

# RUSSIA'S "PIVOT" TO EURASIA

edited by  
**Kadri Liik**



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*Kadri Liik*

# Introduction: Russia's pivot to (Eur)asia

The annexation of Crimea has shattered the West's notions about Russia, the motivations and limitations of its behaviour. But as the West in general and Europe in particular searches for explanations of what has happened and struggles to predict what will happen next, two simplistic narratives have emerged that both interpret Russia's expansionism or geopolitical revisionism – embodied by the annexation of Crimea – as almost inevitable. In the first, Russia acted because the European Union failed to respect a “natural” red line by offering an Association Agreement to Ukraine. In the second narrative, President Vladimir Putin always intended to restore the Soviet Union and has become more expansionist simply because Russia is now finally strong enough to act.

In fact, Russia's journey from Belovezhye (where the agreement to dissolve the Soviet Union was signed in December 1991) to Simferopol has been a long one, with multiple junctions, changes of directions, and breakdowns. The annexation of Crimea was prepared long in advance, but it was launched almost overnight. Hardly anyone foresaw it, either among Russian elites or among experts on Russia, but in retrospect, it can be interpreted as the logical outcome of long-term processes. At the same time, however, it was not predestined. And even though it is likely to cast a long shadow over Russia's relationship with the outside world, it is too early to say how exactly and for how long.

This essay collection reflects this complicated journey. It was first conceived in the aftermath of a study tour to Moscow in the summer of 2013 whose aim was to understand the changes that had taken place in Russia during Putin's third presidency. One of the clear messages we brought back from Moscow was that Russian elites were disappointed in the West and were turning towards (Eur)asia. We asked ten Russian authors to explain the essence of this

disappointment and the nature of their hopes and fears for Russia's turn to the East. The initial drafts of the essays in this collection were written before the current crisis. But Russia's actions in Ukraine, though unexpected, seemed to confirm pre-existing narratives rather than making them obsolete.

The collection explores Russia's increased focus on Asia and on post-Soviet "Eurasia" – two distinct, but in many ways interlinked processes. Both of them have their roots in the dynamics of globalisation, in Russia's disappointment in the West, and in the country's attempts to find a place for itself in the contemporary world. Struggling to imagine what "an Asian Russia" would really look and feel like, we also asked several Russian novelists to paint us fictional pictures of Russia's future. We hope these vignettes will help to unlock realities that remain beyond the reach of expert analyses and give texture to the analyses. They convey a Eurasian world without borders – a space in which past and future have merged.

## Asia, Eurasia, and Eurasianism

The term "Eurasia" can mean different things. In terms of physical geography, Eurasia most often refers to the landmass that stretches from the Atlantic to the Pacific. In terms of political geography, however, things are more complicated. Other terms relating to the region are clearer: when they speak of "Central Asia", Russians mean the former Central Asian republics of the Soviet Union; "Asia" means first and foremost China and East Asia; the "Far East" refers to Russia's own south-eastern and Pacific territories. But "Eurasia" is harder to define. It is usually used to refer to the territory of the former Soviet Union with the exception of the Baltic States. But the exact boundaries of this political Eurasia vary depending on geographical or political preconceptions.

The political concepts of Eurasia and Eurasianism have their roots in the 1920s, when mostly emigré thinkers such as Prince Nikolai Trubetsky and Petr Savitsky suggested that maritime (Euro-Atlantic) and continental (Eurasian) civilisations were fundamentally different in their values, attitudes, and habits, and were therefore bound to compete. Russia, according to this theory, represented a unique civilisation with a mission to unify the huge space of Eurasia and to withstand the attempts of maritime (Atlantic) civilisation to encircle and crush it. But such ideas were suppressed in the Soviet Union. The most famous Soviet adherent, the historian Lev Gumilev (the son of the famous and persecuted poets Anna Akhmatova and Nikolai Gumilev) spent

nearly 20 years of his life in the gulag and, even after his release, his books were largely banned.

Thus Soviet Eurasianism was confined to underground circles, where it mixed and mingled with most different lines of thought debated by opponents of Soviet ideology. It was in these circles that Eurasianism was discovered by Alexander Dugin – its most important contemporary adherent. Dugin began to promote the concept at the advent of perestroika and continued to do so after the demise of the Soviet Union again made ideological and existential debates both possible and necessary. Even so, in independent Russia, Eurasianism remained a fringe concept with a marginal following, mostly among the unfashionable left. But this changed in 2013 when it was suddenly rediscovered as the supposed driving force behind Putin’s Eurasian Union.

