



Developing Asia Pacific's Last Frontier: Fostering International Cooperation in the Development of Russia's Siberia and Far East

Conference Report
May 2015



**Institute of history, archaeology and
ethnography of the peoples of the
far-east**

Introduction

This is the second academic conference, which is a part of a multi-year project organized by a consortium of six leading think tanks and research institutions from Japan, China, Republic of Korea, Norway, Russia, and Singapore. The aim of the project is to address the various dimensions of international cooperation in the development of Russia's Far East and Siberia including geo-economics and geopolitics, developmental bottlenecks in Russia's eastern territories, maritime development, energy security, environment, transportation, and other issues. In partnership with the consortium institutions and the Valdai International Discussion Club, the second conference was held on May 14-15 in Vladivostok at the Institute of Institute of History, Archaeology and Ethnography of the Peoples of the Far-East.

Conference Highlights

- *Discussion of the changing global and regional landscape and the development of Russia's Far East and Siberia*
- *Analysis of Russia's domestic policy issues related to the development of the Pacific Russia*
- *Discussion of achievements and limitations of Pacific Russia's international relations*
- *Examination of the role of energy and mineral resources of Siberia and Russia's Far East as a driving force in Russia's integration into the Asia-Pacific region*
- *Outlining of the new infrastructure and logistic projects in Russia's Far East and Siberia that can link the Eurasian space*
- *Discussion of the prospects of the Northern Sea Route and the regional security*
- *Analysis of potential mechanisms of disaster management in Asia Pacific.*

Russia's turn to Asia is already in process. It has gone beyond political rhetoric and has recently gained more substance. Crisis in Russia-West relations gives it an additional powerful push, and Russian elites have now fewer objections to Russia's integration into the Asia-Pacific Region (APR) through the accelerated development of Russia's Far East and Siberia. The main problem at the current stage, however, is that Russia's turn to Asia is still inconsistent and characterized by insufficient understanding of effective mechanisms of international cooperation in the region. At the same time, it is happening in the complex geopolitical context of Eurasia and is now related to such megaprojects as integration of China's "New Silk Road" agenda and Eurasian Economic Union (EAEU) that is likely to shape the Eurasian geostrategic configuration. The impact of plummeting energy prices also adds to the complexity of issue.

While important global, regional, and Russia's domestic circumstances favour Russia's substantive socio-economic and political turn to Asia and conditions are ripe for making the change feasible, there are still considerable challenges Russia will have to deal with to promote multilateral cooperation in the development of its eastern territories. One problem is related to the need to jump out of the resource trap and diversify economic cooperation with the Asia-Pacific countries. Another related problem is how to make the development of Siberia and Far East truly international and multilateral, which will help not only diversify the sources of investments, labour, and technology, but also deepen Russia's integration into the global economy. Still another problem is the complex politics of relations between Moscow and local authorities that often hinder smooth process of regional development.

A number of important questions emerge in this regard: what are the chances for Russia to fully catch the momentum and hitch itself to the locomotive of Asian-Pacific economy by developing its Far East and Siberia? Will it be able to reinvent itself as a modern Eurasian global power and, by doing so, reshape the geostrategic architecture in the region? Can Russia generate the kind of leadership that is necessary for playing a leading role in the economic and political processes in the region?

Leading experts from 8 countries gathered on May 14-15, 2015, in Vladivostok – the heart of Russia’s eastern policies –to explore and provide answers to these and other questions. The perspectives of major players such as China, Japan, Korea, Singapore, Norway, Russia, and Germany were presented. Areas of cooperation such as energy, capital, labour, market and technical know-how were discussed.

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Conference Programme

Developing Asia Pacific's Last Frontier: Fostering International Cooperation in the Development of Russia's Siberia and Far East

May 14-15, 2015, Vladivostok, Russia

Russia's turn to Asia is already in process. Crisis in Russia-West relations gives it an additional powerful push. Russian elites have no more objections to the need for Russia's integration to APR and rapid development of Russia's Far East and Siberia – this is already obvious. The main problem nowadays is that Russia's turn to Asia is still inconsistent and chaotic, lacks understanding of mechanisms that could be efficient. The role of this conference is to propose such mechanisms from the perspective of the participating countries and make them clear to policy-makers in Russia and other states. It attempts to make discussion as focused and concrete as possible and also pay special attention to the issues that already attract attention of policy-makers to make them more receptive to the provided ideas and policy advice.

Wednesday 13 May

19:00 – 21:00 Welcome dinner

Opening Remarks by Prof. Huang Jing, Prof. Victor Larin and Prof. Sergei A. Karaganov

Thursday 14 May

9:00 – 9:20

Welcome Remarks

9:20 – 11:20

Panel 1: The Changing Global and Regional Landscape and the Development of Russia's Far East and Siberia

This panel will focus on Russia's turn to Asia and explore the international cooperation in the development of Russia's Siberia and Far East within the context of shifting strategic balance and the relations between major regional and global powers. It will also explore the socio-economic situation in Russia's Siberia and Far East in the context of changes in the economic landscape in APR. China and South East Asian countries substitute exports as the main driver of economic growth with domestic demand. Model "Asia for the world" shifts to the model "Asia for Asia".

Discussant/Chair:

Victor Larin (Director of the Institute of History, Archaeology and Ethnography of the Peoples of the Far East, Far Eastern Branch of the Russian Academy of Sciences (Vladivostok))

Presenters and presentation topics:

- 1) **Sergei A. Karaganov** (Dean, School of International Economics and Foreign Affairs National Research University Higher School of Economics): "Greater Eurasia and/or Greater Europe: Russia's Dilemma"

- 2) **Lee, Jae-Young** (Director, Department of Europe, Americas and Eurasia, Korea Institute for International Economic Policy): “Korea’s Eurasia Initiative and the Development of Russia's Far East and Siberia”
- 3) **Song Nianshen** (Professor in the History Department, Vassar College): “‘Far East’ as Center: An Alternative Narrative of the ‘Last Frontier’.”
- 4) **Bjørnar Sverdrup-Thygeson** (Researcher, Norwegian Institute of International Affairs): “Views from the Pivot Point: Chinese Perceptions of Russia’s ‘Go East’ Strategy.”

11:20 – 13:20

Panel 2: Domestic Policy for the Development of Russia’s Far East

The focus of this panel will be Russia’s domestic policy initiatives regarding to the development of Russia’s Far East. The Ministry for Development of the Russia’s Far East is now performing the new model of the regional development based on the advanced economic development zones and state financial support to private investment projects. This panel will explore the potential efficiency of these policy initiatives and their first results as well as issues of interaction between Russian Federal Government and regional authorities of the Russia’s Far East.

Discussant/Chair:

Baek, Jun Kee (Professor, Hanshin University)

Presenters and presentation topics:

- 1) **Pyotr Ya. Baklanov** (Director of Pacific Institute of Geography, Far Eastern Branch of the Russian Academy of Sciences): “Pacific Russia: economic-geographical and geopolitical factors and directions of long-term development.”
- 2) **Igor A. Makarov** (Director of the BA Programme “International Economics” at National Research University – Higher School of Economics (Moscow)): “Transformation of economic model in Asia Pacific region: implications for Russia's Siberia and Far East”
- 3) **Yuan Shengyu** (Dean, School of International Studies and Public Administration, Shanghai University of Political Science and Law): “The Political and Legal Environment and Energy Investment of Russian Far East”

13:20-13:30

Group Photo

13:30-14:30

Lunch

14:30-16:30

Panel 3: Pacific Russia international relations: problems and limitations for their further development

Pacific Russia present social and economic condition in a very large part depends on foreign trade and its relations with neighbour countries primarily China, Japan and South Korea. We welcome the evaluations of these relations from interested party and the notion of Pacific Russia’s place in NEA countries’ development strategies. This panel will also explore these relations as an existing basement for Russia economic integration into APR and reveal untapped reserves of this region to make the Russia “East turn” more effective.

Discussant/Chair:

Sergei A. Karaganov (Dean, School of International Economics and Foreign Affairs National Research University Higher School of Economics)

Presenters and presentation topics:

- 1) **Victor Larin** (Director of the Institute of History, Archaeology and Ethnography of the Peoples of the Far East, Far Eastern Branch of the Russian Academy of Sciences (Vladivostok)): “Pacific Russia cross-border and interregional collaboration”
- 2) **Shimotomai Nobuo** (Professor, Hosei University, Senior Research Fellow JIIA): “Japanese Policy towards Russian Pivot to Asia”
- 3) **Wrenn Yennie Lindgren** (Junior Researcher, Norwegian Institute of International Affairs): “Developments in Japan-Russia Energy Cooperation”

16:30-16:40

Coffee break

16:40-18:40

Panel 4: New Energy and Mineral Resources of Siberia and Far East as a Driver of Russia’s Integration to the Asia Pacific Region

This panel will focus on the potential for development of mineral resources of Siberia and their exports to APR. Siberia is a resource-abundant territory and may provide various resources which are of growing demand in APR. Many of these resources (problematic oil&gas, rare earth metals, impact diamonds etc.) require large investment and changes in institutional environment. Some export opportunities such as water-intensive products, energy-intensive goods and services, production of fish farming etc. are still to be recognized by political and business elites. This panel welcomes papers with proposals of how to use resource potential of Russia’s Far East and Siberia for the mutual benefit of Russia and APR countries.

Discussant/Chair:

Zhang Xin (Research Fellow, East China Normal University)

Presenters and presentation topics:

- 1) **Valeriy A. Kryukov** (Deputy Director of the Institute of Economics and Industrial Engineering, Siberian Branch of the Russian Academy of Sciences (Novosibirsk)): “Energy and Mineral Resources of Siberia and Far East - Challenges and Opportunities”
- 2) **Sakai Satoshi** (Senior Advisor, Russia Business Department, Natural Gas Business Division, Mitsubishi Corp.): “Russia and Energy Resource Trade in Northeast Asia”
- 3) **Gao Shixian** (Deputy Director General of Energy Research Institute, National Development and Reform Commission, China): “China’s Energy Development and the Cooperation with Russia”

19:00-21:00

Dinner

Friday 15 May

9:00-11:00

Panel 5: High North: Northern Sea Route and Regional Security

The development of Russia’s Far East and Siberia is closely linked to the issues of international cooperation in the exploration of resources in the Arctic and the use of alternative shipping routes from Asia to Europe via the Arctic Ocean. Thus, the Northern Sea Route (NSR), which is a shorter connection between Europe and Asia, lies across Russia’s Far Eastern and Siberian coastal waters. The development of these Russia’s regions becomes crucial to the safety and efficiency of the NSR. From this perspective, the development of Russia’s eastern territories is a precondition to peace and security in the region.

Discussant/Chair:

Ulf Sverdrup (Director Norwegian Institute of International Affairs)

Presenters and presentation topics:

- 1) **Marc Lanteigne** (Senior Researcher, Norwegian Institute of International Affairs): “China's Arctic policy and perceptions of the Northern Sea Route”
- 2) **Kim, Seok Hwan** (President, Korea Institute for the Eurasian Studies, Visiting Professor, Hankuk University of Foreign Studies): “Arctic Environmental Changes and New Security Challenges for the Asia-Pacific Countries”
- 3) **Yaroslav N. Semenikhin** (Director of the Far-Eastern Marine Research, Design and Technology Institute (Vladivostok)): “Northern Sea Route and Regional Security”
- 4) **Okada Kunio** (Director of Japan Association for Trade with Russia & NIS (ROTOBO)): “The Northern Sea Route: Economic potential and interest of Japanese business community”

11:00-11:20

Coffee break

11:20-13:20

Panel 6: Russia’s Siberia and Far East at the New Economic & Logistic Map of Eurasia

China has recently declared the ambitious plans of creating new Silk Road economic & logistic corridor. This initiative can have huge impact on the development of Siberia and Far East and Russia’s integration to APR. Russia has corresponding projects which could and should be linked with new Silk Road. Meanwhile, impacts of new Silk Road on Russia are not still understood even by expert community. The panel focuses on the positions that Russia’s Far East and Siberia can take on the new economic & logistic map of Eurasia. It will also welcome papers on the development of transport infrastructure in Siberia and Far East themselves, modernization of Trans Siberia Railroad, logistic projects in Primorye region etc.

