater military and political cooperation

is seen as a potentially important, independent and strategically self-sufficient partner.

As far as Chinese–Russian security relations are concerned, the sides have reached a level of trust approximating a de facto military-political alliance. At the same time, Russia and China should not move towards formalizing their allied relations for the time being. In any event, it seems important to avoid as much as possible linking Chinese–Russian security cooperation to both powers' relations with the United States, particularly in connection with the fact that in the short term the US policy toward Moscow and Beijing is likely to be chaotic and controversial.

Chinese–Russian security and defense cooperation should be aimed at stability in the region of a 'common destiny,' or co-development of countries and peoples in Greater Eurasia. What it should not be intended for is a formal confrontation with one or several extra-regional or regional powers. At the same time, despite both countries' statements and genuine reluctance to create an anti-American alliance, the US policy with its growing elements of confrontation in relations with both countries is pushing them toward greater military and political cooperation and further on to coordinating their defense policies. They are increasingly becoming each other's 'rear, base' and 'support' politically and economically (the latter is primarily from the part of China) as well as militarily and politically. Besides, Russia's powerful nuclear deterrent is an umbrella for the less powerful China, making a large-scale and potentially nuclear war against it a prohibitively dangerous affair for the United States.

Among other things, the Greater Eurasia partnership concept is aimed at filling these 'security vacuums.' It provides not only for an advance toward a co-development community, one based on fair principles and looking to the future, but also for creating a continental security system in which Russia (like all others) would feel comfortable in the East, West and South.

In this context, Russia by virtue of its geographical position, military might and diplomatic experience, can serve as a leading security provider in this system.

The prevailing security method in Greater Eurasia is nonalignment or neutrality guaranteed by the leading international players (primarily Russia, China and, as far as possible, the United States and NATO). The effort to overcome the bloc split and create a security system should evidently be preceded by launching an expert, and later expert political, forum on development, cooperation and security in Greater Eurasia.

Strengthening the Institutions of Cooperation and Integration

Much headway has been made in recent years in cooperation with the leading Asian countries (primarily China and Japan). Yet, up until now the case in point is more likely 'skimming the cream' than anything else, or more specifically implementing some long overdue and the easiest projects. To intensify cooperation, Russia would like to make it system-wide. The basic agenda for the next 10 years includes a consistent and often routine effort to remove the key barriers to Russia's further integration into the APR economic ties.

The Eurasian Economic Commission is the most important agent for Russian integration initiatives (and those of the other EEU members). Enhancing its potential as the main tool for furthering EEU interests ought to follow two directions. First, it is necessary to unreservedly recognize the EEU's exclusive mandate for

negotiating trade issues on behalf of the member countries. Further on it should acquire a similar mandate for investment regulation. Regrettably, certain EEU member countries still prefer to augment the efforts of the Eurasian Economic Commission by holding bilateral talks with outside partners. Asian countries actually support this practice because it makes it easier for them to impose their will on individual EEU countries. A number of Russia's actions in recent years (including the signing of the bilateral Agreement on the Aligning of the EEU and SREB and introduction of sanctions against the West without coordinating the move with the EEU partners) have increased doubts among other member countries that Russia regards them as equal partners. The EEU is a highly valuable asset that Russia must cherish and urge other EEU countries to do the same.

Second, it is important that the Eurasian Economic Commission coordinate its operations with Russian ministries and agencies. The Commission is in charge of the member countries' trade policy and FTA talks. Accordingly, it is directly aimed at protecting the interests

of Economic Development on expanding Russian exports to the APR.

In the future, EEC can advance the interests of Russian agencies and businesses in relation to APR partners, including:

- *Negotiating investment projects with its international partners under the 'tariffs in exchange for investment' scheme⁴, which means removing some or other tariff barriers in exchange for investment in concrete projects.*
- *Developing specialized formats for including the Far East in preferential and non-preferential trade and economic relations with EEC participation (on border trade, on priority cooperation in the region, on special industry-specific cooperation).*
- *Reflecting the interests of the Far East in international service regulations with Asian nations, at this stage in the field of transport and tourism.*
- *Reflecting the interests related to visa regulation and residence of foreign workers, etc.*

Greater EEU involvement in regional integration initiatives is necessary. In its international integration initiatives, the EEU is so far playing catch-up and studying opportunities for signing bilateral FTA agreements (EEU + a partner country).

There are both fundamental and operational reasons for that.

