



**Russian  
International  
Affairs Council**

**RUSSIA'S INTERESTS  
IN THE CONTEXT  
OF ASIA-PACIFIC REGION  
SECURITY AND  
DEVELOPMENT**





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The report contains main conclusions and recommendations made upon the outcomes of the First Asia-Pacific Forum held on November 28-29, 2011 by Russian International Affairs Council jointly with Russian APEC Studies Center. The publications reflect opinions expressed during the work of the forum panels on regional cooperation and security in Asia-Pacific region, interaction in energy field, food security problems and cooperation in the sphere of infrastructure and transport development, education and innovations.

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# INTRODUCTION

On November 28-29, 2011 in Moscow Russian International Affairs Council (RIAC) jointly with Russian APEC Studies Center (RSC APEC) played host to the First Asia-Pacific Forum in light of Russia's presidency in APEC organization.

The Forum pursued the aim of giving an expert assessment of Siberia and the Far East accelerated development capabilities in cooperation with Russia's APEC partners and through Russia's growing presence in the region. This report is a part of preparations for the APEC Summit in Vladivostok to be held in September, 2012.

Experts, representatives of the executive branch, private sector and punditry of Russia, China, Japan, South Korea, USA and Singapore took part in the work of the forum. They specifically discussed the regional security challenges, prospects of economic cooperation in Asia-Pacific region and Russia's contribution into collaboration especially in such fields as energy, infrastructure and transport, education and innovations, food security and maintaining favorable investment climate.

## THE FORUM WAS PREMISED ON THE FOLLOWING

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- The shifting of the global epicenter of economic activity towards Asia-Pacific region is undisputable especially against the backdrop of the dispiriting crisis in Europe and North America.
- Further procrastination of Russia as regards the prioritized development of Siberia and the Far East is inadmissible; the soonest and decisive "turning towards Asia" is a necessary condition for maintaining the status of the country which is counts in the world.
- Along with Asia-Pacific economic might increase there is a growing danger of regional conflicts, therefore it's necessary to intensify ties with the region both decisively and circumspectly, especially, in the light of the emerging confrontation between the USA and China.
- The upcoming APEC Summit gives Russia an excellent opportunity to demonstrate to itself and the foreign partners the earnestness of the plans for

the development of its Asian territories and cooperation within Asia-Pacific region. These principles are shared by Russian and foreign participants to the forum.

**Short list of issues over which the participants to the forum differed:**

**Does Russia hosting the forthcoming Summit have the right to review the APEC agenda traditionally focused on the issues of trade and economic liberalization?**

- How pertinent is the emphasis on cooperation in the sphere of energy, infrastructure and transport obviously revealing Russia's national priorities?
- Is it acceptable to put forward the initiatives that will be interesting, apart from Russia, only to a few APEC members?
- What is better – a series of gradual and feasible steps in the field of logistics, customs service, current transportation network upgrade or accelerated growth of Siberia and the Far East through the implementation of energy, infrastructure and other mega-projects with all the accompanying costs?

**The proposals on optimal solution of these problems came as the main outcome of the forum. They can be grouped in the form of the following interrelated theses:**

**Firstly**, APEC is a manifestation of a turning point in the world history. In fact, it's a "transition type" institution. Therefore, the review of the APEC agenda is dictated by time, the more so because even ardent advocates of the systemic trade liberalization in Asia-Pacific don't expect a breakthrough in the foreseeable future;

**Secondly**, from the viewpoint of Russia's partners in Asia-Pacific region the intensification of activities on increasing infrastructural and energy sufficiency of Siberia and the Far East has not only national but regional importance. For, it leads to the reduction of social and economic "asymmetry" between Russia and its Asian neighbors and broader cooperation between them and facilitates meeting its own urgent needs;

**Thirdly**, even if only such "heavyweights" of the Asian North-East as China, Japan and South Korea apart from Russia benefit mainly from these projects, their importance for the region is so big that other APEC member-states will inevitably feel their positive effect;

**Fourthly**, since it's necessary to improve fast the situation with Russia's trade in Asia-Pacific, well-reckoned "cost-efficiency" measures in the sphere of logistics is a prudent tactical move. That said these steps won't definitely suffice to ensure sustainable long-term growth of Siberia and the Far East. This strategic goal requires the concentration of efforts and resources possible only within the mega-projects

framework.

Judging by the results of the forum Russia is capable of proposing to the participants of the Summit such an action plan which will embrace both the continuity with the previous summits, the review of its agenda, “technical” and “conceptual” approaches to regional development, long- and short-term initiatives.

“Technical” part of the plan could be based on the priorities, i.e. the liberalization of trade and investments, food security, improvement of logistics, encouragement of innovative growth, already outlined by Russian Ministry of Economic Development and Russian APEC Studies Center and brought to the partners’ notice which is completely in line with the continuity pattern of the Russian presidency. Russia’s accession to WTO, the creation of the Eurasian Union, the start of negotiations with New Zealand on the establishment of a free trade zone, laying the foundation for the conduct of similar talks with Vietnam and, possibly, with the whole ASEAN, would only make a stronger impression that Russia continues to adhere to the traditional APEC agenda.

The so-called “conceptual” part would only naturally amplify this section of the plan. Such already implemented projects as Trans-Siberian Railway, Eastern Siberia-the Pacific Ocean oil pipeline, Sakhalin – Khabarovsk – Vladivostok gas pipeline and GLONASS could be presented as genuine assets and elements of a would-be trans-continental network of energy, transportation and information support. The Northern Sea Route and Trans-Arctic Cable System could be used as instruments called upon aligning the European and Asian parts of Russia and adding Eurasia to the economic landscape of the Pacific. Along with them there could be mentioned Trans-Korean Railway connected with Trans-Siberian Railway, Trans-Korean gas pipeline running from Russia to the Democratic People’s Republic of Korea (DPRK) and South Korea, the GLONASS-based system of satellite monitoring of commodities and transportation flows and other innovations whose implementation would increase the efficiency of the afore-said initiatives. As a result we could have a mega-project with the national, regional and global resounding effect.