Discussant/Chair:

Alexander Gabuev (Carnegie Endowment for International Peace, Chair of “Russia in Asia-Pacific” program at the Carnegie Moscow Center)

Presenters and presentation topics:

- 1) **Na, Hee Seung** (Korea Railroad Research Institute, Principal Researcher/ Korea Railroad Corp. International-Korean Peninsula Subcommittee Chairman / UNDP, National Consultant): “Integrated International Intermodal Transport of Russia’s Far East, Siberia & Korean Peninsula”
- 2) **Yang Cheng** (Associate Professor East China Normal University): “The Fate of the Far East in the Emerging Greater Eurasia: When Russian ‘Trans-Eurasian Belt Razvitie Project’ Meets ‘China’s Silk Road Economic Belt Initiative’”
- 3) **Anastasia B. Likhacheva** (Junior research fellow of the Center for Comprehensive European and International Studies at the National Research University – Higher School of Economics (Moscow)): “Russia’s Siberia and Far East at the New Infrastructure Map of Eurasia” – presented by Igor Makarov on behalf of Anastasia B. Likhacheva.
- 4) **Seck Tan** (Research Fellow, Centre on Asia and Globalization, National University of Singapore): “Sustainable Development Policies – Green or Green-er Growth”

13:20-14:30

Lunch & Roundtable Discussion: Future Prospect

List of Participants

Russia

1. **Sergei A. Karaganov**, Dean, School of International Economics and Foreign Affairs, National Research University Higher School of Economics
2. **Igor A. Makarov**, Director of the BA Programme “International Economics” at National Research University Higher School of Economics
3. **Anastasia B. Likhacheva**, Junior Research Fellow of the Center for Comprehensive European and International Studies, National Research University Higher School of Economics
4. **Pyotr Ya. Baklanov**, Director of Pacific Institute of Geography, Far Eastern Branch of the Russian Academy of Sciences
5. **Victor L. Larin**, Director of the Institute of History, Archaeology and Ethnography of the Peoples of the Far East, Far Eastern Branch of the Russian Academy of Sciences
6. **Valeriy A. Kryukov**, Deputy Director of the Institute of Economics and Industrial Engineering, Siberian Branch of the Russian Academy of Sciences
7. **Yaroslav N. Semenikhin**, Director of the Far-Eastern Marine Research, Design and Technology Institute, Vladivostok
8. **Alexander Gabuev**, Senior Associate and the Chair of the “Russia in the Asia-Pacific Program” at the Carnegie Moscow Center

Singapore

1. **Huang Jing**, Director and Professor, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy (LKYSPP), National University of Singapore (NUS).
2. **Ted Hopf**, Provost Chair Professor, Political Science Department, NUS
3. **Tomoo Kikuchi**, Senior Research Fellow, Centre on Asia and Globalisation, LKYSPP, NUS
4. **Alexander Korolev**, Research Fellow, Centre on Asia and Globalisation, LKYSPP, NUS
5. **Tan Seck Leng**, Research Fellow, Centre on Asia and Globalisation, LKYSPP, NUS
6. **Chen Huaiyuan**, Research Associate, Centre on Asia and Globalisation, LKYSPP, NUS
7. **Jenny Li Jie**, Research Assistant, Centre on Asia and Globalisation, LKYSPP, NUS
8. **Blake Berger**, Research Associate, Centre on Asia and Globalisation, LKYSPP, NUS
9. **Libby Morgan Beri**, Manager, LKYSPP, NUS

China

1. **Yuan Shengyu**, Dean, School of International Studies and Public Administration, Shanghai University of Political Science and Law
2. **Yang Cheng**, Associate Professor, East China Normal University
3. **Zhang Xin**, Research Fellow, East China Normal University
4. **Gao Shixian**, Deputy Director General of Energy Research Institute, National Development and Reform Commission
5. **Song Nianshen**, Professor, History Department, Asian Studies Program, Vassar College

Japan

1. **Toshiro Iijima**, Deputy Director-General, the Japan Institute of International Affairs (JIIA)
2. **Nobuo Shimotomai**, Professor, Hosei University, Senior Research Fellow, the Japan Institute of International Affairs (JIIA)
3. **Satoshi Sakai**, Senior Advisor, Russia Business Department, Natural Gas Business Division, Mitsubishi Corporation
4. **Kunio Okada**, Director, Japan Association for Trade with Russia & NIS (ROTOBO)
5. **Shoichi Itoh**, Senior Analyst and Manager, the Institute of Energy Economics
6. **Hironori Fushita**, Research Fellow, the Japan Institute of International Affairs (JIIA)

Norway

1. **Ulf Svedrup**, Director, Norwegian Institute of International Affairs (NUPI)
2. **Bjørnar Sverdrup-Thygeson**, Researcher, Norwegian Institute of International Affairs (NUPI)
3. **Marc Lanteigne**, Senior Researcher, Norwegian Institute of International Affairs (NUPI)
4. **Wrenn Yennie Lindgren**, Junior Researcher, Norwegian Institute of International Affairs (NUPI)

Korea

1. **Lee, Jae-Young**, Director, Department of Europe, Americas and Eurasia, Korea Institute for International Economic Policy (KIEP)
2. **Kim, Seok Hwan**, President, Korea Institute for the Eurasian Studies, Visiting Professor, Hankuk University of Foreign Studies
3. **Na, Hee Seung**, Principal Researcher, Korea Railroad Research Institute; Subcommittee Chairman, Korea Railroad Corporation International-Korean Peninsula; National Consultant, UNDP
4. **Baek, Jun Kee**, Professor, Hanshin University
5. **Choi, Jangho**, Research Fellow, Department of International Cooperation Policy, Korea Institute for International Economic Policy (KIEP)

Observers

1. **Johann Baar**, Projektleiter, Robert Bosch Stiftung GmbH, Germany

Collaborating Institutions

Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy
Japan Institute of International Affairs
School of Advanced International and Area Studies, East China Normal University
Korea Institute for International Economic Policy
Norwegian Institute of International Affairs
National Research University – Higher School of Economics

Panel 1: The Changing Global and Regional Landscape and the Development of Russia's Far East and Siberia

Discussant/Chair:

Victor Larin (Director of the Institute of History, Archaeology and Ethnography of the Peoples of the Far East, Far Eastern Branch of the Russian Academy of Sciences (Vladivostok))

Speakers:

Sergei A. Karaganov (Dean School of International Economics and Foreign Affairs National Research University Higher School of Economics): “Greater Eurasia and/or Greater Europe: Russia's Dilemma”

Lee, Jae-Young (Director, Department of Europe, Americas and Eurasia, Korea Institute for International Economic Policy): “Korea's Eurasia Initiative and the Development of Russia's Far East and Siberia”

Song Nianshen (Professor in the History Department, Vassar College): “‘Far East’ as Center: An Alternative Narrative of the ‘Last Frontier’.”

Bjørnar Sverdrup-Thygeson (Researcher, Norwegian Institute of International Affairs) “Views from the Pivot Point: Chinese Perceptions of Russia's ‘Go East’ Strategy.”

Panel Summary

The first speaker, **Sergei A. Karaganov** (Russia), provided an overview of the most important global trends currently taking place, the potential implications of these developments on the international system and state-actors, and how these trends are going to shape Europe, Eurasia and Russia. In highlighting the major global trends, Sergei pointed to six important developments; first, East and South Asia have been growing in importance over the past several years; second, the turbulence and destabilisation of the Middle East will continue to impact the region and international community; third, United States (US) – China competition has been deepening and could possibly be a disruptive force; fourth, the US is beginning to withdraw from certain areas of the world; fifth, a changing world order and the potential shift towards a multipolar order; and sixth, that international law is in disrepair and collapsing. As a result of these and additional factors, world governance and international organisations are in retreat, and what we are witnessing is continued regionalisation of world politics.

In this light, the World Trade Organisation (WTO) is becoming irrelevant, and as a response and counter to the US advancing the Trans-Pacific-Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), with the Asia-Pacific and Western Europe, respectively, China and the Association of South East Asian Nations (ASEAN) have considered creating their own economic trade bloc, and China's advancing the Silk Road and One Belt One Road (OBOR) initiative, which has the potential to stretch from St. Petersburg to Singapore. In regards to Europe, the European Union (EU) is undergoing a multilayer crisis and is searching for a new identity, as other EU states are rebuffing Germany's attempts to lead. The Ukrainian Crisis, which in Sergei's view, was caused by Russian weaknesses, and

short-sightedness and greed on part of the West has led to cracks emerging within the EU, and a crisis that will remain for the foreseeable future. In moving forward, Russia, the Eurasian States, Asia and Europe should form the Great Eurasia Community, which should be founded upon basic principles such as mutual support for sustainable economic development, unquestionable respect for sovereignty and non-interference in domestic affairs, and cooperation in deterring both external and internal security challenges.

Jae-Young Lee (South Korea) presented a comprehensive overview of South Korea's cooperation with Russia, the Eurasian states and other actors, the South Korean government's Eurasia Initiative and related projects, and how South Korea can strengthen its relations with these states. In order to understand South Korea's foreign policy towards the region, the government's policy has been shaped by the impact of the 2008 global financial crisis, the adverse effects on the US and EU economies, and the attendant rise of political and economic importance of the Eurasia states. With growing importance, the Eurasia states have been demonstrating a greater willingness to cooperate with one another and other states, as witnessed in the January 2015 with the launch of the EAEU with Russia. The rising significance of Eurasia has also led to the development of new foreign policies towards the region, as highlighted by Russia pursuing its "Eastern policy", and China advancing its OBOR and Silk Road initiatives.

Framed in this light and complementing South Korea's existing Northward Expansion Policy, which seeks to further develop cooperation with the Commonwealth of Independent States (CIS), South Korean President Park Geun-hye in October 2013 advocated for the Eurasia Initiative, as not only a means to strengthen relations with Eurasia and promote economic growth but also to facilitate the peaceful reunification of the Korean Peninsula. President Park's Eurasia Initiative is founded upon three main ideals; first, Eurasia as an integrated continent; second, Eurasia as a creative continent; and third, Eurasia as a peaceful continent. The initiative envisions developing a single integrated economic bloc, undergirded by increased trade, logistics, energy, people-to-people exchange, and solidarity in pursuing peace and resolving conflict; in seeking to foster a continent of peace, the Eurasia initiative additionally seeks to act as a mechanism to reduce tensions on the Korean peninsula, and help persuade North Korea to open up and embrace reforms. Supplementing the Eurasia Initiative, Jae-Young highlighted the importance of several mega projects that will further facilitate the initiative; one, connecting the gas pipelines of the two Koreas with Russia; two, connecting the Trans-Siberia Railway (TSR) and the Trans-Korea Railway (TKR); and three, expanding the smart energy grid from Russia to South Korea via North Korea. Additionally, it is of paramount importance for the South Korean government to secure access for South Korean business, and this can be accomplished through the Najin-Hasan Project, in which Russia and North Korea are cooperating to restore and expand both the cargo terminals and railway system.

To institutionalise the Eurasia Initiative and establish channels of cooperation, South Korea should pursue free trade agreements (FTA) with these states and the EAEU, and seek to bolster the South Korea – Russia relationship through further progress on a bilateral economic partnership. In order for South Korea to further develop its logistics and transportation infrastructure, the country needs to establish channels of cooperation on issues surrounding the Arctic and navigation; Jae-Young suggested that South Korea should establish an international forum to address these issues on the Arctic, and would allow the country to play a leading role. In particular interest to the South Korean government and businesses is Russia's Zone of Advanced Socioeconomic Development (ZASD), in which Russia seeks to further the development of its Far East through providing a range of benefits to investors, such as tax

benefits and reducing administrative barriers. Through participating in the ZASD, South Korean businesses will be able to be involved in shaping the economic landscape of the area. In addition, South Korea should also take steps to attract Eurasian businesses into the country.

Song Nianshen (China) presentation sought to alter the nation-state dominated lens through which we view the frontier land of Northeast Eurasia, and to view the region through not only a trans-boundary lens and placing the frontier as the centre, but also as part of a larger geographical context that not only contains Russia, but also Northeast China, Eastern Mongolia, North Korea and Japan's Hokkaido area. In examine the region, Nianshen highlighted that the label 'last frontier' is misleading, as the area, even though with its harsh climate and geography, has been at the centre of human activities for various native inhabitants; underlying the issues surrounding the 'far east' terminology is our use of the modern nation-state as our focal point and viewing it from a Western perspective. As a historian, Nianshen underscored that there are common narratives emerging from all the involved countries regarding frontier histories. While the differing central governments viewed the region as marginal and on the periphery, the local populaces, especially those residing in the greater Amur River region, played a critical role in facilitating connections between the varied East Asian societies, and despite the region acting as a gateway for the interaction of differing cultures and civilisations, the region has been incorrectly perceived as a 'cradle of conflict'.

