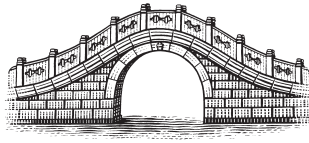


Russia's Asia Pivot: Confrontation or Cooperation?

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EXECUTIVE SUMMARY

This article examines the origins and conduct of Russia's Asia pivot, analyzes the role Asia plays in Russia's economic development plans, and assesses Russia's efforts to balance its strategic partnership with China and its ambitions to be a more autonomous player in Asia.

MAIN ARGUMENT

Recent tensions between Russia and the West highlight Russia's growing ties with Asia, particularly China. Before the Ukraine crisis, this pivot to Asia had more to do with Moscow's assessment that Asia will be the major source of future economic growth. Russia seeks Asian, especially Chinese, investment to open up new sources of oil and gas, which will in turn allow it to play a larger role in regional security and diplomacy. Economic ties are the basis for the deepening Sino-Russian partnership, while Beijing has also provided important diplomatic support as the West has sought Russia's isolation. Yet to avoid excessive dependence on China, Russia has worked to cultivate relations with other Asian powers, especially India, Vietnam, and Japan. This interest in harnessing Asian economic growth gives Moscow and Washington a common interest in regional stability, but one that is unlikely to be fully realized as long as bilateral relations remain focused on Europe and Eurasia.

POLICY IMPLICATIONS

- While Russia has been pursuing a more revisionist approach in Europe and Eurasia, in the Asia-Pacific it remains largely a status quo power, whose interests in continued economic growth and stability mostly parallel those of the U.S.
- While China is Russia's most important partner in Asia, the growing disparity between Russian and Chinese power has encouraged Moscow to hedge. Western efforts to isolate Russia risk undermining this balancing act and pushing Russia closer to China.
- Russia's efforts to play a larger role in Asia create opportunities for the U.S. to seek deeper engagement on issues of mutual interest, including North Korea, nuclear security, economic development, and trade.

Especially since the United States and Europe imposed sanctions on Russia over the annexation of Crimea, Moscow has emphasized the shift of its political and economic priorities to Asia. The crisis has spawned a narrative in some quarters that Russia is turning to China to compensate for its growing isolation from the West.¹ Many Western analysts see the development of this Sino-Russian partnership as the first step toward the emergence of a new revisionist axis aiming to challenge the West's economic and geopolitical dominance.²

The reality though is more complex. While the Ukraine crisis may have given Russia's turn to Asia greater significance, Russian focus on Asia and the Pacific has been growing for several years. Driven less by geopolitical animus toward the West than by an interest in developing its own resources, taking advantage of Asia's growing dynamism, and limiting the potential for regional conflict to jeopardize these aims, Russia's pivot began as a gradual process of economic and political integration with Asia. Yet as the crisis in relations between Russia and the West over Ukraine has accelerated, Moscow has increasingly fallen back on an old habit of seeing Asia in general, and China in particular, as an alternative to dependence on the West.

The major goal of this shift has long been to attract investment for the development of Siberia and the Russian Far East, where a combination of natural riches and sparse populations imperils Moscow's long-term control. Geographic proximity between Russia's vast reserves of oil and gas and China's huge market creates a natural synergy that has seen China become Russia's largest trading partner in recent years. Like Russia, China is also ambivalent about the existing international security order dominated by the United States. The two countries consequently find themselves on the same side of many international disputes. For many Russian nationalists of a conservative bent, China also offers an attractive model of development without democratization and is a potential superpower whose rise will inevitably come at the expense of the United States.

Yet as Moscow well understands, Russia's great-power aspirations are incompatible with excessive dependence on China. Given the disparities between a rapidly growing China and a stagnant Russia, their partnership is an unequal one, and Russia's freedom of action is compromised by being

¹ Neil MacFarquhar and David M. Herszenhorn, "Ukraine Crisis Pushing Putin toward China," *New York Times*, May 19, 2014.

² On the Sino-Russian partnership, see, for instance, Dimitri K. Simes, "How Obama Is Driving Russia and China Together," *National Interest*, June 24, 2014 ~ <http://nationalinterest.org/feature/how-obama-driving-russia-china-together-10735>.

overly dependent on China. Moreover, by identifying its interests at the global level with those of China, Russia undermines its ability to become a full-fledged Asian power by sowing distrust among the large number of Asian states that see China as a potential threat to their own interests.

For that reason, an important component of Russia's Asia pivot has been to cultivate ties with Asian powers such as Vietnam and India, in part to balance its relationship with China. More recently Russia has also begun seeking a rapprochement with Japan. Even as these bilateral relationships develop, the perception of Russia as a proxy for China inhibits Moscow's influence in the region more broadly, including in the multilateral organizations that Russia seeks to engage.³

Russia's resulting support for maintaining balance and stability in Asia is largely compatible with U.S. interests in the region, as long as the confrontation over Ukraine does not become the basis for a global stand-off on the model of the Cold War. Even as the United States and Russia continue to spar over European and Eurasian security, Washington has an opportunity to pursue limited engagement with Moscow in the Asia-Pacific. Doing so would allow the United States to maintain a working relationship with Russia at a time when tensions over Ukraine threaten to unleash a protracted confrontation in Europe. Such engagement can also help address some of Asia's major security challenges, including the nuclear stand-off on the Korean Peninsula, territorial disputes in the East and South China Seas, and the formation of a new regional security architecture, while minimizing the chances of a Sino-Russian strategic axis emerging. Combining containment of Russia in Europe with any degree of engagement in Asia will present a major challenge for U.S. diplomacy. But given the region's growing significance for the global economy and the potential for geopolitical tensions to undo the Asian economic miracle, Washington has a strong interest in Russia being a constructive player in Asia, regardless of what happens in Europe and Eurasia.

This article is organized as follows:

- ≈ pp. 69–74 describe Russia's slow pivot toward Asia resulting from its interest in building trade, investment, diplomatic, and security links with the region.

³ On Moscow's interest in Asian multilateral organizations, see Sergey Lavrov, "K miru, stabil'nosti i ustoychivomu ekonomicheskomu razvitiyu v Aziatsko-Tikhookeanskom regione" [Toward Peace, Stability and Stable Economic Development in the Asia-Pacific Region], Ministry of Foreign Affairs (Russia), October 5, 2013 ≈ <http://www.mid.ru/bdomp/ns-rasia.nsf/3a0108443c964002432569e7004199c0/44257b100055e1044257bfb002574f0!OpenDocument>.

- ≈ pp. 74–78 examine specifically the relationship between Russia and China and discuss the obstacles to a deeper partnership between the two states.
- ≈ pp. 78–84 analyze Russia's efforts to develop its relationships with other Asian states, notably South Korea, Japan, Vietnam, and India, through closer energy and security ties.
- ≈ pp. 84–87 assess the implications of Russia's pivot toward Asia for the United States and consider what Washington can do to encourage positive U.S.-Russian interaction in the Asia-Pacific.

RUSSIA PIVOTS TO ASIA, SLOWLY

Russia's Asia pivot predates the crisis over Ukraine but remains very much a work in progress. Although Russia's Pacific coastline extends more than 2,800 miles from the Bering Strait to the Sea of Japan, its center of gravity remains in Europe and the post-Soviet states of Eurasia, while the West remains the main prism through which Russia's elite views the world.⁴ For much of its post-Soviet history, Russia's engagement with Asia was mostly instrumental, with Moscow seeing Asia as an idealized alternative to the moralizing, sometimes hypocritical West. While elements of this instrumental approach remain, and indeed have become more prominent since the onset of the Ukraine crisis, Russia began increasingly looking to Asia for its own sake in the years before the crisis over Crimea. Russian attention to Asia has grown in particular since the onset of the West's financial crisis in 2008–9, which reinforced Moscow's belief that Asia had become the world's "fastest-developing geopolitical zone, toward which the center of world economy and politics is gradually shifting."⁵

According to its official Foreign Policy Concept, Russia's major objectives in Asia include establishing itself as a key transit country between Europe and Asia, harnessing Asia's growth to develop Siberia and the Russian Far East, participating in and shaping regional integration processes, and improving the regional security environment.⁶ Underlying all these aims is Russia's quest to remain a global power at a time when Asia and the Pacific are increasingly central to the global economy and international security.

