

VALDAI DISCUSSION CLUB REPORT



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**A LOOK INTO THE FUTURE:
SCENARIOS FOR ASIA AND RUSSIA
IN ASIA IN THE NEXT 20 YEARS**

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This report has been prepared based on the situational analysis «Looking ahead: Russia and Asia in the next 20 years», which took place on October 6, 2017 with participation of:

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This report outlines a number of scenarios for the paths Asia may take in the next 20 years, and what the choice of each of these paths will mean for Russia and its role in Asian affairs. These scenarios do not attempt to make an accurate prediction for specific events based on linear projection of current events. Rather, they pursue three goals.

First, the scenarios are designed to identify several of the most important, from our point of view, trends that determine the future of the region and come up with three different scenarios for Asia in the 21st century. Second, alternative scenarios of the future of Asia and Russia in Asia are needed to stimulate our thinking about the threats that we face and opportunities we can take advantage of. Finally, these scenarios and observations that form their basis are supposed to reveal in the course of the discussion the uncertainty factors, which hinder close analysis of the critical processes that determine the current and future developments in this important region.

Discussions with experts and studies conducted have shaped the following three scenarios for the development of Asia:

- ***Warring Kingdoms (战国) (Multilateral Nuclear Balancing);***
- ***Bonanza! (Free Trade Asia);***
- ***La Belle Époque (Continuation of the Asian Paradox).***

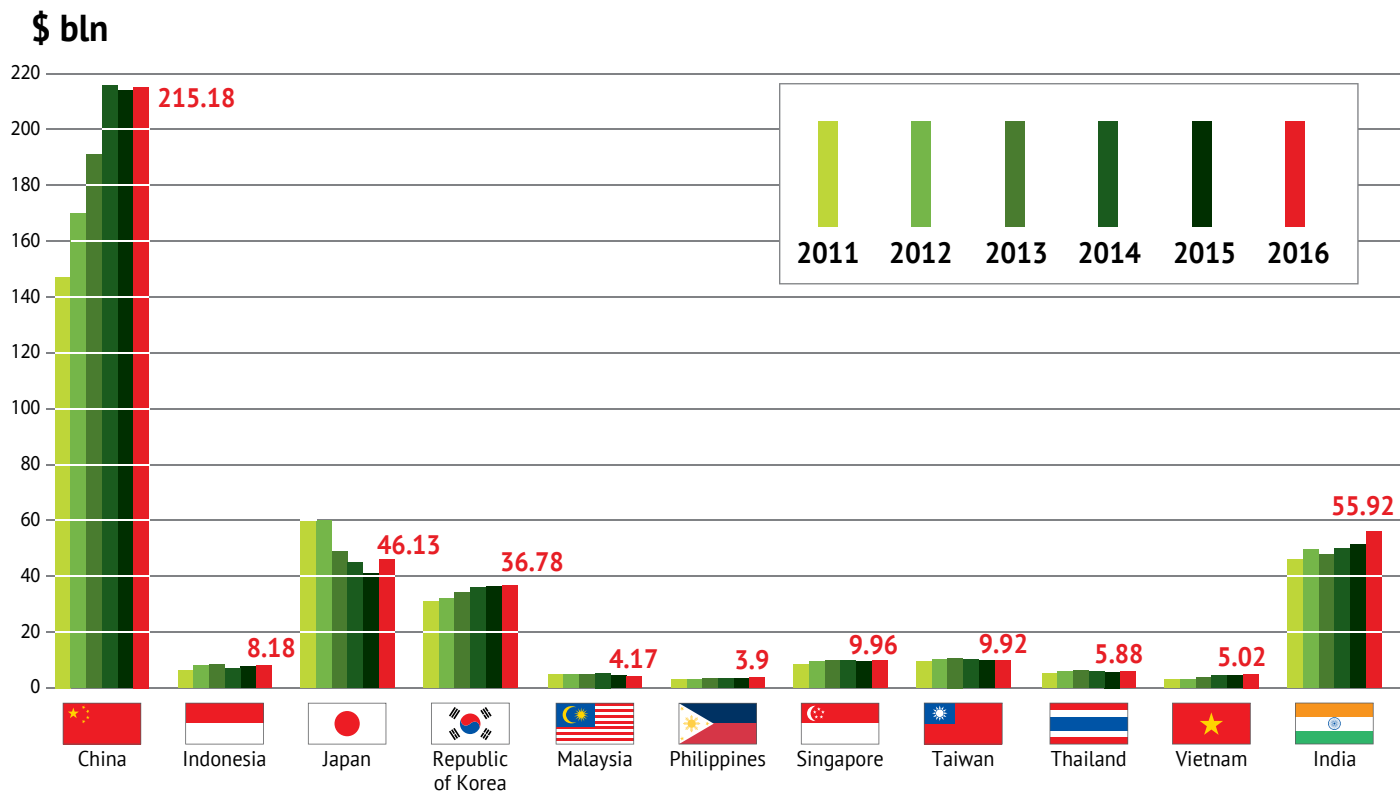
None of them can be considered a single-option image of the future, but rather they represent the most important attribute of such a future.

The Warring Kingdoms / Multilateral Nuclear Balancing scenario represents a slide toward multilateral nuclear and conventional deterrence in Asia with the group of participants expanding. Such a trajectory of development will adversely affect the ability of the countries to expand their economic exchanges or improve openness, and will refine the influence of innovative technology on the development of the markets.

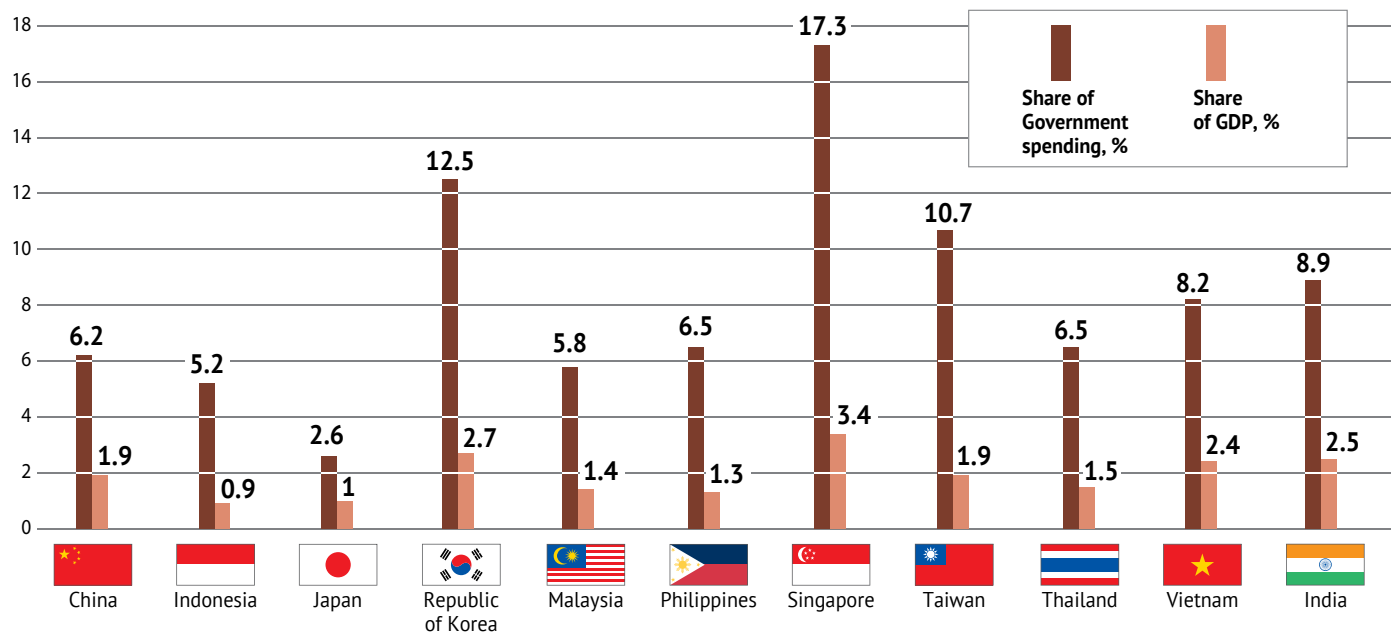
Bonanza! / Free Trade Asia scenario means deeper economic openness and prosperity encouraged by local globalization and ironed out political contradictions. These contradictions will gradually become a thing of the past, while the economy and technological advances will help resolve many of today's issues.

La Belle Époque / Continuation of the Asian Paradox scenario is a form of preservation, to a degree, of the main characteristic of the region's international life, which is the ability to combine complex political relations with relative economic openness and mutually beneficial trade and investment exchange. To some extent, this situation reproduces the international reality of Europe in the late 19th-early 20th centuries, when leading countries were engaged in active and mutually advantageous trade and investment, but were unable to resolve numerous political contradictions.

MILITARY EXPENDITURE



Military expenditure (share of GDP, share of Government spending)



Source: SIPRI Military Expenditure Database.

For Russia and its engagement in Asian affairs, each of these scenarios is fraught with both opportunities and threats

For Russia and its engagement in Asian affairs, each of the above scenarios is fraught with both opportunities and threats. Opportunities involve both the implementation of its traditional economic competitive advantages, such as its abundant natural energy resources and military power, and the development of its new industries and vectors of participation in regional markets. Threats are associated with general challenges to security arising amid the greater probability of certain scenarios or the risk of being left out of processes involving international cooperation in the region. The latter, in turn, calls for stepping up national efforts to overcome the lag between Russia and other players on regional commodity and investment markets, and conducting an active policy to remove barriers to Russia's exports of non-conventional goods and investments in Asian countries' production facilities.