Crucial in analysing the development of the region is the role that exploration and trade had in connecting the differing societies; two key factors helped facilitate Northeast Eurasia's incorporation into the globalised trading system from the 15th to 17th centuries, first, the Western countries desire to find trade routes to the East, and second, the need to acquire fur goods. Two key Chinese explorers Zheng He, who voyaged to the Indian Ocean, and Yishiha, who travelled the Amur River region, were critical in not only signifying the prelude of maritime navigation but also in facilitating the Ming Dynasty's political, economic and cultural expansion. Ming Dynasty's Emperor Yongle established the Nurgan Regional Military Commission, which today is in Tyr, Russia, to recruit local tribes of the Amur and Sungari River regions to his frontier administration; the goal of this commission and expedition was to build support for the Ming Dynasty's military campaign against the post-Yuan Mongols and to facilitate the establishment of a tributary relationship with native chiefs. The Ming and later Qing Dynasty's expansion was not alone as Korea's Choson Kingdom and Muscovy Russia attempted to expand to the frontier territory. It should be highlighted that while these Asian powers sought to expand, the establishment of Nurgan was initially proposed by the Jurchen tribes of the area, and was administered by Yishiha, a Jurchen himself; this indicates that while states were essential in the development of the Northeast Eurasia, it was not a solely state initiative and that the local initiatives were equally critical. As Russia's exploration progressed towards the Amur River Region, the Qing Dynasty check the country's advance, ultimately leading to the 1689 Treaty of Nerchisk between the Qing and Russia, which established boundaries and the regulation of bilateral trade, and is considered one of the earliest international treaties over national territory.

Transitioning to the 19th and 20th century, several key changes occurred in the region; first, there was a change of demography as territorial acquisitions and war prompted differing waves of migration; second, the traditional modes of production and lifestyle had dramatically changed with the onset of industrialisation; third, despite the rivalry amongst the regional powers, the frontier continued to modernise; fourth, while under going industrialisation and modernisation the region was incorporated into the capitalist system, however, the region never adopted the free-market model that existed elsewhere; and fifth, while the role of the state was

important, the region's development would have not occurred without local and trans-boundary cooperation. Nianshen further provided insight into the region with a case study on the city of Hunchun, which is a border town in the Yanbian Korean Autonomous Prefecture in Jilin, China, and located at the mouth of the Tuman River and in proximity to Posyet, Russia and Rason, North Korea. While Hunchun served as a commercial city connecting Chinese, Korean, Japanese and Russian economies in the early 1900's, the development of railways and ports led to the decline of the city's importance. Following the end of the Cold War, differing proposals from both the United Nations under the Greater Tuman Initiative and the Chinese "Border Economic Cooperation Zone" have been advocated, however, it is too early to consider them a success. In concluding, Nianshen highlighted that through a shifting of analytical lenses and understanding the crucial role of local initiative and collaboration, we can better understand the development of this region.

Bjørnar Sverdrup-Thygeson (Norway) examined the Chinese perception of Russia's Far East Strategy in the context of the Ukraine crisis; Western sanctions against Russia; the American and EU's, respective, pivot towards East Asia; and the implications for Sino-Russian ties. In analysing the Sino-Russian relationship, Bjørnar highlighted two key issues to keep in mind; first, Russia had a crucial role in shaping the economic and political structure of China; and second, the Sino-Russian relationship is a core relationship in the international system, and has vastly improved since the end of the Cold War. While 1989 would witness Mikhail Gorbachev's visit to Beijing, the first summit between the two powers in 30 years, and signing a 'strategic partnership' in 1996, the relationship would improve significantly with Vladimir Putin entering office in 2000. Mr. Putin and Chinese leaders Jiang Zemin and Hu Jintao would further cement the relationship by concluding an agreement on the demarcation of the Russia-China border, an immigration agreement, and the establishment of the Shanghai Cooperation Organisation (SCO) in 2003. As the relationship improved, trade between the two states would reach USD \$48.17 billion in 2007; while this is a significant development, it should be emphasised that US – China trade in 2003 was USD \$562 billion, highlighting the tremendous trade relationship between the two states.

The Sino–Russian relationship would be further cemented with President Xi Jinping assuming office, as his first official state visit was to Moscow. Despite China's discomfort with Russia's policies towards Ukraine, instead of joining sanctions against Russia, China would sign a long-term gas agreement worth USD \$400 billion in May 2014; further bolstering the relationship, President Xi Jinping in an interview in 2014 proclaimed that Sino – Russian relations had reached its most solid foundation and had reached the highest level of mutual trust. During the presentation, Bjørnar highlighted that the Chinese populations perception towards Russia was overall positive, with 66% of the population approving of Russia in 2013. In analysing Chinese leadership and elite perception towards Russia 'Go East' strategy, viewpoints can be subdivided into two groupings, the political relations and economic aspects. On the one hand, the economic aspects of Russia's strategy have been welcomed by Chinese officials, as China begins to launch its Silk Road and OBOR initiatives into Central Asia and Europe; as Xi Jinping highlighted in a speech in Sochi, Russia, China welcomes Russia participation in the construction of the Silk Road and related economic initiatives.

While the economic relationship has been praised, Chinese officials tone regarding the politics of the relationship should be viewed as more restrained; the restrained attitude towards Russia's foreign policy was evident in Chinese officials stance on the Ukraine crisis, in which they said that it was complicated and would neither support nor condemn Russia, and claiming that there was no alliance between China and Russia. Bjørnar emphasised that Chinese authorities did

not want to give an impression of an anti-Western front. In conclusion, the Chinese relationship towards Russia should be regarded as being pragmatic and as a means to secure China's strategic interests.

Summary of Discussion

Ted Hopf (Singapore) began the discussion by posing a question to Bjørnar regarding the Chinese population's perceptions towards Russia in the context of the Ukraine crisis, and that does the Chinese population want their own government to be more confrontational with the US? Ted then followed up with a question directed towards Nianshen regarding the application of world systems theory to the Russian Far East; Ted highlighted that while mentioning the theory, Nianshen did not apply it to his paper, and how does he expect the region to deal with being labelled as being part of the periphery? **Bjørnar Sverdrup-Thygeson** (Norway) responded by highlighting that while the people may view US – Sino relations in this manner with the hoping for the central government to be more confrontational, their own government is very wary of pursuing this diplomatic path. Further underscoring Bjørnar's point, he highlighted that the political legitimacy of the Chinese Communist Party (CCP) relied upon delivering economic progress to its people, and that this would not be possible if it were to enter a conflict with the US and/or the West. **Song Nianshen** (China) responded by indicating that there have been significant developments to world systems theory, and that China and East Asia should actually not be considered as part of the periphery in this framework because China was an early adopter of an early version of capitalism, even though it was state-led as opposed to free-market oriented; additionally, the Far East region was not only manufacturing products, both industrial and agricultural, for the domestic market but also for the international market.

Yuan Shengyu (China) commented and raised several questions to the discussant, in addressing Sergei Karaganov's assertion that liberalism was declining and that there was a trend of nationalising international affairs, Yuan Shengyu pointed out that in fact the opposite may be occurring with the creation of the Asian Infrastructure Investment Bank (AIIB) and the inclusion of both European and Asian members, and if liberalism was dying wouldn't the European countries side with the US? Additionally, Yuan Shengyu sought to find out if there had been any new developments on the Greater Tuman Initiative? In response, **Sergei A. Karaganov** (Russia) held that the establishment of the AIIB was a sign of the regrouping of the international system into macro blocs, with the AIIB being one of them and the possibility of two to three more blocs emerging. As these blocs form, they will usher in a multipolar structure and challenge unilateralism in international affairs. In addition, the SCO could be expanded to include more members from South Asia, including India, Pakistan and Iran. On the issue of the Greater Tuman Initiative, Nianshen underscored that so far the initiative has not been ultimately successful because of a lack of institutional arrangements and the ability to attract long-term investment; in order for the initiative to become successful, it needs to take into account the needs of the local population.

In concluding the panel discussion, **Victor Larin** (Russia) discussed that he didn't not agree with Bjørnar's position on Russia's Go East strategy being pushed by the Ukrainian crisis, and that in fact the strategy had been declared as far back as 2000; however, Victor did agree that the Western sanctions had played into the Chinese hands and that they had benefitted from them. Additionally, Victor emphasised that there needs to be a transition away from the Russia's Far East label and towards the concept of Pacific Russia.

Panel 2: Domestic Policy for the Development of Russia's Far East

Discussant/Chair:

Baek, Jun Kee (Professor, Hanshin University)

Speakers:

Pyotr Ya. Baklanov (Director of Pacific Institute of Geography, Far East Branch of Russian Academy of Sciences): "Pacific Russia: economic-geographical and geopolitical factors and directions of long-term development."

Igor A. Makarov (Director of the BA Programme "International Economics" at National Research University – Higher School of Economics (Moscow)): "Transformation of economic model in Asia Pacific region: implications for Russia's Siberia and Far East"

Yuan Shengyu (Dean, School of International Studies and Public Administration Shanghai University of Political Science and Law): "The Political and Legal Environment and Energy Investment of Russian Far East"

Panel Summary

This panel focused on the domestic policy initiatives that Russia has pursued in the development of Russia's Far East/Pacific Russia. **Pyotr Ya. Baklanov** (Russia) presentation sought to highlight the connection and importance of economic-geographical implications for the development of Russia's Far East, the structure of region's resources, growing interconnection with the Asia Pacific region, and state policies and tools for the development of the region. Pyotr began by dividing the region into three groups; first, the coastal area of the Russian Federation, which includes Kamchatka, Primorsky, Khabarovsk kria, and Sakhalin and Magadan oblasts; the second group includes the Republics of Sakha, Amur Oblast, and Evreiskaya autonomous oblast; and the third grouping includes the Baikal region. It should be highlighted that the second and third groupings do not have direct access to the Pacific Ocean, however, they are economically oriented towards the Asia Pacific, the Baikal-Amur railway (BAM) and one of the main oil pipelines from Russia to Asia comes from this region. This region is geographically situated above Northern China, Japan, Korea, and borders the United States to its east; this advantageous geographic location opens the region up to trade with large foreign markets. The advantage of the region is further underscored by the vast supply of natural resources in the area, both in terms of agriculture and energy resources.

In order to advance the development of Russia's Far East, in March 2013 the Russian government approved the "Social-Economic Development of the Far East and Baikal region" program, which focuses on 12 program; the development of raw minerals, transportation and energy infrastructure, fisheries, timber and agro-industries, tourism, environmental preservation, safety and maintenance, and the construction of a liveable environment. The program is currently still being planned out and aims to be finished by 2025; it is projected that roughly \$8 trillion Russian Rubles will be required for financing the program. The program has two main objectives; first, to create the conditions to accelerate the development of the Far East, including having a diversified and high-tech manufacturing economy; and second, to

construct a habitable working and living environment for its residents. Policies to achieve these goals include the development of maritime economic industries, including fish and seafood processing, ship building and repair; the development of ore, and oil and gas extraction industries; the development of the tourism and education sector; and modernising the region's overall infrastructure. An additional key policy that the government proposed is the development of territories of advanced development (TAD), which will have favourable conditions for socio-economic development, effective investment projects and policies, and a focus towards exports. At present, the government has established three TAD's, with one in the suburb of Vladivostok that focuses on transport and logistics. To further raise Vladivostok's attractiveness, the government has now deemed it a free seaport, which includes customs preferences for residents, reduction in taxes, and it has been suggested to make it visa-free to foreigners for a period of 72 hours. In conclusion, these policies will help integrate the Far East and Asia.

Igor A. Makarov (Russia) paper and presentation provided insight into Russia's turn to Asia, the impact of Asia's economic growth on Russian policy, structural changes needed in Russia, and issues facing the progression of Sino-Russian relations in the context of Western sanctions and the Ukraine crisis. While Asia has been seen as the locomotive of economic growth, Russia has not been a part of this growth or taken advantage of it; the Asia Pacific's share of Russian trade turnover has not exceeded 12-13% and was primarily from Russian imports, while Russian exports to the Asia Pacific was insignificant.