⁴ On Russia's worldview, see Bobo Lo, "Russia's Eastern Direction—Distinguishing the Real from the Virtual," *Russie.Nei.Reports*, January 2014, 32 ≈ <http://www.ifri.org/en/enotes/russieneivisions/russieneireports/russias-eastern-direction-distinguishing-real-virtual>.

⁵ Ministry of Foreign Affairs (Russia), *Concept of the Foreign Policy of the Russian Federation* (Moscow, February 12, 2013) ≈ <http://www.mid.ru/bdomp/ns-osndoc.nsf/e2f289bea62097f9c325787a0034c255/0f474e63a426b7c344257b2e003c945f!OpenDocument>.

⁶ Ibid.

One clear sign of Russia's growing focus on Asia is the higher diplomatic profile assigned to the region in recent years. Following his return to the Kremlin in May 2012, President Vladimir Putin made official visits to China, India, Indonesia, South Korea, and Vietnam. He met with Chinese president Xi Jinping five times and Japanese prime minister Shinzo Abe four times in 2013; Putin and Xi met five times in 2014 as well. In the span of just three weeks in late 2013, Indian prime minister Manmohan Singh visited Moscow, while President Putin traveled to Vietnam and South Korea and Russia's foreign and defense ministers met with their Japanese counterparts for the first time in the 2+2 format.

Russian leaders have also become more visible in regional forums, especially the Asia-Pacific Economic Cooperation (APEC), whose annual summit Russia hosted in 2012 in Vladivostok (at a cost of more than \$18 billion), but also the East Asia Summit (EAS), which Russia joined in 2010; the ASEAN Regional Forum; the Asian Defence Ministers' Meeting-Plus; and the Asia-Europe Meeting.⁷ This multilateral engagement comes as Russia has begun championing a more effective and comprehensive regional architecture.⁸

Trade with Asia is increasing rapidly as well, growing by a factor of more than fifteen in the decade from 2001 to 2011.⁹ China has been Russia's largest single trade partner since 2010, accounting by itself for more than 10% of Russian trade turnover.¹⁰ Both bilaterally and through its customs union with Belarus and Kazakhstan, Moscow is pursuing trade agreements with several Asia-Pacific states, including Vietnam, India, Pakistan, Singapore, and New Zealand.

With the opening of the East Siberia–Pacific Ocean (ESPO) oil pipeline in 2009 and of a second phase in 2012, Russia is now able to export more than 30 million tons of oil per year to Asian markets, thereby positioning itself to become a key transit point for oil going to Japan, China, Korea, and elsewhere. Though slow to recognize how liquefied natural gas (LNG) is reshaping global gas markets, Russia is also moving to expand its LNG production facilities on Sakhalin Island and potentially at Vladivostok, both of which lie close to

⁷ "Probe Shows Multi-Million Dollar Fraud in Vladivostok APEC Summit," RIA Novosti, December 27, 2013. See also Andrew C. Kuchins, "Russia and the CIS in 2013: Russia's Pivot to Asia," *Asian Survey* 54, no. 1 (2014): 129–37.

⁸ Alexander Borodaykin, "The Asian Vector of Russia's Policy and Modernization," *International Affairs: A Russian Journal of World Politics, Diplomacy and International Relations* 56, no. 5 (2010): 23–30. See also Ministry of Foreign Affairs (Russia), *Concept of the Foreign Policy of the Russian Federation*.

⁹ See International Monetary Fund (IMF), Direction of Trade Statistics Database, 2012.

¹⁰ "BRICS Joint Statistical Publication 2013," report prepared by the National Statistics Offices of the BRICS Group, 2013 ~ http://www.gks.ru/free_doc/new_site/m-sotrudn/eng_site/brics_2013.pdf.

Japan and South Korea, the world's two largest importers of LNG. A 30-year, \$400 billion deal for supplying pipeline gas to China signed in May 2014 will allow Russia to unlock new sources of gas in Eastern Siberia while opening up a channel for sales not only to China but, in time, potentially to other Asian customers as well. This expanded energy production is critical not only for the development of Siberia and the Russian Far East but also for Russia's ability to expand its economic and hence political weight in Asia.

Of course, Russia's importance to Asia should be kept in perspective. In 2011, Russian trade with the Asian members of APEC totaled just \$136.6 billion, a small fraction of APEC's \$16 trillion total trade turnover.¹¹ These raw numbers also conceal a highly unbalanced trading relationship, with Russia exporting primarily energy and other raw materials, and importing finished goods. Natural resources constitute more than 98% of Russian exports to Japan, for instance.¹²

Though Moscow increasingly demands a seat at the table in Asian security forums, its contributions have been limited here too. Its role in the six-party talks on North Korea has been described as "more nuisance than value."¹³ Russia's Foreign Ministry calls the EAS "the main platform for strategic dialogue between leaders on key [Asia-Pacific] security and cooperation issues," yet the Russian president has skipped four consecutive EAS meetings, to the annoyance of other members.¹⁴ Nor does Russia have a full-time ambassador to the Association of Southeast Asian Nations (ASEAN).¹⁵ These limitations reinforce many regional states' skepticism and concern that, notwithstanding rhetoric to the contrary, Russia still sees Asia mainly as a tool for balancing against the West and checking U.S. leadership at the global

¹¹ See IMF, Directory of Trade Statistics Database, 2012; and David Trilling, "Russia Begins Its Slow Pivot to Asia," *Financial Times*, September 12, 2012.

¹² "Economic Relations between Russia and Japan," Embassy of the Russian Federation to Japan ~ <http://www.russia-emb.jp/english/embassy/economic.html>.

¹³ Quoted in Fiona Hill and Bobo Lo, "Putin's Pivot: Why Russia Is Looking East," *Foreign Affairs*, July 31, 2013 ~ <http://www.foreignaffairs.com/articles/139617/fiona-hill-and-bobo-lo/putins-pivot>.

¹⁴ Ministry of Foreign Affairs (Russia), *Concept of the Foreign Policy of the Russian Federation*; Jeffrey Mankoff, "Putin's Puzzling EAS Snub and Russian Ambitions in Asia," Center for Strategic and International Studies (CSIS), CogitAsia, December 14, 2012 ~ <http://cogitasia.com/putins-puzzling-eas-snub-and-russian-ambitions-in-asia>; and Oliver Backes, "Putin's Absence Defines Russia's Relationship with EAS," CSIS, CogitAsia, December 8, 2014 ~ <http://cogitasia.com/putins-absence-defines-russias-relationship-with-eas>.

