Toward the Great Ocean, or the New Globalization of Russia
Head of the research group and executive editor:

Sergei Karaganov,
Chairman of the Presidium of the Council for Foreign and Defense Policy and Chairman of the Valdai Discussion Club

Authors:

Oleg Barabanov,
Professor at the Moscow State Institute of International Relations under the Russian Foreign Ministry

Timofei Bordachev,
Director of Research Programs at the Council for Foreign and Defense Policy
## Contents

<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Introduction: A New Global Agenda</td>
</tr>
<tr>
<td>8</td>
<td>Chapter 1. Asia as a Challenge and an Opportunity</td>
</tr>
<tr>
<td>20</td>
<td>Chapter 2. From a European Power to a Globalized Power</td>
</tr>
</tbody>
</table>
Research background and acknowledgments

This paper is based on the analytical report Asian Vector prepared by the National Research University – Higher School of Economics in 2010; abstracts from Through Harmonious Development to Regional Stability: Russia and China in a New Global Architecture prepared by the Asian Section of the Valdai Discussion Club in 2010; abstracts from To the Great Ocean: Russia and Asia, or Russia in Asia? prepared by the Asian Section of the Valdai Discussion Club in 2011; the reports Russia as a Euro-Pacific Power: New Trends in Asian Regional Architecture and the Role of Russia and Korean Peninsula: Challenges and Opportunities for Russia prepared by the Russian World Foundation; and a number of other articles and reports prepared by Russian and foreign experts.

The authors express their deep appreciation to professor of National Research University – Higher School of Economics Vladimir Ryzhkov, President of Far East and Siberia NPF Association Fyodor Lukovtsev as well as to all the participants in the Asian (December 3–4, 2011) and the Russian-American (December 16–17, 2011) sections of the Valdai Discussion Club who discussed the report, as well as to the participants in the case study Russia in Asia held on November 3, 2011 with the following speakers: Alexei Borodavkin, Deputy Minister of Foreign Affairs in charge of relations with Asian countries and multilateral cooperation in the Asia-Pacific region; Vyacheslav Belokrenitsky, D.Sc. in History, Deputy Director of the Institute of Oriental Studies, Russian Academy of Sciences; Alexander Vorontsov, Ph.D. in History, Head of the Korea and Mongolia Department at the Institute of Oriental Studies; Igor Zevelev, D.Sc. in Politology, Director of the Moscow Branch of the MacArthur Foundation; Vladimir Korsun, Ph.D. in History, Associate Professor at the Department of Oriental Studies, Moscow State Institute of International Relations under the Foreign Ministry; Sergei Luzynin, D.Sc. in History, Professor, Deputy Director of the Institute of the Far East, Russian Academy of Sciences; Fyodor Lukyanov, editor-in-chief of the journal Russia in Global Affairs; Sergei Lunyov, D.Sc. in History, Professor in the International Politics Department of the National Research University – Higher School of Economics; Alexei Maslov, D.Sc. in History, Professor, Head of the Department of Oriental Studies, National Research University – Higher School of Economics; Vyacheslav Kulagin, Ph.D. in Economics, Deputy Head of the Department of the Russian and International Oil and Gas Industry at the Energy Research Institute of the Russian Academy of Sciences; Vladimir Petrovsky, D.Sc. in Politology, Center for International Projects at RIA Novosti; Viktor Sumsky, D.Sc. in History, Director of the ASEAN Center at the Moscow State Institute of International Relations under the Foreign Ministry; Dmitry Suslov, Deputy Director of the Center for Comprehensive European and International Studies at the Higher School of Economics, Assistant Dean for Research in the International Economics and Politics Department of the National Research University – Higher School of Economics and Deputy Director of Research Programs at the Council for Foreign and Defense Policy; Sergei Chernyshev, Director of the Asia and Africa Department at the Ministry of Economic Development.

The authors wish to express their gratitude to the young researchers from the National Research University – Higher School of Economics Anastasia Likhachyova, Igor Makarov and Alina Savelyeva who helped prepare the report and contributed to the initial research and analysis report in 2010.

The authors have prepared two versions of the report: a detailed summary and a full variant, complete with numerous charts, statistical materials and augmented with more evidences supporting the theses. The full version is considered the principal one.

This report is the summary, the full version is available at http://valdaiclub.com/
For the first time in human history, the world is taking on a global dimension, both politically and economically. Playing a central role in this new globalization will be the increased contribution of the Asia-Pacific region in the global economy, world politics and, in the near future, world culture, to a level that is on a par with that of the Euro-Atlantic. In this new world, only global powers will be considered truly great. If Russia wants to keep its historical place as a great power, it must become a modern global power, essentially different from the Soviet Union. The chances of it doing so are very high.

Russia’s economic and political advance into the Asia-Pacific region is a prerequisite for its internal stability and international competitiveness. Only by balancing its Western and Eastern development vectors and system of foreign relations can Russia become a truly modern global power.

The strengthening of the Eastern vector, based on measures to accelerate the development of Siberia and the Russian Far East, will be impossible without improving trade, economic and political relations with the leading Asia-Pacific countries, above all China, the United States, Japan and South Korea, ASEAN countries and, of course, India. In the second half of the 20th century, the Soviet Union became a global power thanks to its Communist messianism and nuclear weapons, but it ultimately ruptured. The opportunities offered by Asia give Russia the chance to become a peaceful global power, a Euro-Atlantic – Pacific power, which stands to gain far more from the impact of the new globalization than it stands to lose.
a peaceful global power, a Euro-Atlantic–Pacific power, which stands to gain far more from the impact of the new globalization than it stands to lose.

At the new stage of global development, Russia’s “territorial curse” is becoming a source not of weakness, but of potential strength

To become a strong and modern state, Russia needs to align its national development strategy more closely to the macro trends of global development than anytime before. The key trend of global development here is the shift, unprecedented in scale and speed, of the global economic and political center to the “new Asia.”

Asia is the driving force behind the economies that have joined or been connected to the “Asian economic locomotive.” Russia has so far been unable to participate in this process, despite the fact that two-thirds of its territory is located in Asia. It is being held back by the backwardness of its infrastructure, an underdeveloped economy and the demographic situation, but even more so by its obsolete Eurocentric foreign trade and economic mentality. The shift toward Asia has started on the level of political declarations. Vladimir Putin and Dmitry Medvedev have repeatedly talked about the need to turn toward Asia. In one of his election articles, Putin declared a desire “to catch the Chinese wind in the sails of our economy.” In May 2012 Ministry for the Development of the Russian Far East was established. However, the pace of change in Russia at the level of economic strategy is still fairly slow.

The restructuring of the global economy is continuing, but it is not proceeding in quite the way most economists predicted 20–30 years ago. At this new stage of global development, Russia’s “territorial curse” is becoming a source not of weakness, but of potential strength. Whereas in the past Russia needed its huge territory mainly as a buffer against potential external invaders, now, given the right economic strategy, it could become a vital source of new competitiveness.