President Putin signalled the shift in Russian policy during a speech in June of 2013 at the St. Petersburg Economic Forum, when he called "to catch the Chinese wind in the Russian sail," emphasizing that in order for Russia to spur domestic economic growth it should re-orient its exports to the Asian markets; this was further underscored when Russia hosted the Asia Pacific Economic Cooperation (APEC) meeting in Vladivostok in 2012, signalling Russia's turn towards the Asia Pacific, and plans to integrate and development infrastructure in the region. In the face of Western sanctions, Russia's turn should be viewed as a tactical reaction to the crisis and sanctions, and places Russia in a weaker negotiating position vis-à-vis its Asian partners, who understand the limited alternatives that Russia has. As Igor underlined, one of the primary rationales in Russia's turn towards the Asia Pacific is to develop the Russian Far East, which up until now had not been given a priority and was actually deemed a burden by previous Russian administrations; this shift in policy was unveiled by President Putin in 2014 when he announced that the development of the Siberia and the Far East would now be considered a national priority and seen as a gateway to the Asia Pacific.

State policy on the development of the Far East has placed priority on strengthening ties and relations with China; since 2013, the Russian government has removed formal and informal barriers facing Chinese investment, which has now spurred a range of Chinese investments into Russia. While the Ukraine crisis has not deterred Chinese investment, it has caused Japan and Korea to operate by a wait-and-see approach towards investing. In understanding the economic growth in Asia, Igor highlighted four major shifts; first, shifting from utilisation of cheaper labour and natural resources for exports to economic growth founded on domestic market; second, industrial specialisation and the shift from labour-intensive manufacturing to higher-end goods and services; third, shift from the developed economies as the main market to a more-Asia centric approach; and fourth, a shift of growth from the Asian tigers towards the less developed Asian states. These trends can be witnessed within the Chinese economy itself, as more labour-intensive industries relocate from the coastal regions towards the central and

western parts of China, and this has spurred growth in the periphery regions of China and its neighbours.

While there has been policies put in place to strengthen Russia's economic relationship with the Asia Pacific, it has not occurred fast enough and has actually ebbed and flowed in recent years. In understanding why Russia has not been trading more with Asia, Igor highlights several structural and short-term reasons; first, fall in oil prices; second, the weak Russian Ruble; and third, Russia's exports to China does not match China's current economic model, as China transitions away from raw materials, one of Russia's main exports to China, to more luxury and high-end goods. In order for Russia to trade more with Asia, the state needs to place an emphasis on natural resources, which is the country's comparative advantage, and a sector that Asia will need to harness as it continues to develop; additional industries that should be emphasized are the forestry and fishing industries. Supporting this new model is the need to expand cooperation in the development of energy and transportation infrastructure within Russia and the Asia Pacific. A critical initiative that Russia should get involved in is China's Silk Road and OBOR initiatives, as this plan will stretch from Singapore to Europe and have tremendous benefits in terms of boosting trade and connectivity. Previously, Russia had sought to develop the region through state projects, but as these have proven unsuccessful in attracting more foreign direct investment (FDI) to the region, the government has shifted its strategy towards making it more attractive towards FDI and foreigners. The strategy put in place seeks to develop territories of rapid development (TRD), which will offer tax incentives and other benefits to investors. One of the main obstacles to increasing FDI has been the Ukrainian crisis and limited interest on the part of investors.

Yuan Shengyu (China) examined Russia's policies and legal frameworks impact on investment in the energy sector, what this means for Chinese investors, and what steps can be taken on both sides to further economic ties and investment. In beginning his presentation, Yuan Shengyu highlighted that two of the main obstacles facing investment has been limited investor experience and lack of knowledge of Russian laws and policies. Russia's policies towards energy investment have evolved significantly since the 1990's as the government unveiled plans to cater to investors and open the market up further. The Russian government has acknowledged that the oil and gas resources serve as means to realise national objectives, which include utilising resources in order to develop the economy, ensure a better quality of life, and enhance the state's status on the international stage.

In seeking to open up the Russian Far East, the government announced various measures in the 2010 plan 'The Developing Strategies of the Far East and Baikal Region in the Russian Federation prior to the year of 2025'; through this and several other plans, Russia has sought to further cooperation and integration between the state and the Asian Pacific countries. During the presentation Yuan Shengyu underscored that while the legal structure surrounding energy investment has been deepening, several of the laws have undergone significant changes; for example, The Mineral Resources Law of the Russian Federation was enacted in 1992, and since then has been amended 40 times, and the law on ecological evaluation has been changed 30 times since 1995. Under President Putin, the federal government has increased its power over local leaders in the energy and environmental sectors; as natural resources, especially oil and gas, are considered part of the governments national development plans, the state has enacted strict restrictions on foreign investment, limiting foreign investors to only 42 fields and their proportion of investment. The government in recent years has begun to provide preferential treatment to investors, but these policies are strategically driven and may not be legally sound and predictable.

Turning to the Russian Far East's potential in natural resources, the Ural and Siberia regions account for 60% of Russia's oil and 40% of Russia's gas deposits; in 2014, Russian oil and gas exports to China rose 36% from 2013. While Sino-Russian trade has been expanding, one of the obstacles facing the relationship is institutional weakness, manifested in the legal regime and poor investment environment. In bolstering Sino-Russian ties, in May 2014 the countries put out a joint statement that sought to push cooperation to a higher level, to increase trade volume substantially by 2025, and to establish an energy partnership. As Yuan Shengyu highlighted, while these are good achievements, these agreements lack operability and serve mainly as guideposts. In seeking to cement ties, President Xi Jinping announced in 2013 that in the SCO, they should establish an energy club to advance ties. One of the issues that continues to impact the investment relationship is that Russia considers energy a strategic resource and protects the sector; as Yuan Shengyu highlighted this raises the risk to investors seeking to enter the energy sector in Russia. This underscores the paradox on going in Russia; on the one hand, they actively encourage investment, on the other hand, the government strictly controls resource utilisation. In order to attract Chinese investors, Yuan Shengyu provides several mechanisms that can be put in place; first, a legal trading platform; second getting Russia involved in China's OBOR initiative; third, understanding Russian law and legal norms; and fourth, investors should hire professional lawyers to handle their investments in Russia.

Summary of Discussion

The discussion began with **Nobuo Shimotomai** (Japan) posing several questions to Igor A. Makarov on seeking to understand the difference between the development approaches undertaken in the Russian Far East, specifically what is the difference between the second approach, 'Paradise for Foreign Capital', and the third approach, Territories of Freedom'? In referring to the conclusion, Igor seemed pessimistic; do you considered the third approach as still only a dream? **Yuan Shengyu** (China) followed up with several questions directed to Igor; first, Igor mentioned the economic relationship between Russia and Asia, what Asian states will be part of it? Only Northeast Asia? Or Southeast Asia as well? Second, what is the interrelationship between the differing approaches? Without having state megaprojects, such as infrastructure, it will be hard to attract foreign investment. Each approach has its own advantages; why not combine the approaches for better results? Following from Yuan Shenyu's question, **Victor Larin** (Russia) asked what Igor meant when he discussed the difference between 'Old Asia' and 'New Asia'? Victor then asked Yuan Shengyu about the poor investment environment in Russia? What do he thought the main reason for this? Is it because of poor legislation or poor implementation? Victor Larin then questioned whether the TAD will make real ground for foreign participation in the development of Pacific Russia? In asking a follow-up question to **Jae-Young Lee** (Korea) asked a question regarding the issues facing the TAD projects, such as limited capital flows and strained relations between the West and Russia, Jae-Young was curious when the Russian government was preparing the TAD, which countries did the government use as a benchmark?

In responding to the questions, **Igor A. Makarov** (Russia) clarified the differences between old and new Asia; old Asia refers to the previous economic model that was employed, which focused on an export model to developed countries to enhance growth, towards new Asia, which emphasizes inclusive economic growth based on domestic demand and reoriented towards Asian economies. In discussing which countries he considered as a part of the Asia Pacific region, Igor included Northeast and Southeast Asian countries. In regards to the differences in the approaches towards development, Igor emphasized that the second and third

approaches are not contradictory to one another, but that the second approach should be maintained as the core policy and supplemented by measures towards bolstering small-to-medium enterprises (SME). Igor agreed with Yuan Shengyu on the necessity to have infrastructure support, and without the support it would be difficult to attract FDI into the region. On this issue of the TAD and government benchmarking, Igor underscored that the Russian government and the Ministry of Development had used the best practices in the region as their benchmark, and ideally would be able to take these best practices and apply them to Russia. **Yuan Shengyu** (China) held that the main obstacle facing investment is implementation as many Chinese scholars have found, and that while there has been progress, the laws have undergone substantial changes, as highlighted by the Mineral Resources Law had been changed 40 times since 1992.

In concluding the discussion, the chair **Jun Kee Baek** (Korea) presented three points; first, that there is significant opportunity in the development program of the Russian Far East, especially the socio-economic development plans for the region has been the first successful program since the 1970s, and the groundwork plans for the 2012 APEC summit produced desired results in improving transportation and social infrastructure. Second, fixed capital investment has begun to increase from 2009, and from 2009 to 2012, capital investment in the Far East increased by more than 8%. Third, the state budget expenditure on the development of the Russian Far East has increased significantly from 2002-2012, the federal budget allocated 750 billion Rubles to the development plan, and from 2014-2018, the federal budget has allocated 800 billion Rubles to the plans. Jun Kee Baek held that there are also some risks and threats to the Russian Far East development program; first, that the development projects in the region can be economically justified; and second, the risk of conflict between geostrategic and economic goals, and the need for Russia to make sure that this doesn't occur.

Panel 3: Pacific Russia international relations: problems and limitations for their future development

Discussant/Chair:

Yang Cheng (China), Associate Professor, East China Normal University

Speakers:

Victor Larin (Russia), Director of the Institute of History, Archaeology and Ethnography of the Peoples of the Far East, Far Eastern Branch of the Russian Academy of Sciences

Nobuo Shimotomai (Japan), Professor, Hosei University, Senior Research Fellow, JIIA

Ulf Svedrup (Norway), Director, Norwegian Institute of International Affairs

Panel Summary

Victor Larin (Russia) discussed the structure, framework and benefits of Pacific Russia's cross-border and inter-regional relations (CBIRR) as a mechanism for the exploration and development of the region. The presentation analysed the CBIRR's ability to operate as an engine and channel to support Russian integration into the Asia-Pacific through an examination of Pacific Russia's engagement in political, economic and people-to-people exchanges with North Pacific countries.

In regards to the politics, Victor Larin observed that there is a strong network of administrative and political ties across the North Pacific region, including cooperation agreements, a great number of sister-city relations, and bilateral institutions for CBIRR development. He emphasized that the links between local elites of Pacific Russia and the provinces, prefectures and cities of North Pacific countries are much denser than compared to the European areas of Russia. The North Pacific countries, China, Japan and South Korea in particular, understand Russia mainly through their ties with Pacific Russia territories. On the other hand, Victor also highlighted the problems involved in the political relations; first, Pacific Russian territories are in a closer proximity to the less economically developed regions of neighbouring countries; second, the Russian government considers CBIRR as an auxiliary tool for solving local problems, and does not consider the relations as a tool to solve national problems; and finally, these sub-national ties do not work effectively for Russian relations with North Pacific countries.

Turning to the economic dimension, Victor Larin underscored that over the last decade there has been substantial growth in foreign economic relations. Pacific Russia's economic relations with North Pacific countries are of great importance to every Pacific territory. In 2014, Pacific Russian territories did more than 39% of Russia's trade with South Korea and Japan, about 27% of trade with North Korea, and 18% of trade with China. Due to Sakhalin oil and gas, Pacific Russia's share of Russia's total oil and gas exports to Japan and South Korea was much higher; in 2013, it was 52.6 % for each, more than half of Russia's export to Japan and South Korea. The economic relationship between Russia and the Asia Pacific partially grounded in the exports of oil and gas has emerged as a foundation for Russia's integration into the Asia

Pacific. For the North Pacific states, the economic relationship with Pacific Russia has grown in importance. Currently, we are witnessing Northeast Asia's increasing energy dependence on Russia, and specifically and primarily Pacific Russia, as of 2013, China received 9 % of its oil and 4 % of its gas, Japan received 7% of its oil and 4% of its gas, and South Korea received 4% of its oil and 5% of its gas primarily from Pacific Russia. Further cementing the trade relationship, Russia accounted for 58% of Heilongjiang province's foreign trade, 22% of Inner Mongolia's foreign trade, and 21% of Hokuriku region's foreign trade.

