The US and Russia in the Asia-Pacific
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The project brought together leading American and Russian experts on the Asia-Pacific for a dialogue on key regional issues. The participants in the meetings are listed below. While some of the participants provided feedback on drafts of this report, the content is solely the responsibility of the authors.

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Contents

I. Introduction 4
II. US Policy in the Asia-Pacific 5
III. Russian Policy in the Asia-Pacific in the Context of the Ukraine Crisis 8
IV. Comparing US and Russian Approaches to the Asia-Pacific 16
V. Short-Term Policy Recommendations 17
VI. Long-Term Priorities 18
I. Introduction

The US and Russia are both Pacific powers. Their future prosperity and security depends to a significant extent on developments in the Asia-Pacific region. They are key actors in regional diplomatic processes and multilateral fora. Their militaries in the theatre have capabilities that no other state can match. It is true that before 2014, Russian decision-makers did not assign the same priority to the region as their American counterparts; Russia’s regional portfolio was dominated by post-Soviet Eurasia and Europe. In that period, the lack of regular bilateral government-to-government dialogue between Russia and the United States, let alone practical cooperation, on Asia-Pacific regional issues seemed more a function of inertia than of design.

Events in Ukraine in 2014 dramatically changed the nature of the US–Russia relationship. All but the most essential ties were severed, and tensions have risen to Cold War-era levels. Comprehensive US–Russia cooperation in the Asia-Pacific is now a distant prospect, and some in both Washington and Moscow oppose any such cooperation in principle. In the short to medium term, the agenda for bilateral interaction in the region will be far more limited. Nonetheless, bilateral dialogue on the region is just as important in order to reduce the potential for misunderstanding and the chance of unintended conflict.

This is particularly important because the Ukraine crisis has had a dramatic impact on the relative importance of the Asia-Pacific in Russian foreign policy. As the US and EU sanctions regime has restricted Russian companies’ access to Western capital, Russia has sought to diversify its foreign engagement with a greater emphasis on other regions. Naturally, that has meant more emphasis on the Asia-Pacific. But beyond this expected and understandable increase in emphasis on the Asia-Pacific, Russian officials have portrayed the ‘turn to the East’ as an alternative to relations with the West.

Within its ‘turn to the East’ Russia has prioritised its relations with China. Like the United States, Russia sees the rise of China as one of the most significant developments of the twenty-first century. Key projects, such as the nearly $400 billion gas deal signed in May 2014, have recently been pursued with more urgency by the Kremlin. Russia’s need for deeper economic engagement with China as a result of deteriorating ties with other major partners is creating an imbalance in the Russia–China relationship that could have a strategic impact over time.
The US and Russia in the Asia-Pacific

Current US policy toward the Asia-Pacific, branded the ‘rebalance’ by the Obama administration, is a comprehensive, multifaceted approach to engagement in the region. Developed at the confluence of the increasing importance of Asia and the drawdown of US involvement in two wars in the greater Middle East, the rebalance is a whole-of-government, multi-pronged strategy that is not solely focused on security interests. Its interrelated priorities include: sustaining and elevating traditional alliances; managing and deepening the partnership between the US and China; engaging with regional institutions, with a particular focus on the Association of Southeast Asian Nations (ASEAN); elevating economic statecraft, most importantly through the Trans-Pacific Partnership (TPP); shifting US priorities within East and Southeast Asia; and revising the US military posture in the region. The rebalance reflects the long-term importance of the Asia-Pacific region and thus is not designed to be a one-administration policy.

From the beginning, the rebalance was intended to catalyse a substantial national policy shift and reassessment. Although the contours of the policy predate the Obama administration, the rebalance is an acceleration of purpose for the US in Asia.

The first aspect of US Asia policy is sustaining and elevating traditional bilateral alliances, particularly those with Japan, South Korea, Australia and the Philippines. In the case of Japan, the traditional cornerstone of US policy in the region, this includes renegotiating defence-cooperation guidelines to allow for more active, integrated alliance activity across a wider range of situations. Japanese policymakers have deep anxiety about the sustainability of American power and resolve in the region; therefore, reassurance is a constant part of alliance management. In addition, the US supports Japan’s development of new relationships with other allies and partners to help balance China’s rise (e.g. the Philippines, Australia, India), moving from the traditional hub-and-spoke approach to a ‘spoke-to-spoke’ model. Moreover, the US has sought to engage trilaterally and ‘minilaterally’ with Japan and other states in the region. Prior to the 2014 Ukraine crisis, Russia–Japan rapprochement was also welcomed by the US.

Improving the South Korea–Japan bilateral relationship is also a key priority. Seoul is working with Tokyo (and under subtle pressure from Washington) to find an understanding on issues in its relationship with Japan. It is hoped that the December 2015 bilateral agreement on comfort women will catalyse even closer relations. South Korea and Japan, however, have different threat perceptions when it comes to China, complicating trilateral cooperation beyond North Korea issues. While Washington has successfully established a partial intelligence-sharing mechanism among the three countries, the relationship remains strained by territorial disputes and Japan’s insufficient reflection about the harsher elements of its colonisation of Korea from 1910 to 1945.

The second aspect of US Asia-Pacific engagement is managing the US–China relationship. While often mischaracterised (in Beijing) as neo-containment, the US policy toward China aims to deepen this partnership while at the same time grappling with China’s rise as a global power. Historically, there have been two coexisting strategic frameworks animating US policy in the Asia-Pacific. The first is supported by Asia hands who think that if the US ‘gets China right’ then the rest of the region’s problems will be much easier to resolve. In recent years, some from this group have shifted their view in light of China’s more assertive behaviour, which they see as destabilising and an attempt to replace the US as the security guarantor in the region. The second, driven in large part by defence officials, asserts the primacy of bilateral alliances over the US–China relationship for managing challenges in the Asia-Pacific region. For both groups, there exists a growing mistrust of China’s intentions in the Asia-Pacific region, and many in Beijing share this sense of mistrust about the US and its rebalance policy. Despite the overwhelming common interests that require US–China cooperation to guarantee regional stability, address climate change

II. US Policy in the Asia-Pacific
and global health pandemics, and manage the global economy, this trust deficit makes maintaining a constructive US–China relationship a much more challenging goal for policymakers in Washington.