The assessment of the prospects for political and socioeconomic developments in the Asia-Pacific region (APR) over the next two decades is based on a scenario analysis methodology, which relies

on analysing key uncertainties, i.e. processes that are hardly predictable, yet determine, in their entirety, the specifics and the trajectory of the APR's development. Such factors include:

- *Nuclear (non-)proliferation and the role of strategic weapons;*
- *Rate of regionalization of Asian trade and the development of multilateral formats of integration for cooperation;*
- *China's economic and political pivot to the West;*
- *Rate of innovative technology development;*
- *Political stability in the region amid spreading of radical Islamism and strengthening of democratic institutions.*

Having identified the relationship between the above factors, we have formulated the three scenarios for the APR's development in all spheres. Again, the task of the scenarios is not an accurate and qualitative assessment of the state of the region in the future. Rather, they aim to delineate possible boundaries and vectors of developments under the influence of uncertain, but interrelated factors.

Uncertainty Factors

Nuclear (non-)proliferation and the role of strategic weapons in Asia

The nuclear factor plays an ever increasing role in Asian politics. It is precisely Northeast Asia that is witness to the actual destruction of nuclear non-proliferation mechanisms. This destruction stems from years of erroneous policies pursued by a number of major powerhouses, led by the United States, with regard to the DPRK.

A war on the Korean Peninsula is a possibility if the US and China fail to coordinate actions, and it will lead to disastrous consequences

As a result, we are facing a situation where a state in violation of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and notwithstanding many years of pressure from virtually the entire international community, was able not only to create combat-ready nuclear weapons, but also achieve progress in improving them and their means of delivery. The current state of affairs makes it safe to assume that the DPRK will not abandon its nuclear potential.

Developments around the North Korean nuclear program will largely determine future developments across the entire APR. A war on the Korean Peninsula is a possibility if the US and China fail to coordinate actions,

and it will lead to disastrous consequences. The economies of South Korea, Japan, Northeast China and the Russian Far East will be severely damaged, and a long-term confrontation between China and the United States will likely ensue.

At the same time, failure of the policy to limit the nuclear programs of the DPRK and punish Pyongyang for ignoring the NPT may signal disintegration of the non-proliferation regime. North Korea's effective means of attacking the continental United States will either mean the need for permanent deployment of additional US forces with tactical nuclear weapons in the Western Pacific, or will encourage Japan and South Korea to create their own nuclear forces.

Another important trend is gaining momentum in Asia concurrently with the North Korean crisis in the sphere of nuclear weapons: the gradual acceleration of the quantitative and qualitative development of China's strategic nuclear forces. The number of Chinese nuclear warheads capable of reaching continental US has grown from about 20 in the year 2000 to 70–100 now, and this number continues to grow. China is creating new components of strategic nuclear forces, in particular, nuclear strategic sea-based forces and strategic aviation. This is an additional factor leading to a reassessment of existing US security guarantees to its regional allies and, as a consequence, to a change in the behavior of the majority of states in that region.

Rate of regionalization of Asian trade and the development of multilateral formats of integration for cooperation

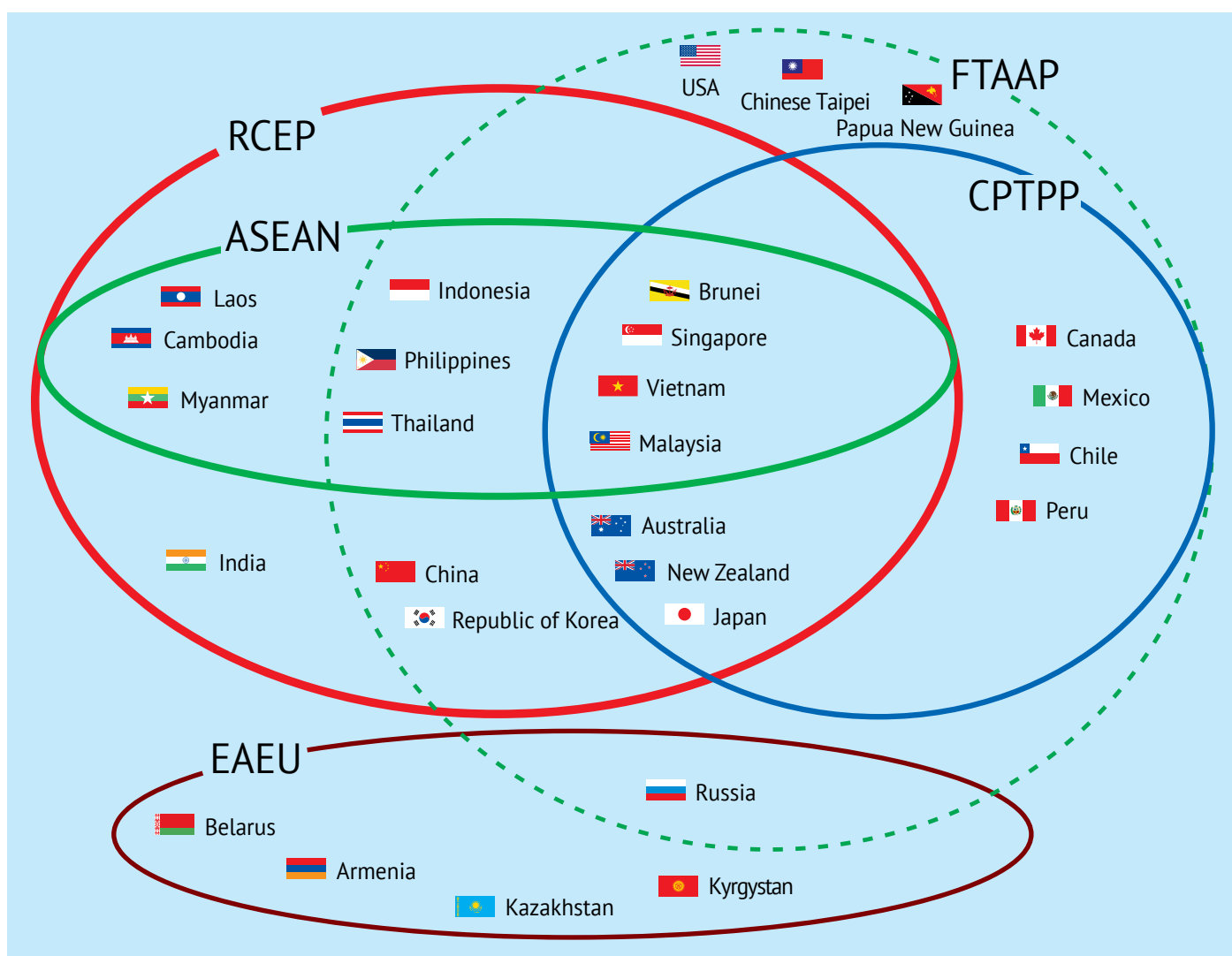
Over the past few decades integration processes in the APR have been based on concluding bilateral agreements on free trade, gradual reduction of trade and investment barriers and intensification

of trade and economic cooperation between regional participants. These processes create the prerequisites for shaping mega-regional trade agreements (in particular, Regional Comprehensive Economic Partnership, RCEP), which boost regionalization of trade.

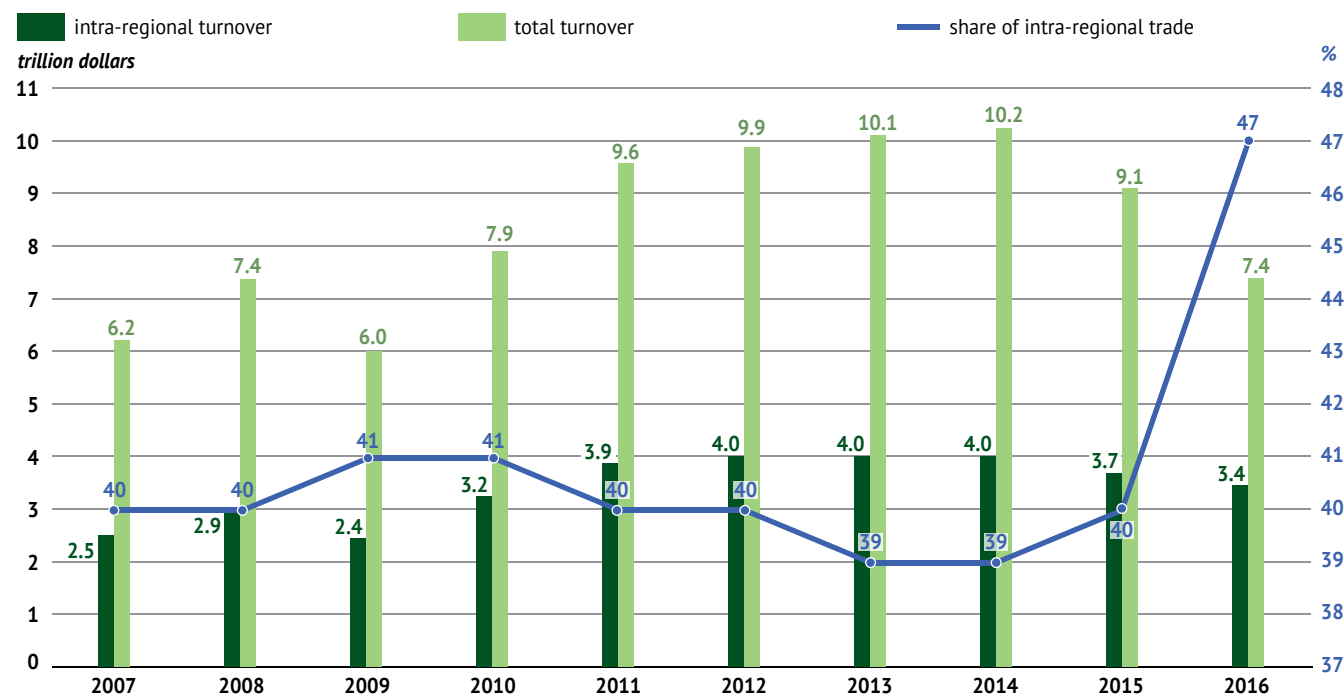
Since 2013, the share of intra-regional trade in the APR has increased by 8 pp. to an all-time high of 47 percent, achieved

MAIN MEGA-REGIONAL INTEGRATION UNIONS

Existing (EAEU, ASEAN) and prospective (RCEP, FTAAP, CPTPP)



INTRA-REGIONAL AND TOTAL TRADE TURNOVER OF ASIA-PACIFIC, 2007–2016



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

amid low economic growth in Europe and, as a result, a slowdown in Euro-Asian trade. The process of transferring old and creating new added value chains increasingly causes transformation of the APR development model, whereby ‘Asia for the World’ is now becoming ‘Asia for Asia.’