The West has entered a period of socio-political turbulence, which will make it a more difficult partner. Combined with the systemic crisis in the EU, this will make the possibility of a fast rapprochement between Russia and Europe an even more distant, yet still desired, prospect.

The security vacuum in the Middle East is reaching catastrophic proportions.

Much smaller in scale, though still potentially worrisome, is the security vacuum which has started to develop around China. China is not
threatening anyone, but its power is growing so rapidly that its neighbors are bound to feel insecure.

Russia has preserved and is further developing a powerful nuclear deterrent, which is almost impossible to neutralize. But most importantly, for the first time in its long history, Russia does not have any direct enemies to threaten it.

Direct external threats to Russia have diminished sharply. At the same time, the danger of becoming involved in escalating conflicts will grow now that the world is returning to its customary state of chaos and competition. But it is not threats and challenges that are the main feature of the modern world for Russia, but rather the opening up of new opportunities. The new openness of the world and new markets offer Russia, a still strong power located in key geostrategic positions, additional chances to advance its national interests and the interests of its people.

The main question is whether Russia can make use of these opportunities. It will need an effective development strategy, guided by the authorities but requiring the support of the educated part of society (the elite). This strategy must focus on making maximum use of the country’s real competitive advantages. Nostalgia for the days when the Soviet Union supplied Asia mainly with engineering products only distracts the country from the real goals of modern development.

In terms of foreign policy and foreign trade in particular, Russia should make a resolute move to redirect its efforts toward the new Asian markets. Such a transition is long overdue. However, relations with Europe should remain the core of Russia’s cultural and ideological focus. Its powerful economic ties with Europe should also be preserved. At the same time the creation of its own integration group based on the Eurasian Union should become a component part of Russia’s new foreign policy. We call this partial reorientation Russia’s new globalization.
1. Asia as a Challenge and an Opportunity

1.1. Asia’s economic and political achievements were precipitated by the fact that at the beginning of the 21st century, East and Southeast Asia was the only region in the world where the quality and efficiency of state governance and the strengthening of the role of the state in general were experiencing growth. The 2008 global economic crisis forced nearly all countries to resume or strengthen direct and indirect state interference in the economy. But it was Asian countries that found themselves in the best position to do so.

1.2. This was facilitated above all by the Asian mentality, in particular in China, with its focus on adherence to decisions based not on ideological designs and speculative models, but on the logic of common sense and expediency. Moreover, Asian nations are known for their creative attitude to foreign experience and their high level of tolerance to foreign traditions and mentality, as well as openness, inquisitiveness and lack of firm belief in one’s exclusive rightness.

This mentality allows these countries to adjust classical approaches to state regulation of the economy by using the best elements while eschewing unnecessary or harmful ones. As a result, the Asian path toward development, which is a relative term and which absorbed a considerable part of positive Western experience and adjusted it to the national traditions and conditions, can be seen at this stage of global development as one of the most successful strategies of strengthening a country’s global economic competitiveness. Another reason for their success is an ability to exploit the global economic and financial liberalization of the past decades, along with increasingly democratic international relations, which deprived the old powers of the ability to impose their interests on others by force.

1.3. However, these strategic achievements and advantages do not rule out the possibility of complex problems in Asian countries. These problems could partly be engendered by internal factors, such as the revival of histori-
Regional integration seems to have no potential for development, which is becoming a major challenge. Potential internal development problems, in particular in China, include the adjustment of the current model of state governance to the challenges of information openness. Other major problems in the leading Asian states, in particular South Korea and Japan, include a falling birth rate, the aging of the population and an inability to accept and assimilate large groups of labor immigrants due to specific qualities of the local mentality.

1.4. Nevertheless, these objective risks and challenges cannot offset the current objective achievements of the Asian model of state governance and socioeconomic development, especially against the backdrop of the crisis of traditional economic and political institutions in the West, people’s falling trust for the dominant elite and the need for the painful adjustment of the current model of developed democracy to a new and highly competitive international environment.

1.5. China ranks as the world’s second largest economy in terms of its GDP on the basis of its purchasing power parity (PPP), followed by Japan and India; the Republic of Korea is 13th. Asian countries have managed to preserve high growth rates during the global economic downturn that hit in 2008, and served as engines which dragged the global economy out of the recession. They will clearly continue growing, although that growth might slow somewhat. In fact, Asian countries today have other resources apart from their aggregate GDP which can ensure them privileged global positions in the medium and long term, with regard to their international reserves and gross savings. China had the biggest gold and foreign currency reserves as of the end of 2010; Japan was second. Also among the top ten are Taiwan, China (5th), South Korea (6th), India (8th) and Hong Kong, China (10th).

China also needs to address social issues which have been the cause of thousands, if not tens of thousands of instances of socio-political instability, according to various sources. The growth of nationalist sentiments fueled by economic achievements, especially among young people, is another risk associated with the consistent growth of the number of urban students, who traditionally make up the most revolutionary part of society in China as in other Asian countries.

Strategic achievements and advantages do not rule out the possibility of complex problems in Asian countries. Russia can and should contribute to resolving these issues.
Asia as a Challenge and an Opportunity

Chapter 1

Moscow, July, 2012

1.6. Asian economies have been showing both a quantitative increase and qualitative improvement over the past few years. The leading emerging countries have notably diversified their economies, thereby laying the foundation for still more stable and effective development. Their domestic markets and internal consumption are also on the rise, easing their dependence from global economic trends. China and India are leaders in terms of the growth of investment in education, science, fundamental research and innovation. They are also implementing a massive upgrade of their production facilities and equipment and other material resources.

Eight out of the top ten economies in terms of industrial production growth in 2010 were East Asian countries. Singapore led the ranking followed by Taiwan, China (3rd), Philippines (4th), Laos (6th), South Korea (7th), Japan (8th), China (9th), and Thailand (10th).

1.7. The Asian countries, above all China, have taken advantage of their economic achievements and substantially increased their political influence in the world. This growth has both a global and a strictly regional dimension, and is leading to a tangible decline in the influence of major Western countries in the Asia-Pacific region, most notably the United States, and is raising Western fears about China’s aspirations for regional dominance. China, in turn, is suspicious of and irritated by the increasingly obvious attempts to restrict its growing influence. The maintaining of controlled tensions in the South China Sea is the best illustration of this. But China, too, often engages in superpower rhetoric, although not in high places. The result is a growing rivalry in relations between China and the United States while the Asia-Pacific region is becoming the main global seat of conflict, comparable in nature, though not in form or depth, with the Euro-Atlantic region during the Cold War. There is the danger of a militarization of regional policy and of a regional arms race.