The third aspect of US policy in Asia, particularly for the Obama administration, is engagement with regional institutions. Recognising that ASEAN in particular is vital to US success in Asia, Washington was the first non-member to appoint an ambassador to the organisation in 2008, and it signed the Treaty of Amity and Cooperation in 2009, paving the way to join the East Asia Summit in 2011. US officials often highlight the need to develop an ASEAN-centric regional security architecture, and regularly attend the ASEAN Regional Forum at the ministerial level and actively participate in the ASEAN Defence Ministers Meeting–Plus construct since its founding in 2010. The US and ASEAN have also elevated the US–ASEAN relationship, designating it a ‘strategic partnership’ and holding regular 10+1 summits.

The fourth aspect places greater emphasis on economic statecraft to foster peace and stability in the region. Following on from the US–South Korea free-trade agreement (FTA) – which was signed in 2007 and came into force in 2012 – Washington is now focused on ratifying the TPP and finalising a Bilateral Investment Treaty with China. The TPP is a 12-country FTA whose members account for 40% of global GDP. The agreement was not originally a US initiative; negotiations were launched in 2005 among Chile, Singapore, Brunei and New Zealand. However, it is now seen as critical to the future role of the US in Asia. The agreement goes beyond lowering tariffs and creates high-standard rules of the road to make trade more predictable and markets more open. Indeed, the countries participating in the TPP process aim to set the standard for trade agreements in the twenty-first century.

China is not party to the TPP. However, the agreement was not designed to undermine China’s trade in the region, although President Barack Obama has noted that the agreement allows the US and not China to write the rules of trade for the twenty-first century. The TPP is open to all Asia-Pacific Economic Cooperation (APEC) nations, and the US has in principle welcomed China’s (and even Russia’s) involvement in the future. In practice, it is impossible for China to join in the short to medium term because of the structure of its domestic market, and this has in turn led to apprehension in Beijing over Washington’s intentions. At the same time, China’s attitude to the TPP is beginning to change. Some reformers in Beijing believe that the TPP could provide a useful incentive to promote reforms in China, much as China’s entry into the World Trade Organization (WTO) served as a catalyst for opening its market 15 years ago.

The US and China have prioritised finalisation of a far-reaching Bilateral Investment Treaty to formalise rules to protect foreign investors and establish non-discriminatory market access. The deal could serve as the starting point for China’s potential TPP accession, although Beijing has been quick to suggest alternatives to the TPP for regional economic integration, including the Regional Comprehensive Economic Partnership (which does not include the US) or an Asia-Pacific Free Trade Agreement.
Fifthly, the US is diversifying its priorities within Asia. Washington seeks to modify its historical focus on Northeast Asia to establish a more balanced approach to the region. Increased engagement with Southeast Asia is crucial so that the region is not seen merely as a throughway for the US. Deeper engagement in Southeast Asia has proceeded on two tracks: firstly, through bilateral partnerships; and secondly, through the ASEAN-centric multilateral engagement described above. As a result, the region’s profile is higher in US foreign policy now than at any point since the Vietnam War era.

The sixth element of US Asia policy is the revision of US military posture within the region. Recognising the growing importance of the Indian Ocean and Southeast Asia, the US has negotiated new troop-rotation arrangements with allies and partners in those two regions. Examples include the US plans to deploy up to 2,500 marines to Darwin, Australia each year, US littoral combat ships on rotation through Singapore, the new Enhanced Defense Cooperation Agreement with the Philippines and an invigorated military-diplomacy programme in the region, especially with ASEAN countries. At their core, these changes are a recognition that the prior US approach to security in Asia is no longer sufficient. As such, the Obama administration has pursued a force posture in the region that is intended to be more geographically diverse, operationally resilient and politically sustainable.

Despite this shift, North Korea remains the most immediate security preoccupation for the US in Asia. The US has a multifaceted approach to the North Korean threat, engaging multilaterally with allies, partners and other states in the region – including China and Russia – on the nuclear issue while maintaining the UN sanctions regime, enforcing a near-total economic embargo and bolstering deterrence through enhanced defence cooperation with South Korea and Japan.

Challenges facing these US policy priorities in Asia going forward include domestic constraints, particularly tighter budgets; the perceived trade-off of engagement in other regions, especially the Middle East and Europe; and China’s increasingly assertive policies in the region, which force Asian countries to carefully balance their relationships with Beijing and Washington.

While the fundamentals of US policy in Asia have not changed because of the Ukraine crisis, there has been some ‘spillover’ for Washington’s approach to the region. The US has concerns that China has drawn the wrong lessons from Russia’s actions in Crimea; in other words, some fear that Beijing has concluded that it could engage in analogous forceful alteration of the status quo at limited cost. However, the US also understands China’s sensitivity over sovereignty issues and thus the Obama administration has sought to garner Beijing’s support for principles of international law relevant to the Crimea situation, with little success. Elsewhere in the region, Washington reportedly applied significant pressure on Tokyo to join G7 sanctions against Russia, and has urged Prime Minister Shinzo Abe to be cautious in his engagement with President Vladimir Putin. In addition, the US formally asked Vietnam to cease its policy of allowing Russian nuclear-capable bombers to refuel at a base in Cam Ranh Bay.
Moscow began deepening economic and political engagement with its eastern neighbours (in part to counterbalance and in part to complement Russia’s policy toward the West) before the collapse of the Soviet Union. In the late 1980s, Soviet leader Mikhail Gorbachev took three major decisions that laid the groundwork for Russian strategy towards the Asia-Pacific. The first was to ‘open’ the ‘closed’ areas of the Far East, including Vladivostok, which had been isolated from the outside world for decades due to security concerns. The second was the normalisation of relations with China following Gorbachev’s visit to Beijing in 1989. The third was the establishment of official diplomatic relations between Moscow and Seoul in September 1990, as part of a broader push to diversify ties in the region.