¹⁵ Russia's ambassador to Indonesia also represents Moscow at ASEAN's headquarters in Jakarta.

level. The incautious rhetoric of Russian commentators only reinforces these fears, particularly since the beginning of the Ukraine crisis.¹⁶

RUSSIA'S ASIA STRATEGY AND THE DEVELOPMENT OF SIBERIA AND THE FAR EAST

Russia's growing attention to Asia was initially driven in large part by a recognition that the underdevelopment of Siberia and the Russian Far East represents a serious financial and security challenge, and that the only realistic solution is to increase trade and investment ties with the dynamic economies of East Asia, something Putin acknowledged as early as 2006.¹⁷ The Far Eastern and Siberian Federal Districts constitute more than 72% of Russia's territory. Yet the Far East only accounts for 5.6% of the country's GDP and 4.4% of its population, while Siberia's share is 10.6% of GDP and 13.5% of the population.¹⁸ In an increasingly strained fiscal environment, Moscow fears that these regions will remain a long-term drain on the federal budget. It also worries that the paucity of ties to European Russia will lead them to fall increasingly into the economic and political orbit of China, which already invests far more in the Russian Far East and Siberia than does Moscow and which is eagerly snapping up energy, agricultural land, timber, and other resources.¹⁹

Increasing production of energy, especially for sale in Asian markets, is the centerpiece of Moscow's approach to developing Siberia and the Far East. Russia's *Energy Strategy for the Period up to 2030* calls for increasing the share of liquid hydrocarbon exports to Asia from 8% of the total in 2010 to 22%–25% by 2030 and for increasing natural gas exports from zero to 19%–20% of the total.²⁰ Output from Russia's main oil and gas fields in West Siberia is declining, and maintaining current levels of production—much less reaching the goals set by the Energy Strategy—will require significant

¹⁶ Lo, *Russia's Eastern Direction*, 10. See also "Ekspert: ucheniya Rossii i Kitaya pomeshayut SShA 'vershit' sud'by mira" [Expert: Russia and China's Exercises Will Interfere with the USA "Controlling the Fate of the World"], RIA Novosti, May 20, 2014 ~ <http://ria.ru/world/20140520/1008584261.html>.

¹⁷ "Isolation of Russian Far East Threat to National Security—Putin," RIA Novosti, December 20, 2006 ~ <http://en.ria.ru/russia/20061220/57396954.html>.

¹⁸ "Natsional'nye scheta" [National Accounts], Russian Federal State Statistics Committee, 2011 ~ http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/accounts.

¹⁹ Kitaitys vkladyvayut v Rossiiskie regiony bol'she, chem Moskva" [Chinese Invest More in Russian Regions than Moscow Does], *Nezavisimaya Gazeta*, February 9, 2011; and David Stanway, "Insight: For Chinese Farmers, a Rare Welcome in Russia's Far East," Reuters, December 22, 2013.

²⁰ Ministry of Energy (Russia), *Energy Strategy of Russia for the Period up to 2030* (Moscow, 2010) ~ http://www.energystrategy.ru/projects/docs/ES-2030_%28Eng%29.pdf.

investment to ramp up production from new fields in Eastern Siberia and the Far East.²¹

Talks that lasted over a decade appeared to finally come to fruition with the May 2014 gas deal with China. Worth a reported \$400 billion, the agreement calls for developing new gas fields in Eastern Siberia for sale to China through the planned Power of Siberia pipeline. The deal is important largely because it secures Chinese investment (reportedly \$20 billion) for developing reserves from the Chayanda and Kovykta gas fields in Eastern Siberia, as well as Chinese financing for construction of the pipeline.²² Moscow and Beijing also signed a memorandum of understanding for a second gas pipeline in November 2014, planned to run from Western Siberia to western China, though the economics of this project are still more questionable than those behind the Power of Siberia pipeline.²³

The International Energy Agency estimates that Asia's natural gas use will increase by a factor of more than 2.6 by 2035 (and that China's will quadruple), while demand in Russia's traditional European markets will grow only slightly. There is thus clear synergy between Russia's search for investment capital and East Asia's search for new volumes, not to mention Europe's interest in diversifying away from Russian gas in response to the vulnerabilities highlighted by the Ukraine crisis.²⁴

China is the readiest source of capital for developing Siberia and the Far East, but large-scale Chinese investment also creates a dilemma for Moscow. While 1990s-era concerns about massive Chinese migration have not been borne out, the presence of a dynamic China just across the border promotes fears about the gradual erosion of Moscow's control and the region's eventual "Finlandization" between Russia and China.²⁵ Chinese banks provided more than \$25 billion to finance construction of ESPO's spur to China, in exchange for highly favorable price terms, and Beijing is the main customer for oil from

²¹ Thane Gustafson, "Russian Oil Industry at a Crossroads as Infrastructure Ages," *New York Times*, December 4, 2012.

²² "Factbox: Details of Russia-China Gas Deal," Reuters, May 22, 2014 ~ <http://uk.reuters.com/article/2014/05/22/gas-russia-china-pipeline-idUKL6N0081TU20140522>.

²³ Leonid Homeriki, "Russia to Build Second Gas Pipeline to China after Beijing Agreement," *Russia Beyond the Headlines*, November 13, 2014 ~ http://rbth.com/business/2014/11/13/russia_to_build_second_gas_pipeline_to_china_after_beijing_agreement_41393.html.

²⁴ International Energy Agency (IEA), *World Energy Outlook 2013* (Paris: OECD/IEA, 2013), 103.

²⁵ Sergey Karaganov, "Xi in Russia," *Russia in Global Affairs*, March 19, 2013 ~ <http://eng.globalaffairs.ru/pubcol/Xi-in-Russia-15898>. During the Cold War, Finland followed a policy of enforced neutrality between NATO and the Warsaw Pact. In exchange for staying out of NATO, Finland enjoyed close political and economic ties with the West. Some Russian analysts have developed an analogy between Finland's special status during the Cold War and the possible future development of a Siberia and the Far East that would maintain close political and economic ties with Russia but be neutralized in strategic terms.

the ESPO pipeline. Similarly, China agreed to provide \$25 billion in advance payments to finance construction of the Power of Siberia.²⁶ In December 2014, Beijing also announced a willingness to provide what amounted to a bailout as Russia's economy teetered on the brink of crisis (due to a combination of falling oil prices, Western sanctions, and a perception of rising political risk).²⁷

While the Sino-Russian gas deal had been in the works for a decade, the Ukraine crisis and Russia's fear that Western sanctions would limit its access to European markets made consummating the agreement a higher priority for Moscow. Consequently, Russia was forced to accept a lower price than it had sought, spend money from its own National Welfare Fund to inject capital into Gazprom to pay for the construction, and allow the Chinese a stake in Russian state oil company Rosneft.²⁸ Even before the May 2014 agreement, China National Petroleum Corporation (CNPC) had acquired an equity stake in Rosneft, as well as in a planned LNG plant on the Yamal Peninsula from private Russian energy company Novatek.²⁹ Chinese companies are thus increasingly prominent in the Russian energy sector, even though they lack the technology possessed by Western firms that is needed to expand production from difficult sites in Eastern Siberia, the Far East, and the Arctic. As Western sanctions continue to target Russia's energy sector, Chinese investment is likely to become even more important to Russia's energy future, at the cost of locking Russia increasingly into dependence on the Chinese market as Europe seeks to reduce its exposure to Russian gas.

RUSSIA AND CHINA: WHAT KIND OF PARTNERSHIP?

Since the last days of the Soviet Union, relations between Moscow and Beijing have experienced a profound improvement, which Moscow regards

²⁶ Elena Mazneva and Stepan Kravchenko, "Russia, China Sign \$400 Billion Gas Deal after Decade of Talks," Bloomberg, May 21, 2014 ~ <http://www.bloomberg.com/news/2014-05-21/russia-signs-china-gas-deal-after-decade-of-talks.html>.

²⁷ "China Offers Enhanced Cooperation as Russia Struggles," Bloomberg, December 19, 2014 ~ <http://www.bloomberg.com/news/2014-12-19/did-china-float-a-bailout-offer-for-crisis-hit-russia-.html>.