On the issue of people-to-people exchange, cross-border travel and migration in the North Pacific has been growing over the past several years. In 2013, the total number of people travelling within the 8 North Pacific territories was about 44 million, and this can be partly attributed to the 2.2 million Russians who visited China. There's a growing number of Chinese visiting Russia, in contrast to a decrease in the number of Russians who visited China. About 80% of these people travelled short distances around the Russia-China border, most of the Russian travellers are from the Far East and Eastern Siberia region, and Chinese travellers are mainly from Heilongjiang, Jilin and Inner Mongolia. The people who live in Pacific Russia have much better understandings of East Asian nations than the Russians who live in European part of the country. The Northeast Asian populaces form their understanding about Russia and its people to a large extent through their perceptions of Pacific Russian citizens. Pacific Russia, economically and socially, is already oriented towards the North Pacific.

In conclusion, Victor emphasised that Pacific Russia's CBIRR are developed and diversified, though each territory has its own priorities, depending on its geographic position and economic status. CBIRR is of vital importance for the socio-economic wellbeing of all areas of Pacific Russia, especially of continental areas. Pacific Russia is poised develop into the economic, social and cultural sphere of the North Pacific, and demonstrates the potential for Russia's transition into the Asia-Pacific. However, Moscow tends to ignore the potential of these relations primarily because they are working mostly in the interests of territories, which have the tertiary significance for Moscow. The success of Russia's drift to the Asia-Pacific to a large extent depends on Moscow's skills to aggregate locals needs, enthusiasm and best practices of CBIRR with the state monopolies' business plans and Pacific nations' interests.

Nobuo Shimotomai (Japan) discussed the historical background of Russia's pivot to Asia strategy, and Japan's policy towards this transition. Starting from the debate on Russian identity and whether or not it belonging to Europe or Asia, Nobuo reviewed the progress and stagnation in Russia's Go East policy since 2006. He emphasized that the 2014 Ukraine crisis has intensified Russia's Eastward strategy, as the political climate in Kiev was inclined to the West, and Moscow in response had to engage with the East, including India, China and Japan.

In regards to Japan's reaction towards Russia's eastward movement, Nobuo Shimotomai pointed out that historically Crimea had always played an important role in Russia-Japan relations, and had been considered the geopolitical parameter of Russo-Japanese bilateral relations. The years 1855 and 1945 served as turning points for Russia-Japan relations; in 1855, Russia's defeat in Crimea War by Western powers triggered Russia's move to the East, resulting in the conclusion of the Shimoda Treaty with Japan, which symbolised the friendship between the two states at that time. In 1945, Crimea and Yalta signified the end of the revisionist challenge of Fascist Germany and Imperial Japan, and the emergence of the Cold War, which drastically altered the geopolitical configuration of Northeast Asia. Following the end of the Second World War, bilateral relations had been tepid despite opportunities in 1997-1998. However, Since Putin's presidency, the situation has been changed drastically. The issue

of Japan's energy security as a result of the 11 March 2011 earthquakes, and China's rise as global power have reshaped the bilateral relations, and both sides see each other as an important partner. However, the Ukraine crisis suspended the warming-up of the bilateral relations. As a G7 member, Japan cannot support Russia's annexation of the Crimea peninsula, and has to abide by the United Nations (UN) charter and other political principles. However, on the other hand, Japan acknowledges the historical context of the nationality question on the Crimean peninsula, and that historically Crimea had never been belonged to Ukraine. Japan, as a G7 member, was the last to join the sanctions against Russia.

As Nobuo Shimotomai suggested, Japanese domestic politics also play a considerable role in the country's Russia policy. The Fukushima nuclear plant disaster increased Japan's imports of oil and gas from Russia's Far East. Japanese lobbyists who advocated for energy cooperation with Russia are gaining momentum, and Russian elites are also in support of this initiative. Meanwhile, other business groups also see potential opportunities in Russia's pivot to Asia, and they are lobbying for Far East regional development projects such as vegetable factories, railway infrastructure and medical industry. In conclusion, although the Ukraine crisis casted a shadow over Russia's Eastern shift, Ukraine cannot sustain itself without the cooperation with Russia. The Japanese are expecting for improvements in the Ukraine crisis, and are preparing for cooperation with Russia's Far East on energy and infrastructure projects; possible projects including a pipeline, an electricity bridge, the North Sea Route (NSR) development and a Siberian land bridge. Japan has been keeping an eye on Russia's Pivot to Asia, which may have regional or even global significance.

Ulf Svedrup (Norway) presented on behalf of Wrenn Yennie Lindgren (Norway) on developments in Japan-Russia energy relations in the post-Fukushima and Ukraine crisis period. Ulf Svedrup argued that Japan's energy needs have undergone substantial changes since the Fukushima Daiichi nuclear plant crisis, which brought about a major restructuring of Japan's energy policy and security. He then introduced the Japan's energy dependence on Russia, pointing out that Russia accounted for a relatively small portion of Japan's overall energy imports: 10% of Liquefied Natural Gas (LNG) imports and 4% of oil imports; Japan still has important energy providers including the Middle East, the US and Australia.

Ulf highlighted the energy cooperation between Russia and Japan, and that the 2011 triple disaster was a major catalyst in furthering relations. Russia swiftly promised LNG, oil, coal and electricity supplies, and worked to accommodate Japan's high LNG demands. Currently, Japan is involved in two major projects taking place on Sakhalin Island, the Sakhalin-1 pipeline and Sakhalin-2 pipeline. Japan has also revealed plans to build a \$13 billion dollar LNG plant in Vladivostok. In addition to supplies coming from Sakhalin pipeline-2, since 2009 Russia's Eastern Siberia-Pacific Ocean pipeline has been delivering crude oil to Japan. Additionally, Russia and Japan have been collaborating on renewable energy initiatives, which were launched in early 2014, to develop wind power technology that allows for operation at low temperatures in regions of the Far East.

In regards to the Ukraine crisis and its impact, Ulf discussed that Japanese sanctions against Russia after the start of the crisis has led to delays in dialogue about developing bilateral energy relations and has put a few prospective projects on hold, for example, the construction of an undersea LNG transport pipeline from Sakhalin to the Japanese island of Hokaido has been temporarily stopped. In terms of investment, Ulf pointed out there has been a notable lag in generating Japanese investment in the region, and underscored that Gazprom's monopoly is a possible hindrance to further FDI. Japan's lack of interest in the Russian Far East is attributable

to the region's unsuitable business environment: small population, lack of a sizable internal regional market and high labour costs. However, the modernisation of port infrastructure in the region remains an area of Japanese interest.

In conclusion, since the 2011 Japanese triple disaster, the energy dimension of Japan-Russia relations has developed substantially, and the two countries have worked to maximize energy ties post-Fukushima. It is unlikely that Japan's sanctions will affect the deliveries of Russian energy to Japan; despite a growing share of Japan's energy imports originating from the Russia Far East, Russia is still a minor Japanese energy supplier. Future LNG supplies from Sakhalin and the Far East will increase Russia's role in the Japanese market in the mid- to long term. However, Russia will also have to offer competitive prices and quality in order to compete with Japan's other major energy suppliers including the Middle East, Australia and North America.

Discussion Summary:

Zhang Xin (China) posed a question regarding Moscow's perception of the Russian Far East. **Victor Larin** (Russia) responded that there is a growing understanding in Moscow about the importance of China, Japan and South Korea in Russia's foreign policy, but still the share of Russian political elites who understand this importance is still low. One of the reasons is that Russia does not have an Asia-Pacific policy, and that is why Russia's political, business and academic elites are still focused on the West. **Yang Cheng** (China) raised a question concerning the effectiveness of bureaucratic interactions between Pacific Russia and the North Pacific states. **Victor Larin** (Russia) pointed out that Russia doesn't have good understanding of the North Pacific countries at the middle government level. For example, comparing China-US and China-Russia sister city relations, usually that former relationships have a financial foundation; in US-China sister city relations, there usually is either public or private funds that undergird the relationship, however, for Russia, usually there is no money invested in these sister city relations. Another reason highlighted why sub-level bureaucratic relations are not entirely effective is because the central government does not deem these relations as important.

Nobuo Shimotomai (Japan) agreed with Yang Cheng's (China) comment that if there wasn't a Ukraine crisis, Russo-Japanese relations would have developed at a faster pace, and this is framed in the context of Prime Minister Abe's visits to Russia and attendance at the Sochi Olympics despite Western pressures to not attend. Regarding the effectiveness of the Western sanctions against Russia throughout almost one century, Nobuo Shimotomai (Japan) analysed that during the Cold War, the Soviet Union was not part of the global economy system, and this relative independence allowed Russia to survive in the face of Western sanctions. Presently, Russia is involved in the globalization processes, and so far Russia is enduring the pressures, but the sanctions can be impactful at differing levels; for example, the US may exclude Russia from the international payment system, placing further pressures upon Putin and underscoring why Russia is moving towards the Asia Pacific.

Regarding energy security, **Ulf Svedrup** (Norway) elaborated that we need to rethink the energy security concept; on the one hand, energy security is about access to energy, but on the other hand, for Russia and Norway, it's about demand. Ulf underlined that we have to bring these two together, that in 10 years, every country will be buying energy at market prices, and the time of easy access to cheap energy resources is over. Most energy coming from Russia and Norway will become more costly to get. We are in a situation where the business of energy companies are increasingly not profitable and becoming more in debt, and at the same time, these businesses are having to deal with significant investments in order to provide energy and

bring the supplies to market. In this situation, the Russian Far East has to address both issues of energy supply and demand. **Huang Jing** (Singapore) asked about Norway's role in Russian and Japanese energy cooperation, given Statoil's tremendous investment in the Russian energy industry. Ulf Svedrup (Norway) responded that Norway is an energy model for the world market, and that the country has been continuously developing the resources in the NSR region. Most of the gas produced in that region will not be piped to Europe, but sold to US in LNG form, and eventually shipped to the Japanese or wider-Asian markets. Norwegian companies are involved in some shale gas fields in Russia, which also benefit the Asian market, in particular, Japan, China and South Korea. Ulf argued that the hesitance to investment in Russia is not only due to sanctions, but also the industry fears of high risks in long-term investments in Russia.

Panel 4: New Energy and Mineral Resources of Siberia and Far East as a Driver of Russia's Integration to the Asia Pacific Region

Discussant/Chair:

Zhang Xin (China), Research Fellow, East China Normal University

Speakers:

Valeriy A. Kryukov (Russia), Deputy Director of the Institute of Economics and Industrial Engineering, Siberian Branch of the Russian Academy of Sciences

Satoshi Sakai (Japan), Senior Advisor, Russia Business Department, Natural Gas Business Division, Mitsubishi Corporation

Gao Shixian (China), Deputy Director General of Energy Research Institute, National Development and Reform Commission

Panel Summary

Valeriy A. Kryukov (Russia) presentation focused on the challenges and opportunities in developing energy and mineral resources in Siberia and the Russian Far East. Valeriy provided an overview of the geological allocation of minerals in Russia, pointing out that western Siberia is rich in hydro-carbon and carbon resources, such as diamonds, wherein eastern Siberia, from Lena river to the Far East, other mineral resources are more abundant. Valeriy further distinguished the differences between resources and reserves; resources are mineral and natural objects “in place”, and while reserves are the technically and economically viable share of resources. In transitioning from resources to reserves, a road map is considered the tools to convert these resources, and includes exploration; technical solutions, how to extract of resources and reserves the best way possible; production, efficient ways of doing business at the upstream stage; and the delivery of resources to the market.

Valeriy examined the challenges facing the exploration and extraction of Russian resources. In the case of mineral resources, the number of platinum and diamonds placer deposits are diminishing, and therefore the industry has had to go further underground to extract platinum, which is extremely expensive, not efficient, and requires new technology. Open extraction of diamonds is also diminishing, while the extraction and production of diamonds in deep deposit is increasing. In regards to oil, in western Siberia, the volume of oil used to be more than 70 million tons of oil per field, but now the overall size of the oil fields has been reduced to 1.5 million tons per field. In this situation, there turned out to be a “natural transition” of mineral production in Russia from easy to extract to more costly and distant. Against this backdrop, Valeriy highlighted for Russia's resource economy, the economy of scale principle is no longer viable as it has transitioned, as efficiency is institutionally and technologically driven. A good example is the fact that in oil production, the giant fields share has diminished from 70% in 1990 to 22% in 2011.