Russia joined APEC in 1998. However, deeper economic cooperation between Russia and Asia-Pacific countries remained limited. The centrality of European markets for Russian firms and the Euro-Atlantic focus of Russian foreign policy prevailed until the last few years. This outcome can be explained by practical limitations (lack of proper infrastructure in Russia’s Far East, limited opportunities for the export of energy and raw materials to Asian markets, etc.) on the one hand, and by the Eurocentrism among the Russian political and business elite on the other.

However, the crisis in Russia’s relations with the West that began in 2014 has dramatically increased the relative importance of the Asia-Pacific in Russian foreign policy. Vague thoughts about the desirability of diversifying ties and markets that previously served as the motivation for Russia’s notional ‘turn to the East’ gave way to necessity, as Russia faced increased security risks to the west, an expanding sanctions regime and deepening political confrontation with the US and the EU.

The Russian leadership realised relatively quickly that its initial sky-high expectations for the new relationship with Asia were unrealistic and that the task of reorienting ties requires long-term commitment and a comprehensive plan. However, the objective of ‘turning to the East’ remains a priority. Since the Kremlin considers China, India and the countries of Southeast Asia its strategic allies in building a ‘new world order’ and lessening the prominence of the US and Euro-Atlantic institutions, its ‘turn to the East’ is not merely a short-term manoeuvre aimed at minimising the impact of Western sanctions, but instead is part of a broader strategy.

Russia’s diplomatic and political approach towards the Asia-Pacific regional security architecture is based on the premise that the prevailing US alliance system does not fit the contemporary economic and security environment. Russian officials admit that the US military presence in the Asia-Pacific and the US bilateral alliance system have played a stabilising and balancing role in the past. However, they claim that the fundamental changes in the region require a new approach. Russian officials call for a more balanced and inclusive system based on the principles of equality and ‘indivisible security’, the precept that one country cannot increase its own security at the expense of another country’s security. In Moscow’s view, the new regional architecture should include not only the US, Japan and South Korea but also Russia, China and ASEAN member states.

Russia–China

In the near future, the evolution of Russia–China relations will be influenced by Russia’s deteriorating relations with the West and by new policies undertaken by China’s leader, Xi Jinping. Further, the pace and scale at which their trade and investment ties develop will depend on the extent to which China’s economic downturn hinders this process. There are already questions, for example, about whether the recent energy deals signed by the two countries will be realised given the dwindling demand for energy in China as Beijing manages the Herculean task of transitioning the country’s economic model in the coming decade.
Foreign engagement is increasingly seen in Beijing as not only a result of, but also one of the main factors contributing to, Chinese economic growth. China is trying to compensate for the drop in its growth rate by exporting capital and excess capacity from the state-owned sector. Comprehensive strategies like the One Belt, One Road (OBOR) in Eurasia, Southeast Asia and East Asia, and outward investment in the ‘frontier markets’ of Africa and Latin America, demand ‘foreign-policy innovations’ to create conducive climates for the expansion of Chinese capital. As with previous visits to Africa and Europe, Xi Jinping’s recent trips to the Middle East, the BRICS summits, the Shanghai Cooperation Organisation (SCO) meeting in Central Asia, and South Asia were accompanied by large investments and technological assistance to develop transportation infrastructure. A consolidation of new regional ‘zones of Chinese influence’ is occurring.

Beijing’s foreign-policy innovations create new opportunities for Russia. However, without adequate Chinese explanations of its goals and plans, they could cause additional concerns that China’s growing international presence and more assertive foreign policy could limit Russia’s influence.

At first, Russia may not pay much attention to such threats to its interests in light of the current crisis with the West. However, if relations between Russia and the West normalise, the issue of developing countermeasures to guarantee Russian interests amidst China’s growing global influence will arise.

Strategically, the main challenges for Russia–China relations are a result of the growing economic imbalances between the two countries. China is consolidating its position as the second-largest economy in the world; Chinese multinational corporations are increasingly accessing global markets, acquiring foreign companies and directly competing with their American, European and Japanese counterparts.

Militarily, China is gradually closing its gap with Russia in conventional capabilities and, according to some Russian experts, in nuclear arms as well. A military conflict between Russia and China is extremely unlikely, and Russia–China military-to-military ties have increased significantly, with regular major joint exercises. Russia continues to view the US and NATO as its main potential military adversaries, while China looks to the US, Japan, India and Vietnam as its primary threats.

The current Chinese foreign-policy course suggests that China is more actively proposing its own versions of global and regional (especially in the Asia-Pacific) order and more strictly asserting its interests. These Chinese actions could change the entire ‘material basis’ of Russia–China relations in the future. Many Chinese experts believe that a shift in the strategic balance in favour of China will exacerbate tensions in the Russia–China relationship, increasing mutual distrust.

To avoid this outcome, Beijing has taken steps to increase trust on the political and political-military levels, including state visits to Beijing and Moscow to attend commemorative events at the 70th
anniversary of the end of the Second World War in May and September 2015, respectively; continuing political dialogue on security issues in Northeast Asia, including consultations on the North Korean nuclear issue; and regular joint military exercises. Moreover, the Chinese government actively discusses with Moscow the future of Asia, as well as the leadership role of Russia and China in a new Asian security architecture. In addition, discussion of the US is now an agenda item in Russia–China political and strategic consultations. Such measures are intended to minimise distrust and suspicion in Moscow that ‘something has been done behind Russia’s back’ in US–China relations.

For Russia, the closer relationship with China helps mitigate the impact of Western sanctions. Economically, China is ready to continue cooperation in the energy field (taking advantage of the fact that Russia sees China as an important supplement to the European energy market) and to invest in Russian transport and commercial infrastructure, as well as in Russia’s Arctic regions.

The most prominent example came in May 2014, when, after more than a decade of talks, the Russian state-controlled energy giant Gazprom signed a Framework Agreement with China’s CNPC to build the Power of Siberia pipeline, which will bring natural gas from Eastern Siberia to Northeastern China. The deal stipulates the delivery of 38bn cubic metres over 30 years. Some have valued the deal at over $400bn.