ASEAN countries are deeply involved in intra-regional value chains (over 55 percent of foreign trade falls on intra-regional partners). The Republic of Korea’s share is slightly less with 46 percent, Japan with 43 percent and China with 32 percent.¹ For geographic and historical reasons, India is relatively poorly integrated into intra-regional economic cooperation, with only

¹ Without taking into account trade between China, Hong Kong and Taiwan.

26 percent of the country’s export-import flows going to the APR. The DPRK remains isolated from Asian trade liberalization processes, carrying out its foreign economic activities in the region through China and, to a lesser extent, Russia.

Nonetheless, despite the objective nature of gradual trade liberalization and intensification of economic ties in the region, the rate of their development remains uncertain. The future of mega-regional agreements remains unclear as well. The United States’ withdrawal from the Trans-Pacific Partnership (TPP) agreement indicates that taking into account the interests of such a large group of participants with diverse priorities is an unlikely proposition in the short term.

China's Pivot to the West

Development of relations with the countries of Central Asia and Russia after the end of the Cold War was one of the priorities of Chinese foreign policy and will remain such in the foreseeable future. Nevertheless, China sees itself in the future primarily as a great maritime power with economic interests around the globe. All top leaders of China, beginning with Jiang Zemin, have spoken about the importance of creating a powerful fleet.

Prioritizing a Pacific focus rather than a continental one follows from the size of the Chinese economy. It is so big that China is unable to ensure its resource and economic

In fact, the goal of turning China into a highly developed state by 2050 means that over the next 30 years Beijing must implement an economic blitzkrieg

security by maintaining a strong position in any one region of the world. China is the world's largest economy in terms of GDP based on purchasing power parity. In the future, it may become the world's largest country in terms of nominal GDP with resource-intensive industry playing a significant role in its structure.

The need for basic resources requires that China be present in resource-intensive sectors of economies in all regions of the world simultaneously,

from Latin America to Southeast Asia. China is also vitally interested in providing access to markets with the utmost geographic reach. China's achieving economic indicators of a developed economy per capita by the middle of this century (this task was set at the recent 19th Congress of the CCP) will mean that China's need for imported raw materials and semi-finished products will exceed US needs the way the Chinese population exceeds the US population (by about four times).

China will have to create dozens of national brands of high-tech products, which will have to capture greater global market shares than that of the United States, the EU and Japan. In fact, the goal of turning China into a highly developed state by 2050 means that over the next 30 years Beijing must implement an economic blitzkrieg by bankrupting, buying out or crowding out, to a significant degree, almost all leaders of modern international business. This will require a gigantic export of capital, placing Chinese production facilities and dealer networks all over the world, implementing complex political and economic arrangements, etc.

Thus, concentrating on expanding continentally would hardly be a meaningful strategy: in this case, China will have to face the resistance of such major powerhouses as Russia and India. Even having overcome this resistance (which, in itself is very unlikely or, at least, not guaranteed), China will not resolve its problems. The resources of Central Asia are

not sufficient for China, and its market is very small, whereas the resources required for establishing China's strong domination are, on the contrary, enormous. The main battle that is a fight for domination in the Pacific and key communications connecting China with primary markets.

The role of Eurasia (if we look at it as Central Asia + Russia) is auxiliary, but quite important. The importance of this region for the purposes of Chinese policy is incomparably less than the importance of Southeastern or Northeastern Asia. Nonetheless, destabilization and emergence of major security threats along China's northern and northwestern borders can divert enormous resources and paralyze Chinese expansion in other directions.

Meanwhile, China enjoys interdependence and steady cooperation with local players (mostly, Russia), making the task of achieving ambitious goals much easier for Beijing. China receives sources capable of supplying resources and providing transport corridors, which are completely protected against military pressure or economic sanctions from the United States. Both the resource and the transit potential of the region are insufficient to meet the development needs of the country under normal conditions. But they may be very useful in crisis.

The strong economic link connecting Russia and Central Asian countries to China makes it possible to save on security expenses in these areas (this has been the case for a long time now

as waves of personnel cuts in the PLA occurred almost exclusively at the expense of their ground forces). China's policy of 'advancing to the West' is, thus, necessary as a critical part of Beijing's global ocean-centric strategy. However, the specific amount of investment to be poured into it over the next 20 years is still difficult to predict.

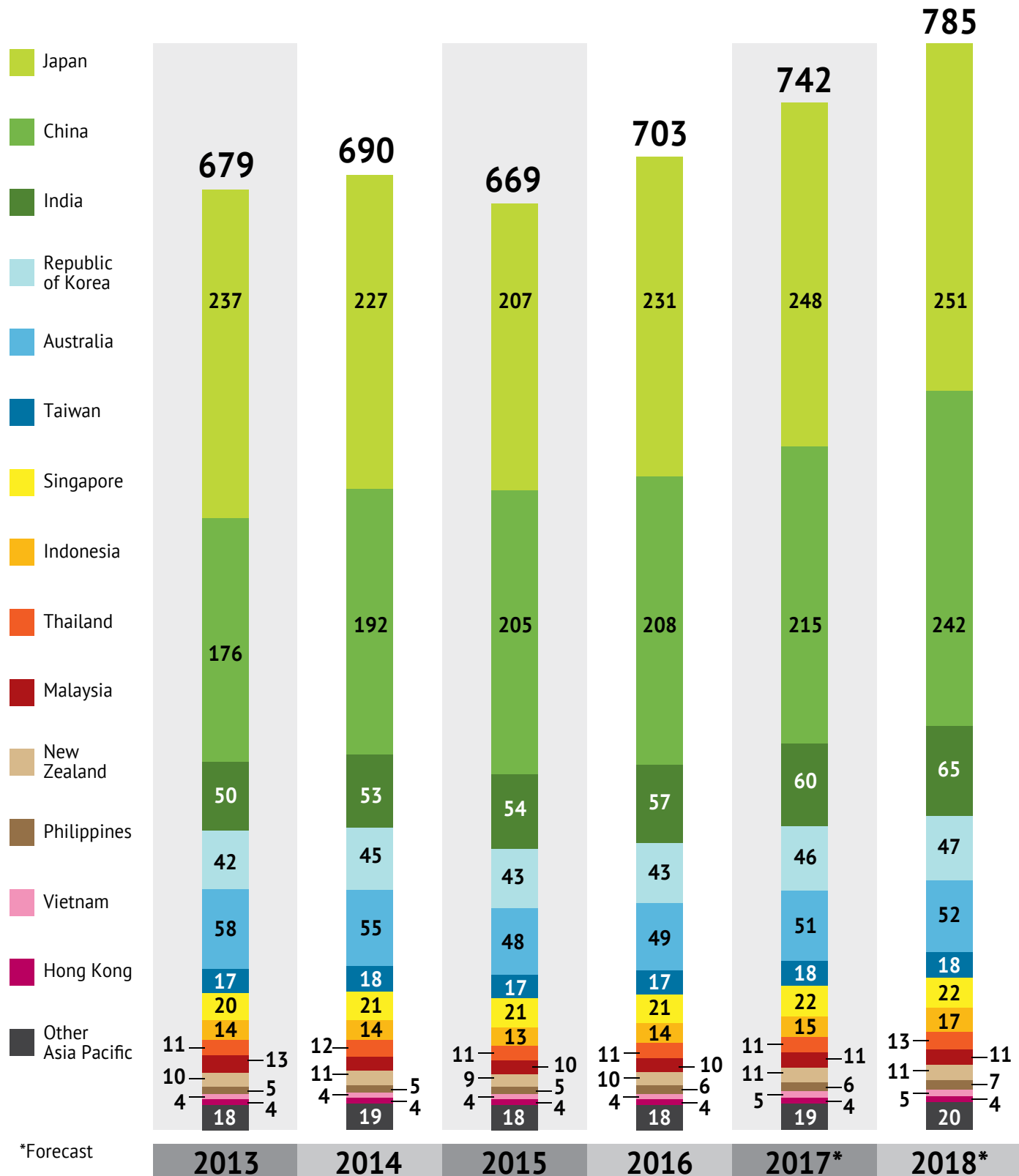
Rate of innovative technology development

Ever increasing competition for new markets between the states of the region and their desire to integrate into global production and global supply chains dictates that the APR countries are stimulated to increase investment in 'critical technologies,' and gradually undergo a transition to a digital economy based on advanced information and communication technology. Already in 2016, total expenses involved in purchasing innovative products (peripheral equipment, parts and components, software, consulting services in the IT sphere) in the APR reached \$703 billion. Therefore, we can safely assume that in the next 20 years the region will be developing under the sign of digitalization.