Using the term “connectivity” which became a buzzword in Eastern Asia after the adoption in 2010 of the Master Plan on ASEAN Connectivity it would be a good idea to name the proposed mega-project «Eurasia-Pacific Connectivity Initiative». This initiative could be presented to public at large in an article traditionally published by the head of the Russian state in the run-up to the APEC Summit. It would be wise if the expert community worked out a more detailed and comprehensive version of this plan with the indication of the mega-projects’ total cost and the price of each of their components. Since the Russian side has already done a good job to this regard the preparations of such a document within the time left before the start of the Summit.

Following suit of Trans-Pacific Partnership as a format open for all volunteers out of APEC participants, it could be a good idea to invite them again to joint realization of the Eurasia-Pacific Connectivity Initiative. The invitations should be sent in the first place to the members of the Eurasia Union. Presumably, it would only enhance Russia’s position as the post-Soviet space integrator.



Finally, Russian society expects that in 2012 the newly elected President will take steps reaffirming the will of the Russian leadership to finally abandon the “inertia scenario” of the country’s development. The proposed initiative could contribute to it significantly.

In fact, Russians and their foreign partners are looking forward to something more in Vladivostok than formal “declarations of Asia-Pacific intentions”. Behind the words and plans there should be concrete actions. Proceeding from this, it is proposed to complement the two parts of the Vladivostok agenda with another, “project” one. The results of the September APEC Summit a tipping point for Russia “turning to Asia” would be more convincing if apart from transferring the campus compound on the Island of Russky to Far Eastern Federal University (FEFU) it included into its agenda the conclusion of agreements on cooperation and realization of some projects of scale, investments and creation of big joint ventures. In the next months, it would make sense to consider a stock of business proposals we have received lately from our Asia-Pacific partners, which haven’t been realized due to some reasons, in order to understand whether any of them could be reinvigorated. Another option is to offer Asia-Pacific countries’ companies already operating in the European part of Russia to extend their business to Siberia and the Far East with the guarantees that no unlawful pressure will be exercised on them.

The measures indicating the timing of a project launch within the framework of the Eurasia-Pacific Connectivity Initiative would have tremendous positive effect. The most ambitious of these projects is the construction of a tunnel under the Bering Strait, which has been discussed for a century already. The Shanghai EXPO-2010 Grand Prix testifies to the degree of its technical preparedness for the realization.

As regards less costly and more realistic projects, the first place in terms of potential economic and political benefit might belong to Trans-Korean railway and Trans-Korean gas pipeline. It can’t be ruled out that under the circumstances when the six-party talks on North Korean nuclear program are in deadlock, it is the joint actions on the implementation of these initiatives that could reduce tension on the peninsula. Anyway, at Moscow forum the speakers from South Korea paid special attention to both Trans-Korean projects describing them as quite feasible, potent of giving impetus to the transformation of Vladivostok into a modern megalopolis and strengthening Russia’s position in North-East Asia.

On the whole, the preparations to the APEC Summit in 2012 should be done in such a way so as to make this event, the apex of Russia’s presidency in the organization, into a symbolic turning point starting from which the country will be swiftly developing its territories neighboring fast-growing Asia and reaping more and more benefits from the cooperation with it in the whole array of domains.

# 1. ENERGY COOPERATION

The panel on energy of the First Asia-Pacific Forum was devoted to discussions of the current state of affairs in Asia-Pacific region in terms of production, supply and consumption of energy; besides, there were evaluated the prospects of energy cooperation in the region; made some proposals on Russia's contribution to further development of cooperation, as a country that has a competitive edge in the field of energy.

## PANEL DISCUSSIONS

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1. The forum participants noted that in APR (in contrast to Europe, for instance) there has been a steady increase in energy consumption, which will remain unchanged in the years to come.

2. While the demand for energy remains high, the Fukushima nuclear power plant disaster in Japan has aroused concerns over the use of nuclear energy and created new sets of problems in determining the energy balance of the countries of the region.

3. Russia and APR countries mutually complement one another in matters of energy security. Russia already has large-scale on-going projects in place such as the ESPO pipeline. Russia has sufficient resources and technologies allowing it to use innovative methods in hydrocarbons production and transportation. In their turn, APR countries would like to reduce political risks associated with supplies from the Middle East. All this creates a solid foundation for mutually beneficial long-term cooperation between Russia and the Asia-Pacific countries in energy sector.

4. However, the Energy Charter Treaty, adopted by several Asia-Pacific countries (excluding China, South Korea and Russia) has failed to embrace certain spheres of cooperation where Russia could make an important contribution to regional cooperation. Among them, in particular, is nuclear energy and maritime transit of energy resources.

5. Lack of an extensive energy infrastructure makes it a burning problem requiring a speedy solution.

6. In the course of the debate some foreign participants stressed that in today's world there is no shortage of hydrocarbons, oil, in particular. This aggravates the competition of exporters for markets. The only solution to the problem is to provide logistics of supply and reduce political risks.

## **PROSPECTS FOR COOPERATION IN ASIA-PACIFIC REGION**

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Assessing the prospects for regional cooperation in energy, the forum participants put forward the following considerations.

7. The key to further socio-economic development of APR is political stability. Among the projects with potentially stabilizing effect on the situation in the region are Trans-Korean pipeline which implies the construction of a pipeline originating in Russia and crossing the peninsula from north to south and the commissioning of a railway running parallel to it. The implementation of these plans would receive a positive response among almost all the regional stakeholders.