In December 2015, Russian gas producer Novatek, one of the first firms to be sanctioned by the US in 2014, sold a 9.9% equity stake in the Yamal liquefied natural gas project to China’s Silk Road Fund. (The Yamal consortium already included CNPC, which has a 20% stake.) Also in December, Sinopec acquired a 10% stake in the Russian gas-processing and petrochemicals company Sibur. The deal is estimated to be worth $1.3bn. Other promising projects include construction of a high-speed railway from Moscow to Kazan (total investment estimated to reach $5bn) and the international transport corridor Europe–Western China, as part of the OBOR initiative.

China sees an opportunity to fill the niches in the Russian market – in areas such as automobile manufacturing, electronics, and medical and scientific equipment – formerly occupied by Western firms.

During Xi Jinping’s May 2015 visit to Moscow, the two countries signed a Joint Statement on cooperation between the Eurasian Economic Union (EEU) and OBOR. A joint working group on finding areas of cooperation between the two integration projects was established. The working group focuses on a number of key issues, including: boosting trade and investment cooperation; economic growth and the creation of employment; stimulating investment; developing industrial cooperation; implementing large joint-investment projects; and creating joint industrial parks and cross-border economic zones. The parties agreed to increase cooperation in logistics and transportation infrastructure and take steps towards harmonising trade and investment rules. This cooperation has eased Russian concerns about Chinese involvement in Central Asia.
via OBOR and demonstrated Chinese willingness to engage with the EEU, a priority project for President Putin.

The deepening of the Russia–China strategic partnership poses certain risks for Russia. China is a ‘young’ global player that has yet to learn the role of global leader, and often acts like an ‘assertive beginner’. As China’s political influence increases over time, Beijing might act more assertively in regional disputes and demand greater support from Russia for its policies, in such a way that could contradict Russian interests. Russia might have to accommodate these demands, making concessions for the sake of preserving its relationship with China.

China will keep strengthening its position in Russia’s backyard. Amid the sanctions war with the West, Russia might, in return for lucrative participation in China’s OBOR project, adapt to a new role as China’s ‘junior partner’.

Beyond economics, China is also a politically more important partner for Russia than Russia is for China. Such an imbalance will compel Russia to accept an expanded Chinese role not only in Central Asia, the South Caucasus and Eastern Europe in the near future, but also inside Russia though the development of a Pacific–Atlantic branch of OBOR. The ‘eastern’ hegemon could eventually replace the ‘western’ one (i.e., the US), as China naturally acts more assertively in defence of its interests. In case of deterioration of US–China relations, China might request Russia to take actions to counter the US, which could further escalate its conflict with the West.

While there has been debate in the West about the threat of a Russia–China strategic axis, the prospects for a true alliance are dim. The crisis in Ukraine certainly reinforces Russia–China cooperation on global governance and other political issues, as both Moscow and Beijing share a similar worldview, particularly over sovereignty issues, cyber and space concerns.

Both governments are happy to allow the myth of a Sino-Russian alliance to propagate; the illusion of a unified bloc can create international political capital. In reality, however, neither side wants to be dragged into the other’s conflicts, whether they be in Russia’s Eastern European periphery or in the South and East China seas. According to the dominant view in China, the establishment of a Russia–China political and military alliance is not practical, as it does not correspond to Chinese interests: it is not advantageous for China to be drawn into a conflict with the US because of another country.

China is utilising Russia’s ‘turn to the East’ for its own strategic goals. China’s refusal to adhere to Western sanctions is not based on political solidarity with Russia, but is rather an attempt to promote Chinese business interests. Chinese businesses see an opportunity to expand their presence and enter new market segments in Russia, particularly in information technology, the automotive industry, machine building and high-tech equipment manufacturing, and infrastructure development.

**Russia–Japan, –South Korea and –North Korea**

Russia’s traditional foreign policy toward Japan, South Korea and North Korea, aimed at promoting cooperation with Tokyo and Seoul and countering Pyongyang’s nuclear programme, is under growing pressure from the continuing deterioration of US–Russia relations.

Russia–Japan political relations have deteriorated, as Japan remains an ally of the US and a member of the G7 and has imposed sanctions on Russia for its actions in Ukraine (although of a much more limited scope than EU or US sanctions). Discussions about the traditional problems in the relationship (the territorial dispute, the US–Japan alliance, etc.) have become somewhat more tense.

At the same time, the cooling of Russia–Japan relations will happen on a smaller scale than the deterioration of Russia’s relationship with the West. Japanese business and Tokyo’s foreign economic policy will continue to manoeuvre in an attempt to minimise Japan’s participation in a sanctions regime against Russia while preserving Japan’s share of the Russian market, together with Japan’s economic influence within Russia. Moreover, Tokyo views the Ukraine crisis as a European issue, and sees its relationship with Moscow as central to protecting its interests in the region. As such, Prime Minister Abe has taken steps to prevent the relationship from completely deteriorating.
The administration of Park Geun-hye, unlike its predecessors, could more actively seek Moscow’s support on the issue of Korean reunification, which is not likely to be perceived as a threat to Russia’s interests. Moscow views reunification as a remote prospect and has not yet developed an official position on the issue. There are different points of view among Russian experts on this topic. Some view reunification as an outcome that will bolster the security of the Russian Far East and bring the region more economic opportunities, while others focus on the potential threats from US military infrastructure moving toward Russia’s borders and the risks from a united Korea moving closer to China economically. Some experts in Russia recently began to call for Russia–South Korea cooperation on reunification. They believe that current trends in the region suggest reunification is not only inevitable, but might also happen sooner than South Korea and other regional powers expect. Further, they argue that a gradual process of reunification will take place peacefully only if it is supported by all regional powers, including Russia. In addition, Russian involvement in the preparation and eventual implementation of this project would help it prevent the emergence of potential threats to its interests. Russia’s participation would enable Moscow to show its continued interest in East Asian regional stability and possibly deepen its economic and political investment in the Korean Peninsula over the long term.