Up to now strains between China and the United States have been kept in check by the enor-
Dynamics of socio-economic development in Asia-Pacific in 1990-2011

<table>
<thead>
<tr>
<th>Country</th>
<th>Gross domestic product, current prices</th>
<th>Gross domestic product per capita, current prices</th>
<th>Human Development Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>3103.7</td>
<td>2144</td>
<td>0.83</td>
</tr>
<tr>
<td></td>
<td>5869.5</td>
<td>45220</td>
<td>0.90</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>769</td>
<td>243.3</td>
<td>0.79</td>
</tr>
<tr>
<td></td>
<td>13330</td>
<td>34049</td>
<td>0.90</td>
</tr>
<tr>
<td>South Korea</td>
<td>270.4</td>
<td>1116.2</td>
<td>0.74</td>
</tr>
<tr>
<td></td>
<td>6308</td>
<td>22778</td>
<td>0.90</td>
</tr>
<tr>
<td>Singapore</td>
<td>38.8</td>
<td>259.8</td>
<td>no data</td>
</tr>
<tr>
<td></td>
<td>12387</td>
<td>49271</td>
<td>0.87</td>
</tr>
<tr>
<td>Malaysia</td>
<td>44.0</td>
<td>278.7</td>
<td>0.63</td>
</tr>
<tr>
<td></td>
<td>2432</td>
<td>9700</td>
<td>0.76</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>8.3</td>
<td>59.1</td>
<td>0.58</td>
</tr>
<tr>
<td></td>
<td>509</td>
<td>2877</td>
<td>0.69</td>
</tr>
<tr>
<td>China</td>
<td>390.3</td>
<td>7298.1</td>
<td>0.49</td>
</tr>
<tr>
<td></td>
<td>341</td>
<td>5414</td>
<td>0.69</td>
</tr>
<tr>
<td>Thailand</td>
<td>85.6</td>
<td>345.6</td>
<td>0.57</td>
</tr>
<tr>
<td></td>
<td>1521</td>
<td>5394</td>
<td>0.68</td>
</tr>
<tr>
<td>Philippines</td>
<td>49.0</td>
<td>213.1</td>
<td>0.57</td>
</tr>
<tr>
<td></td>
<td>796</td>
<td>2223</td>
<td>0.64</td>
</tr>
<tr>
<td>Indonesia</td>
<td>113.8</td>
<td>845.7</td>
<td>0.58</td>
</tr>
<tr>
<td></td>
<td>634</td>
<td>3509</td>
<td>0.62</td>
</tr>
<tr>
<td>Vietnam</td>
<td>6.5</td>
<td>122.7</td>
<td>0.44</td>
</tr>
<tr>
<td></td>
<td>98</td>
<td>1374</td>
<td>0.59</td>
</tr>
<tr>
<td>India</td>
<td>323.5</td>
<td>1676.1</td>
<td>0.41</td>
</tr>
<tr>
<td></td>
<td>384</td>
<td>1389</td>
<td>0.55</td>
</tr>
<tr>
<td>Laos</td>
<td>0.9</td>
<td>7.9</td>
<td>0.38</td>
</tr>
<tr>
<td></td>
<td>217</td>
<td>1204</td>
<td>0.52</td>
</tr>
<tr>
<td>Pakistan</td>
<td>48.5</td>
<td>210.6</td>
<td>0.40</td>
</tr>
<tr>
<td></td>
<td>447</td>
<td>1201</td>
<td>0.50</td>
</tr>
<tr>
<td>Nepal</td>
<td>3.9</td>
<td>18.6</td>
<td>0.34</td>
</tr>
<tr>
<td></td>
<td>204</td>
<td>653</td>
<td>0.46</td>
</tr>
</tbody>
</table>

Sources: International Monetary Fund, World Economic Outlook Database, April 2012; UN Human Development Report, 2011
mous economic interdependence between the two countries, which neither side has shown any interest in breaking up.

So far the development vector for Chinese-U.S. relations remains an open one, and their evolution depends on a range of factors related to internal political developments within China and the United States, as well as international developments. Russia also has a role to play in influencing the development of this situation. Given that China, and in part the U.S., are tired of the “mutual assured destruction” situation in monetary, financial and economic areas, the struggle for leadership may take on a more vigorous form.

1.8. Against this backdrop of international politics, the largely artificial dichotomy between the conventional Western and Asian models and the need to choose one is becoming an increasingly important challenge for Russia’s internal development and foreign policy.

The largely artificial dichotomy between the conventional Western and Asian models and the need to choose one is becoming an increasingly important challenge for Russia’s internal development and foreign policy. Given that China, and in part the U.S., are tired of the “mutual assured destruction” situation in monetary, financial and economic areas, the struggle for leadership may take on a more vigorous form.

The variety of scenarios for the development of U.S.-China relations characterized by a growing bilateral rivalry may require Russia to change the geographic priorities of its national security strategy, including the development and deployment of its armed forces. The poorly articulated fear of China is still strong in Russia, but is subsiding. Most importantly, this fear has to do with Russia’s assumed weakness in Asia, which is due, among other things, to the lack of a coherent and positive Russian strategy in Asia, particularly in Siberia and the Russian Far East. This region has not seen any of the mega-projects promoted by the Russian government, such as the Olympic Games, the North Stream and South Stream pipelines and the development of the Northern Caucasus, to name a few.

That being said, eastern Russia is no longer considered an enormous rearguard in Russia’s confrontation with the West. Russia will have to look for answers to challenges of a purely practical nature. These challenges may include the onset of a limited arms race between China and the U.S., or the deployment by Washington of a missile defense system against China. An escalation of the North Korean problem is possible along with growing distrust and territorial disputes between China and Vietnam, Philippines, South Korea and Japan.
The relative weakness of Japan and its waning ability to effectively defend its interests in the face of North Korea’s intent to move forward with its nuclear program, a stronger China, and the possible militarization of politics in East Asia may urge Japan to move from “break-out” capacity (the ability to rapidly produce nuclear weapons if necessary) to actual possession of nuclear weapons within the next ten years. Japan’s position in the region is pushing it toward rapprochement with Russia. Russia’s decision to end talks over the South Kuril Islands is also conducive to such rapprochement in the medium term, although it has understandably frustrated Tokyo, which is accustomed to building its policy around an eventual “repossession” of the islands. Rapprochement is further encouraged by the unresolved North Korean nuclear problem, which is a cause for concern in both countries.

Russia, which possesses all the necessary qualities to become a full-fledged Asia-Pacific power, has so far failed to develop a comprehensive strategy needed to achieve this objective. This is largely due to the fact that despite qualitative changes in the global balance of power, the country is still living in the Eurocentric or Euro-Atlantic system of the 20th, if not the 19th century. It remains a European power with large possessions in Asia and is confronted with all the limitations associated with this geopolitical philosophy in its Asia-Pacific policy. Russia suffers not only from its economically obsolete Eurocentric policy, but also its deep-seated perception of its Trans-Urals territories as a burden or a problem. Meanwhile, due to fundamental economic and political changes in the world, this Russian region is losing its stigma as a hinterland and is becoming a frontier for development rather than confrontation.