Among the key trends for the development of the APR within the framework of this new technological paradigm the following can be highlighted:

Booming e-commerce. Over the past three years alone, e-commerce in the APR has grown from \$642 billion to \$1.053 trillion, which

ASIA-PACIFIC BUSINESS AND GOVERNMENT PURCHASES OF TECH GOODS AND SERVICES (BLN US\$)



*Forecast

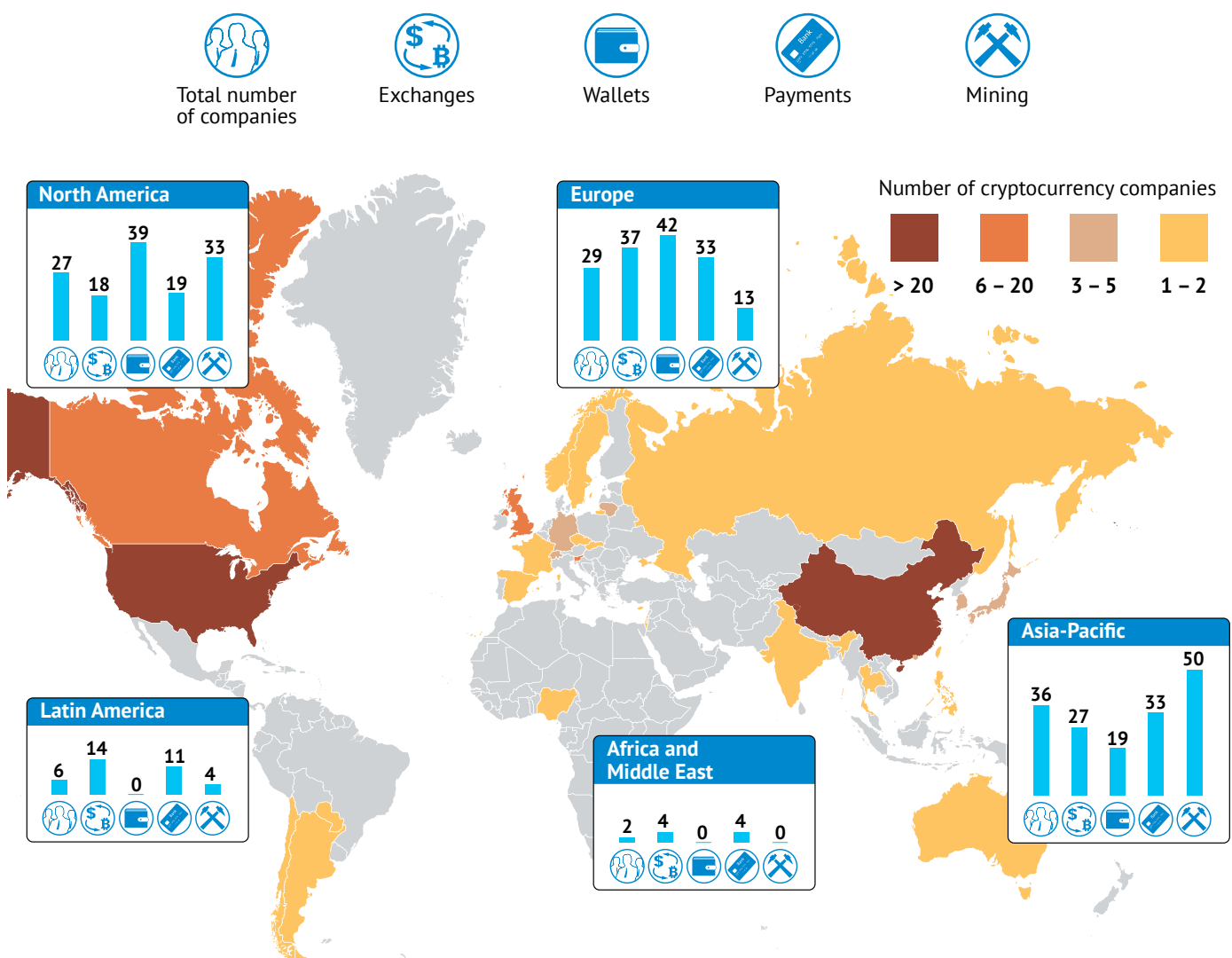
Source: Asia Pacific Tech Market Outlook for 2017 to 2018: Forrester.com.

accounts for 12.4 percent of the total amount of retail sales in the region. The number of online platforms is increasing, and the structure of trade has become more diversified, both of which are indicative of the growing demand of Asian consumers making the ‘Asia for Asia’ model a logical fit.

The introduction of blockchain technology and promotion of cryptocurrencies. Blockchain helps increase the efficiency

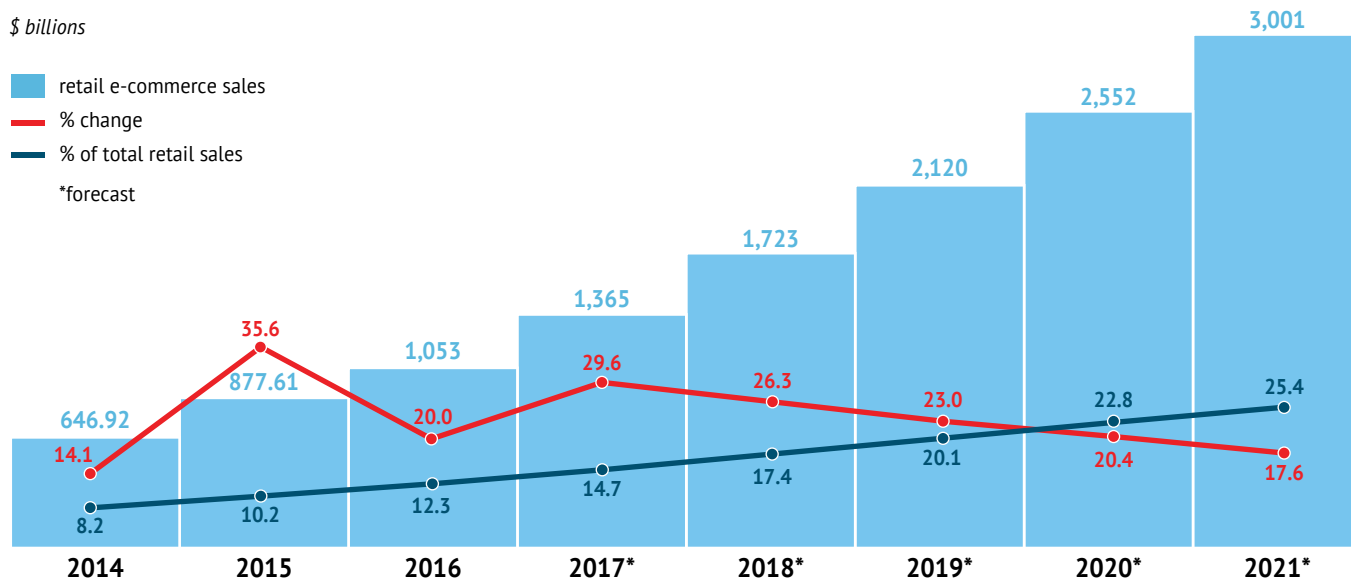
of operational processes among state regulators and banking institutions in Asian countries by reducing transaction costs, increasing transparency of financial activities, facilitating access to capital and investment markets and, in general, improving transaction security. The promotion of the cryptocurrency industry has become an outstanding trend in Asia in recent years. However, the APR countries are the main players on the international cryptocurrency market. For instance,

THE GEOGRAPHICAL DISTRIBUTION OF CRYPTOCURRENCY COMPANIES, %



Source: Global Cryptocurrency Benchmarking Study; University of Cambridge.

RETAIL E-COMMERCE SALES IN ASIA PACIFIC, 2014-2021



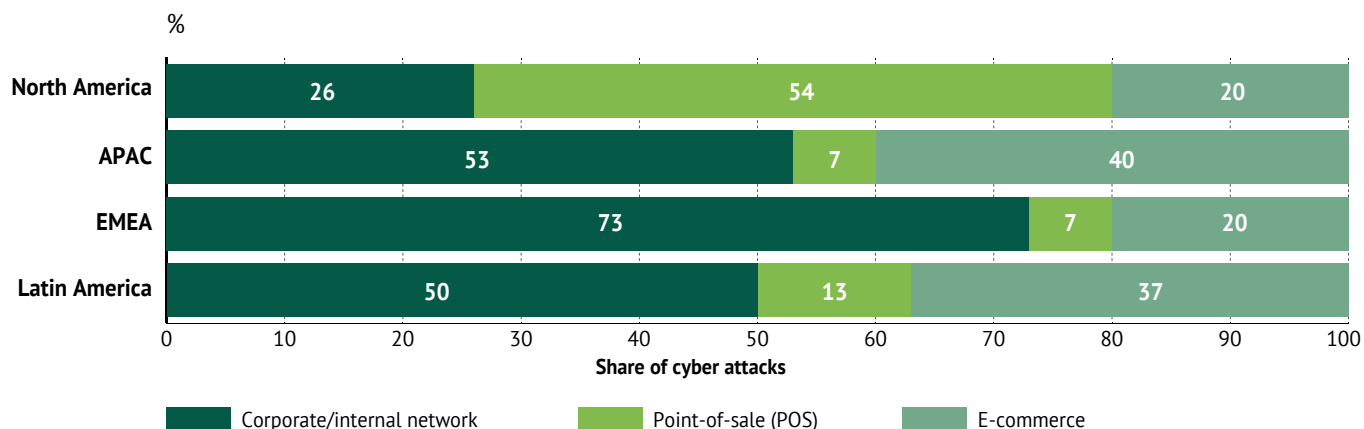
Source: Statista, eMarketer Report.

36 percent of all cryptocurrency companies are located in the Asia-Pacific region as half of all global companies are specializing in cryptocurrency mining. Finally, 80 percent of the aggregate operations with bitcoins are carried out in Chinese yuan.

However, the fact that digital currencies are locked in a grey zone in view of their lacking

any legal status and, as a consequence, any mechanisms for controlling the issuance and turnover of cryptocurrencies remains the main problem of this know-how to states in the region as well as internationally. At the moment, Japan is the only Asian country where Bitcoin and Ethereum enjoy legal status, i.e. are officially used as a reserve currency to pay for goods and services.