8. Among possible areas of cooperation is the increase of infrastructural interdependence. These would make producers responsible for the creation of oil, gas and coal transportation systems, with consumers taking care of storage and processing of raw materials systems. This idea was put forward by the foreign participants to the forum. Russia's interests would be better served as a result of pooling investment resources of producers and consumers to create processing systems in our territory (particularly in cross-border areas), which would lead to an increase in value added to Russian energy products and strengthen the innovative component of the industry.

9. The imperative of our time is the encouragement of low-carbon energy in Asia-Pacific region that meets the needs of the so-called green growth.

## **RUSSIA'S INTERESTS AND POSSIBLE ACTIONS**

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10. Domestic and foreign participants of the discussion have pointed out that even the most promising schemes of joint cooperation with APR countries would not be fully effective, unless conditions of doing business in Russia and with Russia change for the better. The improvement of Russian business environment and investment climate are the main conditions for the success of the initiatives in this area.

11. Russia is the world's largest producer of oil and natural gas, and one of the major producers of heating coal. Even the most conservative global energy forecasts for the next two to three decades assume that oil and gas production in Russia will either stabilize at current high levels or will continue to grow. As all other world's largest suppliers of energy resources Russia has begun to re-direct energy flows towards Asia-Pacific region. Over the past decade the importance

of APR market for exports of Russian heating coal, oil and natural gas has grown dramatically.

12. For Russia the energy partnership with Asia-Pacific countries may be associated with the implementation of «energy in exchange for the development of infrastructure and technology» principle.

13. In the light of the forthcoming APEC summit it would be appropriate to use such a mechanism as APEC Energy Working Group (EWG, Energy Working Group), in order to increase Russia's energy presence in the region.

14. It would be reasonable to remind the Asia-Pacific partners of the proposals for energy security put forward at the G8 Summit in St. Petersburg (G8 Initiative «Global Energy Security») and apply them to the issues of cooperation within APEC organization.

15. Prospects of energy cooperation between Russia and the Asia-Pacific countries are primarily associated with the development of cooperation at the level of energy companies. Establishing a system of energy cooperation between Russia and the countries of the region it is necessary to build on the experience of cooperation with Vietnam (Vietgazprom with assets in Vietnam and Gazpromviet with assets in Russia), partnership of Rosneft and China's CNPC. Such partnerships are based on mutual exchange of resources, assets and markets, participation in each other's equity capital, joint R&D projects and joint exploration and processing mechanisms. Possibly with time this experience could be extended to the Latin American members of APEC.

16. Apart from hydrocarbons, nuclear power could become a priority area of Russia's cooperation with the countries of the region. Russia is already cooperating in nuclear field with China and Vietnam and is prepared to promote similar projects with other APEC members. There are options of internationalization of such projects with the engagement of Kazakhstan and Uzbekistan (as suppliers of uranium).

17. Possible export of Russian energy resources to the Pacific coast of the United States should also be given consideration.

18. All of the above should be linked with the development of transport, logistics and communications in the region as a whole, laying the emphasis in the regional agenda on higher energy efficiency, energy conservation and other innovations. All these issues could be arranged into a single conceptual framework and connected with each other within the Eurasian-Pacific Connectivity Initiative.

## 2. FOOD SECURITY

The panel on food security at the First Asia-Pacific Forum dealt with the main trends of agricultural production development in Asia-Pacific region and associated challenges; promising forms of concerted response to these challenges by the states in the region; Russia's contribution to the development of such interaction.

### PANEL DISCUSSIONS

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#### 1. It was stated, in particular, that:

- In many countries and sub-regions of Asia-Pacific the population growth outpaces the rate of food production growth. There is lack of new lands to be used for agricultural production and irrigation. Production of major crops is transferred to low fertility areas and those with unfavorable weather conditions. Across the region the grain yield growth is low. In the last decade it was 1% per year for wheat and rice, and 2% for maize;
- Growing middle class in the countries with a high rate of economic development has an impact on the structure of the food basket with the rising share of animal products. Besides, in many Asia-Pacific countries, especially in large cities, the consumption of grain products is growing. As a result, there is an increasing demand for food grains and fodder;
- Providing the growing fleet of vehicles with fuel in the face of rising world oil prices is becoming a pressing issue in Asia-Pacific countries. The governments of some APR countries actively support the increasing use of agricultural raw materials for the production of bio-fuels (including, in particular, ethanol and bio-diesel);
- In the foreseeable future global climate change can have a negative impact on the state of the agricultural sector of the APR countries. Given its adverse effect and continued use of the present day technologies, even lower yield of grain (particularly wheat and rice) can be forecasted;
- The scale and scope of the food problem in different countries depend on general level of socio-economic development. While economically powerful states can

mitigate the problem, for other countries it is an intolerable burden, seriously complicating the prospects for development. The need to maintain stability in the region induces the countries to establish multilateral cooperation in the field of food security.

## PROSPECTS FOR COOPERATION IN ASIA-PACIFIC REGION

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2. One of the promising areas of such cooperation is the formation of a regional monitoring and projection system of the food situation. This implies, in particular:

- Consolidation of national satellite systems capabilities with a view to collecting data on agricultural production and developing optimal concerted response measures;
- Increase of local agricultural and food markets transparency in the interests of small producers and consumers, including the intensification of cross-border trade;
- Informing each other on price change for the main agricultural products, sharing data on current and projected capability of various exporters;
- Encouragement of inter-governmental projects implementation aimed at the transfer of know-how and technology.

3. A higher level of coordination is required for providing food aid in emergency situations. Devastating natural disasters depriving many thousands of people of their livelihood have become a usual thing in APR and for providing humanitarian aid emergency food supply reserves are needed. Representatives of public and private entities in the region have to determine jointly relevant conditions for and parameters of cooperation in this area.

