

Chapter Eighteen

Artyom Lukin

The Emerging Institutional Order in the Asia-Pacific: Opportunities for Russia and Russia-US Relations

Executive Summary

- Northeast Asia, which has always been the geopolitical core of the Asia-Pacific, as well as its main stage for interstate conflict, now seems to be evolving into an area where the foundations of Asia-Pacific's new institutional order are being laid.
- The economic integration linking China, Japan, and the Republic of Korea is deepening and expanding, which is likely to result in an economic community. At the same time, this economic process is paralleled by the development of political multilateralism originating from the Six-Party Talks, with the active involvement of the United States and Russia.
- A likely future scenario can be drawn up in which the Six Party-based "Northeast Asian concert" would act as the primary core for the Asia-Pacific security and political cooperation, supplemented by the ASEAN Regional Forum (ARF), ASEAN Defense Ministers Meeting plus Eight (ADMM+8), and the East Asia Summit (EAS). In a similar manner, the prospective China-Japan-Republic of Korea free-trade agreement (FTA) would function as a center for the region-wide economic integration, enveloped by a multitude of bilateral, minilateral, and multilateral arrangements in the Asia-Pacific.
- In this emerging institutional order, APEC could stay relevant as standing for a more open and globalized Asia-Pacific versus more closed and purely territorial versions of regionalism. APEC's other strength has to do with its achievements in specific areas of functional economic cooperation and business facilitation.

- Russia has stepped up its involvement in Asia-Pacific affairs and seeks to be a major player in the regional institution building. Moscow has secured full representation in the Asia-Pacific political institutions, but, in the economic dimension, its presence is still minimal.
- To successfully integrate into the Asia-Pacific, Russia needs support from the established regional powers. The United States could play such a helping role, as the Asia-Pacific seems to be a region where Moscow's and Washington's interests are least conflicting and most compatible. Being non-Asian powers culturally and historically, both Russia and the United States are naturally interested in preserving the trans-Pacific dimension of the Asia-Pacific institution building.

The Emerging Institutional Architecture in Northeast Asia and the Asia Pacific: A Game on Two Chessboards?

Northeast Asia has always been the geopolitical center of gravity of the greater Asia-Pacific region. Throughout most of its modern history, Northeast Asia has acted as a stage for intense interstate rivalry. Now it seems Northeast Asia is becoming the place where the foundations of Asia-Pacific's new institutional order are being laid.

It is generally recognized that international institutions promote peace and security by facilitating dialogue and cooperation, creating shared norms and rules, as well as fostering a collective identity. For a long time, Northeast Asia lagged behind many other regions in building multilateral institutions. However, some noticeable progress has been made in recent years. We can observe a trend toward a two-tiered structure of multilateralism in the region.

The first level is represented by the Six-Party Talks (SPT), initiated in 2003, on the North Korean nuclear issue, which involved China, North and South Korea, Russia, Japan, and the United States. The nuclear problem has not yet been resolved, but the Six-Party process, as many believe, might potentially lead to a Northeast Asian regional organization to manage political and strategic security. De-

spite periodic walkouts by North Korea, the Six-Party Talks have already become a de facto, permanent consultative mechanism, albeit with a mandate confined to issues related to the Korean Peninsula.

The second layer of Northeast Asian multilateralism is embodied in the trilateral cooperation of the “core” regional states: China, Japan, and the Republic of Korea (CJK). Their informal trilateral summits have been regularly held since 1999, but, until recently, they took place on the sidelines of ASEAN Plus Three (APT) meetings. December 2008 saw a watershed event, when the first Northeast Asian summit was held on its own, attended by Japan’s prime minister, China’s premier, and the Republic of Korea’s president. The CJK summits now seem firmly institutionalized and are held each year. A permanent secretariat was established in Seoul in 2011. The sides are negotiating a trilateral investment agreement and studying a trilateral free-trade agreement (FTA).

To be sure, institutionalization of this trilateral interaction is still in its nascent stages. It is too early to speak of a new economic bloc born in Northeast Asia. However, the trend is clear. Necessary economic prerequisites are in place. China, Japan, and South Korea have become mutually crucial trade partners. Their trilateral trade accounts for 17 percent of the global trade volume and 90 percent of the total East Asian trade¹. Another major driving force is big business, especially in Japan and South Korea, which has a stake in economic integration and pushes for further development of trilateral cooperation.