A new resource regime is under formation and with the various procedures being worked out. Valeriy discussed the differing attempts, including production sharing agreement (PSA)

experiences, in which some have been extremely successful, but the problem has been high prices and the manner in which to share income between the state and investors; tax exemptions; Public-Private-Partnership (PPP), which Valeriy held were only workable at the beginning stage; and co-partnership for the development of a new mineral area and territories of growth, which have been promising at the initial stage of implementation. Valeriy further emphasised that the new resource regime needs to be balanced, transparent, clear, and profit based. The desirable characteristics for the new regime should include market attractiveness, and the low costs per unit of extractable volumes. The resources best satisfying these characteristics are rare earth in the Tomtor field and impact diamonds in the Popigay Astrobleme. Valeriy additionally argued that in resources development, partnerships and risk sharing procedures are crucial, but the problem is how to combine those interests. For example, from a regional viewpoint, Siberia and the Far East are not only interested in the production process, but also in the formation of a value and supply chain with the rest of the economy, but from the business viewpoint, of particular importance is the investment climate and reasonable capital payback period.

In conclusion Valeriy mentions several points; first, the concept of economies of scale does not work. The extraction of giant fields are becoming inefficient, and the output from these fields are usually unprocessed materials which does not satisfy the importer countries' needs. Hence, Russian resource and mineral industry should transit to smaller fields. Second, the emergence of new types of minerals and resources such as gas-concentrates, impact diamonds and rare earth minerals, that require risk sharing and different schemes of cooperation between Russia, domestic and foreign investors. Third, economic efficiency is no longer derived from the extraction or production process, but out of the final stage, and therefore economic efficiency has to be framed within the necessity for multiregional and cross-border integration; the integrated approach to developing Russia's resources is becoming increasingly important because of the need for an integrated transportation structure.

Satoshi Sakai (Japan) presentation elaborated on the relations between Russia, as the energy supplier, and the three consumer countries of China, Japan and South Korea. The presentation analysed supply and demand in the hydrocarbon energies (oil, gas and coal) market in Northeast Asia and examined the future prospects. Satoshi Sakai began by examining the challenges facing Russia's export of oil, gas and coal, and argued that the biggest challenge facing oil transportation is the enormous distances involved. A majority of oil transportation to the east is compensated by tariffs charged on both southbound and westbound transportation routes. Another challenge is transport capacity, but even if the Skovorodino-Kozmino transport capacity is upgraded to 50 million tons, the volume of crude oil delivered to Japan and Korea will not increase, and only China can expect an increase from this expansion in transport capacity

For gas, Satoshi observed that the major challenge facing eastbound natural gas exports is Gazprom's monopoly, which has been under scrutiny. Additionally, there has been a debate over the choice of LNG pipelines as there are currently various proposals for new pipelines to export Russian natural gas to China, South Korea and Japan. Gazprom is said to be under pressure to choose between liquefying Sakhalin gas to make LNG, and shipping it to China by pipeline. For the coal sector, in order to fully exploit the abundant coal reserves in eastern Siberia, Siberia's rail transportation capacity and coal-loading terminals needs to be upgraded to 75 million tons per year by 2018, however, the difference in the size of coal companies makes this goal hard to accomplish.

Satoshi Sakai highlighted the common issues facing the three energy resources in Russia, including fierce competition with competitors in the Middle East and Australia, Russia's passive position as a "price taker" of the international market, and insufficient domestic demand in eastern

Siberia and the Far East. Focusing on the consumers, Satoshi Sakai quoted the forecast data by International Energy Agency (IEA) and World Energy Outlook (WEO) highlighted several key findings; first, the total oil demand and nuclear power capacity will increase by 2040; China will become the world's largest oil-consuming country by early 2030; Japanese demand for hydrocarbon resources will be impacted by the reactivation of nuclear power plants shut down following the 2011 earthquake; and South Korea's total primary energy demand in 2030 is forecasted to reach 300 million tonne of oil equivalent (TOE).

Satoshi then discussed the common problems facing the three energy-importing countries and their respective conditions. All three importing countries are making efforts to reduce their dependence on imports by both improving energy consumption efficiency and promoting domestic energy production. Delivery security is a concern, and Satoshi pointed out that Russia's resources could be a promising alternative to the imports from the Middle East for the three countries, additionally, import costs are another serious concern. With these factors, the three countries are currently pursuing measures to maintain price stability and cope with possible sudden price increases. In regards to differing conditions of the three consumer countries, Satoshi argued that for China, environmental issues are the biggest concern, and the Chinese government is taking decisive actions, which are guiding new energy policies to improve upon these issues. For Japan, the greatest challenge is how best to increase its energy independence while simultaneously keeping down import costs, and for South Korea, wasteful electricity consumption resulting from low electricity prices has policymakers' attention.

Satoshi Sakai concluded that for Russia as an energy supplier, when exporting its resources must go through the process of assessing the characteristics of differing export destinations. In order to solve the issue of long transportation distances for oil, gas and coal resources, Russia has to extend the construction of the energy processing base, and may inevitably have to alter its cautious attitude, and allow foreign capital to participate in both the development and production stage of its energy sector. For China, Japan and South Korea, it would be prudent to development an international consultative institution to deal with future emergencies within the energy markets.

Gao Shixian (China) presentation focused on China's energy development and the country's cooperation with Russia, and began by comparing China and Russia's energy consumption and structure. Entering the 21st century, China's energy production and consumption have increased drastically with the rapid growth of industrialisation and urbanisation. China's energy consumption accounted for 22.4% of the worlds total in 2013, while Russia only accounted for 5.5%. Coal is the prime energy resource in China and contributes more than two thirds of total consumption, while natural gas is the dominant energy resource in Russia accounting for 53.2% in 2013. Gao Shixian provided insight into the three major challenges facing China's energy sector; first, China's energy security is weakened by the increasing dependence on energy imports, especially oil, with the dependence rate on overseas suppliers growing from 32% in 2000 to 60% in 2014; second, the dominance of coal in China's energy consumption has resulted in serious environmental problems; and third, China's energy efficiency is low. These challenges, especially environmental pollution, have urged those in China to advocate for an energy revolution. In this context, Gao Shixian examined the current situation in Sino-Russo energy cooperation, highlighting its prospects, and provided policy recommendations. He observed that cooperation in the crude oil trade has continued to expand, and cooperation in the development of petroleum processing and petrochemical industry has proceeded quickly, but progress in natural gas cooperation has been slow. Additionally, Gao

Shixian pointed out that for Russia, China's energy sector has competitive advantages in market size, financing capability and geopolitical significance as compared with other energy importing countries.

In conclusion, Gao Shixian suggested that China and Russia should cooperate on oil exploration and dually provide support for engineering and technical services. China should contribute to developing the coal industry's railway transportation networks in Russia, and with the establishment of a 500 kV power transmission project, China and Russia should work towards establishing a joint venture power station in order to increase the power supply capacity. Additionally, Gao Shixian stressed that mutual trust is the basis of energy cooperation, and that both states need to establish national energy development strategies and work towards developing an energy cooperation mechanism.

Summary of Discussion

Ulf Svedrup (Norway) posed a question to Gao Shixian regarding China's perception of the energy sector, international and institutional cooperation, and the energy sectors' governance structure. **Gao Shixian** (China) highlighted that over the past decades the energy sector had a poor governance regime, and that China is considered weak in its regional and international energy governance. However, China has progressed on furthering bilateral energy cooperation, and that in the future China should figure out a cooperation platform for its interactions with foreign partners and has to implement a step-by-step approach. **Shoichi Itoh** (Japan) commented that we have to discuss how to create value-added industries within inland Siberia and the Far East. In order to establish these networks, Shoichi Itoh suggested that we first, discuss how to create a multilateral supply chain, and second, if even possible, that Asia should seriously considered drafting an Asian regional energy charter treaty.

Yang Cheng (China) raised the question regarding the impact of the shale gas revolution and gas deal between Japan and US on the future energy cooperation between Japan and Russia, and specifically on the pricing of Russian-Japan LNG and Russia-US shale gas. **Satoshi Sakai** (Japan) stated that the majority of the forecasts hold that the price of oil will stagnate at between \$70-80 USD per barrel for the next several years, possibly due to the expansion of Middle Eastern oil production, especially in Iraq and Iran. Satoshi Sakai further highlighted that the price of oil is based on a formula, and that if the price of oil stagnates at the forecasted level, then the price of gas from Russia to Japan will be lower than the price of shale gas from the US to Japan, which underscores that Sakhalin gas exports will be competitive in relation to the US. In conclusion, he emphasised that it is hard to predict oil prices as we have seen instability in prices as result of numerous factors, for example the impact of the US shale gas revolution on the world energy market, and this will likely remain the same. Regarding the forecast of future oil prices, **Huang Jing** (China) in concluding the discussion underscored that the US dollar is an extremely important factor in determining oil prices, and that if the US dollar weakened then the price of oil would go up. Additionally, Huang Jing emphasised that oil should not be just considered an economic resource, but also a strategic asset, and we should view energy relations in not only an economic light but through strategic lens as well.

Panel 5: High North: Northern Sea Route and Regional Security

Discussant/Chair:

Ulf Sverdrup (Norway), Director, Norwegian Institute of International Affairs (NUPI)

Speakers:

Yaroslav N. Semenikhin (Russia), Director, Far-Eastern Marine Research, Design and Technology Institute, Vladivostok

Bjørnar Sverdrup-Thygeson (Norway), Researcher, Norwegian Institute of International Affairs (NUPI) (On behalf of) Marc Lanteigne (Norway), Senior Researcher, Norwegian Institute of International Affairs (NUPI)

Kim Seok Hwan (Korea), President, Korea Institute for the Eurasian Studies, Visiting Professor, Hankuk University of Foreign Studies

Okada Kunio (Japan), Director, Japan Association for Trade with Russia & NIS (ROTOBO)

Panel Summary

Yaroslav N. Semenikhin (Russia) provided an overview of the economic, technical, and environmental issues surrounding the development of the Arctic. He called for the careful and continued study of its development, despite the fact that existing Russian federal programs have envisaged an allocation of some 600 billion Rubles from the state budget for various Arctic projects in the coming years. Among the economic opportunities listed in the official programs, Yaroslav examined mineral and hydrocarbon production on the Arctic sea shelf and shipping via the NSR. According to experts, offshore hydrocarbon reserves in the seas adjacent to the Russian coast total roughly 98.7 billion tons of fuel, about 85% of these reserves are concentrated on the Arctic shelf in the Barents Sea and Kara Sea, and the Far Eastern shelf contains approximately 12-14% of the reserves. In accordance with the “Offshore Development Program 2030,” the program envisions that offshore oil production will grow as much as five times from currently 13 million tons to 66.2 million tons, and gas production is expected to grow four times from 57 billion cubic meters at present to 230 billion cubic meters. It’s estimated that the economic benefits from project implementation could be 8 trillion Rubles; however, the quantity of the reserves is not all that should be taken into consideration. In Yaroslav’s comparison with the development of offshore projects on Sakhalin Island on the Far Eastern continental shelf, the production costs of Arctic hydrocarbon is considerably higher, and their development may come into production in a more advantageous energy market. In comparison, offshore development near Sakhalin and the Sea of Okhotsk, near Magadan and Kamchatka, are economically and resource sufficient to run production for many years. Hence, Yaroslav predicted that no large-scale development of Arctic offshore hydrocarbon resources is to be expected in the immediate term.

For the development of the NSR, the federal program identified three main tasks: first, expanding coastal shipping to ensure the supplies for coastal and island communities; second, exporting of Arctic produced hydrocarbons and other raw materials to consumption areas; and third, transportation of transit cargoes between Europe and Asia-Pacific countries. Yaroslav argued that an economically viable NSR project would have to integrate five operational areas;

navigation and hydro graphic support to shipping in NSR basin; emergency and rescue support; construction of new icebreaking vessels; hydrological and meteorological support; and the development of hub ports on the NSR, specifically ports located the entry and exit points of the Russian Arctic region of Murmansk and Petropavlovsk-Kamchatski. Other than the sporadic cases of transit shipping via the NSR, he argued that systematic transit shipping would only be possible when raw material deliveries from Arctic hydrocarbon projects are sufficiently large-scale enough to have regular bidirectional convoys, and this may happen only after 2030 when the Arctic hydrocarbon production projects reach a profitability rate.