First, the EEU member countries conduct an ultra-conservative trade policy. For many years, even the idea of an FTA would trigger a surge of accusations of interference in domestic market operations. Second, up to the 2010's, the EEU member countries' political and economic interest

The EEU is a highly valuable asset that Russia must cherish and urge other EEU countries to do the same

of national producers vs. importers and helping exporters to enter foreign markets. So far the predominant starting position displayed by the member countries and their business players is directed at protecting their domestic markets rather than expanding outward.

Russian export-oriented businesses and agencies (primarily Ministry for the Development of the Russian Far East) see this as a fundamental problem. Unless the ministry firmly insists on its starting position, the EEC will be unable to effectively promote Far Eastern economic interests. To no lesser extent, this problem concerns the EEC's dialogue with the Russian Ministry

⁴ As of now, the scheme is ineffective because the exchange is handled by different competing rather than cooperating agencies. The EEC as a supranational body is in charge of removing tariffs, while attracting investment and improving investment climate falls within the purview of national agencies, with the latter often undermining EEC efforts.

in Asian countries was weak in comparison with Europe. For example, the EEC held FTA talks only with EFTA and New Zealand practically until the moment when the anti-Russian sanctions were introduced.

Third, the EEU itself is fairly young and more focused on internal integration. For example, only two employees from Belarus have been involved in FTA talks at the operational level. Meanwhile, the consensus principle requires that these be approved on all key issues.

Fourth, there are objective differences between the EEU member countries and resultant problems in shaping both a consolidated starting position at trade talks (as a rule, it is fairly straightforward: “You open your markets and don’t demand that we open ours”) and a ‘defensive position’ (often there is none and this slows down talks).

Finally, there are purely organizational reasons. The EEC has extremely limited organizational resources for broadening the negotiating agenda. Currently there are seven bilateral FTA agreements in the pipeline and the EEC lacks the human resources for opening new similar negotiations, let alone for holding higher-level talks. For example, joining RCEP, where the majority of countries involved in negotiations are parties to FTA agreements, while RCEP talks are about deeper levels of regional cooperation, require an expansion of expert potential. This issue is on the EEC agenda, but it will take at least several years for it to be solved and require a considerable effort by all EEU member countries.

We can state that the external demand for integration with the EEU in the shape of over 40 applications for FTAs is far in excess of its capabilities, for the current seven negotiating processes is the EEC’s organizational ceiling. So far, only one FTA agreement, that with Vietnam, has been signed (May 29, 2015). Right now, the EEU is negotiating with the following partners:

- *China, on a trade and economic cooperation agreement (a non-preferential trade and economic agreement not leading to an FTA);*

- *Iran, on a provisional agreement leading to an FTA;*
- *Singapore, on an FTA agreement;*
- *Republic of Korea, working consultations on signing an FTA agreement;*
- *India, FTA negotiations are being prepared;*
- *preliminary talks are under way on an FTA with Israel, and on trade unification and an FTA with Serbia.*

The formats of these talks differ, but all of them to a degree are extensions of Russia’s turn to the East and Greater Eurasia policy. Progress in these areas also varies considerably: talks with Iran are at a final stage; the negotiating format has been coordinated with China and an agreement is being drafted; the expediency of talks on an FTA with Korea and their possible framework is being studied; a working group has been established to draft an FTA agreement with Singapore; talks on an FTA with India are likely to start in late 2017.

For the next 3 to 5 years, the EEU is to focus on the bilateral track. After signing FTA agreements with Singapore and possibly with some other Southeast Asian countries, the EEU–ASEAN FTA talks are likely to begin in 5 to 7 years. The EEU’s full-scale involvement in regional trade mega agreements and integration projects is likely to take place not earlier than 7 to 10 years from now, when it may join both the RCEP and the Greater Eurasian partnership as a general framework for regional cooperation.

Reducing Trade Barriers

Trade negotiations with Asian countries focus on reducing tariff and non-tariff barriers that prevent Russian products from penetrating regional markets. In terms of tariff restrictions, Russia will seek to liberalize trade and remove barriers in the most protected segments, primarily with regard to exports from the Far Eastern Federal District. There were cases when prohibitive duties of over 100 percent could not prevent exports, as

was the case with corn deliveries to the Republic of Korea. However, a consistent effort to bring these barriers down is needed in order to expand exports.