For a trilateral economic grouping to come into being, it is critical that China and Japan come to an agreement. The two biggest economies in Northeast Asia have to resolve their differences, particularly on the issue of regional leadership. There are essentially only two options. They could decide on joint management of the integration grouping in Northeast Asia, as well as East Asia at large. Or else Japan might accept China’s economic leadership. The

¹ “A milestone and new starting point for China, Japan, ROK,” *Xinhua* (October 11, 2009).

latter seems increasingly more likely, especially with China overtaking Japan as the second-biggest economy in the world in 2010.

Meanwhile, Washington is seeking to promote its own neoliberal version of regional integration, which, so far unsuccessfully, has attempted to challenge China-centered regionalism in East Asia. America's strategy is, in particular, based on the recently launched Trans-Pacific Partnership (TPP) as well as bilateral FTAs, the most substantial one to date being the Korea - U.S. FTA.

However, even if the United States were ultimately to lose the competition in *economic* regionalism to China, this would not automatically entail the advent of Sino-centric *political* institutions in the region. East Asian countries, including Japan and South Korea, are well aware of the risks inherent in their high economic dependence on China. Therefore, they are seeking to offset these risks by maintaining political and strategic ties to the actors capable of balancing a rising China, especially the United States. Neither Tokyo nor Seoul has any intention of abandoning its alliance with Washington. Indeed, both are strengthening their strategic cooperation with America in some areas, as well as enhancing political collaboration between them.²

Russia, despite its regional clout being much less than America's, can be seen as another independent player, performing a balancing function. In other words, the Six-Party process, and a prospective institutionalized mechanism with full American and Russian membership, might be viewed as a vehicle to maintain a rules-based balance of power in Northeast Asia.

In a nutshell, Northeast Asia is going to witness the evolution of a dual-institutional architecture in the foreseeable future. On the one hand, economic integration linking China, Japan, and the Republic of Korea will deepen and expand, which is likely to result in their economic community. On the other hand, this economic process will be paralleled by the development of political multilateralism originating

² Ryo Sahashi, *North Korea: Why Seoul-Tokyo Cooperation Is Necessary* (February 9, 2011), available at: <http://www.eastasiaforum.org/2011/02/09/north-korea-why-seoul-tokyo-cooperation-is-necessary/>.

from the Six-Party Talks, with the active involvement of the United States and Russia. Thus, “the balance of institutions” is likely to emerge, whereby China’s influence will be preeminent in regional economic cooperation, but significantly diluted within the political multilateral arrangement, a kind of Northeast Asian concert of powers.³

Northeast Asia’s evolving institutional architecture reproduces what has already been going on in the wider East Asia, where China-centered, exclusively Asian, and economically focused ASEAN Plus Three coexists with the ASEAN Regional Forum (ARF), ASEAN Defense Ministers’ Meetings Plus Eight (ADMM+8), and the East Asia Summit (EAS), which are characterized by more inclusive membership and a security-oriented agenda.

Northeast Asia not just replicates this; it may well be becoming the most crucial part of Asia-Pacific’s institutional order. Indeed, it is hard to imagine that Asia-Pacific/East Asian multilateral institution building will succeed unless Northeast Asian countries form a viable system of collective cooperation and dialogue. Thus, a likely future scenario can be drawn up in which the Six-Party Talks-based “Northeast Asian concert” would act as the primary core for the Asia-Pacific security and political cooperation, while, in a region-wide context, it is supplemented by ARF, ADMM+8 and EAS.⁴ In a similar manner, the prospective China-Japan-Republic of Korea FTA would function as a center for the region-wide economic integration, enveloped by a multitude of bilateral, minilateral, and multilateral arrangements in the Asia-Pacific (see Figure 1).

True, this emerging institutional structure may be seen as yet another arena for interstate rivalry, as evidenced by the competition be-

³ Concert can be defined as joint management of international affairs by great powers on the basis of certain common goals, values, and interests. The concert type of international order combines elements of power balancing and elements of collective security (Muthiah Alagappa, *The Study of International Order: An Analytical Framework*, in Muthiah Alagappa (ed.), *Asian Security Order: Instrumental and Normative Features* (Stanford: Stanford University Press, 2003), 33–69.