IT ENVIRONMENT TARGETED BY CYBER ATTACKS WORLDWIDE IN 2016, BY REGION

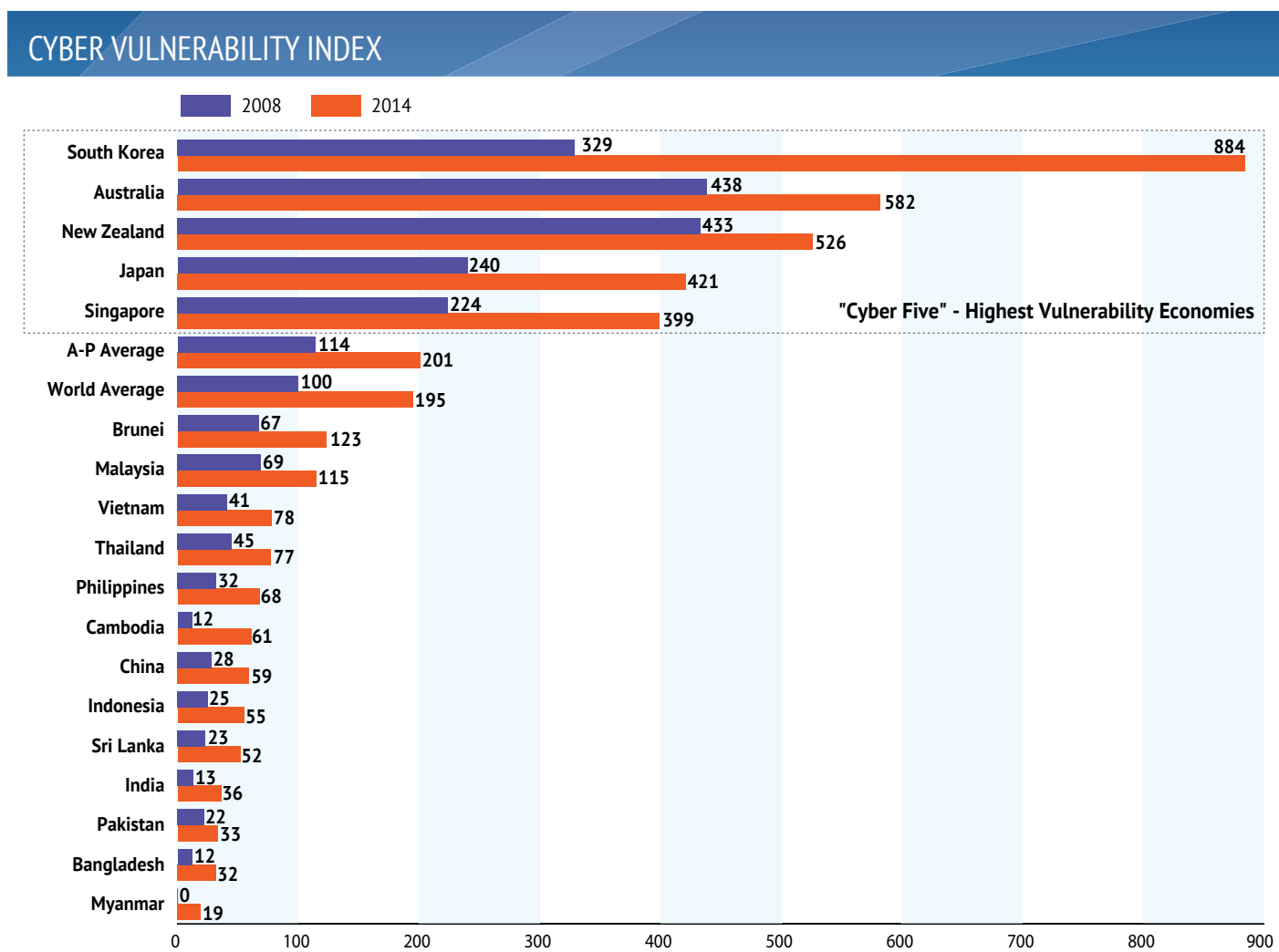


Source: Statista.

Increased number of cyber threats.

The increased number of non-traditional security threats, including the illegal transfer of weapons and technologies in the nuclear sphere, as well as cyber attacks are a negative implication of technological modernization in Asia. These threats can be divided into three blocks according to the nature of their use: traditional cyber threats (data espionage), targeted attacks on organizations, and cyber weapons (cyber sabotage). This problem stems from the APR's significant

share in the global use of the internet (51 percent). According to 2016 data, 40 percent of aggregate cyber attacks in the APR fall on e-commerce platforms (the highest number internationally). Moreover, several Asian states significantly exceed EU countries, Latin America, the Middle East, Africa and the United States in terms of susceptibility to cyber threats, with South Korea, Australia, New Zealand, Japan and Singapore sitting at the top of this list among Asia-Pacific countries.



Source: Asia-Pacific Defense Outlook 2016: Deloitte Touche Tohmatsu Limited (DTTL).

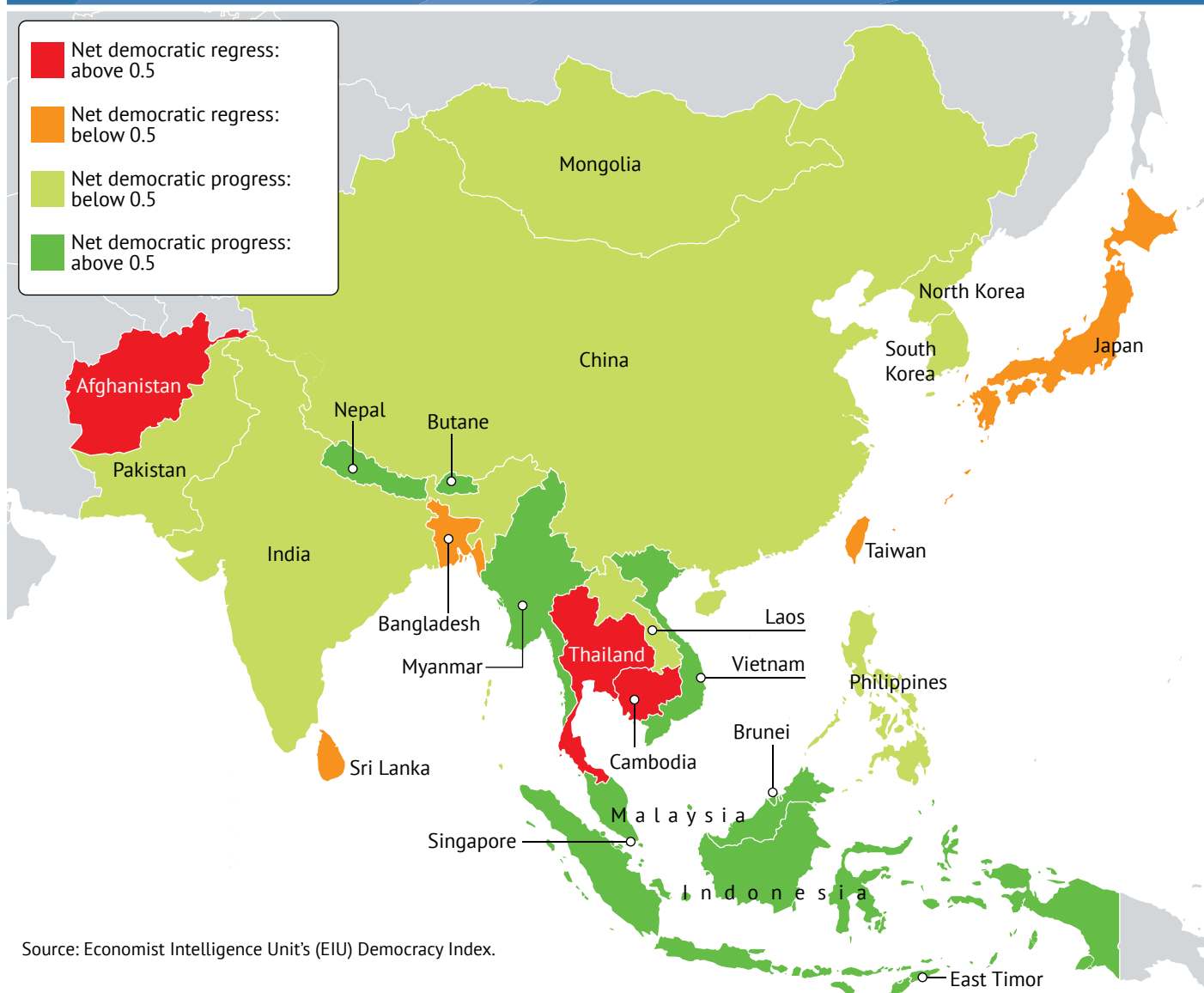
Political stability in the region amid the spreading of radical Islamism and democratic institutions

Spreading of nationalist sentiments is currently an obvious trend in Asian countries, which can be attributed to strengthening national morale and their economic successes. As for the development of democratic processes, the greatest successes can be noted