²⁸ "Why China Is Driving a Hard Bargain with Russia over Gas," China Real Time, *Wall Street Journal*, May 19, 2014; "Natsional'noe blagosostoyanie—Kitayu" [National Welfare—to China], *Gazeta.ru*, June 3, 2014 ~ <http://www.gazeta.ru/business/2014/06/03/6057661.shtml>; and Yelena Khodyakova, "Minfin ne videt smysla v dokapitalizatsii 'Gazproma' pod stroitel'stvo gazoprovoda 'Sila Sibiri'" [Minfin Sees No Point in Recapitalizing "Gazprom" over Construction of the "Power of Siberia" Pipeline], *Vedomosti*, June 19, 2014.

²⁹ Isabel Gorst, "Rosneft-CNPC: Getting Cosy," beyondbrics, *Financial Times*, October 21, 2013 ~ <http://blogs.ft.com/beyond-brics/2013/10/21/rosneft-cnpc-getting-cosy>.

as one of the great achievements of its post-Soviet Russian foreign policy.³⁰ This rapprochement has allowed Russia to secure its long land border with China, dramatically boosted trade and investment cooperation, and strengthened Russia's voice on the international stage—including in the UN Security Council, where Russia and China have pursued a common vision of international order based on the principles of state sovereignty and noninterference.³¹ Trade turnover exceeded \$90 billion in 2014, and the two sides have pledged to raise this figure to \$200 billion by 2020.³² Chinese FDI in Russia totaled a relatively modest \$4.08 billion in 2013, though that figure represented an increase from \$2.53 billion the previous year.³³

Especially for Russian officials and thinkers of a more conservative bent, China has become attractive as both a potential counterweight to the United States and a model of a developing country that achieved rapid growth without political liberalization. Engagement with China, in other words, has often had less to do with Russia's goals in Asia than with its continued ambivalence about the West and interest in creating a more multipolar world order encapsulated in groups like the Group of Twenty (G-20), the BRICS forum, and the Shanghai Cooperation Organisation (SCO).³⁴ Of course, Russian interest in a less Western-centric world order has grown since the start of the Ukraine crisis, which among its other effects has empowered precisely those anti-Western voices who have long called for steps such as reducing the role of the U.S. dollar in the global economy.

Nevertheless, the Sino-Russian partnership lacks trust and conceals tensions that complicate the potential emergence of a strategic axis between

³⁰ On Sino-Russian relations, see Andrew C. Kuchins, "Russia's China Challenge in a Changing Asia: An American Perspective," *ASAN Forum* 1, no. 3 (2013) ~ <http://www.theasanforum.org/russias-china-challenge-in-a-changing-asia-an-american-perspective>.

³¹ These principles were reinforced by Chinese leader Xi Jinping during his March 2013 visit to Russia. See "Xi Jinping Calls for the Building of New Type of International Relations with Win-Win Cooperation at the Core in a Speech at the Moscow State Institute of International Relations," Ministry of Foreign Affairs of the People's Republic of China, March 23, 2013 ~ http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpcf1_665694/t1024781.shtml.

³² "Trade Turnover with China Grows Despite Difficulties," ITAR-TASS, December 18, 2014 ~ <http://itar-tass.com/en/russia/767823>. See also Igor Naumov, "Shelkovyi put' kak zashchita ot sanktsii SShA" [Silk Road as a Defense against U.S. Sanctions], *Nezavisimaya Gazeta*, April 21, 2014.

³³ Figures for 2013 are from John Liu, "Chinese Investments in U.S., Russia See Big Jump," *China Post*, January 17, 2014. Figures for 2012 are from IMF, "Coordinated Direct Investment Survey" ~ <http://cdi.imf.org>.

³⁴ Ministry of Foreign Affairs (Russia), "Vstupitel'noe slovo i otvety Ministra inostrannykh del Rossii S.V. Lavrova na voprosy SMI v khode press-konferentsii po itogam peregovorov s ministrom inostrannykh del KNR Yang Jiechi" [Russian Foreign Minister S.V. Lavrov's Introduction and Answers to Journalists' Questions at a Press Conference Following the Conclusion of Talks with PRC Foreign Minister Yang Jiechi], February 22, 2013 ~ <http://www.mid.ru/bdomp/ns-rasia.nsf/1083b7937ae580ae432569e7004199c2/c32577ca0017458644257b1a0042813b!OpenDocument>.

Moscow and Beijing. The potential for Chinese investment to reorient Siberia and the Far East away from Moscow is one significant concern. So too is China's rapid penetration of post-Soviet Central Asia, whose own hydrocarbon riches have allowed Beijing to drive a hard bargain with Moscow over gas sales. While Russia tolerates Central Asian gas going to China (where it does not compete with Russian sales in Europe), the resulting economic and political reorientation of post-Soviet Central Asia is a source of concern. Even with the agreement to build the Power of Siberia pipeline, China continues boosting its supplies of Central Asian gas, which are now planned to reach 65 billion cubic meters as early as 2016. The availability of cheap Central Asian gas was a principal reason Beijing could hold out for a lower price in its gas talks with Moscow.

Russia has also blocked Chinese initiatives to create a development bank and free trade zone under the auspices of the SCO because of fears that Beijing would dominate them—though Moscow has signaled a new openness recently, in part because of Western sanctions.³⁵ In July 2014, Russia did agree to set up a BRICS development bank, where the capitalization will be equally shared among the five stakeholders.³⁶ Putin's plans to develop a Eurasian Union also appeared driven in part by a desire to maintain Russia's leading role in the post-Soviet space by imposing barriers to economic relations between its post-Soviet neighbors and China, though both Putin and Xi have declared that the Eurasian Union is compatible with China's vision of a new Silk Road economic belt.³⁷

Despite their reluctance to say so publicly, many Russian officials also see China's growing power and assertiveness as a potential security threat, notwithstanding the growing confrontation between Russia and the West. Partially due to Moscow's concerns about arming a potential rival, Russian weapons sales to China plummeted from a peak of more than \$3 billion in

³⁵ "Russia Proposes to Create SCO Development Bank," ITAR-TASS, July 31, 2014 ~ <http://en.itar-tass.com/russia/743057>.

³⁶ "Russia Says BRICS Development Bank Ready to Launch," *Moscow Times*, July 9, 2014.

³⁷ While Chinese attitudes toward the Eurasian Union seem mixed, trade diversion is a nearly certain, and deliberate, consequence. For balanced assessments, see Sergey Zhiltsov, "Aziatskii integratsionnyi treugol'nik" [Asian Integration Triangle], *Nezavisimaya Gazeta*, December 10, 2013; and Wan Shuchun and Wen Xinsun, "Perspektivy Evraziiskogo integratsionnogo proekta i Kitai" [Perspectives on the Asian Integration Project and China], *Svobodnaya Mysl'*, October 2013. See also "Kyrgyzstan's Dilemma over Russian-led Customs Union," BBC News, January 20, 2014 ~ <http://www.bbc.co.uk/news/world-asia-25718770>. Chinese President Xi Jinping has publicly stated that the Eurasian Union does not contradict China's plans for regional cooperation. See "President Xi Jinping Proposes to Build a Silk Road Economic Belt with Central Asian Countries," China.org.cn, November 1, 2013 ~ http://www.china.org.cn/travel/revitalize_the_silk_road_in_Shaanxi/2013-11/01/content_30468580.htm; and "APEC Economic Leaders' Meeting," Kremlin, November 11, 2014 ~ <http://eng.kremlin.ru/transcripts/23220>.