⁴ Until recently, EAS has been primarily concerned with economic, environmental, and social issues. However, following the addition of Russia and the United States, the forum is clearly beginning to pay more attention to strategic and security issues.

tween the Chinese and American visions of Asia-Pacific regionalism. The evolving balance of institutions in the form of a dual regional architecture is part of soft balancing in the Asia-Pacific, with the primary aim of hedging against strategic uncertainties associated with the rise of China. However, it is not only about constraining Beijing's potential assertiveness. The new institutional architecture will also result in limiting America's unilateralism and bilateralism. Furthermore, it will empower the second-rank players in Northeast Asia and the Asia-Pacific, such as Russia, Japan, South Korea, ASEAN, and India. Overall, this kind of institutional structure, based on economic interdependence and geopolitical considerations, will help build a more stable international order in Northeast Asia/Asia-Pacific.

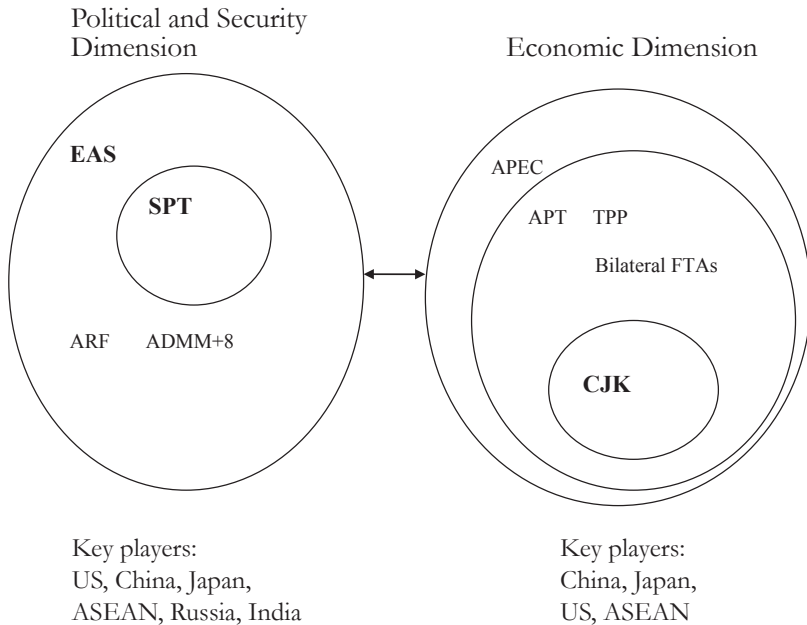


Figure 1. Emerging balance of institutions in the Asia-Pacific: political concert of Asian and non-Asian powers vis-à-vis China-dominated economic integration

Russia and Asia-Pacific Regionalism

Despite a Pacific coastline of 16,700 miles, Russia is a latecomer to Asia-Pacific regionalism. Due to the Cold War, the Soviet Union was shut out of regional cooperation, having instead to rely on bilateral ties with a few allies such as Vietnam and Mongolia. Following the end of the bipolar confrontation in the early 1990s, Russia strove to integrate itself into Asia-Pacific bodies. It quickly joined the region's premier nongovernmental forums, the Pacific Economic Cooperation Council and the Pacific Basin Economic Council, in 1992 and 1994, respectively. However, acquiring APEC membership proved much more difficult. For one thing, in the 1990s, Russia's share of Asia-Pacific total exports stood at a meager 0.4 percent. This did not quite square with one of APEC's membership requirements that an applicant country should have substantial economic ties to the Asia-Pacific. Another hurdle to Russia's membership was the apprehension among some smaller and middle-size APEC economies that the addition of another big country would weaken their positions and raise the risks of a great-power domination within the forum.

However, at the 1997 Vancouver summit, Russia's APEC application was finally approved, along with Peru's and Vietnam's. Moscow's bid was supported by the United States, China, and Japan, thus deciding the matter. In Russia itself, the admission to APEC was met with enthusiasm and as a confirmation of the country's status as an Asia-Pacific power. In 1996, Russia also became a dialogue partner of ASEAN and a member of the ASEAN Regional Forum.