4. Since APR is a maritime region, with seafood making up a large share of the inhabitants' ration, the fostering of aquaculture (i.e., artificial fish breeding and processing, etc.) is a sphere of activity in which many food producers (including medium and small enterprises) from different countries could combine their efforts.

5. Problems that lie at the intersection of food and energy security give rise to joint bio-fuel production projects and the use of new plant species as raw materials for these purposes. It is expected that actual progress in this direction will not only help create jobs but also reduce carbon dioxide emissions into the atmosphere, preventing unfavorable climate changes.

6. There is, however, awareness that such measures can only partially

alleviate food crises. In order to be able to take effective decisions it is necessary to maintain a high level of socio-economic development in individual countries and the whole region.

## **RUSSIA'S INTERESTS AND CAPABILITIES**

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7. As a state belonging to Asia-Pacific region, the Russian Federation whose cooperation with Asia-Pacific neighbors is expanding can contribute to the strengthening of food security in the region. Russia's potential in this area is primarily linked to its vast arable land and huge reserves of fresh water. A large share of these resources has not yet been exploited: according to available data, Eastern Siberia and the Far East have up to 50% of unused arable land. Siberia and the Far East could in a relatively short period of time substantially increase the volume of grain production due to commercial exploitation of unused agricultural land.

8. Given obvious inter-connection between the food and energy security problems (bio-fuels can replace hydrocarbon resources lacking in energy balance), the increase of Russian energy supplies to Asia-Pacific region would also have a positive effect on the food situation in the region.

9. The forum specifically highlighted the possibility of establishing, at Russia's initiative and with the participation of interested Asian and Pacific neighbors, the Regional Grain Foundation (similar to the East Asia Rice Foundation, formed by the countries of ASEAN +3). According to the panelists the translation of such a proposal into practice is quite feasible.

10. The Forum expressed the idea that Russian business community should get more involved along with the partners from neighboring Asian countries in the production of bio-ethanol. Crops that are high in starch and sugar used in the production of ethanol – sugar beets, wheat, barley and potatoes – are traditional for Russia.

11. There is another reason why the development of export-oriented agricultural capability in Siberia and the Far East for the supply of neighboring markets is profitable for Russia – fertilizer and agricultural machinery), as well as for innovation, providing appropriate product volumes and consumer properties. All these measures combined would raise economic development of the Russian territories to a new level, enhance and increase the quality of our relationships with Asia-Pacific region through cooperation in the food sector.

12. The opportunities outlined in this paper could be realized only with qualitative improvements in the sphere of infrastructure, transport and logistics. Without this, we and our partners in Asia-Pacific region will not have manufacturers, suppliers and consumers of agricultural commodities and food products integrated

into a single production and supply chain. This problem could only be solved through the implementation of mega projects - the multi-purpose, large-scale, long-term undertakings. Being the host to the APEC summit in September 2012, Russia could present such mega-project as the Eurasia-Pacific Connectivity Initiative.

### 3. REGIONAL SECURITY AND INSTITUTIONAL FRAMEWORK OF COOPERATION

It is practically universally acknowledged that APR is turning into a main playground of global international relations of the 21st century. The world order and its most important component – ties among the major states – would be determined by the situation in APR, which is primarily transformed by the current global leader, the United States of America (USA), and another rising global power, the People's Republic of China (PRC). Panel meetings of the First Asia-Pacific Forum devoted to the traditional security challenges and institutional framework of APR cooperation analyzed the specifics of the international political situation in the region shortly before the APEC summit; identified the factors influencing the development of multilateral regional cooperation; came up with recommendations as regards the definitive Russia's stance as a regional political player and participant of multilateral cooperation.

#### PANEL DISCUSSIONS

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**1. In the course of discussions it was mentioned that the main factors determining the military and political situation in the APR were as follows:**

- Continued growth of economic and military might as well as international influence of the PRC;
- Growing concern of a number of Asian countries as regards the PRC intentions;
- Enhancement of the elements of the PRC containment in the US Asian-Pacific policy;
- Persistent tension around the DPRK missile and nuclear programs;
- The Taiwan problem which has lost its acuteness but remains a potential source of conflict.



Apart from these major factors the military and political situation in APR is affected by:

- Escalation of the territorial dispute in the South China Sea between the PRC and a number of ASEAN members – Vietnam, the Philippines, Malaysia and Brunei, as well as Taiwan;
- Territorial disputes between Japan and PRC over the Senkaku/Diaoyutai Islands, between Japan and South Korea over the islands in the Tsushima Strait;
- Territorial disputes between India and PRC in the Himalayas;
- Unsettled problem of territorial demarcation between Russia and Japan;
- Territorial disputes between South-Asian states, for instance, between Cambodia and Thailand;
- Problems of religious extremism and terrorism, in particular, in Indonesia and other countries of South-East Asia;
- Geopolitical rivalry between the two largest Asian powers – India and PRC.

2. In the course of discussions their participants pointed out that in the second decade of the 21st century the relations between the two most influential economic and political APR players, US and PRC, have been demonstrating clear trends both towards geopolitical rivalry and sustained economic interdependence. With “comeback to Asia” policy pursued by the B. Obama’s administration, US emphasizes its status of a hegemon making the “rules of the game” in Asia-Pacific region however it has to be faced with the tenacity of PRC which more vigorously claims the role of a “natural leader” of the region.

3. USA’s tendency to PRC containment is a motivation clearly seen in Washington’s relations with Taipei. The Americans make no secret that their readiness to supply state-of-the-art armaments to Taiwan is a response to PRC bustling activity in military construction, especially in building a modern ocean navy.