2005 to less than \$700 million in 2012.³⁸ While the two sides signed new agreements amid the Ukraine crisis, these had been under negotiation for some time and covered only the S-400 system, which China would be unlikely to deploy against Russia, and Su-35 fighter planes, which Beijing regards mostly as a bridge capability until the rollout of its own fifth-generation fighter at the end of the decade.³⁹

For several years, some Russian officers have even been speaking of China as a possible military threat.⁴⁰ In 2010 and again in 2013, Russia held large-scale maneuvers on its own territory, testing the ability of its military to repel a foe designed to look much like the People's Liberation Army. Russia's reluctance to reduce its holdings of nonstrategic (tactical) nuclear weapons or to negotiate another strategic arms reduction agreement with the United States following the ratification of the New START Treaty is also due in part to concerns about China's military potential.⁴¹

Similarly, the size and scope of Sino-Russian military exercises has declined for many years even as Russia pursues opportunities to train with militaries from China's Asia-Pacific rivals. For example, the annual Sino-Russian Peace Mission exercises, held under the auspices of the SCO, have become progressively smaller in recent years. In 2013, for example, only 1,200 troops took part, compared with more than 10,000 eight years earlier.⁴² Peace Mission 2014 was larger but primarily reflected Chinese concerns. Held in Inner Mongolia with mostly Chinese forces, the exercise focused on separatist threats along China's western periphery rather than on the U.S.-backed "color revolutions" that Russia fears.⁴³

In addition, Moscow insisted that bilateral naval exercises held with China in July 2013 stay confined to Russian territorial waters. This decision apparently was motivated by alarm at recent Chinese incursions into the Sea

³⁸ Data from the Stockholm International Peace Research Institute (SIPRI), Arms Transfer Database, available at <http://portal.sipri.org/publications/pages/transfer/splash>.

³⁹ Paul N. Schwartz, "Russia Announces Sale of S-400 to China," CSIS, Russia and Eurasia Program, June 30, 2014 ~ <http://csis.org/blog/russia-announces-sale-s-400-china>.

⁴⁰ Simon Saradzhyan, "The Role of China in Russia's Military Thinking," International Relations and Security Network, May 4, 2010, available at http://belfercenter.ksg.harvard.edu/publication/2012/9/role_of_china_in_russias_military_thinking.html.

⁴¹ "Addressing Nonstrategic Nuclear Forces," Carnegie Endowment for International Peace, Euro-Atlantic Security Initiative, February 2012 ~ http://carnegieendowment.org/files/WGP_AddressingNSNW_FINAL.pdf. On strategic arms, see Lora Saalman and Alexei Arbatov, "Russia-U.S.-China: Trilateral Strategic Stability," Carnegie Endowment for International Peace, April 24, 2012 ~ <http://carnegieendowment.org/2012/04/24/russia-u.s.-china-trilateral-strategic-stability/bzha>.

⁴² People's Liberation Army, "Peace Mission 2013," http://eng.chinamil.com.cn/special-reports/node_60757.htm. On Peace Mission 2005, see "Exercise of Power," *Financial Times*, August 19, 2005.

⁴³ Joshua Kucera, "SCO Exercises to Be Biggest in Ten Years," Bug Pit, EurasiaNet.org, August 11, 2014 ~ <http://www.eurasianet.org/node/69486>.

of Okhotsk, as well as by a desire to improve relations with Northeast and Southeast Asian states that themselves have maritime territorial disputes with China.⁴⁴ In 2014, Russia moved these bilateral exercises to the Mediterranean, far away from China's wary neighbors. Meanwhile, in 2012 Russia participated for the first time in the Rim of the Pacific (RIMPAC) exercises with the United States and its partners from both sides of the Pacific, and in late 2013 the Russian navy held search and rescue exercises with Japan.⁴⁵ While the Russian and Chinese navies held joint exercises in the East China Sea in May 2014 (near the Senkaku/Diaoyu Islands that are the subject of a Sino-Japanese dispute) following Japan's decision to participate in group of seven (G-7) sanctions over Crimea, Moscow signaled to Tokyo through diplomatic channels that it had little choice, given the timing and Chinese pressure, but remains eager to improve relations.⁴⁶

To some extent, the Ukraine crisis appears to have encouraged Moscow to swallow its concerns about Chinese power out of a real fear that Western sanctions, coupled with efforts by the European Union to reduce dependence on Russian energy, could deepen Russia's isolation. The conclusion of the long-stalled Sino-Russian gas deal, agreements to sell China advanced weapons such as the S-400 air defense system, currency swap agreements, and joint naval exercises in the volatile East China Sea are all cases of Moscow overcoming long-standing concerns about its own vulnerability to Chinese power in order to sign off on deals that may prove to be damaging to Russian interests in the longer term. Whether the potential for Russia's enduring alienation from the West as a result of the Ukraine crisis leads Moscow to more thoroughly embrace Beijing remains to be seen, but such an embrace would have significant costs for Russia, especially in terms of the strategic independence that it has long emphasized as the centerpiece of its foreign policy.

NEW PARTNERS FOR A NEW ERA

Concerns in Moscow that Chinese economic power will pull the Russian Far East out of its orbit have led Russia to prioritize diversifying the

⁴⁴ Hyodo Shinji, "Japan-Russia Relations in Triangular Context with China," *ASAN Forum* 1, no. 3 (2013) ~ <http://www.theasanforum.org/japan-russia-relations-in-triangular-context-with-china/>.

⁴⁵ John Hofilena, "Russian Naval Group Arrives Off Japanese Islands for Joint Exercises," *Japan Daily Press*, December 16, 2013 ~ <http://japandailynews.com/russian-naval-group-arrives-off-japanese-islands-for-joint-exercises-1641020>.

⁴⁶ Author's conversation with a Japanese journalist, Washington, D.C., June 4, 2014.



sources of investment in its energy sector—even as it rushed to complete its gas deal with Beijing. Moscow is also seeking both to deepen security ties with traditional partners such as Vietnam and India and to develop relationships with other Asian powers, including Japan. Notably, all these states have territorial disputes with China and worry about the potential for Chinese hegemony in Asia.

Because of their proximity to the Russian Far East, Japan and South Korea are natural markets for Russian LNG, especially with Japan's decision to shut down its nuclear power plants following the 2011 Fukushima disaster. Russia's market share in both countries is currently small—constituting 9.6% of Japan's total gas consumption and around 6% of South Korea's—because Russia long prioritized supplying the European market. For now, Russia has only a single operational LNG plant, which is part of the Sakhalin-2 oil and gas project.⁴⁷

Helped by recent legislation to relax Gazprom's export monopoly, Moscow, Seoul, and Tokyo would all like to increase production of Russian LNG for sale in Asia, by both expanding Sakhalin-2 and building new LNG plants, though sanctions and the massive gas deal with Beijing complicate these aspirations. Novatek, which owns a majority stake in the Yamal LNG project in Russia's far north, is looking to bring in Japanese (as well as Indian and South Korean) investment after selling part of its stake to CNPC in 2013.⁴⁸ Rosneft agreed in June 2013 to sell Japan 2.5 million tons of LNG from a planned LNG plant at Sakhalin-1, while Gazprom is courting Japanese investment for another new LNG plant at Vladivostok. However, Japan questions the plant's financial viability, and its participation in the G-7 sanctions has put this project on hold for the time being.⁴⁹ Meanwhile, the May 2014 Sino-Russian gas deal could over the longer term facilitate the development of Russia's LNG capacity, since the promised Chinese investment will help unlock the new fields in Eastern Siberia. If supplies are sufficient and sanctions do not interfere, these fields could eventually supply LNG plants in the Far East. In the short to medium term, though, the

⁴⁷ "Sakhalin-2," Shell Global  <http://www.shell.com/global/aboutshell/major-projects-2/sakhalin.html>.