Compared to the low economic gains from the development of Arctic hydrocarbon resources and the NSR at least in the short-term, the environmental risks of such development are real. Given that international organizations, such as the World Wildlife Fund (WWF) and Greenpeace, and governments, such as Finland and the US, have called for the creation of Special Protected Areas (SPA); Yaroslav suggested that the Russian government could use this situation to “freeze hydrocarbon projects” in the Arctic, establish SPAs, develop a roadmap and implement nature conservation measures in the Arctic region in order to be ready for future hydrocarbon production and shipping.

Bjørnar Sverdrup-Thygeson (Norway) presented Marc Lanteigne's paper that examined the potential strategic implications, and the nexus between China's OBOR development strategy and Russia's Arctic policy. As he noted, the economic conditions since the 2008 global recession and the 2014 Ukraine crisis have driven Russia and China closer in diplomatic and economic relations, and furthermore China's increasing economic power internationally, and the country's ability to develop new institutions and regimes that support its international goals have concerned and impacted Russian strategic thinking. For Russia previously considering the Arctic as primarily a regional issue to viewing it as global one with the potential for competition should be viewed within this context. As argued, one can observe this looming competition from Russia's response, along with Canada's, concerning the extent that Beijing would seek to use its observer status in the Arctic Council to challenge the political status quo of involved countries. If this potential competition is considered in congruence with the thesis of "Finlandisation of the Russian Far East" where the large influx of Chinese investment in the Russian Far East region is treated with suspicion, it might further warrant suspicion regarding China's OBOR development strategy, and hence increase the possibility of strategic competition between China and Russia in the Eurasian continent. However, the paper does emphasise that the primary dimension of the NSR as a trade route in which Russia and Central Asia are among the main beneficiaries. If this economic dimension is taken to be a strategic common ground for all parties involved, which seemed to be the case, a strategic convergence between the Silk Roads ("One Road") development and the NSR would greatly contribute to the engagement process between Europe, Eurasia, China and Russia.

Kim Seok Hwan (Korea) presentation provided a broad geostrategic and historical analysis of the potential security impact of Arctic environmental and developmental changes, and called for new thinking in international cooperation that would envision a win-win situation not only the larger powers but also for the smaller countries and the local inhabitants. Within the East Asian security context, it was argued that while the geostrategic success of Japan was based upon accurate assessments of Russia's naval technological levels and accessibility to the Arctic Ocean during the Russo-Japanese War, illustrated by the strategic importance of the Arctic as a geographic barrier; the expected commercialization of the NSR and Arctic region since the Cold War has made it into a key geostrategic resource for diversifying energy imports for China, Japan, and South Korea. It was additionally stressed that a successful Arctic strategy for

China would seek to utilise the NSR as a hedging route for energy transportation via the Indian Ocean, due to the unstable and congested Suez Canal and Malacca Strait. This strategy would be consistent with the creation of an energy-trading corridor through leasing the Pakistani port of Gwadar, which would also weaken the importance of the Indian Ocean. It was pointed out that China's China National Petroleum Corporation (CNPC) has already acquired 20% shares in the development project on-going in Sabetta, Yamal Peninsula, a key Russian Arctic energy development project. The strategy is expected to transport massive quantities of LNG from the Yamal Peninsula through the NSR. India, on the other hand, has shown both a commitment to maintaining strategic dominance in the Himalayas, and has been enhancing its naval capabilities to ensure dominance in the Indian Ocean. Similarly to China, Japan and South Korea's proximity to the Tsugaru, Soya, and Bering Straits, and the Arctic region would also make the NSR of strategic importance.

In the context of the Northeast Asian security environment where Russia, China, US-South Korea and US-Japan security alliance's are the predominant factors, it was highlighted that the post-Cold War re-opening of the Russian NSR holds security, economic and industrial significance for Russia in addition to the Middle East and East Asian countries. For Russia, it was argued that the NSR is losing its significance as the core of submarine strategies, as a testing ground for Intercontinental Ballistic Missile (ICBM) operations, and as a first-strike route. Meanwhile, the Arctic region is now becoming an area of constant military operations by major Asian countries, including China. For South Korea and Japan, it was pointed out that ambiguity exists over provisions for protection of allied warships on the high seas, as there is uncertainty whether the Arctic region is considered high seas or territorial waters. Such ambiguity is directly related to Japan's responsibility under collective self-defence to protect American warships on the high seas. If collective self-defence applies to the Arctic, it could create a highly sensitive situation for neighbouring countries such as South Korea, China, and Russia. As commercial utilisation of the Arctic sea increases, so will the number of patrols by Chinese and North Atlantic Treaty Organisation (NATO) warships; this is likely to cause new security challenges in the Arctic Sea and in the seas to the northeast of the Korean Peninsula.

Despite these security challenges, ample opportunities exist for cooperation within the international system. Among them, Arctic resource development is occurring in areas that are not subject to territorial disputes, and the shift in trading routes is a win-win situation for East Asian, Asian and European nations. All East Asian countries need to cooperate with Russia, which possesses the NSR, Yamal Peninsula, and Sakhalin; the energy development projects in Yamal and Kara Peninsulas will propel the Sabetta Port into becoming a port of call for ships travelling the NSR, hence the need to upgrade it from a mere energy exporting port to an emerging logistics hub with a marine industry cluster and shipbuilding industry. These developments will facilitate financial cooperation and trade through developing ports and instituting regulations to oversee sea-lanes.

Okada Kunio (Japan) agreed with the previous speakers on the central role that Russia plays in developing the NSR. Japan is mainly interested in Arctic natural resources, such as oil and gas. International cooperation will be crucial for the creation of an enforceable standard of navigation in the Arctic Ocean, and the International Maritime Organization has a critical role to play. In addition, it is also important to develop infrastructure on the NSR coasts and to set up a rescue system. It is critically important to avoid the Arctic sea from becoming a sea for military expansion. Similar to the Antarctic Treaty, which banned military use of the Antarctic, agreements concerning the establishment of an international framework for the NSR needs to limit military operations in the Arctic.

Japan's commercial use of the NSR in the past has been successful and Japanese companies have started to transport LNG and naphtha via the NSR. During a recent international seminar held in Japan, participants explored the possibility of developing Japan's Hokkaido Tomakomai Port as a transit base in the NSR between the Arctic Ocean, China and South Korea. Japanese shipping businesses, however, have listed the following problems for the development of NSR: first, high escort fee's and administrative barriers of charting Russian nuclear icebreakers; second, disincentives for Japanese commercial ships due to ship classification requirements for passage; third, inability for regular container ships to traverse the NSR lanes; fourth, the environmental impact of oil and gas development could be severe due to the difficulties of oil clean up and environmental preservation; and fifth, it is questionable if Arctic LNG price is competitive compared to Russian Far East LNG and North American shale gas.

Summary of Discussion

Regarding hydrocarbon resources in the Arctic, **Valeriy A. Kryukov** (Russia) emphasised that aggressive exploration of offshore sites in the short-run is less economically viable compared to the Russian Far East and onshore options. **Ulf Sverdrup** (Norway) added that companies that have been bidding for these projects are starting to worry about the costs. If oil price fall in-between a range of \$70-80 USD per barrel, and given the availability of shale gas, these projects would no longer be profitable.

Regarding security of the NSR, **Nobuo Shimotomai** (Japan) probed further regarding the possibility of North Korea's military use of the Rajin Port. **Kim Seok Hwan** (Korea) responded that the location of the Rajin Port is closer to China and Russia than to major cities of South Korea or Japan. The port is also not modernised for the docking of large ships, and even in the most extreme case, it is unlikely that the Rajin Port would become militarily important for North Korea. Existing collaboration between the North Korean, Chinese and Russian governments on the use of the port have been commercial, and such an approach would help to persuade North Korea to join the international arena and pursue economic prosperity.

Regarding multilateral and international cooperation, the sanctions against Russia was found to be counterproductive for the development of the Russian Far East. **Okada Kunio** (Japan) highlighted that that due to Western sanctions in finance, Japanese banks and businesses cannot participate in big projects in Russia, including infrastructure projects. Similarly, Kim Seok Hwan pointed out that although South Korea did not join the sanctions against Russia, South Korean banks couldn't support large investment projects to the extent that they need to cooperate with American banks to conduct business with Russia.

Various discussions on setting a multilateral framework for Arctic policy has taken place in the past. Ulf Sverdrup provided the Norwegian perspective where one question is how the tepid cooperation between the arctic countries after the Cold War can continue in the new geopolitical environment. Kim Seok Hwan provided a Korean perspective derived from the conclusion of a one year project on arctic cooperation, which proposed enhancing Arctic cooperation among non-arctic countries in the Arctic Council, and between Pacific Russia and the Observer non-arctic Asia-pacific member countries and cities.

Panel 6: Russia's Siberia and Far East at the New Economic & Logistic Map of Eurasia

Discussant/Chair:

Ulf Sverdrup (Norway), Director, Norwegian Institute of International Affairs (NUPI)

Speakers:

Na Hee Seung (Korea), Principal Researcher, Korea Railroad Research Institute; Subcommittee Chairman, Korea Railroad Corporation International-Korean Peninsula; National Consultant, UNDP

Yang Cheng (China), Associate Professor, East China Normal University

Anastasia B. Likhacheva (Russia), Junior Research Fellow, the Center for Comprehensive European and International Studies, National Research University Higher School of Economics; presented by Igor Makarov (Russia)

Tan Seck Leng (Singapore), Research Fellow, Centre on Asia and Globalisation, LKYSPP, NUS

Panel Summary

Na Hee Seung (Korea) provided a detailed presentation on South Korea's proposal and pilot projects for creating an integrated international intermodal transportation infrastructure on the Russian Far East and Korean Peninsula. As a part of the "Eurasia railway planning" and "Silk Road Express" under the South Korean government's 2013 Eurasia Initiative aims to create an integrated creative and peaceful continent, the Silk Road Express, which begins in Busan and passes through North Korea, China, Russia, Central Asia and Europe, goal is to facilitate the growing economic importance of the Northeast Asian economic corridor. Na Hee Seung underscored that the Russian Far East and the Korean Peninsula has a geopolitical advantage as a hub for Northeast Asia's export/import cargo handling and trade transit. On the regional level, a demand analysis showed that Northeast Asia is expected to continuously grow in interregional trade, interdependence and the volume of the logistics market. The percentage of freight volume in Asia is forecasted to grow more than 10% annually, and this expected growth in trade calls for the development of an integrated intermodal regional logistics networks throughout Northeast Asia.

The strategic value of the development of an intermodal transport system at North Korea's Rajin region, which borders China and Russia, was emphasized as a key linkage point for the integrated Eurasian logistic network. First, it was pointed out that the increase of Russia's TSR freight volume exceeds the freight volume in the Asia region, which further makes the business of connecting the Korean Peninsula's TKR and Russia's TSR even more attractive. The recently promoted Rajin-Hasan project between South Korea, North Korea, and Russia is highly likely to achieve commercial success as the project represents the potential economic benefits of the TKR-TSR project, and help facilitate the further development of the Rajin Port and the Rason Economic Trade Zone. The Rajin-Hasan project is a logistics network

connecting the Rajin Port and TSR through procuring freight trains, constructing freight terminals, and renovating railways from the third dock of Rajin Port to Hasan.

Second, it was pointed out that China's Northeast province development would also benefit from the development of Rajin Port and railway as the cities along the Tuman River and the border areas could develop into a logistics channel extending to the East Sea and the Pacific via the Rajin Port. It's projected that the freight transportation time between Heilongjiang Province, Harbin, and Zhejiang Province, south of Shanghai, would be reduced from approximately 15 days and 7 days using inland railway or the Dalian Port respectively, to approximately 4 days using the Rajin Port.