High and prohibitive duties are usually levied against products from the first five sections of the foreign trade customs code:

- *live animals; animal products;*
- *plant products;*
- *animal and plant fats and oils and their split products; ready food fats; animal and plant waxes;*
- *final food products; alcohol, soft drinks and vinegar; tobacco and its substitutes;*
- *mineral products.*

It is in these categories that Russian exporters need support. However, it should be taken into consideration that in some cases prohibitive duties are enacted as per the WTO accession agreement, which rules out the possibility of challenging them through WTO mechanisms. This emphasizes yet again the need to sign preferential trade agreements.

Understanding which markets should be opened before others is also essential when negotiating trade deals. This always comes at a cost. In exchange, partners will ask to open up

In terms of tariff restrictions, Russia will seek to liberalize trade and remove barriers in the most protected segments, primarily with regard to exports from the Far Eastern Federal District

EEU markets to their products. This should not cause concern since Russia has a big margin for lowering trade barriers for many export items Asian partners are interested in.

As for non-tariff restrictions, these barriers play an even bigger role in restricting access for Russian producers to the Asian markets, compared

to customs duties. The agricultural market is a case in point, since all leading Asian countries make active use of sanitary and phytosanitary barriers, and set special requirements for packaging and labelling, transportation, certification, etc. For this reason, during trade talks it is important not only to raise the question of removing non-tariff barriers, but also establish and maintain ties with the relevant agencies in charge of enforcing non-tariff regulations.

Russia should also step up its activity in WTO trade disputes. While all Russia's key partners in Asia-Pacific are WTO members, Singapore is the only country that notifies other WTO members of its new measures. The WTO should help inform third countries of such measures, instead of just reviewing measures that should be taken.

Non-tariff barriers are mostly represented by technical trade barriers, sanitary and phytosanitary measures, which means that they should be reviewed on a case-by-case basis in order to understand whether a specific measure is redundant. Whenever there is any doubt, the case should be referred to the relevant committees, and if this does not yield results, to the WTO Dispute Settlement Body.

An alternative concept of national food security should be promoted on international platforms, including the East Asia Summit, the Belt and Road Forum and the BRICS Summit for reducing the weight of sanitary and phytosanitary norms as tools for protecting domestic food markets and ensuring food security. The key should be to shift the controls from the domestic food market to supply chains. This concept could be effectively implemented through strategic partnership ties with Russia.

Russian export promotion agencies should establish effective and permanent information and dialogue channels with the Eurasian Economic Commission and the WTO. The EEC could represent the exporters in trade talks, while

working to gradually remove excessive protections through the WTO.

While it appears to be more advisable at this stage to discuss tariff barriers with the relevant country in a bilateral setting, with the EEU representing Russia, many types of non-tariff barriers can be discussed at multilateral platforms. The key steps for building the Greater Eurasia partnership include gradually getting rid of non-tariff barriers, easing customs clearing requirements and procedures, including by introducing e-services, as well as streamlining sanitary control.

Strengthening Export Support

The strategy for promoting long-term trade and investment cooperation in Greater Eurasia should be underpinned by the gradual transition from an extensive economic growth model based on cheap labor and growing consumption of energy and other raw materials to a different model of socioeconomic development with slower growth, expanding domestic demand in developing economies and increasing household incomes. In this model, demand for consumer products, including durable goods, grows faster than demand for raw materials (energy, metals) and investment products (equipment, construction services).

What partners need are state guarantees, since in today's international environment it is not uncommon for Russia to be viewed as a country with relatively high political risks

However, the problem is that few Russian producers are so far ready to work in this segment. Unlike the commodities and capital goods, consumer tastes and preferences play a much bigger role on the consumer market, and can be quite specific. For this reason, marketing plays a much bigger role, which leads to the need

to be present in the media space of the importing country.

In addition, Asian countries have closed their markets by introducing high customs duties, as well as multiple non-tariff restrictions. In terms of facilitating commodity exports, support for exporters mostly consisted of reaching political deals. With consumer goods, what matters even more is the ability of a country to open up the market (for example, through trade deals), as well as stepping up export support, including export lending and insurance, state guarantees, consulting and stepping up the operations of trade representatives abroad.

The current export support system includes the Russian Agency for Export Credit and Investment Insurance, Eximbank of Russia, the Russian Export Center, the Far East Investment and Export Agency, etc. So far, they have been unable to deliver on their objective. The main challenge is the lack of funding. For instance, the share capital of the Far East Investment and Export Agency is ten times smaller than that of the export lending agencies in the leading economies. At the same time, subsidized export lending is of special importance for Russia due to high borrowing costs. What partners need are state guarantees, since in today's international environment it is not uncommon for Russia to be viewed as a country with relatively high political risks. Small and medium-sized businesses need this kind of support more than others, since they should become the main drivers of trade and investment cooperation with the Asian countries. However, government support for exports by SMEs is now virtually inexistent.