Despite joining APEC and ARF, Russia, due to domestic turmoil, was not a major player in the Asia-Pacific during the 1990s. However, during Putin's and Medvedev's presidential tenures, Russia managed to substantially improve its internal situation, enabling Moscow to embark on more proactive foreign policies in the 2000s. The Asia-Pacific region became and remains one of the top priorities of Moscow's external strategy. On the political and diplomatic fronts, Russia resuscitated contacts with Pyongyang, while preserv-

ing good relations with Seoul. Most important, Moscow established a strategic partnership with China. In addition, the Russian government launched a massive program of state-funded investments in the social and economic development of its Far Eastern areas. The objective is not only to upgrade the economy and infrastructure, but also to reinforce Russia's geopolitical position in the Pacific.

One sign of Russia's return to the Asia-Pacific is its involvement in key security forums. In 2003, Russia became a co-sponsor of the Six-Party Talks. In 2005, it sought membership in the East Asia Summit at its inaugural meeting in Kuala Lumpur, which President Vladimir Putin attended as a special guest. At that time, the bid failed to gain consensus approval of the 10+6 forum. However, in 2010, Russia secured an invitation to join the EAS, along with the United States. In 2010, Russia also joined the ASEAN Defense Ministers Meeting process (ADMM+8). Thus, Russia now holds memberships in all Asia-Pacific multilateral security-political bodies: SPT, ARF, ADMM+8, and EAS.

Russia views its involvement in the Asia-Pacific security forums as a kind of guarantee that its voice will be heard and heeded. Russia's preferred model for the Asia-Pacific political order is a multipolar concert system, in which Moscow is a major player, along with Beijing, Washington, Tokyo, New Delhi, and, perhaps, Seoul and Jakarta. The Kremlin emphasizes the role of the Six-Party Talks as not only the diplomatic vehicle for North Korea denuclearization, but also as the mechanism for "the creation of reliable political and legal guarantees of security in Northeast Asia."⁵ At the same time, Russia wants to see the East Asia Summit as an umbrella political grouping in the Asia-Pacific, which could integrate regional security agenda in order to promote strategic dialogue.⁶

⁵ Russian Ministry of Foreign Affairs, "Remarks on the developments on the Korean Peninsula and the prospects for re-launching of the Six-Party Talks" (February 4, 2011) available at: <http://www.mid.ru/bdomp/ns-rasia.nsf/3a0108443c964002432569e7004199c0/432569d80021985fc325782d0057a361!OpenDocument>.

⁶ Sergey Lavrov, "Remarks of the Russian Foreign Minister at the Fifth East Summit Meeting" (Hanoi, Vietnam, October 30, 2010), available at: <http://www.mid.ru/bdomp/ns-rasia.nsf/3a0108443c964002432569e7004199c0/bfdcfb19ae127583c32577ce0039e051!OpenDocument>.

While Moscow has secured for itself a full representation in the Asia-Pacific political institutions, in the economic dimension, its presence can be characterized as very modest, at best. Russia accounts for roughly one percent of the region's trade. APEC remains the only regional economic grouping in which Russia participates. Even with APEC, Russia's involvement has mainly been limited to attending gatherings at a high political level, such as the Leaders' summits and ministerial meetings. Russia has kept a low profile or been altogether absent in most of the forum's practical activities and projects. For instance, it was the last member-economy to join the APEC Business Travel Card initiative in 2010 (as a transitional member). However, Russia has lately been stepping up its involvement in APEC. One reason is, of course, that Russia will be the hosting leader of APEC-2012 in Vladivostok. Other than that, it seems that Russia, as part of its broader shift in priorities toward the Asia-Pacific, is actually getting more interested in APEC. This might give hope that Russia's enhanced involvement in APEC will outlast the Vladivostok events and continue beyond 2012.

Russia remains one of the few economies in the Asia-Pacific that has no free-trade agreements in the region. Moscow clearly sees a risk of its increasing economic marginalization in the Asia-Pacific and seems determined to change this. In 2010, Russia launched formal FTA negotiations with New Zealand.⁷ FTAs with Vietnam and Singapore are also being studied.

Integration with the Asia-Pacific is among Russia's three most important regional integration projects. Moscow's paramount goal is to secure economic reintegration of the post-Soviet space, which should come in the form of the Russian-led Eurasian Union proposed by Vladimir Putin in October 2011.⁸ The number two priority is integration with the European Union, which accounts for the

⁷ Russia-New Zealand trade is minimal, a meager US\$ 230 million in 2010. However, it is hoped that an FTA with the advanced economy of New Zealand will be path-breaking and help Russia enter the FTA game in the Asia-Pacific.