⁴⁸ "Yamal dlya Yaponitsev" [Yamal for the Japanese], *Vedomosti*, March 14, 2013; and Lyubov Pronina and Anna Shiryayevskaya, "Novatek Courts Gunvor for Yamal LNG Sales to Target Asia," Bloomberg, January 27, 2014.

⁴⁹ Tsuyoshi Inajima and Yuriy Humber, "Russia's LNG Rush Gives Japan Strongest Bargaining Chip," Bloomberg, June 13, 2013  <http://www.bloomberg.com/news/2013-06-12/russia-s-lng-rush-gives-japan-strongest-bargaining-chip.html>; and Ekaterina Drobinina, "Russian LNG producers and Japanese LNG Consumers Awaiting Market Liberalization," *Russia Beyond the Headlines*, October 10, 2013  http://rbth.asia/economy/2013/10/10/russian_lng_producers_and_japanese_lng_consumers_awaiting_market_libe_48923.html.

need to fulfill Gazprom's contracts with China will leave less gas available for conversion to LNG and could scare away potential investors.⁵⁰

Perhaps more important for Russia's role in shaping the regional balance of power is the web of security relationships the country is developing across Asia. Moscow continues expanding military and technical cooperation with other important Asian powers, particularly India and Vietnam, which also view China's rise as destabilizing. Along with Bangladesh, Vietnam and India are the main Asian customers for Russia's nuclear power industry. Both are also increasing their already significant purchases of Russian armaments, and Russia is seeking to expand weapons sales to new markets in the region, including Indonesia, Laos, Malaysia, Myanmar, Bangladesh, Thailand, and (to India's frustration) Pakistan.⁵¹

Already, India accounts for 31% of Russia's arms exports, and 75% of India's arms imports come from Russia.⁵² Not only is the volume of Russian military sales to India rising, but Russia is co-developing advanced systems with India and providing New Delhi with capabilities that Moscow continues to withhold from Beijing. The BrahMos joint venture is producing a new ultrafast cruise missile capable of sea, air, or land launch.⁵³ Russia's Sukhoi and India's Hindustan Aeronautics Limited (HAL) are also collaborating to manufacture the Su-30MKI fighter plane (which is reportedly more advanced than the Su-30MKK model being sold to China) and to design a fifth-generation fighter aircraft.⁵⁴ These ties leave Moscow tilting toward New Delhi's camp in its strategic confrontation with Beijing and serve as a platform for the more extensive political and security ties both partners are seeking to build—even if India is dissatisfied with Russia's decision to begin

⁵⁰ See Gilbert Rozman, "The Russian Pivot to Asia," *Asian Forum*, December 1, 2014.

⁵¹ Ivan Matsarsky, "Russia Shows Weapons Systems in Thailand," *Russia and India Report*, March 14, 2012 ~ http://indrus.in/articles/2012/03/14/russia_shows_weapon_systems_in_thailand_15140.html; "Russian-Laoian Partnership Develops Effectively—Medvedev," *Voice of Russia*, November 5, 2012 ~ http://voiceofrussia.com/2012_11_05/Russian-Laoian-bilateral-partnership-develops-effectively-Medvedev/; and Yan Pai, "Burma and Russia to Increase Military Cooperation," *Irrawaddy*, November 21, 2013 ~ <http://www.irrawaddy.org/politics/burma-russia-increase-military-cooperation.html>.

⁵² Oliver Backes, "The Traditional Friend: Russia-India Military-Technical Cooperation and Defense Procurement Ties Post-DPP-2013," CSIS, Russia and Eurasia Program, October 28, 2013 ~ <http://csis.org/blog/traditional-friend-russia-india-military-technical-cooperation-and-defense-procurement-ties-pos>. See also Gardiner Harris, "World's Biggest Arms Importer, India Wants to Buy Local," *New York Times*, March 6, 2014.

⁵³ "Missile System," BrahMos Aerospace ~ <http://www.brahmos.com/content.php?id=10>.

⁵⁴ Jay Menon, "Su-30MKI Delivery to Indian Air Force Slips," *Aviation Week*, March 6, 2013 ~ http://www.aviationweek.com/Article.aspx?id=/article-xml/awx_03_06_2013_p0-555592.xml; and Ajai Shukla, "India, Russia to Ink Gen-5 Fighter Pact," *Business Standard*, September 11, 2010 ~ http://www.business-standard.com/article/economy-policy/india-russia-to-ink-gen-5-fighter-pact-110091100058_1.html.

selling weapons to Pakistan (likely in response to India's efforts to diversify suppliers).⁵⁵ Russia is also seeking to bring India into the SCO, mainly to dilute Chinese influence in the group.

Vietnam is another longtime partner with which Russia is trying to boost relations. Gazprom and Rosneft both have concessions for gas exploration off Vietnam's coast in the South China Sea.⁵⁶ These concessions give Russia a de facto stake in the dispute between Vietnam (and by extension, other Southeast Asian states) and China over maritime borders. Despite pressure from Beijing, Russia has refused to pull out of these production agreements. During Putin's November 2013 visit to Hanoi, several Russian firms signed deals for new projects, including Rosneft's expansion of its stake in Vietnam's offshore gas blocks and Gazprom Neft's acquisition of a stake in Vietnam's largest oil refinery, while in 2014 Hanoi agreed to purchase oil from Russia's ESPO pipeline.⁵⁷

Like India, Vietnam is also a major purchaser of Russian weaponry, especially naval platforms that allow it to balance China's growing strength in the South China Sea.⁵⁸ In 2009, Hanoi agreed to pay \$2 billion for six Kilo-class attack submarines, which feature advanced stealth technology that makes them virtually invisible to sonar.⁵⁹ Just since 2012, Vietnam has contracted to purchase advanced frigates and attack boats, as well as additional Su-30 fighter planes and coastal defense missile batteries. In November 2014, Moscow and Hanoi signed an agreement for Russian warships to resume port visits to Cam Ranh Bay naval base, which Russia leased from Vietnam until 2002, while Putin and Vietnamese president Truong Tan Sang signed a

⁵⁵ Dean Cheng and Ariel Cohen, "How Washington Should Manage U.S.-Russia-China Relations," Heritage Foundation, Background, no. 2841, September 12, 2013 ~ <http://www.heritage.org/research/reports/2013/09/how-washington-should-manage-usrussiachina-relations>. On Indian complaints, see "Indiya raskritikovala stroitel'stvo Rossiei istrebitelya" [India Criticized Russia's Construction of Fighter], RT, June 27, 2014 ~ <http://russian.rt.com/inotv/2014-06-27/Indiya-raskritikovala-stroitel'stvo-Rossiei-istrebitelya>. On Pakistan, see Rahul Bedi and James Hardy, "India Unhappy at Russia's Mi-35 Sale to Pakistan," *IHS Jane's*, June 23, 2014 ~ <http://www.janes.com/article/39894/india-unhappy-at-russia-s-mi-35-sale-to-pakistan>.

⁵⁶ "Gazprom and Vietnam Strengthening Long-Term Partnership," Gazprom, Press Release, October 7, 2013 ~ <http://www.gazprom.com/press/news/2013/october/article173424>.

⁵⁷ "Update 1-Russia's Gazprom, Rosneft Sign Vietnam Energy Deals on Putin Visit," Reuters, November 12, 2013.

⁵⁸ For an overview, see Stephen Blank, "Russia and Vietnam Team Up to Balance China," *National Interest*, April 7, 2014 ~ <http://nationalinterest.org/commentary/russia-vietnam-team-balance-china-10195>.