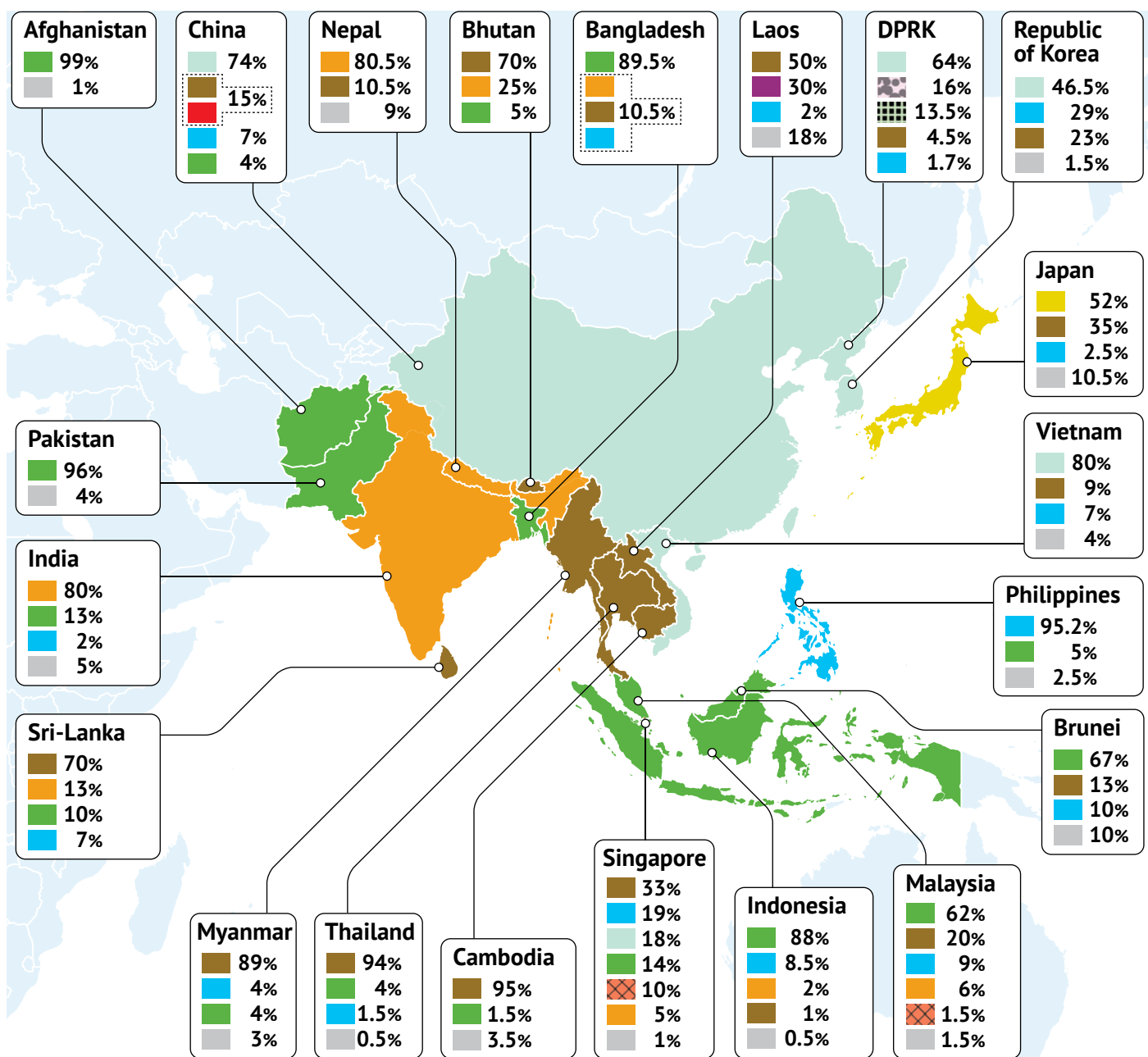
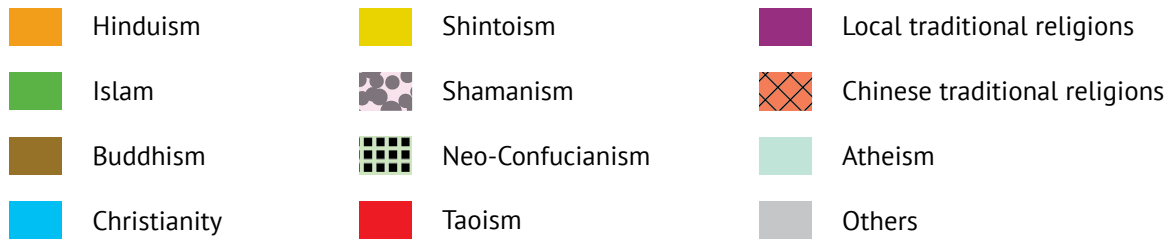
in South and Southeast Asia, while East Asia is stagnating in this regard. In the DPRK, prospects for a domestic political change are lacking, along with a possibility of changing any of the existing political elites.

At the same time, a trend toward increasing religious self-awareness has been clearly observed, especially among Muslims. Islam is of particular importance for the countries

PROGRESS IN SOUTH AND SOUTHEAST, STAGNATION IN THE EAST, 2006–2016



RELIGIONS IN ASIAN COUNTRIES, 2016



Source: prepared by CCEIS authors on the basis of the researched states official databases / resources.



Source: Daily Mail, 2015.

of Southeast Asia, which are home to over 237 million Muslims.

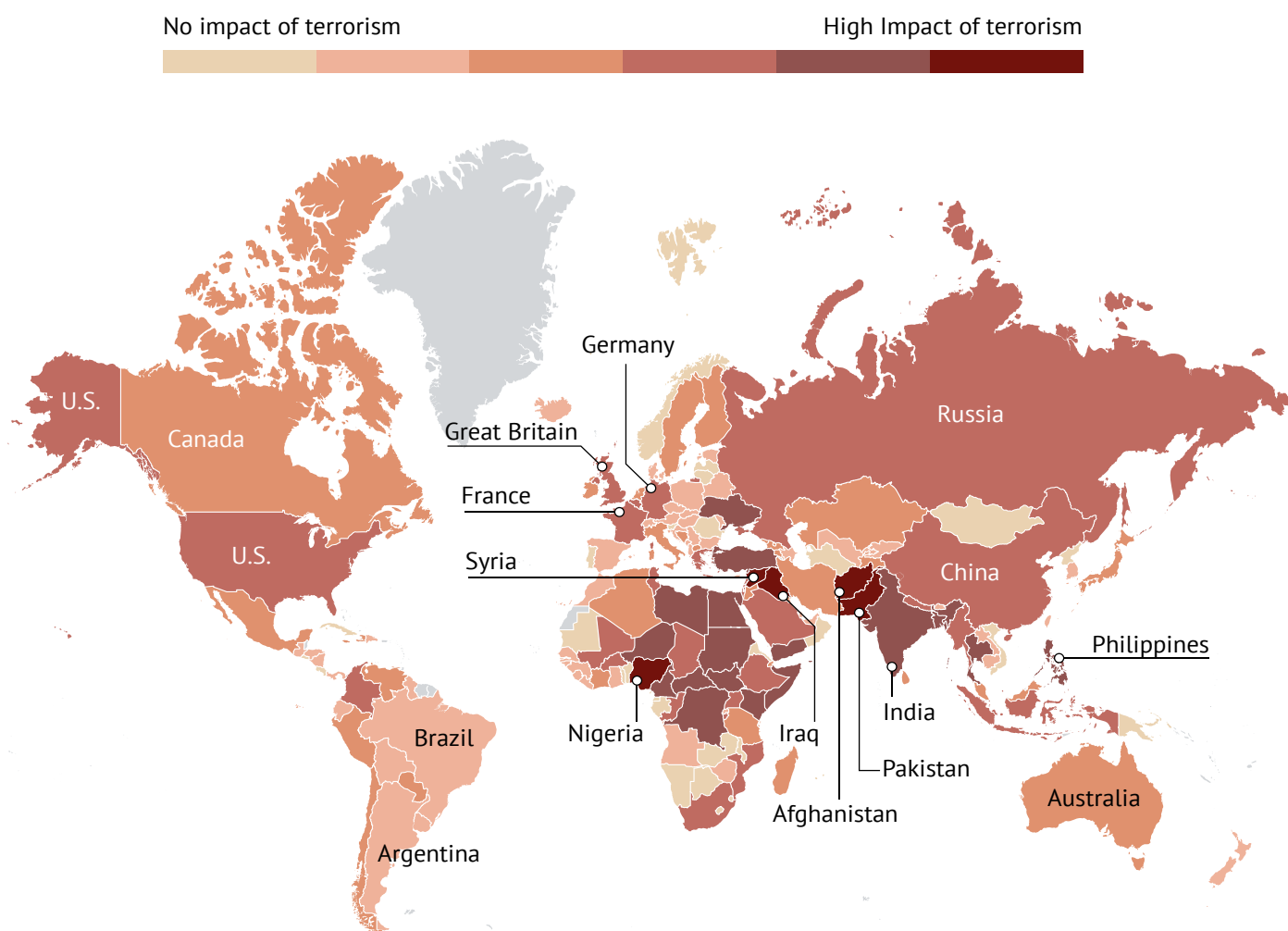
There's nothing new about the issue of Islamic radicalism, but it has been exacerbating with the spreading influence of the ISIS terrorist group (outlawed in Russia). The primary indicator of the intensification of this threat is not the number of citizens of Southeast Asian countries fighting on the side of ISIS, but rather the number of citizens demonstrating their solidarity with this group (in Indonesia, over 3,000 people

supported ISIS in social media), which leads to growing radicalization of Islam in that region. Radical Islamist offshoots of ISIS are springing up in Indonesia, Malaysia and the Philippines. Militants returning from the Middle East join these groups, and then engage in preparing and conducting terrorist acts. In the Xinjiang Uygur Autonomous Region of China, the issue of radical Islamism is not as acute as the issue of separatism, but local Muslims are also actively recruited by ISIS, which cannot but cause concern with the central authorities.

However, Islamic radicalism is not the only problem. Of great concern are the representatives of Buddhism and Christianity, who are less known for their aggression in the APR, but are no less radical. Buddhist radicalism manifests itself mainly in Myanmar and Sri Lanka, where religious activities often lead to aggressive oppression of religious minorities, primarily Muslims. Radical Christians are fighting mainly

in the mountainous areas of northeastern India – Tripura and Nagaland – where they practice mass conversion of local Hindus into Christianity. Religious radicalism is also linked to terrorism, separatism and drug trafficking. Taking into account the stepped-up activities of ISIS around the globe and the number of terrorist acts in Southeast Asia, one can safely assume that religious radicalism poses a great threat to the peaceful life of the countries in that region.

IMPACT OF TERRORISM, 2017



Source: Institute for Economic and Peace.

Scenario Analysis

Based on the above factors, three scenarios for the APR are presented in the Table below.