4. Each of the two powers claims leadership in various formats of multilateral regional cooperation. While Washington promotes the model of Trans-Pacific cooperation and tries to draw in as many participants as possible, Beijing does not conceal its critical attitude thereto. According to Chinese experts, US is trying to take over the initiative in managing the processes of East-Asian regionalism, diminish Beijing’s role therein, and contain the rival thereby. In its turn, PRC lays emphasis on the leadership in the framework of ASEAN+3 dialogue platform. China is guided by the understanding that in the long run it is these 13 countries that will unite into the East Asian Community.

5. The American “comeback to Asia” policy is in line with the wishes of medium-size and small countries of the region: while actively trading with China, they feel concerned about its economic breakthrough and signs of its emerging geopolitical ambitions. Therefore, there is the following question to be answered today: how can the polarization of forces in APR be stopped and the transformation of regional players into hostages of the emerging Chinese-American face-off prevented?

## **PROSPECTS FOR COOPERATION IN ASIA-PACIFIC REGION**

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1. Under the circumstances both individual countries and groups (ASEAN in the first place) persistently undertake efforts in finding and building a “new regional architecture” of APR security, in stepping up economic cooperation. Such dialogue platforms as the Trilateral Summit of Northeast Asian countries – China-Japan-South Korea, Meeting of ASEAN+8 Ministers of Defense (ADMM plus) were established at the turn of the first and second decades of the 21st century.

A milestone event was the enlargement of the East-Asian Summit with the accession of the USA and Russia as full members.

2. A serious problem in creating a new architecture of regional security is the adaptation to modern environment of the three treaty instruments of the Cold War times: treaties on security issues between US and Japan, US and South Korea, and the treaty on mutual assistance between PRC and DPRK.

3. Besides, another problem is trust building among the member states. It would be difficult to resolve new security problems without a higher level of trust among regional players – non-proliferation of WMD, providing security at sea, cooperation in the field of prevention of natural and man-made disasters.

## **RUSSIA’S INTERESTS AND POSSIBLE ACTIONS**

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1. Russia needs to use every opportunity to consolidate interaction with regional partners without paying the price for its involvement into political games of others. Moscow has to take a constructive stance towards both Beijing and Washington, and in special circumstances can agree to play the role of a moderator in their relations if it is needed, however, at that it has to retain a free hand and freedom of maneuver.

2. In this connection Russia has to work purposefully for a breakthrough in its relations with Japan. Russia needs a friendly Japan as a modernization resource and a factor of geopolitical balance in North-East Asia.

3. Russian interests cannot be fully harmonized either with those of the

United States or with the Chinese ambitions. Therefore, Russia has to pursue the course of flexible maneuvering, under no circumstances bringing the country to an unequivocal alliance with any of those centers of power. Such an approach can become a factor of mutual rapprochement with the countries unwilling to become hostage of the US-PRC confrontation. In the short run the coordination of efforts aimed at the upkeep of regional balance and prevention of the polarization of forces can become the main motive of the Russian policy in the region.

4. No matter how precisely-knit and purposeful the policy is, it would never yield expected results without strong economic position in the region. APEC presidency and the Vladivostok Summit must become a “benchmark” event embarking Russia on the road of a more sustainable, intensive and rapid development of Siberia and the Far East, thus consolidating their economic cooperation with the Asian neighbors. Major infrastructural, transportation and energy projects are called upon modernizing and developing Russian Asian territories, and at the same time opening up foreign markets for Russian products.

## 4. EDUCATION, INNOVATIONS AND SOCIAL CAPITAL IN REGIONAL DEVELOPMENT

The panel on education, innovations and social capital in the APR countries at the First Asia-Pacific Forum discussed the trends inherent in the region in these fields; each topic under discussion gave birth to participants’ proposals related to coordination and institutionalization of cooperation and estimated Russia’s potential as a participant of regional cooperation in respective domains.

### PANEL DISCUSSIONS

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1. In particular, the participants to the discussion pointed out that today the education resource is the most important component of human capital, and the key factor of economic development of contemporary society, while innovations are a driving force of a new stage of the world economic development. The speakers laid emphasis on the following aspects:

- APR is a vast region with the population of more than four billion people or more than 60% of the world population. Diversity of socio-economic and cultural-historic conditions finds its reflection in the systems of higher education. In

contrast to Europe where the Bologna process and rapidly developing integration in the sphere of education have a one-size-fits-all effect, the peculiarity of Asian-Pacific Region is the preservation of unique national education and scientific research systems.

- As regards the preparedness of individual countries and economies to innovation development, and their involvement into international scientific and educational cooperation, the differences in their standards persist and are even getting deeper: the discord is especially pronounced between the leaders (US, Japan, South Korea) and other regional players.
- Obviously, from the APEC format viewpoint the region needs such forms of innovation and educational cooperation which, on the one hand, would not potentially discourage any APEC member and, on the other, would provide for “multi-speed” interaction. What is needed today is the creation of a set of variable flexible conditions for cooperation especially in the fields where the results would be most tangible and immediate and meet both common and national interests of all stakeholders. In terms of organization, the most acceptable model would be nonhierarchical network structures of cooperation because they are the most promising in open cooperation-oriented socio-economic systems.
- Such cooperation could be tested in the priority fields suggested by the Russian Federation during its presidency. These are: infrastructure, high-speed railways, navigation systems, deep processing of hydrocarbons. It is entirely in line with the Far East Federal University development priorities and can give a new impetus to its advancement.

## PROSPECTS OF COOPERATION IN APR

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2. Within each item of the panel’s agenda two components could be singled out – coordination-oriented and institutional. The coordination-oriented component incorporates proposals appealing to all APEC members, (taking into account that the forum documents are advisory in nature), which are easy enough to implement. The institutional component represents the proposals presupposing the establishment of additional institutional structures (or sophistication of the existing structure) and, consequently, further efforts both during Russian APEC presidency and far beyond 2012.