Another important area in terms of export support is information. Creating a comprehensive system for interacting with Russian exporters is advisable, since it could be used to spread the latest information on the existing barriers in the researched countries. This could serve as an additional platform to the Integrated Foreign Economic the Integrated

foreign economic information portal. Finding a niche for Russian products in Asian countries requires special support, including marketing, branding, search for distribution channels, etc. These forms of export support should also be developed, in addition to closer integration into the APR information space.

Promoting Technology Cooperation in Asia and Eurasia

Russia's last attempt to make a turn to the East, which finally succeeded, was conceived a decade ago, and was primarily an economic initiative. The need for the whole country to tap into Asian growth had finally become obvious. The second objective was to boost the development of Russia's Siberian and Far Eastern regions. There was also a hidden agenda behind this move to transform the structure of Russia's foreign

the technology-related sanctions imposed by the US and the European Union. These restrictions serve an officially declared purpose, while also pursuing a hidden agenda. Three years into the sanctions regime against Russia, imposed in connection with Ukraine, it is clear that even formal sanctions are here to stay.

At the same time, Russian companies are also suffering from informal sanctions in that companies from developing countries, let alone from the West, enjoy better access to equipment and technology compared to Russian corporations. However, these restrictions existed even in the prosperous 2000s, and will strengthen even if the formal sanctions are lifted. The space industry was the worst affected among Russian high-technology sectors due to its dependence on international cooperation, imported components and commercial space launches.

As China and other major developing economies increase their military strength, the US and its allies will be paying more attention to dual-use technology that is at the core of today's military projects. Judging by the priorities stipulated by the US in its Defense Innovation Initiative and the Third Offset Strategy, this will primarily affect technology that is critical for the civilian economy, including artificial intelligence, robotics, additive technology, unmanned underwater vehicles, etc.

While losing out to international competition, the US is trying to exploit its remaining advantages in technology and the media in order to slow down or reverse this process. Of course, Russia is not the only non-Western country facing technology transfer restrictions. There is also China. By restricting technology transfers and imposing sanctions, the US and those of its allies who follow suit undermine the liberal economic order they had created, while falsely accusing others of doing it.

The sanctions and other types of protectionism are becoming a new norm. Against this backdrop, non-Western and even

The turn to the East is intended, among other things, to help offset the impact of the worsening relations with the West on the technology sector

trade, which took shape in the shaky 1990s and the chaotic recovery in the 2000s, and had many disadvantages for the country. In fact, in exchange for oil and gas, Russia received expensive consumer goods and investment products, mostly from Europe, that failed to generate any tangible benefits. One of the objectives of the turn to the East was to improve Russia's bargaining position with Europe. Since the mid-2010s the turn took on a new dimension, which is to move away from excessive dependence on the West, above all in terms of technology.

The turn to the East is intended, among other things, to help offset the impact of the worsening relations with the West on the technology sector. Russia is increasingly under pressure from

a number of Western countries not only have to protect their interests, but also maintain an open liberal trade environment. As was noted above, this is one of the objectives for promoting cooperation across the Greater Eurasia.

Creating technology alliances in a number of areas between Russia and China or between Russia and India or other BRICS countries is crucial, since the US and other Western countries are increasingly placing their bets on the technological edge they still have. In that sense, the extreme ‘technology nationalism’ prevalent in Russia and especially in China is an obstacle. In fact, China, and Russia to a lesser extent, tends to view any imported technology or dual use goods as a national security threat.

Over the past three years, Russia and China have stepped up their military-technical cooperation. Specifically, the face value of Russian defense products and services delivered to China exceeded \$3 billion for the first time in 2016, and the portfolio of China’s orders placed with Russian defense industry companies exceeded \$8 billion. However, this growth is driven by only a handful of major contracts (for example, for the deliveries of Su-35 aircraft, S-400 missile systems, etc.) and it is not clear whether these volumes can be maintained in the future.

Maybe, in order to strengthen its cooperation with China, Russia could consider

sectors as something temporary. In that case, once one of the countries obtains the technology it wanted, it can build the whole production chain within its borders and withdraw from the alliance. Countries that adopt an approach like this are doomed to fall behind.