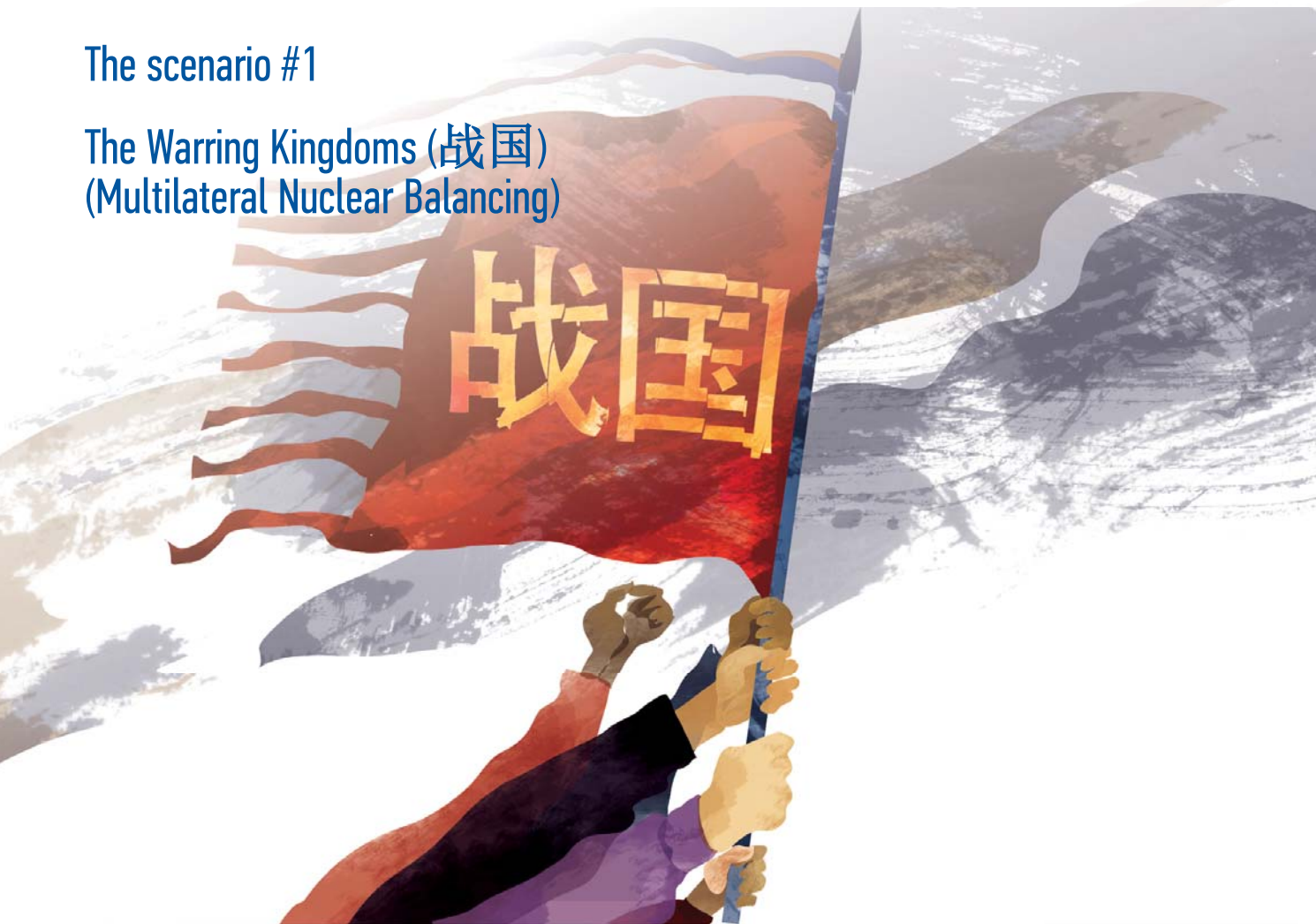
SCENARIOS OF POLITICAL AND SOCIOECONOMIC DYNAMICS IN THE ASIA-PACIFIC REGION

<i>Uncertainties</i>	SCENARIOS		
	THE WARRING KINGDOMS (战国) (MULTILATERAL NUCLEAR BALANCING)	BONANZA! (FREE TRADE ASIA)	LA BELLE ÉPOQUE (THE CONTINUATION OF ASIAN PARADOX)
<i>Nuclear non-proliferation</i>	Failure of the non-proliferation regimes, aggravation of political confrontation	Achievement of compromise solutions on the Korean nuclear issue	Continued confrontation without major aggravation, but also without an option to overcome contradictions
<i>Regionalization</i>	Slowdown in the regionalization of trade, slow liberalization of trade on the basis of bilateral trade agreements	Rapid growth of regionalization of trade based on developed multilateral integration institutions	Moderate growth of trade regionalization, gradual development of multilateral integration formats
<i>China's pivot to the West</i>	Significant improvement of political, trade and economic ties with Western neighbors	Limited spread of zones of influence and strengthening of trade and economic contacts with Central Asia	Gradual build-up of foreign policy and trade and economic contacts with Western partners
<i>The rate of innovative technology development</i>	Rapid development of complex cyber threats, increasing role of technology-related sanctions	Coordinated policy in the sphere of cyber security, harmonization of legislation in the sphere of financial technology, emergence of 'digital communities'	Moderate increase in the number of cyber threats, development of regulatory and legal legislation in the sphere of financial technology on the national level and deepening of the intergovernmental technological regulation process
<i>Domestic political stability</i>	Weakening of democratic institutions, aggravation of religious radicalism	Spread of democratic institutions, weakening of the nationalistic sentiment	Growth of nationalism, limited spread of democratic institutions and religious radicalism

Future scenarios

The scenario #1

The Warring Kingdoms (战国) (Multilateral Nuclear Balancing)



The Korean crisis leads to a political confrontation between China and the United States, as well as to the explicit failure of the non-proliferation regimes, as the DPRK will be de facto, but not de jure, recognized by the international community as a country with nuclear potential (with the exception of Japan, which is strongly opposed to this). This, in turn, will trigger China's further military development of (primarily, nuclear potential) and revision of the military plans of the regional powers in accordance

with the logic demonstrated in Europe during the Cold War.

China's nuclear buildup to a level comparable with the United States, in addition to increasing of nuclear capabilities of the DPRK (including the possibility of a guaranteed retaliatory nuclear strike) will push the US to revise its course. Washington will insist on deploying its nuclear weapons in South Korea and Japan. These states might decide to build their own nuclear weapons. The latter

possibility may make them more autonomous in matters of foreign policy and security while allowing them to maintain an alliance with the United

technologies. The use of information technology and networks for military purposes will create a new hotbed of international tension, primarily, between the United States and China, and the United States and Russia. In addition, increased levels of tension coupled with weak security institutions will lead to an increase in the number of restrictive

Processes of liberalization in Asian trade will slow down significantly, and the role of non-tariff barriers and protectionist policies in regulating foreign trade will sharply increase

States (the Cold War version of France). Taiwan and a number of ASEAN countries involved in disputes with China in the South China Sea will become militarized, and India will see its military spending escalate.

policies (technology-related sanctions) against the strategic sectors of the APR countries (MIC, energy and banking).

Amid sharpening aggravation of foreign policy contradictions, cyber security will become critically important. As a result, banks, enterprises and government agencies in a number of countries of that region will become to an even greater extent targets of hacker attacks. In particular, there will be a transition to more complex attacks, including disruption of production activities, which will deal a major blow to strategic industries of APR countries. The existing institutions will find themselves unable to conduct a consolidated and effective policy to prevent cyber attacks and control non-proliferation of cyber weapons, as well as control the development of nuclear

Given such circumstances, the processes of liberalization in Asian trade will slow down significantly, and the role of non-tariff barriers and protectionist policies in regulating foreign trade will sharply increase. Conclusion of mega-regional agreements will become impossible amid the accumulating critical mass of foreign policy contradictions between regional states.

Faced with an aggravated military-political situation along its key maritime communications, China will have to move toward a rapid increase in its investments in continental transport projects, without thinking too much about their relative effectiveness relative to existing maritime arteries. China will seek to have diversify its transport corridors, some of which will be built with the consent of Russia and

across its territory, while others will bypass Russia. The goal will be to tether Russia and the countries of Central Asia to China economically as much as possible to guarantee their full loyalty in case of crisis.

The internal political dynamics of APR countries will gravitate toward deepening nationalist sentiments. This, in turn, will block any transformation associated with the development of democratic institutions. Issues of religious radicalism will become critical. Religious sentiment in the countries of Southeast Asia, India and a number of Chinese regions will lead to clashes stemming from religious and ethnic intolerance. The Chinese are the most likely to be among the most oppressed groups, encouraging it to take active steps to protect its compatriots abroad, including military and

of nuclear weapon technology and weapons of mass destruction ending up in the hands of terrorists and extremists in Southeast Asia, as well as the countries bordering Central Asia and the Middle East, will trigger a humanitarian crisis.

At the same time, the proliferation of nuclear weapons is often seen by a number of experts as a factor which, contrary to well-established political ideas, can promote international stability, primarily, due to ‘nuclear restraint,’ i.e. an increased responsibility of states in their international conduct with nuclear deterrence in mind. Also, imparting a more militarized character to the regional system of international relations could make the entire multilateral system more balanced and help alleviate the fear that small and medium-sized nations have with regard to major ones.

The assumption about the benefits of nuclear deterrence worked well during the Cold War with its clear rules and norms of conduct, which are no longer there

economic measures. This will worsen China’s relations with the countries of the region, which will significantly complicate the process of building multilateral economic cooperation in the APR. The increased risks

However, the assumption about the benefits of nuclear deterrence worked well during the Cold War with its clear rules and norms of conduct, which are no longer there. Thus, from Russia’s perspective, the region slipping into a state of deterrence of everyone by everyone is a quite unfavorable scenario, albeit not fatal – due to Russia’s traditional advantage in the military-strategic sphere.