Due to fundamental economic and political changes in the world, Siberia and the Far East are losing their stigma as a hinterland and are becoming a frontier for development rather than confrontation.

1.9. Russia has essentially failed to take advantage of the potential created by the economic development of Asia and the transformation of the region into the world’s economic center of gravity in the 21st century. Despite Russia’s significantly intensified trade with Asian countries over the past few years (primarily through imports), all APEC countries, including the United States, Canada and Australia, account for only 23.3% of Russia’s foreign trade. The current structure of Russia’s economic relations with the Asian region creates a threat that Russia will develop a one-sided dependence on China in important sectors of the economy, and later in politics.

China accounts for only about 23% of Russia’s trade with Asia, but its role in Russia’s foreign trade is gradually increasing. China was Russia’s third largest trading partner after Germany and the Netherlands in 2008, and it moved up to first place in 2010.
Chapter 1. Asia as a Challenge and an Opportunity

World countries’ share of Russia’s volume of trade in 2010

EU: 14.9%  
CIS: 10.2%  
China: 3.8%  
USA: 3.6%  
Japan: 3.0%  
South Korea: 1.9%  
ASEAN: 1.1%  
India: 13.5%  
Other countries: 48.0%

Source: Federal Customs Service of Russia

Joining the Asian and Asia-Pacific integration and cooperation processes could be a powerful stimulus for Russia’s economic development and modernization.

Russia’s exports to China and other APEC economies include mostly mineral products (crude oil and petroleum products), lumber and, in much smaller quantities, chemical products, metals and metal products. Goods imported from China include machinery, equipment and vehicles; textiles and textile products; footwear, metals and metal products, and chemical products. Low levels of mutual investment, which largely determines the degree of economic interdependence between partners, is a cause of even greater concern.

Russia is an extremely passive participant in ongoing integration and cooperation processes in Asia. Russia is essentially just a formal participant in APEC, despite the fact that it will host the 2012 Summit in Vladivostok. Clearly, Russia lacks a vision for and an understanding of its interests in the Asian region, along with the tools to promote these interests, and emerging opportunities for Russia’s domestic growth. Joining the Asian and Asia-Pacific integration and cooperation processes could be a powerful stimulus for Russia’s economic development and modernization, as is already the case with most Asian countries, as well as countries, primarily the United States, that are building active relationships with Asian economies.

The key reasons for Russia’s underutilization of the new Asian markets include a lack of understanding by the Russian political and economic elite of the potential of these markets. The desire to bring to these markets the manufactured goods that are being forced out from these markets is also a weakness. As things stand, the industrial boom in Asia is killing industrial production around the world. With its high labor costs, Russia will never be able to compete with China’s or India’s manufacturing industry or cheap labor in the ASEAN countries. We should not dwell on the past, but seek and create new niches.

1.10. The underdevelopment of Russian regions lying east of the Ural Mountains has so far been
Toward the Great Ocean, or the New Globalization of Russia

a major obstacle to the country’s full-fledged new globalization. Siberia, the Trans-Baikal area and the Far East have always played an important role in the country’s development. Yet this role has never been fully appreciated. To a large extent, Russia owes its status as a global power to Siberia: the country has objective geopolitical interests and the right to pursue its policy in the world arena – it is more than just a vast European country struggling to expand its “window to Europe.”

To a large extent, Russia owes its status as a global power to Siberia

The first Russian settlers, called Siberian starozhily (most of whom were Old Believers), appeared in Siberia in the 17th and 18th centuries and formed over time a specific social and cultural community. Life in an atmosphere of much more freedom, far from European Russia which practiced serfdom at the time, combined with the harsh climate helped temper the Siberian character. Part of this character includes enterprise and self-reliance, rather than pinning all hopes on government support. Thanks to these traits Siberians are credited with contributing a lot to building the contemporary Russian nation.

The second wave of Russian settlers in Siberia was triggered by the construction of the Trans-Siberian Railroad in the 1890s and later by the agrarian reform of the early 20th century, which aimed to “plant” settlers in the areas in the east of the country. These programs are closely associated with two prominent Russian statesmen: Sergei Vitte and Pyotr Stolypin. The railroad builders’ slogan “Forward – Toward the Great Ocean!” became a symbol of hard work and dedication to heroic accomplishments. The large-scale industrialization of the 1930s, which was embodied in the symbols of Novokuznetsk in Western Siberia and Komsomolsk-on-Amur in the Far East, provided a powerful impulse for the transformation of an agrarian Russia into an industrial nation. The country needed a strong home front in the event of a war in the west. The Siberian divisions saved Moscow in November and December 1941. The discovery and development of rich oil and gas fields in Western Siberia and diamond deposits in Yakutia after World War II allowed the Soviet Union to stand up for its values during the Cold War with the United States and the West, and also to support national-liberation and anti-colonial movements across the world, while at the same time improving, at least modestly, the country’s living standards.

Romanticism in Siberia was invariably intertwined with tragedy. In Tsarist Russia, it was Siberia where political opponents served their prison sentences or lived in exile. During Communist rule, the system of labor camps overseen by Gulag and Dalstroi turned Siberia and the Far East into an area where hundreds of thousands of people were subjected to hard labor and died, making it a symbol of the nation’s tragedy.
In the 20th century, despite the original dominance of the agrarian sector in the local economy, the focus in the development of Siberia, the Trans-Baikal area and the Far East was shifted to big cities. As a result, Siberia and the Far East witnessed the emergence of an urban civilization known for its skilled labor and its high level of education and culture.

In Soviet times Siberia practically developed as a closed economy, which hardly maintained any foreign economic relations to speak of. In its stand-off with the West, the country was guided by a “self-sufficient home front” concept that dominated the official ideology and economic planning. In the 1960s, confrontation with China disrupted cross-border economic and social ties, leading to the virtual closure of the border. The expectation of invasion and war not only prompted authorities to move numerous industrial projects from this area, but also seriously affected the mentality of local residents, shaping a haunting image of the enemy. The ripples from those events can be felt even today.

1.1. The post-Soviet years had multiple impacts on Siberia. On the one hand, the stereotypes of the region’s decline and depopulation are quite widespread. However, this is not all true. Some sectors, above all, resource-oriented industries and metallurgy (particularly non-ferrous metallurgy) have been given a powerful impulse that has propelled them into the global market, whereas mechanical engineering, manufacturing and many sectors of the military-industrial complex have been hit hard by the crisis. A key social indicator here is census results. Regional centers in West Siberia and the Krasnoyarsk Territory, as well as oil-and-gas towns in Tyumen, saw increases in population, steady economic growth and higher living standards relative to depressed regions. The situation is different across the Irkutsk Region and further east: in the Trans-Baikal and Amur River areas the population of regional/territorial administrative centers and other industrial cities is gradually declining. This means that the region has lost much of its economic attractiveness and the quality of life there is deteriorating.