⁸ The prospective Eurasian Union is expected to build on the Customs Union of Russia, Kazakhstan, and Belarus, which took effect in July 2011.

bulk of Russia's foreign trade. In fact, according to Vladimir Putin, the Eurasian Union should become part of "the Greater Europe." At the same time, Moscow has an ambitious goal of turning the Eurasian Union into a link between Europe and the Asia-Pacific.⁹

The success of Russia's efforts at regional integration significantly depends on whether it has the support of the established Asia-Pacific powers. China is now Russia's main partner in the region. In 2010, China overtook Germany to become Russia's biggest trading partner. However, it is doubtful that China will make it a priority to help Russia become a full-fledged member of the Asia-Pacific system of economic cooperation. China appears quite content to have Russia as a reliable supplier of raw materials and is interested in keeping this resource base to itself, rather than facilitating Russia's links to other Asia-Pacific markets.

Another major Asia-Pacific economy, Japan, although presumably interested in weaning Russia away from growing dependence on China, is unlikely to do much to assist Russia's regional aspirations. This is, of course, mainly because of the ill-fated dispute over South Kuriles/Northern Territories still poisoning relations between Moscow and Tokyo.¹⁰ While Russia's leadership seems open to exploring opportunities for expanded cooperation, the protracted political paralysis within Japan's political class makes it difficult for Tokyo to undertake bold overtures that are required to overcome an impasse in bilateral relations.

Russia-US Regional Partnership

This leaves another Asia-Pacific power, the United States. Can it possibly be a partner for Russia in seeking to expand its ties to the region? There is a good chance that it can. It is remarkable that, of all the areas where Moscow's and Washington's geopolitical con-

⁹ Vladimir Putin, *Noviy integratsionnyy proekt dlya Evrazii* [A New Integration Project for Eurasia] (October 4, 2011), available at: <http://premier.gov.ru/events/news/16622/>.

¹⁰ For instance, Japan has been blocking Russia's bid to join the Asian Development Bank ever since Moscow applied, in 1997.

cerns overlap, it is in the Asia-Pacific that their interests are least conflicting and most compatible. Whereas, in Eastern Europe, the Caucasus, and Central Asia, Russia and America are competitors rather than partners, they do not have irreconcilable disagreements in the Pacific. Although Moscow's influence in East Asia has somewhat grown in recent years, it is still too weak to be perceived by Washington as an actual, or even potential, challenge. Russia's central geopolitical interest in the region is to retain effective control over its Pacific territories, not to expand at the expense of others. This is well understood in Washington.

Both Russia and the United States face the risk of being marginalized if the East Asian integration evolves toward an exclusive Asian club. This shared concern might spur Moscow and Washington to enhance their cooperation. Being non-Asian powers culturally and historically, Russia and the United States are naturally interested in preserving the trans-Pacific dimension of the Asia-Pacific institution building.

APEC, as the leading trans-Pacific institution, could become a good venue for promoting Russia's and America's common interests in the Asia-Pacific. So far, Russia-US collaboration in APEC has been largely nonexistent. In fact, the two sides have missed the chance to take advantage of their successive APEC chairmanships, in 2011 and 2012, respectively, when they could have had more coordination and launched some joint initiatives. However, there are still plenty of opportunities for Russia-US cooperation, both within APEC and in other APEC-related, multilateral arrangements. As one option, Russia might consider joining the US-led Trans-Pacific Partnership initiative, especially as it is already negotiating an FTA with New Zealand and studying FTAs with Vietnam and Singapore (all the three economies are TPP participants). This would not be a small feat, particularly in light of Russia's recently concluded WTO-accession saga. It is clear that Russia will hardly be able to join the TPP soon, since Moscow's neomercantilist policies are not consistent with the TPP claiming to be "a high-standard

FTA.” However, as a long-term prospect, Russia’s membership in the TPP should not be ruled out, especially as the Russian economy will likely gradually move away from protectionism and evolve toward more openness. If Moscow, at some point, decided to ask for the TPP entry and Washington responded positively, it might usher in a new era for Russia’s relations with the Asia-Pacific, as well as with the United States.