⁵⁹ "Russia to Deliver 2 More 'Black Hole' Subs to Vietnam in '14," RIA Novosti, November 7, 2013 ~ http://en.ria.ru/military_news/20131107/184573923/Russia-to-Deliver-2-More-Black-Hole-Subs-to-Vietnam-in-14.html. Russia is also training Vietnamese naval crews and building a base and dockyard for the submarines.

defense cooperation agreement in November 2013 that lays a foundation for joint weapons production.⁶⁰

Ties with Vietnam and India are based on relationships dating to the Soviet era, but concern about China is also behind a more significant rapprochement between Russia and Japan—notwithstanding the unresolved territorial dispute over the Southern Kuril Islands/Northern Territories, which were captured by the Soviet Union in the final days of World War II. Although Russia has long seen Japan as a promising source of investment, as well as a market for hydrocarbon exports, both economic cooperation and security cooperation have lagged. Economic relations have underperformed largely because of Japanese concerns about the Russian investment climate, whereas security cooperation has foundered as a result of the territorial disputes. Japan's participation in the G-7's sanctions over the Ukraine conflict has created additional complications. Since Putin's return to the Kremlin in May 2012, however, Moscow has prioritized improving relations with Tokyo as it seeks trade and investment in the Far East and security on its Asian flank. At the same time, Japan has sought Russian support not only for its search for new energy supplies but also in the context of its strategic rivalry with China.⁶¹

With respect to economic cooperation, during Abe's April 2013 visit to Moscow, the first by a Japanese leader in a decade, the two sides agreed to channel investment into high-priority sectors of the Russian economy, especially in Siberia and the Far East.⁶² Abe then traveled to Russia a second time for the opening of the Sochi Winter Olympics in February 2014, even as most Western leaders boycotted the games. Despite Japan's participation in the G-7's sanctions, Moscow continues its efforts to cultivate economic ties with Tokyo.⁶³ Speaker of the State Duma and Putin ally Sergey Naryshkin visited Tokyo in early June 2014, and discussions continue about a possible

⁶⁰ "President Putin: Russia-Viet Nam Must Work Together to Reach Goals," *Viet Nam News*, November 11, 2013 ~ <http://vietnamnews.vn/politics-laws/247448/president-putin-russia-viet-nam-must-work-together-to-reach-goals.html>; and "Russia, Vietnam Agree on Simplified Cam Ranh Port Entry for Russian Warships," ITAR-TASS, November 27, 2014 ~ <http://itar-tass.com/en/world/763988>.

⁶¹ Celine Pajon, "Japan-Russia: Toward a Strategic Partnership?" *Russie.Nei. Visions*, no. 72, September 2013, 5 ~ <http://www.ifri.org/en/publications/enotes/russievisions/japan-russia-toward-strategic-partnership>; and Rozman, "The Russian Pivot to Asia."

⁶² "Russia and Japan Create Joint Investment Pot with \$1bn Entry Ticket," RT, April 29, 2013 ~ <http://rt.com/business/russia-japan-investment-plans-576>.

⁶³ "Japan's Sanctions on Russia Result from US Pressure—Naryshkin," Voice of Russia, May 30, 2014 ~ http://voiceofrussia.com/news/2014_05_30/japans-sanctions-on-russia-result-from-us-pressure-Naryshkin-8887/.

2015 Putin visit, notwithstanding Japan's participation in sanctions and Russia's decision to hold naval maneuvers around the disputed islands.⁶⁴

On the security front, Russia and Japan are increasingly concerned about the potential for conflict in East Asia. Both sides have devoted new attention to resolving their territorial dispute, culminating in an agreement reached during Abe's April 2013 visit to accelerate efforts to reach a peace treaty to settle the Southern Kuril Islands/Northern Territories dispute and formally end hostilities from World War II.⁶⁵ These talks have continued notwithstanding the fallout over the Ukraine crisis.⁶⁶

While prospects for such a treaty are uncertain, both sides are pursuing enhanced security cooperation even without a treaty. During the 2012 APEC summit in Vladivostok, for example, Russia and Japan agreed to boost cooperation against maritime poaching and in the Arctic.⁶⁷ At the 2+2 meeting in November 2013, the two sides reached further agreements on deepening cooperation between their respective maritime staffs on counterterrorism and counterpiracy. Moscow is likewise mulling joint search-and-rescue drills with Japanese naval forces in the Sea of Okhotsk and Arctic Ocean.⁶⁸ Discussions on more far-reaching security cooperation have also begun, and have raised the possibility of an expanded Russian role in East Asian groupings such as the ASEAN Regional Forum and the EAS.⁶⁹ Even without a resolution to the territorial dispute, such Russo-Japanese security cooperation reflects the new alignments developing in East Asia in response to what many states see as a more uncertain strategic landscape, even though Japan's alliance with the United States represents an obstacle insofar as Russia comes to view its Asia pivot as a means of checking U.S. power.

As its economic footprint in Asia grows, Russia is being forced to confront the range of security challenges that give Asia of the early 21st century an

⁶⁴ "Abe, Putin Agree to Prepare for Japan Visit Next Year," *Japan Times*, November 10, 2014.

⁶⁵ "Sovmestnoe zayavlenie Prezidenta Rossiiskoi Federatsii i prem'era Yaponii o razviti Rossiisko-yaponskogo partnerstva" [Joint Statement of the President of the Russian Federation and the Prime Minister of Japan on the Development of the Russo-Japanese Partnership], Kremlin, April 29, 2013 ~ http://www.kremlin.ru/ref_notes/1446.

⁶⁶ "Russia Says Begins Military Exercises in Pacific Islands Also Claimed by Japan," Reuters, August 12, 2014 ~ <http://www.reuters.com/article/2014/08/12/us-russia-japan-kuril-idUSKBN0GC00020140812>.

⁶⁷ "Japan-Russia Summit Meeting on the Occasion of APEC Leaders' Meeting in Vladivostok (Overview)," Ministry of Foreign Affairs (Japan), September 8, 2012 ~ <http://www.mofa.go.jp/announce/jfpu/2012/09/0908-03.html>. Regarding cooperation in the Arctic, Russia supported Japan's presence as an observer in the Arctic Council, after trying and failing to prevent China's inclusion.

⁶⁸ Hyodo, "Japan-Russia Relations."

⁶⁹ "Lavrov to Take Part in the First Ever Russian-Japanese Relations Round of Consultations in '2+2' Format," Voice of Russia, November 1, 2013 ~ http://voiceofrussia.com/news/2013_11_01/Lavrov-to-take-part-in-the-first-ever-Russian-Japanese-relations-round-of-consultations-in-2-2-format-9693/.

uncomfortable resemblance to Europe of the early 20th century. For example, Russia has an obvious interest in limiting instability on the Korean Peninsula, as it both shares a border with North Korea and is actively pursuing greater trade with and investment from South Korea. Much of the oil and gas exported by sea from the Russian Far East, meanwhile, must cross the East China Sea, and energy deals with Vietnam give Russia an interest in the South China Sea as well. Russia is therefore largely a status quo power in Asia, in contrast with Europe and Eurasia, where the Ukraine crisis has highlighted Moscow's revisionist ambitions. Yet its eagerness to embrace China in the aftermath of the Ukraine crisis risks dragging Russia into China's own efforts at revisionism in Asia, thereby damaging ties with states like Vietnam and Japan while leaving Moscow ever more bound to Beijing.⁷⁰ Maintaining this balance between a globally oriented partnership with China and ambitions to maintain a stable security environment in Asia remains the major dilemma for Russian policy in the region.

IMPLICATIONS FOR THE UNITED STATES

As the United States seeks to strengthen regional alliances and ties with emerging partners like Vietnam and India, support effective regional institutions, and boost trade, investment, and growth, it will increasingly need to take account of Russia as a factor in Asian diplomacy.⁷¹ Notwithstanding the crisis in relations precipitated by Russia's intervention in Ukraine, U.S. and Russian interests in Asia continue to coincide more than in other parts of the world. Sustaining any degree of bilateral U.S.-Russian cooperation over the longer term will likely require shifting the focus of the relationship away from Europe and Eurasia to areas where the two sides' interests continue to coincide, including the Asia-Pacific.