3. In terms of innovation sphere, under the heading of coordination can fall the ideas of creating innovation and education databases including the pool of venture projects and the pool of innovation infrastructure facilities. Other suggestions deal with the creation of databases, related requests for financing of innovation projects, consolidation of efforts of the national R&D foundations, analysis of technology transfers within the APEC economic framework.

4. The idea of setting up a working group on innovation within the APEC

framework has much to do with the institutional structure improvement, which would promote the establishment of close interrelation between education, science and innovation development in the region. The mechanism of such linkage could be formed through the creation of technological platforms on which business, science and state will interact.

5. Such a measure of institutional nature as the establishment of regional research foundations and multinational research groups focused on the priority fields of scientific research (sea biological resources, Arctic exploration and resource development, the climate change, pollution of the environment, transportation and logistics) was also proposed at the forum.

6. As regards the sphere of education, the proposals of coordinating nature are related to the formation of a common information space. The starting point of the process could be a comprehensive study of APEC members' educational and scientific systems and the creation of a database on educational programs offered by regional universities. Such a database could give an idea of the avenues open for the development of academic and educational mobility. It could become an instrumental resource for university students, professors and teachers, government structures and private foundations engaged in educational internationalization.

7. From the institutional viewpoint, the participants came up with the proposals of establishing the APEC universities partnership network through harmonization of national systems of education (not standardization which can cause predictable rejection).

## **RUSSIA'S INTERESTS AND CAPABILITIES**

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1. The Russian side could put forward a whole range of more specific proposals on further interaction in education by means of "multispeed development" mechanism. Cooperation of this sort could get materialized in the form of joint summer schools and modules, mutual exchange of students and lecturers within a semester traineeship format, development of standard supplements to the APEC universities' diplomas certifying the participation in joint programs, proliferation of programs providing for double diplomas. The APEC universities could become members of such cooperation mechanism proceeding from their capabilities and needs. Thus, a network of university partnerships could be born under the APEC aegis.

2. In the long run such efforts could lead to the establishment of the APEC Network University (for example, based on the Association of Universities of Asia and the Pacific). However, it should be born in mind that the implementation of the initiative within the APEC framework would require sophisticated and lengthy harmonization procedures. The panelists' opinion is that the best way to start moving towards the creation of the Network University would be the initiation of a Network Consortium with the participation of partners well-known to each other.

3. Among other potential measures of institutional nature in the field of education is the establishment of regional foundations with private capital support aimed at increasing educational quality standards, as well as the formation of the system of regional comparative benchmarking and rating of the APR universities.

4. Regarding Russia's prospects in scientific and educational cooperation with the APEC member-states it's necessary to underline that so far Russia has failed to evaluate properly the innovative and educational potential of cooperation with the APR countries (with the exception of the USA). With its tangible experience in international cooperation with European and US universities, Russia is only insignificantly involved into direct scientific and educational cooperation with the APR and APEC members.

5. Russia could contribute to the creation of platforms to discuss the problems of education, science and innovation in APR, for instance, by establishing a Far East Federal University-based permanent regional scientific and educational forum where the aforementioned lines of cooperation would be high on the agenda.

6. It would be logical to start the work on simplifying Russian procedures of patenting.

7. Innovations should be introduced with a view to their practical and wide use in resolving everyday problems of industrial and territorial development, socio-economic growth of Asian regions of the Russian Federation, Russia's involvement into the APR regional development. In this connection, the Far East Federal University could become an important platform for project support both in terms of science and innovation and in terms of training of specialists with necessary technical and linguistic qualifications. Conceptually, the University could take upon the function of development of social capital – in the sense of training professionals of international level, well prepared for promoting the development of the Russian Far East and Siberia and facilitating the strengthening of ties of those regions and the country with APR in general based on pursuance of Russia's long-term interests.

## 5. INFRASTRUCTURE AND TRANSPORTATION AS FACTORS OF COOPERATION

The First Asia-Pacific Forum regarded the development of infrastructure and transportation as the most promising area of regional cooperation, focusing on North-East Asia, primarily trans-Korean projects, as well as on Russia's Siberia and the Far East. The discussion produced a set of recommendations for the expansion of Russian transport infrastructure.

### PANEL DISCUSSIONS

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1. The debate participants underlined that infrastructure and transportation provide a vast field for innovative activities, as well as additional grounds for promoting foreign trade and trans-border cooperation. The speakers pointed out the existing potential for technological modernization through construction and commissioning of high-speed railways.

2. The discussion of Trans-Korean projects boiled down to an understanding that an advanced infrastructure may turn into a regional security factor. Elucidating on impending dividends from the Vladivostok-South Korea pipeline via North Korea with a parallel railroad connected to the Trans-Siberian Railway, the Forum participants, including South Korean representatives, explicitly indicated that major economic effect is not the only benefit to be expected. The project should inevitably bring political gains, such as stronger partnership links between the two Koreas and their improved cooperation with Russia.

3. At the same time, the participants found the current state of infrastructure and transportation in Siberia and the Far East inadequate, impeding both their own development and connections with the Asia-Pacific economic space. The speakers reiterated that the construction of new communication lines, primarily railroads, would boost the development of the Russian Far East. As a result, Russia would become globally available as a unique land transit route between Europe and Asia, and obtain previously unseen opportunities for productive interaction with Asia-Pacific.

4. A lively debate was devoted to the role and place of the infrastructure and transportation issues in the working agenda to be presented by Russia as the chair of the 2012 APEC Summit. Since the APEC agenda has for years been focused on trade and economic liberalization, concerns surfaced regarding the limits of the

Summit host country's privilege to update it. To this end, it was stressed that such items as trade and investment liberalization, logistics improvement and promotion of innovative growth were included in the Summit agenda and officially conveyed to the partners to maintain the continuity under Russian presidency.