A major issue in the Russia–South Korea economic relationship is the dominance of Russian state-owned corporations in potential investments and joint ventures, while the activity of private firms – and particularly small and medium-sized businesses – is quite low. South Korean businesses and the government are still cautious in dealing with Russian state-owned enterprises, as their activities lack transparency. This problem shows no signs of improvement. As a result, the potential for mutual investment is minimal.

Some in Moscow believe in the illusion of improved relations with North Korea. North Korea has been portrayed as part of the ‘East’ that does not support Western sanctions against Russia. However, the appearance of improved relations with Pyongyang will have no real substance in the medium term. The North
The US and Russia in the Asia-Pacific

Korean nuclear programme is completely unacceptable to Russia; it eliminates Moscow’s freedom of manoeuvre in relations with Pyongyang.

Economically, North Korea’s totalitarian system is not ready for cooperation based on accepted global standards. In practice, bilateral economic initiatives boil down to Pyongyang’s demands for greater financial support. For Russia, this is currently not possible, as its economic assistance measures are focused on subsidising Crimea.

If the Six-Party Talks on North Korea resume, Russia might soften its position toward Pyongyang. In practical terms, Russia might call for lifting sanctions on North Korea, giving Pyongyang a new opportunity to resolve the nuclear issue and other matters. However, as the Kim Jong-un administration amended the North Korean constitution with a provision claiming that the ‘DPRK is a nuclear state’ in April 2012 and thus upended any further discussions on rolling back its nuclear programme, such a development is unlikely. Until recently, Pyongyang was only prepared to discuss its official recognition as a nuclear power in exchange for promises not to conduct nuclear tests. For its part, North Korea continues to try to play the ‘Russia card’ against the US, South Korea and China in order to receive more economic aid from all four countries and to lessen the pressure from sanctions. Russia should avoid falling into this trap given its stance on the need for North Korea’s denuclearisation.

If the crisis in Russia’s relations with the West is not resolved, the negative trajectory of Russia’s relations with Japan and South Korea will become a long-term trend. If the crisis is resolved, the factors that led to the deterioration of Russia–Japan and Russia–South Korea relations will be eliminated. Under these circumstances, a slow process of restoring political dialogue between Russia and Japan will take place and Japanese capital will begin to re-enter the Russian market in an attempt to recover the losses incurred during the period of cooled bilateral relations.

Even if the Ukraine crisis continues, Russia and Japan will retain their traditional incentives for developing bilateral ties. Russia will need Japan to counterbalance China’s growing influence in the Russian economy. Japan will continue to seek Russia’s support in its territorial and historical disputes with China. At the same time, the new situation will moderate Russia’s traditional motivation for playing the ‘Japan card’ against China’s growing influence in Russia, as China is currently perceived as the main alternative to the West in light of the ongoing sanctions war.

The development of the Russian Far East and regional economic integration

The task of economic development of the Russian Far East and Eastern Siberia drives much of Russian economic engagement with the Asia-Pacific. This part of the country has abundant natural resources but a small population spread over a vast territory. Russian policymakers believe there is a need for significant private investment to develop and modernise these areas. They also believe that it is impossible to boost economic
growth and development of the Russian Far East without economic cooperation with leading Asia-Pacific countries in order to attract their financial resources and entrepreneurial capacities.

After the Soviet Union collapsed, the Russian government tried to intensify economic development and improve social conditions in the Far East. As a result, Moscow sought to attract foreign investments to the region in order to develop the local economy, particularly in the hydrocarbon sector. The Sakhalin-1 and Sakhalin-2 oil and gas development projects, which began in the mid-1990s, are examples of successful cooperation with international partners. Later, Russia aimed to diversify exports to include more value-added sectors, such as manufacturing and services. The Russian government also sought to invite Asian automakers, agricultural producers and service industries to establish joint enterprises in the Far East.

The preparations for the 2012 APEC summit in Vladivostok led to a review of Russia’s current posture and long-term strategy in the Asia-Pacific. It also forced the government to pay more attention to the economic needs of the Far East. With large-scale public investment in infrastructure development in Vladivostok for the summit itself, Moscow intended to make the city and nearby areas more attractive for potential Asian investors.

Today, the Far East plays into Russian engagement in the region in two ways. Firstly, Russia aims to leverage Asian economies’ demand for oil and gas to pursue development of East Siberian and Far Eastern hydrocarbons, which require significant investment and technological know-how to bring to market. Secondly, Russia aspires to have the Far East serve as a transit corridor across the Eurasian landmass, bridging Asia and Europe. However, this objective will remain aspirational until Russia builds the infrastructure needed to make it real.

As noted above, Russia was not party to the initial TPP negotiations. Indeed, the TPP is not particularly attractive for Russia, primarily because the country has limited links to the regional supply chain and high-end services markets. Due to the character of the trade and investment regimes in Russia and its partner countries, bilateral agreements would be more effective in facilitating trade.

Russian officials have expressed concern that the TPP will undermine the WTO as well as increase geopolitical tensions in the region, particularly because the regime excludes China. But at the same time, as is the case with Chinese officials, Russian officials have also expressed interest in the trade regime. Indeed, studying this new attempt to create a more unified and harmonised economic space in the region is certainly useful and necessary for Russia. Should Russia develop an export sector relevant to Asian production chains, Moscow might consider joining the regime, although barriers to entry may remain prohibitively high.

Despite Russia’s exclusion from the initial negotiations, the TPP is not an anti-Russian agreement. Moreover, it does not create a supranational regulatory body like the EU, a step which Russia would oppose on principle.

In any case, the various multilateral projects aiming to liberalise trade and investment regimes and deepen economic integration in the Asia-Pacific region, including the TPP, demand the attention of Russia’s foreign policymakers in order to understand possible scenarios for future development.