The only exception are the cities located on the border with China where the population is growing. Trade in the border area and direct contact with Chinese partners are buoying the local economy and are having a positive impact on the quality of life. Population
growth has been registered in the capitals of all of Siberia’s republics that are members of the Russian Federation – even in those that are not implementing large-scale industrial projects. One factor behind population growth there is intra-regional and ethnic centralization.

The Khabarovsk Territory is seeing the same negative trend as the area west of Lake Baikal: the population of its central parts, industrial cities and ports is waning. The situation in the Primorye Territory looks much better. The decline in the population of Vladivostok is balanced by the almost double growth of the population of its satellite town, Artyom. The size of the population in Nakhodka and Ussuriisk remains unchanged, and although it does not demonstrate significant growth, it is not diminishing thanks to the area’s openness to economic relations with China and Japan, which provides a source of income for many citizens and improves their living standards.

The intra-regional centralization typical of Western Siberia has spread as far as Sakhalin Island: the population is growing in its regional administrative center and is decreasing in other cities. The situation on the fringes of the country’s northeast is much bleaker. Here the lack of economic and social prospects, combined with harsh living conditions, has sent population numbers plummeting. Ports located in the eastern part of the Northern Sea Route and river ports connected with them face a real threat of depopulation (the only exception is Dudinka, a port handling Norilsk Nickel’s icebreaker fleet, although its population is also noticeably declining).

An analysis of population curves typical of sub-regions in Siberia and the Far East shows that they can be split into two groups. Despite existing problems, practically the whole of Western Siberia and the Krasnoyarsk Territory have managed to integrate into Russia’s new economy. By contrast, areas lying between Lake Baikal and the Pacific seaboard, except cities maintaining economic relations with China and Japan, fall into a different group, which requires a comprehensive and effective strategy to overcome the economic downturn and stop social degradation, and the government should move quickly to adopt such a strategy.

1.12. It is something of a commonplace to say that Russia’s attention to its oil and gas sector is blown out of proportion. The critics’ key
Chapter 1. Asia as a Challenge and an Opportunity

The logical alternative to degradation of the region is a policy of opening up the area, its fast-track development and gradual integration into a system of international economic relations.

The most important of the infrastructure projects that are really changing life for the better in this area is the Eastern Gas Program, which has been coordinated by Gazprom since 2007. The program will help to create a third cluster of territorial and production complexes in this area in the middle term, in addition to the Trans-Siberian Railroad and the Baikal-Amur Mainline clusters. This is likely to lead to an expansion of the developed area further north.

In the future, the west-to-east part of the Eastern Gas Program located in Yakutia will intersect with the supplies of Sakhalin gas going west. In the fall of 2011 the construction of the Sakhalin–Komsomolsk–Khabarovsk–Vladivostok gas pipeline was completed. The Sakhalin–3 project aimed at development of the Kirin gas field, which is considered to be the biggest one in the island’s offshore area, is expected to be completed soon by Gazprom. Unlike Sakhalin–2, with its focus on gas exports, this project aims to create an energy base for the industrial development of maritime regions. The Sakhalin–1 project, whose Russian operator is Rosneft, has made good progress and also facilitates the development of the area’s infrastructure (the recently commissioned De Castries oil terminal is a further proof of this).

The Eastern Gas Program and the creation of the third industrial cluster in the area could radically change the economic situation in the Far East. But is there demand for this development? Work to lay the foundation for the area’s future growth comes back to the issue of choosing between two development patterns for the area east of Lake Baikal: isolationist development and development open to foreign economic relations.

1.13. Despite globalization and the openness of the global economy today, the said Soviet-era perception of the Far East as an outpost, and of Siberia as a home front, continue to dominate both public opinion and the opinion of a section of the Russian political elite. This perception paves the way for an autarkic development policy with respect to the area and, most importantly, for a policy of strategic distrust of Russia’s partners in the Asian-Pacific Region. These trends can still be traced in federal targeted development pro-
grams for Siberia and the Far East, which are regularly adopted in Moscow. They are not implemented for the most part, though. These programs tend to inherit some of the Soviet-era systemic faults, including their focus on government support, isolationism and a disregard of the development opportunities that are being offered by the area’s dynamically developing Asian neighbors.

The implications of this policy are disturbing. Russia’s recent census (its returns are mentioned above) has highlighted the most serious problem, by dryly recording the ongoing migration of many thousands the Far East residents to other regions of the country and even to China, where there are more Russians than there are Chinese in Russia. Local residents have failed to benefit by the regional policy and numerous federal targeted programs in the twenty years of post-Soviet development, and they are leaving the region as a result. Since it is in large part the most professionally motivated and skilled specialists who are leaving, this depopulation is leading to social degradation in the area and, should the current policy remain unchanged, it will have a devastating effect on the area, rendering any development programs here impracticable.

1.14. The logical alternative to degradation of the region is a policy of opening up the area, its fast-track development and gradual integration into a system of international economic relations. This vector shouldn’t be limited to the increasing of exports of raw materials from Siberia and the Far East. Dynamic economic development in Asia, especially China, opens new opportunities for Russia to use its competitive advantages. Local industries in East Asian countries are unable to meet the growing domestic demand for food and consumer goods for many reasons, including the improvement of living standards allowing the vegetarian civilizations of the East to switch over to protein-rich food, along with ecological and natural resources-related problems, such as deforestation, soil erosion, the exhaustion of surface and underground waters and extremely adverse climate changes in the majority of these countries.

So far, the potential of the Asian market as the priority destination for Russian fuel exports is considerably limited by the low purchasing power of Russia’s potential partners. Therefore Russia’s strategy should focus not just on increasing raw materials supplies abroad, but on the well-considered development – to be facilitated by foreign investment – of high-technology clusters in this area, as well as mining and manufacturing facilities that would supply their products to Asian and Pacific markets.
2. From a European Power to a Globalized Power

2.1. The lack of a formulated policy and inadequate Russian activity in Asia against the background of the ongoing depopulation of Siberia and the Russian Far East have created a sense that Russia is vulnerable both internationally and domestically. All these factors significantly undermine Russia’s global geopolitical standing. There is a widespread belief that Russia’s only option, in light of its weakness in the Far East of the country, lies in closer ties with the West. However, the West is unwilling and unable to offer Russia anything. There is also a growing fear that this part of the country and subsequently the whole Russia will ultimately become a raw materials appendage almost entirely subservient to China.

The EU will likely be unable to respond even to clearly beneficial proposals in the next few years, such as the creation of a common economic, energy and human space with Russia and other Eurocentric countries. The proposed organization, described in the Valdai Club report as an Alliance of Europe [See Vladimir Putin’s article, A new integration project for Eurasia: The future in the making // http://www.izvestia.ru/news/502761, and the Valdai Discussion Club analytical report, Towards an Alliance of Europe // http://valdaiclub.com/publication/22128. html. Vladimir Putin expressed similar ideas in his article published by Süddeutsche Zeitung in December 2010 and his policy article published by Moskovskije Novosti], could Russia must pursue a more active policy in Asia in order to further its economic development and adapt to the 21st century world.
become the third pillar of the future world order alongside the United States and China.