Yang Cheng (China) discussed the relevance of the RFE in the context of China's Silk Road Economic Belt (SREB) strategy and Russia's Trans-Eurasian belt Development (TEPR) project. While the development of the Russian Far East has been a goal for Russia and its future development, the post-Cold War period has witnessed little progress. A primary reason is that Moscow pays more attention to the security issues on its western borders, and the mind-set toward the Russian Far East is still one of resource extraction to develop its western region. A secondary reason is that the great powers in the region tend to use bilateral mechanisms to cooperate with Russia, which may create a conflict of interests in the region. Yang Cheng agrees that a multilateral approach toward development is needed. President Xi Jinping's recent visit to Kazakhstan, Belarus, and Russia can be seen as an effort toward this approach, which surprised those who worried that China's SREB would dominate Central Asia with an unequal exchange structure and would conflict with Russia's Eurasian projects. The rationale for a multilateral approach is clear as China's SREB project is economically oriented, and further underscored by the establishment of the BRICS group. Framed in the context of the multilateral approach, Central Asian economies through these projects should be able to transition from the periphery to more central economies, and will bolster the greater Eurasia integration that has already begun. Regarding Russia-China relations, Yang Cheng agreed with the view that the Ukraine crisis has sped up bilateral cooperation, and advanced recognition in Russia that the SREB does not pose a threat to its interests in Central Asia or the EAEU.

From China's perspective, the first priority of the SREB is to develop its western region, and in this light, the SREB should not be viewed as a counter to the US pivot towards the Asia-Pacific. The second priority is to avoid an extractive development model in order that Central Asian industries can develop and grow. The SREB project is also aimed at integrating China's the central and western regions with the coastal model, as it has been the predominant model for the past thirty years. Finally, it was pointed out that common ground exists between China and Russia's Eurasian integration cooperation. There are several areas of common ground between the two states; first, both countries want to build complex networks connecting the east and west across the Eurasian continent. Second, both countries emphasise a multilateral cooperation framework. Third, both countries stress the role of Central Eurasian countries in connecting the global economic centres of East Asia and the EU. Forth, the focus is economic. Fifth, both countries emphasize the overlapping of interests in the region and beyond, instead of their own national interests. Framed in this context, there is ample room for the development of the Russian Far East under a cooperative relationship between China and Russia.

On behalf of **Anastasia B. Likhacheva** (Russia), Igor Makarov (Russia) presented the major findings and ideas of her paper titled "Russia's Siberia and Far East on the New Infrastructure Map of Eurasia." The presentation examined the changing infrastructure in Eurasia against the backdrop of the 2008 economic crisis and slowing European demand for goods from China

and other parts of Asia; a shift of focus towards inclusive growth, intraregional development, and localization of production in Asia; and where the entire Asian region is transitioning from a model of "Asia for the world" to the model of "Asia for Asia". While this shift is taking place, intense capacity building for container traffic and further reduction of costs on the traditional Suez-Malacca route, has advanced the argument, while not obvious, that there is a need to establish alternative trade routes between Europe and Asia.

Comparatively, Russia has been passive regarding continental infrastructure discussions: before the crisis, Russia's trade was mostly European-oriented, and the current shift to Asia was not supported by large-scale infrastructure plan. For the last several years, the key focus of any modernisation projects of TSR and the NSR was based on the "transit dream."

Given this backdrop, the Chinese, South Korean, and Indian Eurasian projects are assessed in relation to the development of the Russian Far East. It was concluded that from the various Asian perspectives, despite the unique interest in Eurasian land bridges, Siberia is of a little interest in the new infrastructure map of Asia and the Russian Far East, and is considered mostly as a transit isthmus. Considering existing Russian projects, it was similarly concluded that despite Asia's key role in the possible development of Siberia and the Russian Far East, major existing infrastructure projects are weakly connected or disconnected to key regional and continental projects, and there is no efficient mechanism for the connection of small-scale and district projects, national projects and continental initiatives at the moment.

However, what might be promising, as it was point out, is that during the visit of President Xi Jinping to Moscow on May 8-9, 2015, the idea of co-development of EAEU and OBOR initiative were confirmed at the highest level. Now the countries face the challenge of finding the real project content of optimistic plans. Such projects could include a dialogue of "EAEU-China", a new infrastructure agenda in EAEU, and new multilateral initiatives within the BRICS New Development Bank, AIIB, and the SCO Interbank mechanism.

Seck Tan's (Singapore) presentation analysed Singapore's development, and made the case that Singapore's development may not have been sustainable if the environment wasn't given enough attention, as the environmental repercussions could have affected the movement towards inclusive green growth. While most analyses have focused on Singapore's economic growth, few have centred on the island's development with consideration for the ecosystem. Island economies are no different to other global economies with comparable development challenges, such as Russia; the difference lies with the state's natural endowments, or the lack of. No nation is immune to extreme events nor will it be spared from being either directly or indirectly impacted. Alongside its remarkable economic growth, Singapore remains vulnerable to the impacts from environmental, such as a rising sea level, and man-made, such as Indonesian haze, extreme events. A selection of national projects, including infrastructure plans such as the Cross Island Line and the Marina Coastal Expressway; waterway schemes such as the Rochor and Alexandra Canal; national development of the Bidadari Park for mixed urban and heritage use; and preservation of the decommissioned Tanjong Pagar Keretapi Tanah Melayu railway station as a green corridor were all assessed through an environmental sustainable framework. These lessons could be valuable teaching moment for economies such as Russia that are on similar development paths.

Summary of Discussion

Concerning the multilateral development of logistic network in the Russian Far East, **Shoichi Itoh** (Japan) posed questions and comments to all three speakers; first, to Igor Makarov (Russia), Shoichi pointed out that one of the interests on the Russian Far East is the expansion of the eastbound TSR, the Baikal-Amur Mainline, and the coal-loading terminals. To Na Hee Seung (Korea), Shoichi Itoh asked about the investment plans for the TKR-TSR project, which seemed to be opaque and had little success in its earlier attempt. To Yang Cheng (China), Shoichi Itoh asked if China would consider the AIIB for financing the development of the Russian Far East, given its advantage of size and utilisation of a multilateral cooperation framework.

In response, **Igor Makarov** (Russia) commented that statistics showed the Russian Far East railways carried less than 1% of Europe-Asia trade, and could hardly justify the need for significant expansion of the logistic network in that region. Comparatively, it is the western part of Russia border with Kazakhstan, not the Russian Far East, which has the potential in transporting exports. **Na Hee Seung** (Korea) pointed out that for the initial stage, the total budget of the Rajin-Hasan project is relatively small, amounting to two to three hundred million USD. However, for the second and third stage, multilateral investment would be necessary. **Yang Cheng** (China) underscored that the problem lies less in the hard infrastructure, but more so in the soft infrastructure and institutional environment, which causes investor concerns. Unlike other foreign aid, AIIB is a multilateral initiative that will determine financing based on consultations with members and assessments of the investment conditions.

Regarding the strategic thinking that underlies closer cooperation between Russia and China, **Alexander Korolev** (Singapore) started by asking Yang Cheng (China) if China has been pressured to establish closer relation with Russia partly due to pressure from the US in the South China Sea. To this question, **Huang Jing** (Singapore) intervened by stating that there would be better relations between Russia and China not due to limited choices, but demand founded upon strategic considerations even without the Ukraine crisis. It was argued that sooner or later the US would have to make some adjustments to its Russia and China policies. **Sergei A. Karaganov** (Russia) agreed with Huang Jing and Yang Cheng that closer cooperation between Russia and China was originally expected to happen in three to four years given the two countries' mutual interest in Eurasian integration. Now, however, given the reality of US policies, the question is whether the US is able to change, and the signs are pointing to maintenance of the current stance.

Ted Hopf (Singapore) argued that the current close relationship between Russia and China seems unstable or strange from both the realist and constructivist theoretical perspectives. Ted argued that both lenses would predict Russia's eventual alignment with the US in Western Europe, either due to the need for distant allies under the proximity of China's military power, or due to the identity argument that Russia is more likely to identify with Europe rather than Asia or China. Huang Jing (Singapore) pointed out that such theoretical synthesis could very well be itself an US-centric view that does not take into account the reality and complexity of other state's behaviours in this emerging context. The case of Japan and Germany were pointed out as examples where from the US perspective it is still the most powerful country on earth, hence supplying an US-centric realist simplification; an alternative view would highlight the reality of Japan's tendency towards pragmatic relations with China, and Germany's substantially different view on the Ukraine crisis compared to the US. If such nuances were treated merely as theoretical anomalies, it would not be hard to see US behaviour whose leadership is undermined not due to the rise of China or mistakes over Russia, but because it failed to strengthen allegiances on major issues to which the US and its allies may not

necessarily agree. Yang Cheng (China) responded that the South China Sea context does matter in China's overall strategic thinking.

Song Nianshen (China) pointed out that the building of the TSR a century ago completely changed the demographic, economic, and social landscape of Siberia, the Far East, as well as Manchuria of China and the northern part of Korea at the time. He asked what the ecological and social consequences of the new grand visions of logistic networks through the Russian Far East would be like; for example, the impact of new patterns of human and foreign migration on local societies. **Yang Cheng** (China) responded that the Chinese government is fully aware of Russia's sensitivity toward Chinese immigrants in the Russian Far East, and that this mutual understanding has been well received by the Russian government. **Alexander Gabuev** (Russia) and **Victor Larin** (Russia) added that the current reality of migration patterns in the Russian Far East invalidates the perception that there is a threat a large Chinese migration to the Russian Far East. The reality is that northern Chinese workers now find much better wages in southern China's developing cities than in the Russian Far East, and the local perception toward Chinese workers has changed a lot especially since the influx of Central Asian migrant workers.

Huaiyuan Chen (Singapore) asked the Chinese and Russian participants regarding the status of transnational environmental politics on the two government's Eurasian integration projects, and the degree to which new macroeconomic models, such as the "green-er growth" model emphasised by Seck Tan (Singapore) and illustrated by Singapore's sustainability approach, would help to prevent environmental politicization through incorporation of better sustainability policies? Yang Cheng (China) responded that environmental protection is a major focus of China's Central Asia policy and the OBOR project. The seriousness and important status of environmental protection in Chinese policy-making is already quite evident domestically, and China is also making good progress on negotiations with Kazakhstan and Russia regarding trans-border water issues. China and Russia bilateral cooperation has also highlighted environmental protection as a major task back in 2009. Igor Makarov (Russia) commented that while environmental protest groups do not play an important role in Russian politics, sufficient environmental assessment should have been done for some pipeline projects, which were not done appropriately. It has been recognized that China has considered the environmental dimensions of the SREB as a major aspect, and that Russia could help to alleviate water scarcity problems by exporting "virtual water" and water-intensive goods. **Seck Tan** (Singapore) pointed out that a balanced approach between infrastructure development and environmental protection is needed. Additionally, an adequate greener growth model would consider not simply the appreciation of the ecosystem, but also ensure the rate of environmental degradation does not exceed the rate of economic growth, and where development planning can also take into account both consumer behaviour and production options.

Abbreviations

AIIB --- Asian Infrastructure Investment Bank
APEC --- Asia Pacific Economic Cooperation
APR --- Asia Pacific Region
ASEAN --- Association of Southeast Asian Nations
BAM --- Baikal-Amur Railway
BRICS --- Brazil, Russia, India, China, and South Africa
CBIRR --- Cross-Border and Inter-Regional Relations
CCP --- Chinese Communist Party
CIS --- Commonwealth of Independent States
CNPC --- China National Petroleum Corporation
EAEU --- Eurasian Economic Union
EU --- European Union
FDI --- Foreign Direct Investment
FTA --- Free Trade Agreement
ICBM --- Intercontinental Ballistic Missile
IEA --- International Energy Agency
LNG --- Liquefied Natural Gas
NATO --- North Atlantic Treaty Organisation
NSR --- Northern Sea Route
OBOR --- One Belt One Road
PPP --- Public-Private-Partnership
PSA --- Production Sharing Agreement
RFE --- Russian Far East
SCO --- Shanghai Cooperation Organisation
SME --- Small-and-Medium Enterprises
SPA --- Special Protected Areas
SREB --- Silk Road Economic Belt
TAD --- Territories of Advanced Development
TDR --- Territories of Rapid Development
TEPR --- Trans-Eurasian belt Development
TKR --- Trans-Korea Railway
TOE --- Tonne of Oil Equivalent
TPP --- Trans-Pacific-Partnership
TSR --- Trans-Siberia Railway
TTIP --- Transatlantic Trade and Investment Partnership
UN --- United Nations
US --- United States
USD --- United States Dollar
WEO --- World Energy Outlook
WTO --- World Trade Organisation
WWF --- World Wildlife Fun
ZASD --- Zone of Advanced Socioeconomic Development