5. On the other hand, Russian scholars went into a discussion on current developmental preferences for Siberia and the Far East, i.e. either taking a series of practicable and relatively inexpensive steps in logistics, customs servicing and modernization of communication lines or boosting economic development of the area through costly mega-projects in energy, infrastructure and other fields.

## **PROSPECTS FOR COOPERATION IN ASIA-PACIFIC REGION**

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6. The Forum foreign participants attached major importance to the development of infrastructure partnership in Pacific Asia.

7. The speakers noted that ruling political and business elites in several Asia-Pacific sub-regions simultaneously either plan or commence trans-border mega-projects in the infrastructure, transportation and energy areas, which may bring trade and economic cooperation between participating countries and groups of countries to new heights. In this regard, the most telling seem to be the following events:

- Adoption of the Master Plan on ASEAN Connectivity in 2010.
- Construction of the Kunming-Singapore Railway launched in spring 2011 to connect PRC with four South-Asian continental countries.
- Practical interest confirmed by the two Korean states in 2011 to construction of the Trans-Korean Railway and linkup to the Trans-Siberian Railway, as well as to the Trans-Korean Gas Pipeline to be laid through the DPRK territory to South Korea.

8. Russia's partners in Asia-Pacific believe that enhanced development of infrastructure and energy resources in Siberia and the Far East has both national and regional significance, as the process should diminish the socio-economic asymmetry between the Russian Federation and Asian environment, as well as widen the contact areas between Russia and its neighbors. Although such projects understandably bring immediate dividends to Russia and such North-Eastern Asia heavyweights as China, Japan and South Korea, other APEC members should also garner cumulative positive effects.



## RUSSIA'S INTERESTS AND CAPABILITIES

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9. Since Russian trade with Asia-Pacific needs rapid improvement properly calculated prudent steps in logistics seem to present a sensible tactical move. However, sustainable and long-term economic development of Siberia and the Far East obviously necessitate more action along these lines. The strategic goal calls for concentration of resources and effort available only within mega-projects. A set of proposals for development of infrastructure, transportation and energy resources could form the basis for Russia's entire agenda within its APEC presidency.

10. Russia has every opportunity to come up to the APEC Summit with an action plan that could incorporate complementary elements of continuity from previous summits and their agenda updates, technical and conceptual approaches to regional development, as well as short-term and long-term initiatives. At that, a collection of options related to infrastructure, transportation and energy could make a key component of the entire program.

11. The plan's infrastructural section could be justifiably reinforced by a more distinct conceptual arrangement of Russian participation. Within such a format, the existing projects (Trans-Siberian Railway, Eastern Siberia-Pacific Ocean Pipeline, Sakhalin-Khabarovsk-Vladivostok Gas Pipeline, GLONASS, etc.) could emerge as elements of a potential trans-continental energy supply, transportation and information system. There are instruments that may strengthen links between Russia's European and Asian parts, have Eurasia integrated into the Pacific economic landscape, and create a new bond between Eurasia and Europe, among them the Northern Sea Route, Trans-Arctic Cable System, Baikal-Amur Railway, etc. Also functional to this end seem the Trans-Korean Railway and the Trans-Korean Gas Pipeline, a GLONASS-based space monitoring system for trade and transportation flows, as well as other innovations able to step up the efficiency of APEC economies and infrastructures. Practical significance of the entire Asia-Pacific would obviously grow, should the program reflect the issues of air, sea and river transportation, as well as highway construction, which were insufficiently covered by the Moscow Forum.

12. It seems reasonable to borrow the concept of connectivity, popular in East Asia after the adoption of the Master Plan on ASEAN Connectivity in 2010, and title the proposed mega-project «Eurasia-Pacific Connectivity Initiative». The initiative could be made public in an article traditionally presented by Russia's head of state on the APEC Summit eve. The expert community should be offered a larger detailed version of the text with indication of costs and dates for the mega-project components.

13. Using the precedent of Trans-Pacific Partnership as a format open to all APEC members, a similar invitation could be issued for the Eurasia-Pacific Connectivity Initiative. It seems quite logical to also invite members of the Eurasian Union, which would only strengthen the positions of Russia as the integrator of

the post-Soviet space.

14. Since conceptual decisions at the APEC Summit should be not only declared but also supplied with substance, major positive effect may arise from measures indicating the launch of practical projects mentioned in relation to the Eurasia-Pacific Connectivity Initiative. The largest of them has been under discussion for more than one hundred years and envisages construction of a tunnel under the Bering Strait with railway tracks and other structures. In the post-Soviet period, the Council on Analysis of Production Forces of the Russian Federation Ministry for Economic Development and the Russian Academy of Sciences (headed by Dr. V.N.Razbegin) delivered a detailed study of the issue, followed by a series of trustworthy international appraisals and presentations to potential investors. The project may boast a high degree of readiness, which is supported among other things by the Grand Prix at the Shanghai EXPO-2010.

15. As far as less costly and ambitious projects are concerned, of top priority both in economic and political potential seem to be the Trans-Korean Railway and the Trans-Korean Gas Pipeline, which may boost transformation of Vladivostok into a modern megalopolis and bolster overall positions of Russia in North-East Asia.

16. According to experts, this year the world is expected to face difficult challenges emanating from the continuing global crisis. China's recent experience has shown that high growth rates can be maintained with help of large-scale investment in infrastructure. In the light of hardships that may occur in the global and Russian economies by September 2012, the infrastructure and transportation issues in the APEC program are acquiring additional significance.