On the contrary, the US is seeking to make maximum use of its allies’ science and technology capability. In fact, nine countries are contributing to building the F-35 aircraft. Japan and Israel are involved in developing US missile defense programs. The US is also ready to work with contractors from allied countries on developing and making key weapons systems, and in some cases even imports European arms and military equipment.

Russia and China have surpassed the US, and even the USSR of the 1950s–1980s in their technology nationalism. The USSR was proactive in promoting industrial cooperation with the Warsaw Pact countries, and its allies were in charge of manufacturing specific types of weapons and military equipment. For example, jet trainers for the Soviet Air Forces were made in Czechoslovakia; Poland made landing craft carriers, light transport planes and helicopters, and the GDR manufactured specific types of naval combatant small craft.

Neither Russia, nor China can match the US today or the USSR at the time of the Cold War in terms of its science and technology capability. By limiting their cooperation, they will inevitably fall behind. This is attributable to insufficient information, their supercilious attitude and lack of political trust. The two countries would have to overcome these challenges in order to be able to move forward. The current projects in the defense sector and dual-use

goods (like the Russian-Chinese wide-body aircraft or heavy helicopter) are clearly insufficient.

In 2016, China became the main export destination for Russian non-defense industrial products, accounting for 13.3 percent

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the possibility of buying a limited range of Chinese products that have a clear edge over similar Russian equipment, for example, UAVs. It seems that both countries regard technology alliances between their defense industries and related

of the vehicle, equipment and hardware deliveries worth a total of \$1.2 billion. China is also the largest buyer of Russian tools and measuring devices, and a major customer in the transport machinery sector. However, these products accounted for just 6 percent of Russian exports to China in 2016. Machinery and equipment from China account for 35.3 percent of China's exports to Russia, but this includes products sold under Western brands, including smartphones, monitors and computers. For these products, the added value is smaller, ranging from 10 to 50 percent depending on the product category. The two countries have yet to achieve greater interdependence that would enable them to use each other's potential to offset the possible pressure from the West.

It has to be understood that in the current international environment Russia and China have no option other than to build long-term close industrial ties. Otherwise, both countries may find themselves unable to respond to the new technology challenges coming from the US and its technology partnerships with a number of major industrialized nations.

The effort to develop this partnership should be based on the positive experience in the defense sector, space and nuclear industries, by gradually stepping up cooperation and extending it to new areas. It is important that conditions be created for drawing Russia's partners from the EEU into its cooperation with China, as well as other APR or BRICS countries, whenever it seems appropriate from a political perspective. Bilateral cooperation also calls for effective information support with a focus on small and medium-sized businesses, including by creating online trading platforms.

In the medium-term, another option is to set up multilateral technology alliances with corporations from Western countries that do not appreciate the non-liberal economic order that is being imposed on them. Japan, South Korea and Singapore appear to be the most obvious choices. It is quite likely that certain leading Western European countries will be willing to break the ranks in this economic war.

Cooperation with International Development Institutions

It is primarily important to involve development institutions in implementing infrastructure projects in Russia – both aimed at enhancing ties with Asian countries in border areas and establishing them in Russia's mainland, above all the Siberian Federal District. Today the range of potential participants in such projects has considerably broadened compared with the beginning of the turn to the East policy in 2011. The region has the Asian Infrastructure Investment Bank (AIIB), the BRICS New Development Bank (NDB) and the Silk Road Fund. The Asian Development Bank (ADB) is stepping up its activities while the Eurasian Development Bank (EDB) is increasingly upgrading its performance as a project mediator. To make better use of Russian resources in these institutions it is necessary to do the following:

- *Propose more projects and involve highly efficient consultants to draft applications.*
- *Promote Russian projects in parallel at the talks of the Eurasian Economic Commission on the non-preferential trade agreement with China (on Far Eastern projects, modernization of the Russian transport corridor sections under the One Belt One Road project and development of the Northern Sea Route), negotiations on the expediency of signing an FTA agreement with South Korea (with emphasis on the development of infrastructure for increasing exports to South Korea, in particular, the construction of grain terminals), FTA talks with Singapore (to enhance the appeal of Russian projects for the ADB), and forthcoming negotiations with India (on projects related to the North-South international transport corridor).*
- *Raise the issue on imbalances in the contributions to the charter capital and distribution of projects at the meeting of supervising ministers; if this de facto*

subversion of Russian projects continues, bring it up at the top level.