**Southeast Asia**

Russian policy towards Southeast Asia is driven by three interrelated priorities. Firstly, Moscow aims to diversify its engagement in the Asia-Pacific to ensure that the ‘turn to the East’ is not solely a turn to China. Secondly, Russia seeks to strengthen ASEAN’s central position as diplomatic broker in the region. Thirdly, Russia is trying to leverage the booming economies of Southeast Asia to help develop the EEU in order to hedge against its worsening relations with the West.

Russia seeks to expand and deepen its bilateral relationships in the region, particularly with Vietnam, its most significant partner there and a major customer of Russia’s military industry. Vietnam was the first state to sign an FTA with the EEU, on 29 May 2015. Russia is a member of ASEAN-led multilateral dialogue platforms, including the ASEAN Regional Forum and ASEAN Defence Ministers Meeting–Plus. Russia sees its participation in these ASEAN-led fora as an instrument to strengthen its global stature.
Regional territorial disputes and maritime security

The South China Sea looms large in Russia’s priorities in Southeast Asia. Russia’s two key Asia-Pacific partners and major buyers of its arms – China and Vietnam – have significant conflicts surrounding their claims in the Sea. Russian energy companies also have operations in the South China Sea. Russia’s priority is to maintain peace and stability in the region. Should a serious conflict take place, Russia could be forced to take sides, a situation it would very much like to avoid.

Official Russian policy states that territorial disputes should be settled bilaterally and on the basis of international law. Russia does not support Chinese actions in the South China Sea. At the same time, Russian officials say it is necessary to develop a basis for building trust between the conflicting parties, calling for the development of dialogue mechanisms to prevent escalation rather than a coercive response. Russia’s official position was further outlined in the 2014 Joint Statement on Advancing the Progress of the Comprehensive Strategic Partnership between the Russian Federation and the Socialist Republic of Vietnam. Moscow and Hanoi stressed the importance of adherence to the Law of the Sea and the 2002 Declaration on Conduct in the South China Sea, and urged the adoption of a Code of Conduct for the South China Sea.
IV. Comparing US and Russian Approaches to the Asia-Pacific

As the preceding analysis of US and Russian policies in the Asia-Pacific demonstrates, Moscow and Washington have few major contradictions in their approaches to the region. Both have recognised the centrality of the region to their own prosperity and security and are seeking to be more actively involved in its affairs. Both prioritise non-proliferation and engagement with multilateral fora. Both seek to avoid the emergence of a single regional hegemon and to encourage the peaceful resolution of disputes among regional states. They do differ on tactical policy choices, particularly the regional security architecture. And a number of US–Russia disputes on global issues manifest themselves in the Asia-Pacific, such as Russian concerns over US missile-defence programmes.4

Washington and Moscow also differ in their approaches to China. While the US–China relationship is a mix of cooperation and competition, the US has been willing to confront China openly about disagreements and disputes on economic, political and security issues. Russia has purposefully minimised areas of disagreement in its relationship with China and not allowed its partners’ disputes with China to affect ties with Beijing. These differences will remain.

Perhaps the main point of contention between the US and Russia is the US bilateral alliance system in Asia. Russia does not consider the system of US bilateral alliances, forged during the Cold War, to be an adequate architecture for the region’s current security challenges. This view is reflected in Russian proposals on the regional security architecture. While Russian policymakers recognised that US alliances would not be disbanded, under their proposals the existing alliances would be incorporated into an inclusive regional security platform, similar to the Organisation for Security and Cooperation in Europe.

The US has resisted this Russian proposal, as its alliances remain the critical underpinning for the American presence in the region. Given the level of mistrust in the relationship, it is unlikely the US and Russia will agree on regional security architecture reformulations, although both countries will be able to continue to discuss these issues in regional fora such as APEC, the East Asia Summit and the ASEAN Regional Forum.

Nonetheless, when compared to the Euro-Atlantic or the Middle East, the Asia-Pacific remains a region where overlapping interests are more pronounced than divergences between Washington and Moscow. It is unfortunate that the current breakdown in bilateral relations dramatically limits the two countries’ ability to cooperate on those shared interests in maintaining regional security and enhancing economic cooperation. Despite these negative trends, in the medium to long term there remains a role for US–Russia cooperation, particularly in promoting regional security and economic integration.
While the crisis in US–Russia relations has not yet produced direct bilateral conflict in the Asia-Pacific, such a confrontation remains possible given the tensions in the bilateral relationship. In the short term, the most pressing issue for US and Russian policymakers is to avoid conflict in the Asia-Pacific. Indeed, the worst possible outcome for both sides would be to allow the Asia-Pacific to become the next Euro-Atlantic in US–Russia relations. Such an outcome would be particularly dangerous because the Asia-Pacific has many more latent conflicts, as well as dangerous regional imbalances, than the Euro-Atlantic.

For the US, regional alliances and close partnerships in Asia actually mitigate against US–Russia conflict; US allies and partners in the Asia-Pacific are clearly more willing than Euro-Atlantic allies to engage with Russia, even as the Ukraine crisis continues. At minimum, both Washington and Moscow currently have the option of differentiating between Russia’s relations with the ‘Euro-Atlantic West’ and the ‘Asia-Pacific West’ (i.e., US allies in Asia).

Going forward, Washington should avoid explicitly linking developments in the Euro-Atlantic to its policy in Asia when possible. Specifically, the US should not discourage Japan from pursuing normalisation of relations with Russia if Tokyo believes that such a step could serve its strategic interests without contradicting its commitments made in the context of the G7. Normalisation of Russia–Japan relations could help achieve greater strategic balance in the Asia-Pacific, which would be consistent with US objectives. In any case, Tokyo is likely to move forward with attempts at normalisation regardless of Washington’s views.

Moscow should attempt to compartmentalise its relations with the US and its allies in the Asia-Pacific apart from its relations with the US in the Euro-Atlantic. Russia should avoid dividing Asian countries by their support for Moscow in the Ukraine crisis. Designating countries based on their relations with the US would be counterproductive, since for all key players in the Asia-Pacific, including China, economic and security relations with the US will remain the highest priority. Ultimately, Russia will not be able to fully ‘turn to the East’ if it decides to replicate its pattern of confrontation with the US in the Asia-Pacific. Instead, Russia should keep in mind that all of its key Asia-Pacific partners’ national interests are closely intertwined with their connections to and relations with the regional leaders – the US and China.