In fact, it is a mistake to equate the Kremlin-driven project with the ideology of Dugin and his predecessors, let alone to see Dugin as “Putin’s brain”.<sup>1</sup> Putin may be fond of ideas and is certainly acutely aware of the power of symbols. He is increasingly ideological and nationalist. But he has always been a practical man. For him, the Eurasian Union is a practical project that also reflects the thinking of Russia’s foreign policymaking class as a whole. The overlap between Putin’s project and the historical and theoretical Eurasianism put forward by earlier thinkers is almost accidental – except that both have their roots in Russia’s eternal need to define its place between Asia and Europe.

## The Eurasian Union...

In an article in *Izvestia* in October 2011, Putin wrote: “The Eurasian Union will be based on universal integration principles as an essential part of Greater Europe united by shared values of freedom, democracy, and market laws. Russia and the EU agreed to form a common economic space and coordinate economic regulations without the establishment of supranational structures back in 2003. In line with this idea, we proposed setting up a harmonised community of economies stretching from Lisbon to Vladivostok. [...] Soon the Customs Union, and later the Eurasian Union, will join the dialogue with the

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<sup>1</sup> Anton Barabashin and Hannah Thoburn, “Putin’s Brain: Alexander Dugin and the Philosophy Behind Putin’s Invasion of Crimea”, *Foreign Affairs*, 31 March 2014, available at <http://www.foreignaffairs.com/articles/141080/anton-barabashin-and-hannah-thoburn/putins-brain>.

EU. As a result, apart from bringing direct economic benefits, accession to the Eurasian Union will also help countries integrate into Europe sooner and from a stronger position.”<sup>2</sup>

Russia’s previous and often short-lived integrationist projects tended to be of an overtly geopolitical and anti-Western nature. But the Eurasian Union – which has now acquired a reputation of being anti-Western in the extreme – was in fact originally conceived as something different. To be sure, some type of Russian control over neighbouring countries was an implicit pre-condition – but it was not its sole end. The end goal was the integration of Russia and the region into the wider world. Russia wanted to make sure that globalisation did not happen solely on Western terms and that neither European integration nor the growth of China would result in the marginalisation of Russia.

Pyotr Stegny points out in his essay in this collection that Russia is unhappy that the values that won the Cold War – democracy, human rights, and the market economy – began to be seen by the West “not only as a prerequisite for sustainable development [...], but also as a regulator and criterion for progress.” Russia had failed to impose its own terms on the West but was unwilling to join either European or Euro-Atlantic integration on Western terms. Therefore, it began to try to assemble its own integrationist project that could compete with the EU and China. It hoped that, from that position, it would be able to negotiate with others as an equal.

In his *Izvestia* article, Putin explicitly says that he sees “existing regional institutions, such as the EU, NAFTA, APEC, ASEAN [...] as integration bricks that can be used to build a more sustainable global economy.”<sup>3</sup> In fact, Russia had already tried to find an international context within which it could take its place as a legitimate fully-fledged member, rather than continuously falling short of standards as it did in Western-led organisations. Having previously attempted in vain to make the BRICS into a meaningful international body, Russia has now embarked upon building its own “brick”. As Fyodor Lukyanov observes in his essay: “Eurasia could potentially claim a leading role in defining

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<sup>2</sup> Vladimir Putin, “A new integration project for Eurasia: The future in the making”, Permanent Mission of the Russian Federation to the European Union, 3 October 2011, available at <http://www.russianmission.eu/en/news/article-prime-minister-vladimir-putin-new-integration-project-eurasia-future-making-izvestia-3->. For the original Russian version, see Vladimir Putin, “Novyi internatsionnyi proekt dlya Evrazii – budushchee, kotoroe rozhdaetsya sevodniya”, *Izvestia*, 3 October 2011, available at <http://izvestia.ru/news/502761> (hereafter, Putin, “A new integration project for Eurasia”).

**8** <sup>3</sup> Putin, “A new integration project for Eurasia”.

the principles of globalisation, by becoming a place where regional institutions can be built and new rules for relations can be set down.”

## ...and its multiple meanings

However, not everyone in Russia believes that Eurasian integration will be successful or even that it represents a useful objective. In his essay in this collection, Vladislav Inozemtsev makes a convincing case that the Eurasian Union is unlikely to provide its three founding members – Russia, Belarus, and Kazakhstan – with the same benefits as the European Union did for its six founding members. Even the passionately pro-Eurasian Timofei Bordachev acknowledges the difficulties ahead. But it is interesting to note the ways in which the representatives of different strands of thought in Russia differently conceive of the Eurasian Union and use the Kremlin’s pet project to advance their own agendas.