Such Russian proposals should be kept on the table, and hopefully Europeans, who are now trying to find a way out of their crisis, will eventually consider them. On the other hand, Russia cannot and should not change its socio-cultural focus on Europe. The proposed activation of Russia’s Asia-Pacific policy and partial redirection of its economic ties to the east are not an alternative to its European focus, but a reasonable adjustment to current and future world developments.

2.2. Russia cannot avoid being drawn in by the consequences of the Arab Spring, which offer only passing foreign policy benefits. The West, which has been the main source of growth and modernization for Russia, will stagnate (even though it will remain Russia’s key socio-economic partner), while the situation to the south of Russia will continue to deteriorate. In this situation, the East can and should become, both strategically and tactically, the key direction of Russia’s policy and the main foreign resource of its development in the near future. Russia must pursue a more active policy in Asia in order to further its economic development and adapt to the 21st century world, which is taking shape before our very eyes. Russia’s turn toward Asia, including through a new push for the development of Siberia and the Far East, is also vital for its internal progress. After a decade of revolutions and a decade spent on regaining internal control and international standing, Russia is facing a period of stagnation, which will ultimately halt its economic growth and provoke public discontent. A way to avoid this, apart from a policy of developing modern social institutions [For the optimal scenario of Russia’s development see the Valdai Club’s report, Russia should not miss its chance: Development scenarios //http://valdaiclub.com/publication/35120.html], is to offer society, and especially young people, a development megaproject. Skolkovo and Sochi are clearly not big enough to merit this definition. The Eurasian Union is a much better idea, but the concept lacks the necessary sense of challenge.

2.3. The time has come for Russia to reorient its policy toward Asia. This policy should have a geostrategic and an economic dimension, a program for the new development of Russia beyond the Urals and Project Siberia. To give political symbolism to these dimensions, Russia should transfer some government functions to several cities in Siberia and especially the Far East. This would greatly stimulate movement of the active part of the population to the region and reverse the depopulation trend in the region.

Of course, Russia should not blindly emulate the development scenarios of the 19th and the mid-20th centuries. Its new strategy should be based on and take into account the opportunities offered by the explosive development of East and Southeast Asia in the past 25–30 years, which will surely continue into the future.

2.4. On the foreign policy front, efforts should be focused initially on the creation of new foreign policy formats in the Pacific region. Russia’s new strategy of engagement in Asia-
Pacific affairs should focus on a comprehensive approach to all regional aspects. However, given Russia’s weak position in Asia, it could start by taking a more active stance in foreign policy issues. In this respect, it would be expedient to consider proposing, under the auspices of Russia’s APEC presidency, the creation of a standing agency for interstate consultations (a Helsinki process for Asia) and, in a narrower format, a system of China-Russia-United States relations. In the future, Russia could advance the idea of a special international structure – a Pacific Security and Development Pact.

It would be also expedient to create a system of relations that could promote stronger security and sovereignty of the ASEAN member countries and other mid-sized and small nations in the region. The member countries of the Association of Southeast Asian Nations, which has likely exhausted its potential as an integrated international player, are concerned over falling victim to the potential U.S.-Chinese geostrategic rivalry. In this situation, Russia could act as an independent third player. Such rapprochement could be based on the strengthening of mutual trade and investment; conditions for this could be created by an agreement on a Russia-ASEAN free-trade area.

2.5. One of the priorities of Russia’s new Asian – and, in fact, global – strategy should be expanding relations and cooperation with China in the regions where they are neighbors. First, Russia and China should seriously consider coordinating their policy in Central Asia, including within the framework of the Shanghai Cooperation Organization (SCO). So far, Russia has not interfered with China’s projects in Central Asia and vice versa, even though they are latent rivals. Second, the instability to the south of Russia has been growing, with Afghanistan as the main threat due to the possibility of the Taliban (or other Islamic radicals) returning to power after 2014.

2.6. The southern threat has returned to the agenda the question of strengthening Russia’s borderland in its broad definition. There are three possible scenarios. The first scenario involves reinforcing Russia’s southern border, but this measure seems inappropriate in the context of the Eurasian Union. The second scenario involves reinforcing the southern border of the former Soviet Union. The third scenario involves reinforcing Kazakhstan’s southern border, which would promote integration and integrity of the Eurasian Union. This seems to be the best possible scenario.

The biggest problem is the potential responsibility of Russia and China for Kyrgyzstan, which has traditionally been a member of
Russian-led integration associations and is a logical Central Asian candidate for the Eurasian Union. Reinforcing of Kazakhstan’s border would contradict this logic. However, nostalgia must not get in the way of rational decision-making. This means that Russia will have to study its past, in particular the ambition of the Russian Tsars to conquer Central Asia to spite Britain and the Bolsheviks’ desire to reincorporate it according to the logic of messianic Communism. Central Asia and Russia were part of the same empire for barely 100 years, a period during which Central Asia was a heavily subsidized region that had not benefited Russia but only became more expensive and problematic.

Reinforcing Kazakhstan’s southern border does not mean that Russia will leave other post-Soviet republics, in particular Kyrgyzstan, to their own devices. It will maintain security guarantees and cooperation, but in a less rigid format. In this context, Russian-Chinese cooperation in maintaining stability in the post-Soviet Central Asian countries is becoming vital. To maintain stability in broader Central Asia, including Pakistan and Afghanistan, Russia (with the CSTO and the Eurasian Union) and China (with the SCO) should adopt a policy of engaging with as many other partners as it can, primarily the United States (with NATO) and India.

It is vitally important to ensure that Siberia and the Russian Far East become full-scale economic participants of the Eurasian Union. Furthermore, all decisions of Russia’s federal authorities regarding integration with Kazakhstan should be taken with due regard for the development strategy of Siberia and the Russian Far East. It would be also expedient if one of the Russian members of the Eurasian Commission hailed from Siberia. It is extremely important to ensure that the new integration project does not hinder the development of Russia’s regions.

The main potential for Russia becoming an Asia-Pacific power lies within its own boundaries

2.7. The main potential for Russia becoming an Asia-Pacific power lies within its own boundaries and could be exploited through the proposed Project Siberia, whose main constituents should be the development of the infrastructure, including major schemes such as the construction of the Vostochny spaceport in the Amur Region, the deep processing of raw materials, an agriculture industry geared toward catering for the Asian markets, and the production of other water-intensive industries. This will require a deliberate national policy to attract as much Russian and foreign investment as possible into the area and provide investors with maximum privileges and guarantees. As a result, China and other Asian countries would gain access to Russia’s non-primary resources and agricultural products, of which there is a relative scarcity in Asia. Wherever needed, Cen-
Central Asian countries, China, India and North Korea could supply the workforces, which are in short supply.