What then would U.S. engagement of Russia in Asia look like? First, it would require something of a conceptual leap. Partially owing to the organizational structure of the State Department, Defense Department, and National Security Council staff, the United States' Asia strategy is conducted on an almost entirely separate track from its relationship with Russia,

⁷⁰ On Russia's Asian focus, see Alexander Gabuev, "How Russia Is Misreading Asia," Carnegie Endowment for International Peace, Eurasia Outlook, June 3, 2014 ~ <http://carnegieendowment.org/2014/06/03/how-russia-is-misreading-asia>.

⁷¹ Objectives of the U.S. pivot to Asia are discussed in U.S. Department of State, "The East Asia-Pacific Rebalance: Expanding U.S. Engagement," Bureau of Public Affairs, Fact Sheet, December 16, 2013 ~ <http://www.state.gov/r/pa/pl/2013/218776.htm>.

which remains under the purview of the respective European and Eurasian bureaus. Washington's agenda for U.S.-Russian relations meanwhile remains dominated by traditional security issues such as arms control and missile defense, European security, the future of the post-Soviet region, and especially in recent years the Middle East—but with little consideration of how Russia fits into Washington's emerging Asia strategy. Russia is not even mentioned in most official discussions of U.S. strategy in the Asia-Pacific.⁷²

Apart from the escalating crisis over Ukraine, China will be the biggest obstacle to U.S.-Russian cooperation in Asia. Western efforts to isolate Russia risk undermining Moscow's balancing act and pushing the country closer to China. To be sure, Moscow wants to avoid finding itself in a position where it is forced to choose between Washington and Beijing.⁷³ More and more Russian elites, however, have come to believe that the West itself has forced Moscow to choose Beijing by seeking to isolate and contain Russia over the Ukraine crisis. While Sino-Russian energy cooperation is not necessarily problematic from the perspective of the United States, deeper strategic cooperation is potentially troubling—for instance, if increased Russian arms sales boost China's capacity to deter U.S. intervention in the South China Sea or the Taiwan Strait.⁷⁴

The major challenge for the United States will be to segment its efforts to push back against Russian expansionism in Europe and Eurasia while pursuing limited engagement with Russia in Asia. Given the role China plays in Russia's Asia strategy, the United States would be wise to focus on areas of trilateral interest, which has the benefit of limiting Moscow's ability to play Washington and Beijing off one another. One obvious area for trilateral cooperation is nuclear security. Both the United States and Russia would like greater transparency about China's arsenal, and all three powers would benefit from discussions about strategic stability, including U.S. plans for missile defense in Asia. Another area of clear trilateral interest is security in Afghanistan and Central Asia following the drawdown of U.S. and NATO forces in 2014.

⁷² See, for example, Hillary Clinton, "America's Pacific Century," *Foreign Policy*, October 11, 2011 ~ http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century; U.S. Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* (Washington, D.C., January 2012) ~ http://www.defense.gov/news/defense_strategic_guidance.pdf; and U.S. Department of State, "The East Asia-Pacific Rebalance."

⁷³ "Russia's Interests in the Context of Asia-Pacific Region Security and Development," Russian International Affairs Council, Report, no. 1, 2012, 18.

⁷⁴ For a sober assessment of the risks, see Andrew Small, "Ukraine, Russia, and the China Option: The Geostrategic Risks Facing Western Policy," German Marshall Fund of the United States, Europe Policy Paper, no. 2, 2014.

Trilateral U.S.-Russian-Chinese cooperation also offers the best prospects for coping with the North Korean nuclear challenge. The United States could be open in theory to Russian ideas for trans-Korean infrastructure (railways and pipelines) as a carrot to dangle in front of Pyongyang in the event of a final nuclear deal. Looking to expand its opportunities for transcontinental trade, South Korea has also expressed interest in this prospect.⁷⁵

The United States should also keep open the possibility of Russia someday joining the nascent Trans-Pacific Partnership (TPP). The TPP is Washington's effort to create a deep, high-quality Asia-Pacific trade bloc that rationalizes the existing "spaghetti bowl" of subregional agreements. Although Russia remains far from meeting the TPP's membership criteria, this possibility is no more far-fetched than Chinese membership, to which the United States has confirmed it is open. Russia in any case is already pursuing trade deals with TPP members New Zealand and Vietnam. Implementing the TPP's liberalizing criteria, moreover, would help with Moscow's push to attract foreign investment to Siberia and the Far East, while Russian interest would reinforce Washington's effort to convince other regional players to throw in their lot with the TPP. Sanctions and Russia's turn inward make this prospect more remote, but it remains important for Washington to keep the door open to Russia, as well as China, as it seeks to build a more liberal and open Asia-Pacific economic order.

While resolving the lingering dispute over the Southern Kuril Islands/Northern Territories will ultimately fall to Moscow and Tokyo, Washington can also help create a conducive environment for negotiations and encourage flexibility on the part of its Japanese ally. At the very least, the United States should be more indulgent of Japan's efforts to cultivate Moscow as a partner in spite of the press to impose sanctions over Russian actions in Ukraine.⁷⁶ For the United States, a lasting Russo-Japanese rapprochement that contributes to a more fluid Asian strategic balance should be a higher priority than gaining Tokyo's assent for sanctions.

Russia has been understandably reluctant to wade into either the South China Sea or the East China Sea disputes. Nevertheless, Gazprom's exploration agreements with Vietnam and Russia's reliance on maritime transit for energy sales in Asia, along with its interest in expanding trade through the Northern

⁷⁵ Simon Mundy, "Russia-South Korea Pipeline Talks Revived," *Financial Times*, October 16, 2013. See also "Yevraziiskaya integratsiya po-koreiski" [Eurasian Integration Korean Style], *Kommersant*, June 23, 2014.

⁷⁶ Shinya Sugizaki and Yoshihiro Makino, "Tokyo's Soft Stance toward Moscow Irritates Washington," *Asahi Shimbun*, June 3, 2014 ~ http://ajw.asahi.com/article/behind_news/politics/AJ201406030051.

Sea Route in the Arctic, mean that Russia is concerned with protecting freedom of navigation. The United States would be wise to cultivate this shared interest, especially in multilateral settings where tensions over Ukraine are likely to be less prominent.

Thanks in part to Russia's own historical ambivalence about Asia, Washington is accustomed to seeing Russia primarily as a European and Eurasian state, not as an Asian or, as some Russian strategists have described it, a "Euro-Pacific" power.⁷⁷ Since late 2013, Europe and Eurasia have been focal points for a level of U.S.-Russian confrontation unseen since the Cold War. These tensions have spilled over into Asia as well, with Russia looking to China to ease the strategic isolation the United States is thrusting upon it. Once immediate passions cool, though, Russia is likely to recognize the need to adopt a wider view of its interests and role in Asia. When it does, the United States should be ready to pursue limited engagement as a means of shaping Russia's involvement in Asia and creating a platform for managing the tensions emerging from the Ukraine crisis. ◆

⁷⁷ Dmitry Trenin, "Euro-Pacific Nation," *Russia in Global Affairs*, March 24, 2003 ~ http://eng.globalaffairs.ru/number/n_639. See also Russian National Committee of the Council for Security Cooperation in Asia Pacific, "Going East: Russia's Asia-Pacific Strategy," *Russia in Global Affairs*, December 25, 2010 ~ <http://eng.globalaffairs.ru/number/Going-East-Russias-Asia-Pacific-Strategy-15081>.