## 6. Regional Cooperation in North-East Asia

Alongside Russian presidency in APEC, special attention of the First Asia-Pacific Forum was attached to the issues of regional cooperation in North-East Asia, what is quite appropriate since the region has produced major economic powers like China, Japan and South Korea. Being at the same time the closest neighbors of Russia, these countries possessing huge investment assets but lacking natural resources, might be viewed as Russia's potential partners in implementation of major infrastructure, energy and transportation projects, requiring sizable investments. Hence, detailed consideration was given to the problems and prospects of regional cooperation, as well as to the role of Russia in this process.

## PANEL DISCUSSIONS

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1. The Forum participants stated that progress in the development of multilateral cooperation in North-East Asia is hindered by territorial disputes and entrenched conflicts. The most acute problem of the kind is the 50-plus-year-long confrontation in the Korean Peninsula. The situation is aggravated by fierce competition between the USA and China, especially, since Tokyo and Seoul militarily and politically allied with Washington just as it was in the Cold War period.

2. As for Russia, until recently its productive cooperation with neighbors in North-East Asia has been obstructed by a series of interconnected factors. Among them the business climate failing to meet the investors' expectations; "two-speed" socio-economic development dynamics of Siberia and the Far East, on the one hand, and the adjacent North-East Asian countries, on the other; and shortage of practical evidence that Russian authorities are determined to develop rapidly the territories beyond the Urals.

3. However, reports of foreign experts have indicated that North-East Asia is developing demand for Russia in view of foreign trade partnership. It is the global crisis that makes even robust national economies search for new opportunities to remain afloat. Undoubtedly, the 2011 political upheavals in the Arab world have caused marked anxiety in China, Japan and South Korea, principal importers of hydrocarbons from the Middle East producers. These developments make them think hard about alternative sources of critical energy supplies (from Russia, for example), with the Fukushima factor making Japan think along the same lines.

## PROSPECTS FOR ASIA-PACIFIC COOPERATION

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4. The ability of the USA and China to harmonize attitudes to major economic issues will transform into a key factor defining the contents and forms of integration processes in Asia-Pacific, North-East Asia included.

5. The institutionalization of cooperation in North-East Asia is increasingly capturing the minds of expert communities and governing elites of respective countries. However, there is neither clear understanding nor particular consensus on specific steps taken towards regional integration.

6. Having underlined the importance of the two Trans-Korean projects, i.e. gas pipeline and railway, in which Russia is to play a key role, South Korean representatives repeatedly raised the issue of multilateral cooperation in North-East Asia, both in the economy and security areas with crucial Russian participation. Specifically, it was proposed to establish the Institute for North-East

Asian Community Building which will be based in South Korea but supported by governmental, business and academic resources of the entire region. Its main task will be to develop concepts and mechanism of multilateral cooperation.

7. A similar proposal, seemingly earlier agreed with South Korean colleagues, came from US representatives, who also launched an idea to make the Far Eastern Federal University (FEFU) a platform for the discussion of optimal multilateral cooperation frameworks for North-East Asia, on the one hand, and a body for selection and elaboration of specific regional cooperation projects, on the other. Repeated statements were also heard concerning the USA, which does not belong to North-East Asia geographically but is tightly linked to the area and should participate in the processes. Otherwise, multilateral interaction would receive no impetus for productive development.

## RUSSIA'S INTERESTS AND CAPABILITIES

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8. The emerging demand for Russia in North-East Asia calls for an immediate and constructive response, bearing in mind that Russia's APEC presidency has to meet high expectations of its partners in the region. Moscow should do its best to boost bilateral relations with the neighbors and shore up its standing in North-East Asia to exclude any doubts about the relevance of Russia's participation in the multilateral cooperation structures, if and when they emerge in the future.

9. Currently, major efforts should be concentrated on the development of relations with Japan and Republic of Korea, which seem ripe for joint large-scale projects with Russia in the fields of immediate Russian interest, i.e. energy, infrastructure, transportation and relevant innovations.

10. Russia's regional policy should prioritize comprehensive cooperation with PRC. At that, Moscow's approaches to regional cooperation should be free of moves that could be perceived by Beijing as an attempt to collude with forces aiming to contain China. Although cooperation with China has no strategic alternative, Cino-Russian rapprochement and wider economic cooperation should not lead to Moscow's passive and uncontrollable drift towards Beijing.

11. So far, there have been no explicit signs of American willingness to join processes and projects related to the development of Siberia and the Far East. However, such a scenario is not impossible since the global crisis would drive the USA towards nonstandard measures, which means that our project outlays should envisage niches for prospective American participation.

12. With the APEC Summit approaching, the Forum participants put forward a number of proposals:

- Establish an expert forum on the FEFU platform for holding annual conferences on cooperation in North-East Asia, with setting up a FEFU division staffed by

Russian and foreign specialists for elaboration of projects on the development of Siberia and the Far East. Official presentation of both initiatives should take place on the eve or during the 2012 APEC Summit.

- Grant South Korea the privilege for the establishment of the Institute for Northeast Asian Community Building, along with the conclusion of an agreement with the founders that the Institute should coordinate its activities with the abovementioned expert forum and project development division of FEFU.
- Explore possible early launch of the Trans-Korean projects in the pre-Summit period and declare their official initiation on the eve or during the Summit provided firm agreements to this end have been made available.
- Take stock of previous and still unrealized proposals extended to Japan on the development of East Siberia gas deposits, and upon the conclusions made decide on whether it's worth coming back to a new discussion of the problem and the prospects of reaching an agreement with Japan before September 2012.

**13. Due to the Eurasia-Pacific Connectivity Initiative, the issues of Russia's cooperation with its neighbors in North-East Asia should proceed to a higher qualitative level since the main external partners that can contribute to the Initiative implementation are the countries of North-East Asia.**

**14. Ideas and proposals on regional cooperation in North-East Asia put forward at the First Asia-Pacific Forum shall be further developed and specified at the subsequent events organized by Russian International Affairs Council.**





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