In the short term, both sides should:

- Not allow their disputes in other regions to define their bilateral interaction in the Asia-Pacific. Any disagreements the US and Russia have in Asia should be about Asia.
- Avoid making the Ukraine crisis, and issues related to it, an agenda item in Asia-Pacific multilateral formats where interaction is inevitable, including in the ASEAN Regional Forum and the East Asia Summit, APEC and the Six-Party Talks.
- Maximise military transparency in the region to avoid unintentional conflict.
- Avoid attempts to use relations with China against one another. Such attempts are bound to fail, since China will not allow itself to be used by either the US or Russia against the other party. Moreover, it serves neither party’s interest to allow US–Russia disputes to define their bilateral relations with China.
- Engage in dialogue on evolving regional economic-integration initiatives, particularly the TPP, to reduce misunderstandings. While Russia will not join the TPP in the short to medium term, the US can minimise misperceptions by being as transparent with Moscow about the TPP as the ratification process allows, and by maintaining an open door to the long-term prospect of Russian membership.
Despite their differences, before the Ukraine crisis the US and Russia had the opportunity to make cooperation on issues of mutual concern and mutual interest in the Asia-Pacific a success story in their bilateral relations. This opportunity was mostly the result of a pre-existing vacuum. US officials had not engaged extensively with, or even thought much about, Russia in the context of Asia-Pacific strategy. Those who did think about Russia were not convinced that engagement was worthwhile. Moscow’s strategy toward the region also largely ignored the US, and decision-makers there did not tend to focus on the US as a Pacific power. In short, the US and Russia had not developed an Asia-Pacific vector in their relationship.

In principle, bilateral cooperation in Asia could be significant for both countries, the region and global security. Despite policy divergences over some aspects of developments in the Asia-Pacific, before the Ukraine crisis there were no insurmountable difficulties to an enhanced regional partnership. If the relationship normalises in the future, there will be a number of avenues to pursue in bilateral interactions. We list them here, although we are fully aware that action on these issues will be impossible in the current climate of bilateral mistrust and mutual recrimination.

- The development of Russia–US–Japan alliance’ and Russia–US–South Korea alliance’ dialogues, along the lines of the Russia–NATO Council. Such platforms could be used to:
  - Create confidence- and security-building measures (CSBMs), including transparency measures regarding military doctrines and regional deployments.
  - Develop cooperation to address emerging threats and security challenges.
- Deeper engagement in multilateral CSBMs, including consultations among Russia, the US and US regional allies, as well as multilateral military exercises, such as the US-led RIMPAC exercises. Washington and Moscow can leverage the experience of US–Soviet/Russian arms control and CSBMs, particularly the Incidents at Sea Agreement (INCSEA).
- Holding regular high-level bilateral consultations on regional security issues. Even at the high point in US–Russia relations, there was no regular dialogue between Moscow and Washington on the Asia-Pacific. Particularly, the dialogue should focus on thematic areas in which both sides share a common purpose. These include international norms like freedom of navigation and non-proliferation.
- Enhancing bilateral coordination on the North Korean nuclear issue. Washington and Moscow could engage in confidential contingency planning for the economic and political collapse of North Korea, a scenario that could produce bilateral friction or nuclear disaster if not handled effectively. Further, they could leverage their extensive history of bilateral nuclear-security cooperation to plan for consequence management for potential nuclear accidents in North Korea.
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<th>US Asia-Pacific policy: Russian views</th>
<th>Pragmatic and hardline responses</th>
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| **1. Sustain and elevate traditional bilateral alliances: Japan, South Korea, Thailand, Australia, the Philippines** | 1.1 Not a threat if there is a willingness in the US political elite to discuss alliance relationships with Russia.  
1.2 The US is using its alliances to counter Russian interests so they should be undermined when possible. |
| **2. Manage the US–China relationship** | 2.1 The US and China are developing a cooperative and competitive relationship with the goal of strengthening their bilateral partnership, though both are open to working with Russia and other states.  
2.2 The US desires to cooperate with China economically and politically in order to prevent deepening Russia–China ties. |
| **3. Engage with regional institutions, especially ASEAN** | 3.1 Regional mechanisms and institutions, such as the ASEAN Regional Forum, the East Asia Summit, APEC and the ASEAN Defence Ministers Meeting–Plus, represent an important platform for dialogue to address new security threats, including terrorism, piracy, drug smuggling, etc.  
3.2 The US is increasing its political and military presence in the region in an effort to contain China by creating a coalition with other Asia-Pacific states. |
| **4. Emphasise economic statecraft, primarily through the Trans-Pacific Partnership** | 4.1 The US is interested in forming a unified economic space in the Asia-Pacific.  
4.2 Through the TPP, the US wants to impose the American economic model on countries in the region, without considering the positions of China, Russia and other states. |
| **5. Establish balanced approach by shifting from the historical focus on Northeast Asia** | 5.1 Russia does not have vital national interests in Southeast Asia but it is interested in developing ties with all countries of the Asia-Pacific to widen economic engagement and promote security.  
5.2 Russia should counterbalance the emergence of the US-based security architecture as it does not take into consideration the interests of other regional players. |
| **6. Revise US military posture in the region** | 6.1 The US military presence in the Asia-Pacific region, particularly after the Cold War, allowed for a favourable environment for economic development. However, changes in the international environment in the twenty-first century require the revision of the current system of regional security, taking into account the interests of all actors, including Russia and China.  
6.2 US policies, such as increasing its military build-up in the region, strengthening the military capabilities of its allies, and developing and installing missile-defence systems in the region, undermine the security of Russia in the Asia-Pacific. |
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<th><strong>Russian policy</strong> in the Asia-Pacific: American views</th>
<th>Pragmatic and hardline responses</th>
</tr>
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</table>
| **1.** Pursue socio-economic development of Siberia and the Russian Far East and further integration of these regions into the Asia-Pacific | **1.1** Promote, especially from an energy perspective as it would provide diversification.  
**1.2** Hinder, as a means to further impose economic hardship on Russia. |
| **2.** Ensure security of eastern borders | **2.1** Do not assume offensive intention but monitor in case future deployments threaten US or allies’ security.  
**2.2** Increase US deployments to counter. |
| **3.** Strengthen comprehensive partnership and strategic cooperation with China | **3.1** Concern that Russia–China strategic partnership could prevent the US from furthering its strategic goals in the region.  
**3.2** Downplay significance of the Russia–China relationship. |
| **4.** Further develop ties with India, Vietnam, Japan and ASEAN | **4.1** Treat as beneficial, since more Russian engagement in Asia balances Chinese influence. This is especially true of the Russia–Japan relationship.  
**4.2** Hinder, since stronger Russian ties in the region would lead to weaker US influence. |
| **5.** Secure Russia’s position as a transit country in the context of trade and economic relations between Europe and the Asia-Pacific | **5.1** Assist Russia in this endeavour, as a Russia that is integrated into Asia-Pacific economic relations is consistent with US economic statecraft priorities.  
**5.2** Hinder, as a means to further impose economic hardship on Russia. |
| **6.** Use the East Asia Summit as the main platform for strategic dialogue, while promoting other platforms as well: APEC Forum, ASEAN–Russia Dialogue, ASEAN Regional Forum, Asia–Europe Forum, CICA, ASEAN DMM+ and Asia Cooperation Dialogue forum | **6.1** Continue to engage with Russia in these fora diplomatically.  
**6.2** Cease diplomatic cooperation over those issues not of the utmost strategic importance until Russia changes its policy on Ukraine. |
| **7.** Create regional security architecture based on ‘indivisible security’, whereby the security of one country cannot be strengthened at the expense of another country’s security | **7.1** Engage with Russia on this matter to explore potential overlapping approaches, while ensuring that the proposal does not diminish US alliances.  
**7.2** Hinder, as the US bilateral alliance system is central to US policy. |
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<th>Official policy on key issues in regional security</th>
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<td><strong>Territorial disputes</strong></td>
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<td>Russia: Territorial disputes should be settled bilaterally. At the same time, it is necessary to develop a basis for building trust between the conflicting parties. All parties should undertake measures aimed at de-escalating tensions, preventing military clashes and resolving conflicts peacefully through negotiations.</td>
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<td>US: Take no position on competing territorial claims, but oppose ‘the use of intimidation, coercion or force’ to assert those claims; call for all claims to accord with the international Law of the Sea (in particular, claims in the South China Sea, such as China’s ‘nine-dash line’, that do not derive from land features are explicitly rejected); reject attempts to change the status quo in the South China Sea, as defined by the 2002 Declaration of Conduct, by force; oppose claims that impinge on freedom of navigation; insist that disputes are managed peacefully, diplomatically and in accordance with international law;7 and fulfil US treaty obligations to defend allies.</td>
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| **North Korea**                                  |
| Russia: Russia is ready to discuss the North Korean issue with all interested parties. Russia supports providing real security guarantees to North Korea in the context of denuclearisation of the peninsula. The US and South Korea should pledge to not use force against North Korea, since this would contribute to resolution of the nuclear issue. Russia has proposed various economic projects with the DPRK. |
| US: Engaging multilaterally on the nuclear issue while maintaining the UN sanctions regime, near-total economic embargo and bolstering deterrence. |