Given the established pattern of the regional economy in the Asia-Pacific Region (APR), we can identify several key branches in which Russia’s regions east of the Urals and in the Far East enjoy a competitive advantage. One such advantage is the availability of extensive water resources. Such resources open up possibilities for the rapid development of water-intensive industries in the region such as agriculture (including grain, fodder and meat production), timber processing, pulp and paper, etc. to export their products to the APR markets.

The populations in the East Asian countries need ever increasing amounts of food. Demand for grain fodder and meat is constantly rising, driven by improved living standards and the switchover from a diet traditionally based on rice and vegetables to one based on protein (from 1990 to 2007, per capita meat consumption in East Asian countries went up by 125%). Demand is also growing for other water-intensive products: for example, paper consumption per capita in China has increased by 450% in the past 20 years.

Russia has a tremendous reserve for expanding both its arable land area and for raising grain crop productivity

Russia’s regions east of the Urals and in the Far East enjoy a competitive advantage. One such advantage is the availability of extensive water resources. Such resources open up possibilities for the rapid development of water-intensive industries in the region such as agriculture (including grain, fodder and meat production), timber processing, pulp and paper, etc. to export their products to the APR markets.

It would be no exaggeration to say that Russia’s regions east of the Urals and in the Far East are the last “virgin lands,” one of the few regions left in the world fit for arable farming that are still a long way off being fully exploited agriculturally.

The Altai Territory currently plays a major role in Russia’s crop growing sector. The Minusinsk Basin in the south of the Krasnoyarsk Territory and Khakassia is another potentially significant region which is already being used for grain production. It likewise boasts chernozem soils and the necessary climatic environment for growing wheat.

Four more areas with a potential for further development as far as soil and climatic conditions are concerned can be added to these developed regions. Located east of Lake Baikal and in the Far East they are: first, the Daurian Steppes in the south of the Chita Region and Buryatia, with fertile southern cherno-
zem and chestnut soils still largely uncultivated. Second, the southern part of the Amur Region – lowlands in the Amur-Zeya interstream area, some of which are already being used for farming. The Amur Region is sometimes called the breadbasket of the Far East. Its favorable soil conditions (brown podzolic soils west of the Zeya River and chernozem-like ones to the east) make a further significant expansion of the arable land possible. Third, the Amur lowlands in the Jewish Autonomous Region – efficient farming here requires a large-scale land reclamation program to increase agricultural production. And fourth, Central Yakutia – between the Lena and Vilyui rivers – where soil conditions could potentially promote agricultural production. Lastly, we can add to these four new virgin areas an old and traditional farming district in the Far East – the Prikhankayskaya Lowland in the southwest of the Primorye Territory, which specializes in soya production. Output here could be stepped up as well.

The opening up of these new virgin lands will make Russia’s Far East a commercially viable producer of wheat and fodder for the APR. Its main external consumers could be China
and other East and Southeast Asian countries, where grain production has peaked and is now declining, along with Japan and South Korea.

However, for Russia to gain a foothold in the international grain market of the APR, it is not enough to simply expand its arable land and establish poultry meat and pork industries. The transport and port infrastructure has to be built. To date, Russia’s grain hopper terminals are located only in ports in the European part of the country.

Increasing exports from Russia to China and other countries of water-intensive farming products – grain, fodder and meat – looks promising in the overall agricultural picture. It will allow China to save its scarce water resources and Russia to fill a niche in a growing market driven by effective demand.

Russian-Chinese scientific and technology cooperation is important for agrarian sector. In terms of the level of technology in agriculture, China is rapidly catching up with the world’s leading countries in this field, and Russian engineers are very much in demand throughout the world. In dealing with climate change, Russia’s import of Chinese “green energy” technology and the attraction of Chinese investment to upgrade Russia’s energy industry and reduce its carbon intensity could play an important role. The use of a common database for agricultural production and some projects for international agricultural cooperation within the BRICS framework, both recent BRICS innovations, could play a big role. Japan is interested in high-tech meat and fodder production in the Russian Far East.

2.8. As well as agriculture, the timber processing and pulp and paper industry is another major consumer of water. Russia leads the world both in forest resources (over 23% of the world’s total) and in forested areas (25% of the global figure). An important point to note here is that it is currently exporting either raw timber or low-quality processed products (for example, newsprint). The continued practice of semi-legal exports of Russian timber benefits neither Russia nor China because it involves added risks and over-consumption of water for processing timber in China. The only winners here are the shady middlemen.

2.9. It stands to reason that if Siberia and the Far East are to be integrated into the international economy of the Asia-Pacific region, they need above all to optimize their transport infrastructure. So far, the Trans-Siberian Railway has been the only transport corridor linking European Russia and China through two exit points: via Zabaikalsk and Naushki. There is no direct federal highway going as far as the Chinese border. Russia has sufficient production capacity to implement its own large-scale infrastructure projects in Siberia and the Far East and manufacture transport vehicles (for example, refrigerated trucks and specialized freight cars) required to export products to Asia. It is only modern high-precision equipment (for tunneling work, for example) that will need to be purchased abroad.

Given the low population density of some parts of Eastern Siberia and the possible lack of a Russian workforce to work on low-skilled jobs (such as road construction), the workforce could be drawn from abroad – for example,
from Central Asia, India and China. Resettlers from Central Russia could also be brought in. But the potential is not that high. Admittedly, Russia does have a pool of highly-qualified professionals (engineers, geologists, surveyors and managers) in most trades but they would have to come mostly from the European part. Since Russia has little experience in building transport infrastructure under harsh natural conditions, it could recruit highly-skilled specialists with similar expertise from abroad (for example, from Canada or Scandinavia).

The participation of other countries in Project Siberia (the United States, Japan, South Korea, and ASEAN and European countries) should lay to rest fears that expanding Russian-Chinese economic relations would make Russia one-sidedly dependent on China. The principle that “U.S., Chinese, Japanese, Korean and other investments must go into the production of Russian goods and resources for the Asian market” can contribute substantially to the peaceful development of the APR. Investment east of the Urals, particularly east of Lake Baikal and in the Far East, should get special protection and special privileges. It may even be possible to revisit the idea of “special economic zones” for the more important types of investment. Otherwise Russian corruption and a poor investment environment could block development.

Both from an economic and political point of view, the export and transport infrastructure should be constructed with an eye toward the development of relations not only with China, but with the whole of the Asia Pacific region. Developing West-East, and not just North-South, transport corridors should become one of the project’s main objectives. What should
be avoided is getting fixated on oil and gas pipelines exclusively for China. These pipelines should go to the ports of the Far East and from there on to the markets in the Pacific and Indian oceans. The Soviet mistake of building all its gas pipelines to the West should not be repeated.