- *Use a broad range of support instruments available at the development institutions, which make it possible to increase profit on investment; follow the successful practice of support for regional undertakings on behalf of the European Bank for Reconstruction and Development (EBRD) and the ADB, which are the most involved in Eurasian infrastructure projects.*

In working on individual projects with development institutions, Russia should consistently promote a comprehensive approach to the development of its territory. It is crucial for Russia not only to build modern transit corridors but also to use the new infrastructure for developing its own territory by linking together the resources, production lines and markets. In this context such projects should be monitored and efficiently coordinated both by relevant Russian agencies and the Eurasian Economic Commission.

New International Positioning of Russia's Far East

A new awareness-raising campaign focused on the Far East is important not only for investors, but also for future customers. To enhance the reputation of the region, its representatives should take part in Asian forums, major events

friendly and fashionable.' Brand communication may be accompanied by the development of creative spaces in the region and organization of music and film festivals oriented towards Asian countries. The modern media have practically no limits in promoting the region with unique natural landscapes, a better environment than the majority of developing Asian nations, and vast opportunities for culinary, photo and eco-tourism. During the future promotion of pan-Eurasian formats, such as Eurasian cities of culture, university exchanges and a Eurasian news agency, it would make sense to turn Vladivostok into a host city or one of the regional headquarters for such initiatives.

For the region's new awareness-raising campaign in Asia it is important to disseminate information on the Far East in Asian national languages, promote its image both among investors and the public at large, work with representatives of pop culture and opinion leaders, and use the positive experience of other countries that have advertised their tourism destinations via the film industry. Spain has achieved tremendous success in this respect. It is directly funding Bollywood to make films about Spain with Indian actors (one film became a major box-office hit). Spain also commissioned world famous director Woody Allan to make a film that greatly increased Barcelona's popularity with tourists. Similar tactics in China, South Korea and Japan may make the Far East much more popular as well. A comprehensive strategy of promoting the Far East in Asia through the media is vital for tapping the region's tourism potential. Naturally, it should be accompanied by measures to make the Far East a more accessible tourism destination for foreign visitors.

Advertising per se is also important. Despite problems in the China-US relations the first ad that passengers see on arrival in Washington's Dulles International Airport promotes tourism in China. Measures are already being taken to enhance

It is crucial for Russia not only to build modern transit corridors, but also to use the new infrastructure for developing its own territory by linking together the resources, production lines and markets

and sectoral exhibitions. It is essential to market Far Eastern brands as 'nearby, innovative, eco-

This information strategy should be based on the fact that the Far East is a prestigious place to be and that is important to take part in the development projects executed in this region. This region is located in the most dynamically developing part of the world and oriented outwards, symbolizing the departure from export of raw materials to production and exports of high-end processing products

the investment appeal of the Far East. However, it is necessary to advertise it both among investors and the public – potential tourists and consumers of the region's products.

The development of the Far East as the center of production, the crossing of transport and logistics chains, education and science should become the foundation of the strategy for building the partnership of the Greater Eurasia – the space of joint progress and cooperation of the ASEAN, SCO and EEU and in perspective, the EU – to ensure the complementarity of integration processes in the Asia-Pacific Region and Eurasia. This information strategy should be based on the fact that the Far East is a prestigious place to be and that is important to take part in the development projects executed in this region. This region is located in the most dynamically developing part of the world and oriented outwards, symbolizing the departure from export of raw materials to production and exports of high-end processing products. The Far East and related Siberian regions should

be promoted as a land of opportunity for proactive and talented people who want to have a fulfilling career and make a good living.

As it happened many times in the past centuries, Russia's Far East and Siberia should become a venue for initiative, success, and freedom, a place for using creative energies that become dormant in conditions of political stability, weak social lifts and economic stagnation. This is particularly true of the younger generation. On a par with developing

the region's economy and integrating it into Asia it is possible and necessary to make it fashionable and prestigious by using efficient and inexpensive information strategies. Penetration of dynamically developing Asia should symbolize Russia's success like its integration into Europe did three centuries ago. It is essential to emphasize the preservation of cultural affinity with Europe and readiness to go with it to Asia. Vladivostok is Asia's most European city.

It is necessary to integrate the development of the Far East into a broader concept of creating Greater Eurasia. It should be reiterated that apart from everything else the concept should place the deadlock in relations with Europe and the failure of the project on building a stable European security and cooperation system into a broader context, based on new areas of interaction with European partners. Importantly, Russia will be acting from the positions of new power and confidence that has not only withstood the confrontation with the West, but is changing the international balance of power by its economic and political turn to the East.



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