

Eastern Promises: Russia and the 2012 APEC Summit

Written by Paul B. Richardson

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PAUL B. RICHARDSON, SEP 8 2012

The recent opening of two majestic bridges has transformed the landscape of Vladivostok. Floating above the Golden Horn bay, and connecting Russky Island (Russian Island) with the mainland, these structures are symbolic of Russia's desire to bridge the Eurasian continent and reach out to its Far Eastern neighbours.

They were built as part of the transformation of the city for the 2012 APEC summit, which has just thrown open its doors to the assorted heads of state of the Asia-Pacific community. Russia has used the chance of hosting its first ever APEC summit to demonstrate its commitment and enthusiasm for a re-orientation of the entire country towards Asia.

Vladivostok has become the stage on which Russia is announcing its presence in the Asia-Pacific as a modern, dynamic country, which should be welcomed into the region. It has become a showcase event for Russia and this is one reason why the Russian leadership was so disappointed when U.S. President, Barack Obama, announced that he would not be attending the summit as it clashed with his re-election campaign.

Bridging Eurasia

Russia in many ways has already succeeded with this summit. For the first time in the post-Soviet era it has convinced the residents of the Far East that the government has the ability and the commitment to see through major and large-scale improvements to the region. There is no doubt that the legacy of these bridges, new roads, the modern university that will take over the conference site, as well as improvements to sewage works and the building of quality hotels in the city will have long-term benefits. The bridge to the undeveloped Russky Island also seems likely to give rise to a construction boom, which will be sure to attract the interest of banks and construction firms in both Russia and its Asia-Pacific neighbours.

However, the process of hosting Russia's first APEC summit has also raised some awkward questions. Firstly, the preparations for this conference have reportedly cost more than any of the other summits put together – a staggering \$21 billion. The results are undoubtedly impressive but some have suggested that the scale of the bridges is matched only by the scale of the corruption.

Another pressing question is what lies behind Russia's enthusiasm in its turn to Asia? There has certainly been a gathering momentum amongst the Russian elite over the last few years for a reorientation towards Asia. This has reached a kind of fervor in the run up to APEC. However, behind this turn is to a large degree a sense of rejection from Europe. The Russian-Georgian War; the onset of the credit crisis from 2008; the EU's Eastern Partnership Programme – which pointedly excluded Russia; Putin's controversial return to power; and the current Euro-zone crisis have all contributed to strains in EU-Russian relations.

Beyond Natural Resources...

The other key question is what do Russia's Asian neighbours see in the Russian Far East? Undoubtedly there is an interest in securing access to natural resources but a supposed priority of the Russian government is to diversify the country's economy away from a reliance on oil and gas. Yet, outside of the prospect of investment for natural

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resource extraction and processing, any other kind of large-scale industrial projects, such as shipyards, or manufacturing, stand almost no chance of being competitive when measured next to the hyper-efficient economies of China, Korea, Singapore, Taiwan, and Japan. It is also obvious to any visitor to the Russian Far East, that the region's infrastructure as a whole is way behind its key Asian partners.

In terms of labour force, the Russian Far East has a dearth of young, skilled labour and it is surely decades before they see their futures here, rather than in the European part of Russia or in the ultra-modern urban centres of the other major Asia-Pacific powers. There is also a shortage or unwillingness of locals to work as unskilled labour. As a result there was a sharp rise in migrant workers from Central Asia during the construction for APEC. Whether Vladivostok is as open for Asian migration as investment is another sensitive point.

Of all the countries in the region, developing relations with Japan seems of key concern for Russia at this summit. Russia already has close relations with both China and South Korea. Putin recently affirmed that "Russia-China relations are at an unprecedented high", and South Korea has strong economic and cultural links with the Russian Far East, which is demonstrated by the fact that Korean Airlines and Asiana serve Vladivostok, Yuzhno-Sakhalinsk, and Khabarovsk, whereas currently no Japanese airlines fly to the Russian Far East.

Much is talked of massive Japanese investment in Far Eastern energy projects and there does seem to be warming in political and economic relations in recent months. Indeed, against this background, now would seem an opportune time to make some progress on the thorny issue of the Southern Kurils / Northern Territories territorial dispute. Russia has shown flexibility in the past but with yet another lame-duck Prime Minister in Japan and elections due before September next year, it seems there will, as usual, be no movement from the Japanese side.

What Next?

Hosting the APEC summit has certainly left its mark on Vladivostok and given its inhabitants a justifiable sense of pride at the transformation of their city. APEC represents a profound moment for Vladivostok as it decisively signals the completion of a more than two decades transition from closed, military outpost, to a dynamic city open for business with the economies and people of the Asia-Pacific.

However, Russia's turn to Asia cannot be judged merely by the soaring rhetoric and sparkling new conference venue. It will instead be what happens when the delegates leave. Will the deals cut and promises made at APEC really bring a new-dawn for the Russian Far East? For the state of the Russian economy, as well as security and prosperity in the region, it is to be hoped that the bridges of Vladivostok will frame a bustling commercial and even military port in the years to come. It should be noted that, aside from economic relations, there will be much discussion and consternation at the summit over the rise of territorial disputes in the region. Russia has the potential to play a key, balancing role and calming voice in this volatile region.

The preparations for APEC 2012 are, therefore, just the beginning for Russia. What has not yet been answered is, has the government the ability to see through the reforms that will see tourists, businesses, and trade flock to Russia? A functioning transit corridor still seems a long-way from being realised, while the picture of Far Eastern economic and social life is still fairly grim outside the main cities. It will also take time to reform Russia's current visa regimes with its APEC partners. Similarly, resolving tax and customs complexities, together with the stifling corruption in the region, will be an enormous challenge for a government that has so impressively announced its commitment to the Asia-Pacific.

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