Russian-Chinese scientific and technology cooperation is important for creating such a cluster. In China, the level of development of biotechnology, including in farming, although rising quite rapidly, still falls short of the best global standards. Such cooperation could benefit both countries. In dealing with climate change, Russia’s import of Chinese “green energy” technology and the attraction of Chinese investment to upgrade Russia’s energy industry and reduce its carbon intensity could play an important role. Projects to import clean electricity from Russia are now a realistic possibility for China, South Korea and especially Japan, now facing acute power shortages as a result of the Fukushima accident. This applies to hydropower in particular. Joint construction of these lines, combined with future expansion of capacity of Russian power plants, will allow China to ease the energy problems in its northern areas, and Russia to profit from the export of clean energy, which it has in abundance.

The construction of the energy infrastructure is of paramount importance. In Siberia and the Far East, only 6.6% of households are connected to mains gas supplies (in rural areas this figure is about 3%), compared with an average of 63.2% for Russia as a whole. The Eastern Gas Program to develop gas fields should be supplemented with the necessary infrastructure to bring the gas to end users. At the same time, the transportation of the electricity generated at the big Siberian hydro-
electric power plants has to be improved. Due to a lack of infrastructure, the energy-abundant Amur Region currently sells electricity to China at lower prices than to Khabarovsk and Vladivostok.

The development of telecommunications is the next priority after transport and energy. Today, Internet penetration in the Siberian Federal District stands at 44%, with 48% in the Far Eastern District. The Internet is needed to promote the growth of business activity in the region, improve education and science and (of crucial importance) keep farmers better informed about the weather and price levels.

2.10. Cooperation between Russia and other regional countries in the Arctic, currently the object of a pseudo competition for undiscovered natural resources, can add a new dimension to the rapid and open development of Siberia and the Far East.

In this context (and given global warming) the modernization of the Northern Sea Route for international commercial use becomes strategically important for Russia. However, to make it commercially viable, its infrastructure needs to be drastically overhauled, taking advantage, of course, of the ongoing reduction of ice cover in the Arctic Ocean. The Norilsk Nickel icebreaker fleet is actively used on the western part of the route up to the Yenisei River, and this part is in good working order. The eastern leg, however, has been completely neglected. Finally, there is also an international dimension to the issue of the Northern Sea Route. Practically the entire Arctic coastline of Russia is a border area closed to outsiders, especially foreigners, which puts severe constraints on commercial activities. To make the Northern Sea Route fully operational, the Arctic border restrictions need to be lifted, which will require a change in mentality and behavior from local administrations.

2.11. The launch of Project Siberia is crucial for the internal political development of Russia. Talented and highly qualified young people will be able to find decent well-paid jobs without having to move to Moscow or abroad in search of a better life. Siberia will also attract gifted young people from Central Russia. In a few years’ time, some of these young people – backed up by capital and business management experience – could follow in the steps of Mikhail Prokhorov and Alexander Khloponin and return to positions of power in the federal center. In this way, Project Siberia could become a valuable training ground for workers in the new Russia. Thus, Russia will finally get the full-blown “national undertaking” it so desperately needs.

2.12. It is clear that the potential of the new Asia must also be used to promote the innovative development of the Russian economy.
Northern Sea Route

The NSR is the main shipping route in the Arctic that skirts Russia’s northern coast and links European and Far Eastern ports.

**NSR development plans**

<table>
<thead>
<tr>
<th>Year</th>
<th>Traffic Volume, Million Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012*</td>
<td>5</td>
</tr>
<tr>
<td>2020*</td>
<td>64</td>
</tr>
</tbody>
</table>

* Preliminary forecast

**Main advantages**

1. Reduced freight costs due to shorter distance and travel time:

   - Distance (Nautical Miles) / Time (Days): 7,300/20, 11,200/33

2. Lack of sea piracy threat

**Main disadvantages**

1. Icebreaker guidance required
2. Crews have to be trained for operations in the Arctic
3. Short navigation period: 2-4 months per year
by setting up research and production complexes with leaders. Particularly interesting in this regard is Singapore, with its outstanding research and production capacity and its Anglo-Saxon system of law, ideally suited to protecting ownership rights, including intellectual property rights and patents. It is common knowledge that many Asian countries, China in particular, often simply copy the latest products, and then ditch the investors afterwards.

2.13. International experience shows that one of the key ways to accelerate the development of priority regions in a country is to move the country’s capital there, or at least to transfer part of the capital’s functions. A typical example here is Brazil’s experience in the 1950s, when part of Rio de Janeiro’s functions was transferred to a newly built capital located deeper inland. The transfer of the German capital from Bonn to Berlin was a powerful factor in the development of the former GDR and its effective integration with western German regions. The most recent example is, of course, Kazakhstan, which relocated its capital from Alma-Ata to Tselinograd (now Astana), a move that proved highly effective, lending forward momentum to the development of the country’s steppe regions.

The Siberia Project would also receive priority government support if part of the capital’s functions were transferred to one or more cities of Siberia and the Russian Far East. In this regard, an ideal solution would be to transfer a larger part of government – all the social, economic and financial agencies – to the east while leaving defense and security agencies in Moscow. This would prompt a natural rejuvenation of the government. Not all civil servants would agree to go. While the country’s decades-old security system would remain unchanged, the center of economic development would shift to the east.

From a geographical perspective, the Pacific coast, especially in the vicinity of Vladivostok, seems an ideal location for a new Russian capital, allowing Russia to take full advantage of its capital being its “ocean showcase.” The large-scale construction currently underway for APEC Summit is a good down payment.

We believe that three capitals would be an ideal arrangement to ensure Russia’s balanced development: a political and military-diplomatic center in Moscow, a cultural and judicial center in St. Petersburg and an economic Pacific capital in the Far East.
Giving more authority to “New Vladivostok” would clearly convey Russia's unyielding commitment to peace and cooperation with China and its determination to develop and protect its Far East. In order to pursue peaceful politics, reorient Russia toward the Asia-Pacific Region, Russia’s new capital should be located on the Pacific coast rather than inland. Neither of the cities located along the Trans-Siberian Railway, from Yekaterinburg to Omsk to Novosibirsk to Krasnoyarsk to Irkutsk, is close enough to the coast. In fact, they are almost as far from the Pacific coast as from Moscow. Naturally, a country's capital cannot be relocated overnight. Economic preparations are needed, and the public must be prepared, both in Russia and globally. Therefore, APEC Summit in Vladivostok in September 2012 seems a perfect opportunity to announce the concept.

Finally, history remembers those who succeed in relocating their nation's capital as great leaders. The best-known example is Russia's Peter the Great, who built St. Petersburg. Brazilian President Juscelino Kubitschek, who ordered the construction of Brasilia, is also remembered in Latin America as one of the greatest politicians of the region. Finally, Helmut Kohl is remembered not only for reuniting Germany but also for building a new Berlin. Modern Russian history has an empty place for a new Peter the Great to build a new capital on the Pacific coast.