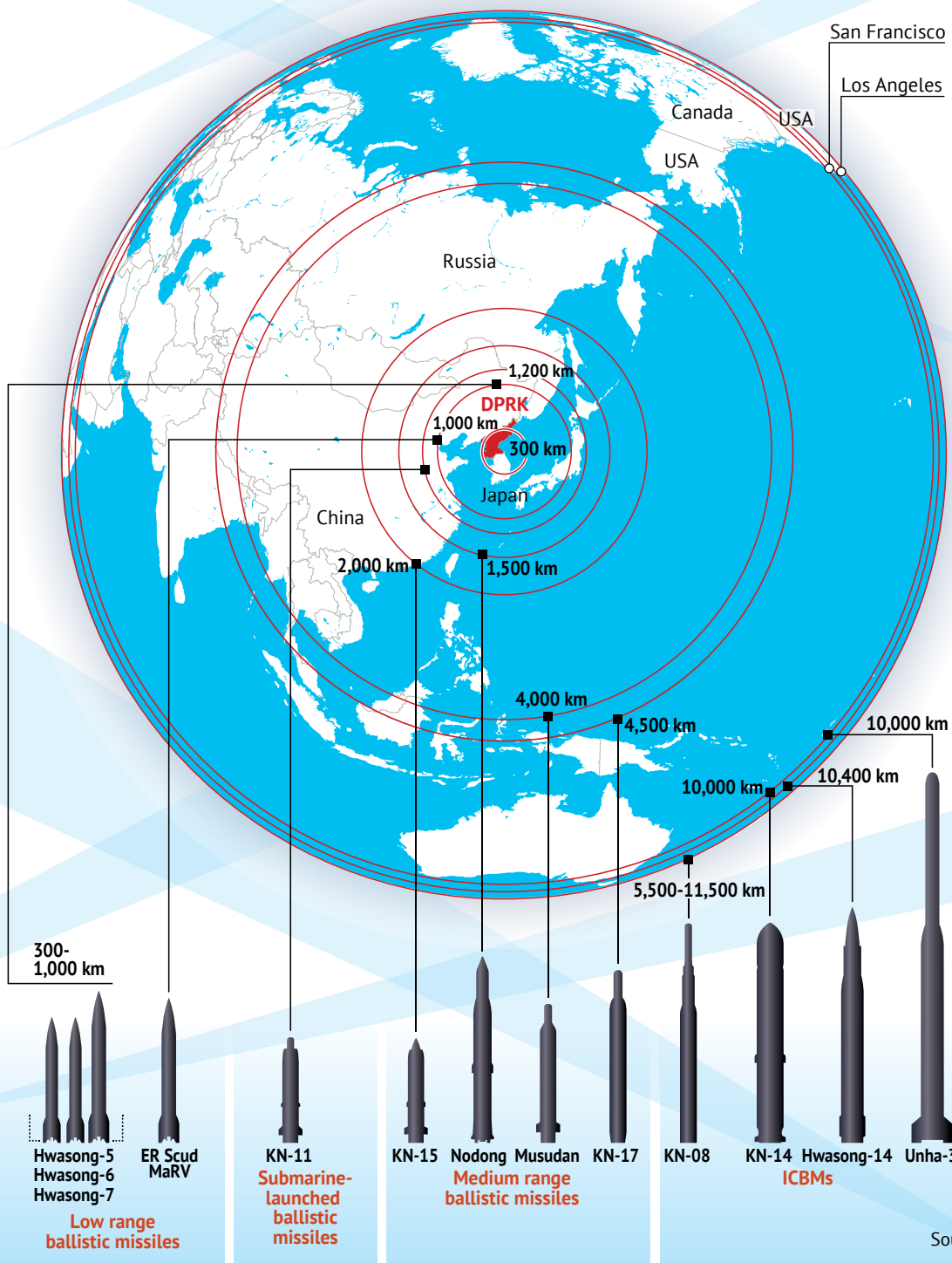
DPRK NUCLEAR MISSILE POTENTIAL

According to various sources, the DPRK has



from **15**

to **60** nuclear bombs



Source: www.cfr.org

The scenario #2

Bonanza! (Free Trade Asia)



Under this scenario, a compromise is likely to be reached, which will prevent the worsening of the Korean nuclear issue and outline ways to resolve it in a way that is satisfactory for all regional players. A compromise on the Korean issue will be part of a more global agreement in the area of regional security between China and Russia, on the one hand, and the United States and Japan, on the other hand. For Washington, such a compromise may

The result will be a gradual decrease of the importance of US security guarantees and, as a consequence, US political influence in the region as a whole. The situation in the South China Sea is stabilizing. Taiwan will move along the path of full economic and, in the long term, political fusion with the mainland.

In the context of reduced security risks and the gradual growth of Chinese influence in the countries of Southeast and South Asia, China will be more selective in approaching projects in the Eurasian region. China will spend less of its resources on megaprojects that are based on strategic considerations. However, China will more aggressively promote its economic interests in the region, and care much less about a possible negative reaction of Moscow.

The result will be a gradual decrease of the importance of US security guarantees and, as a consequence, US political influence in the region as a whole

be dictated by unfavorable changes in the balance of forces in the region and the inability to resolve the North Korean issue using their old approaches.

This will create additional preconditions for spreading liberalization of Asian trade, and stepping up of the efforts

Russia will need to pursue a more proactive policy to promote its economic players to the Asian markets, and do so in an increasingly complex institutional and regulatory environment

to regionalize trade amid an accelerated negotiation process and the signing a RCEP agreement (within the next year or two). Given such conditions, the negotiation process on the TPP agreement will lose force completely, and a China-centric model of trade and economic interaction will take root in the Asia-Pacific region. The involvement of ASEAN countries in regional value chains will continue in the wake of the technological transition in China. Trade and economic agreements between countries will move to a qualitatively new level, covering issues such as e-commerce, regulation of the exchange of services, investment and technology.

In particular, on the national level, most APR countries will adopt legislation in the sphere of cryptocurrency regulation and seek to harmonize standards and mechanisms for implementing international financial transactions using bitcoin. 'Digital

communities' will be created around China, India, Japan, South Korea and Singapore. Innovative financial digital technologies, in particular, bitcoin in international trade, will be more actively used. All this, coupled with increased volume of e-commerce and the widespread introduction of blockchain technology, will boost intra-Asian trade, re-invigorate integration

processes in the Asia-Pacific region and improve transparency of Asian regulators.

In addition, within this scenario, Asian countries will be able to conduct a coordinated cyber security policy and take effective measures to strengthen universal and regional security institutions.

In particular, this will contribute to a gradual weakening of religious radicalism, and spread of common democratic institutions in the face of stronger economic cooperation between states and, consequently, improved living standards, urbanization processes and a growing middle class. In addition, new economic initiatives in the region will need to protect their own infrastructure, which will contribute to stronger interaction between countries in the sphere of security, thereby reducing the severity of problems rooted in religious intolerance.

This scenario poses serious challenges for Russia, and will require it to step up its policy of involving other participants in the regional multilateral cooperation system. At the same time, Russia will need to pursue a more proactive policy to promote its economic players to the Asian markets, and do so in an

increasingly complex institutional and regulatory environment. In the meantime, the traditional ‘values’ of Russia’s participation in the affairs of the region, such as military power and energy, will be losing their importance. In general, a prosperous Asia is both a challenge and a unique growth opportunity to Russia.

The scenario #3

La Belle Époque (The Continuation of Asian Paradox)



Under this scenario, the sides will not be able to overcome their military-political contradictions, neither will they let the situation deteriorate to a critical level. Broken by sanctions, the DPRK will not give up its nuclear weapons, but will be willing to avoid confrontational steps in exchange for China’s easing its position on sanctions. The status quo will continue to prevail in Taiwan and the South China Sea. The idea that it is necessary to “softly contain” China

because of the heavy economic price tag of political and especially military confrontation, will prevail in the US leadership. In China-India relations elements of both cooperation and enmity will remain. China, the United States and India will be involved in the arms race in the region, but will try to keep in under control.

Maintaining a low level of political relations among Asian countries

will not become a serious obstacle to integrating into global supply and technological chains, joint technological projects, or transfer of licenses for production of innovative products. The pace of integration into the global information and communication space will vary, depending on the development level of the technical base, the level

currencies in international trade will increase and involve participation of major Asian companies and banking institutions.

Given such circumstances, integration processes in Asia will be marked by the spirit of the 'new regionalism' whereby existing political contradictions will not have a blocking effect on trade and economic cooperation between the countries of the region. The alignment of networks of countries and the establishment of bilateral contacts are medium-term

prospects. The RCEP negotiation process will become drawn out and end in the conclusion of an agreement only in the long term. However, the existence of institutional barriers within the member countries and competition from alternative multilateral formats (the revival of the TPP in a new form) will not allow a significantly deeper stage of integration. The RCEP will not become a full-fledged integration association led by China, but will instead remain a project of an extensive free trade area without a supranational superstructure, with the possibility of more countries joining the area.

To China, Central Asia and Russia will be just two of the several main

Maintaining a low level of political relations among Asian countries will not become a serious obstacle to integrating into global supply and technological chains

of political relations with technological giants, growth rates of the national economy and availability/effectiveness of the implementation of the national strategy for building a digital economy.

A number of Asian countries will create a regulatory framework for financial transactions with

Thus, stronger radical religious groups will contribute to a gradual increase of instability in the region

cryptocurrencies. An increasing number of international blockchain platforms and cryptocurrency exchanges will be involved in financing supply chains with high added value. The share of digital

areas of China's economic expansion. Strategically important infrastructure projects will be implemented gradually with sparing use of resources. China will generally try to avoid major friction with Russia in the region, while gradually increasing its role, not only in the regional economy, but in security as well.

Despite the remaining tensions between the great powers, they will not lead to a sudden increase in the race for technological weapons, or a disruption of the existing security architecture in the region. Universal and regional institutions will remain unable to respond effectively to unconventional security threats.

Radical religious sentiment will intensify for the two main reasons. First, religious radicals will have more funds to finance their extremist activities due to the improved economic situation in the region. And, second, since economic cooperation between the countries will not be backed by security cooperation. Thus, stronger radical religious groups will contribute to a gradual increase of instability in the region.

This scenario implies the possibility of preserving the paradigm, where no country in the region is hostile to Russia. However, in the longer term, negative stagnation will limit the possibility of Russia getting involved in regional affairs on both economic and political levels.



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