| **Managing China’s rise**                        |
| Russia: Chinese assertive behaviour is an objective reflection of its growing might and an expression of its dissatisfaction with the status quo regarding China’s current role in the region. It is in the interest of all parties to develop a security architecture that includes China. Russia has its own concerns about China and therefore supports the inclusion of China in a new architecture on an equal basis with others. |
| US: Facilitate China’s inclusion in the international order by promoting a thriving and prosperous China through economic engagement; working to build mutual trust; clarifying military intentions; collaborating to address regional and global security issues; and holding China accountable for the challenges it poses to regional peace and security. |

| **Maritime security**                            |
| Russia: Maritime-security issues should be resolved on the basis of international law. Russia does not support Chinese actions in the South China Sea. However, Russia stands for developing dialogue mechanisms among conflicting parties to prevent conflict escalation rather than a coercive response. |
| US: Enhance allies’ and partners’ maritime-domain awareness capabilities; conduct bilateral and multilateral joint training exercises; promote multinational institutions, such as the ADMM–Plus, that build maritime cooperation. |

| **Trade**                                       |
| Russia: Russia seeks to deepen its economic integration in the Asia-Pacific. Russia is interested in the creation of a single economic space in the Asia-Pacific region. |
| US: Complete and fully implement the Trans-Pacific Partnership. |

| **Strategic stability**                          |
| Russia: Russia, as a responsible nuclear power and permanent member of the UN Security Council, stands for strengthening the nuclear non-proliferation regime and is ready for dialogue with the US on this issue. Russia is against any actions that could undermine strategic stability in the region. |
| US: Conduct frank, open discussions with China to define how each country views strategic stability and how each side perceives nuclear posture and policy in the region; discuss all relevant issues, including missile defence, space, conventional precision-strike capabilities and nuclear weapons; reassure allies through joint ballistic-missile-defence projects, improving allies’ capabilities and potential new deployments. |

| **Regional security architecture**               |
| Russia: The lack of mechanisms for ensuring security in Asia is a source of concern. Currently, the US bilateral alliance system, which has been a stabilising and balancing factor in the Asia-Pacific in the past, is the only such mechanism. However, neither Russia nor China will be satisfied with this situation in the medium and long term. A ‘healthier’ security system should be developed that includes not only the US, Japan and South Korea, but also Russia, China and ASEAN. The principles of equality of nations and indivisible security should constitute the core of a new security architecture. Indivisible security implies that one country cannot increase its own security at the expense of another country’s security. |
| US: Design an architecture based on alliances, ASEAN centrality, international law and norms, and peaceful dispute resolution. |
Notes