Hard-core Eurasianists inspired by Dugin and traditional left-wing nationalist thinkers see the Eurasian Union project as a long-overdue attempt to challenge Euro-Atlantic civilisation and to drive the West out of the Eurasian world. For others such as Evgeny Vinokurov, the Eurasian Union project is actually an opportunity to create a common economic space with the EU. If the only possible path to Brussels happens to go through Vladivostok, then so be it: these thinkers are determined to make it to Europe whatever the road. Vladislav Inozemtsev even hopes that Asia can one day provide the ground for renewed co-operation between Russia and the United States – if Russia were to take its rightful place as a Pacific power, the trans-Atlantic axis could instead become a trans-Pacific one.<sup>4</sup>

In another strand of thinking, represented in this volume by Vassily Kashin and Pavel Salin, the Eurasian Union is a project related to Asia and above all to China. They see the Eurasian Union as part of a Russian response to the eastward shift of the world’s economic centre of gravity. Since Russia would be a dramatically weaker junior partner in any relationship with China, it needs the Eurasian Union to enable it to “balance” China. In this way, the Eurasian Union aims at the same goal in the East that it does in the West – to strengthen

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<sup>4</sup> See also Ekaterina Kuznetsova and Vladislav Inozemtsev, “Russia’s Pacific Destiny”, *The American Interest*, 10 October 2013, available at <http://www.the-american-interest.com/articles/2013/10/10/russias-pacific-destiny>.

Russia in order to enable it to enter into an equal partnership with China and the EU while containing both Chinese and European influence in the post-Soviet space.

Some people also see the Eurasian Union as a useful tool to revitalise Russia's Far East. In their essays in this collection, Alexander Gabuev and Vladislav Inozemtsev argue that Russia needs to move beyond its current lavish – and yet still only symbolic and superficial – method of investing in the region, represented, for example, by the investment surrounding the Asia Pacific Economic Cooperation Forum summit in Vladivostok in 2013. Russia needs a strategy for deeper and more sustainable development in order to keep these territories at least minimally settled and Russian. But the issue of the Far East is even more urgent if Russia develops a closer relationship with China.

## A pivot away from the West?

Most Russian foreign policy experts – and most contributors to this volume – agree that Russia's pivot to (Eur)asia is real and is serious. However, for the time being, it remains motivated mainly by disappointment in the West rather by excitement about the promise of the East. The roots of this disappointment are complicated and multi-layered, with foundations in at least three spheres: values, economics, and international behaviour. They also have some curious links with Russia's earlier intellectual history.

Several thinkers have pointed out that, historically, Russia has tended to have a maximalist, dogmatic relationship with ideas. Concepts, particularly imported ones, have been interpreted as absolute rather than relative truths, even though these concepts have often been only superficially understood. Mostly this has been explained as a corollary of domestic authoritarianism: ideas could not influence policymaking and were confined to the sphere of literature and intellectual debate, where there was little incentive to compromise or to self-correct.<sup>5</sup> However, such dogmatic thinking is bound to lead to upheaval when an attempt is made to bring ideas to life, or else to disappointment if one persists in clinging to a rigid view of the outside world.

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<sup>5</sup> See for example Isaiah Berlin, *Russian thinkers* (London: Penguin Books, 1994); or Nikolay Berdyayev, *Istoki i smysl russkovo kommunizma*, 1937, available at <http://www.magister.msk.ru/library/philos/berdyayev/berdn015.htm>.

This helps to explain Russian disappointment in the West, especially in the sphere of values. In the last essay in this collection, Pavel Salin writes that the reasons for Russia's pivot "do not lie in Russia itself, nor even in Asia, but in Europe and in the internal processes that are changing the continent". Both Russian liberals and conservatives believe Europe has abandoned the "true" European values to which Russia used to feel an affinity. While liberals criticise the West for failing to uphold and defend its values in its relations with Moscow, conservatives see a "moral" decline in Europe and conceive of Russia as a place in which "true European values" can still seek refuge (a theory that recalls the idea of Russia as the "third Rome" after the fall of Byzantium).

It is also clear that Russia has occasionally had only an imperfect understanding of the Western model. The West, and especially Europe, has been identified with order and stability in ways that have not always been correct – for example, one Russian analyst confessed to having always assumed the real hero of the Robin Hood stories was the sheriff of Nottingham – a defender of law and order.<sup>6</sup> In a similar vein, Pavel Salin associates with Europe a tradition of "stable political transitions, in which a shift in power is not accompanied by mass redistribution of property". Since the mid-1990s, Russia has been trying to replicate this stability. But it has sought to avoid the unpredictability of elections and to resort to rule by elite consensus – which is seen in the West not as a strength but as a weakness that erodes the real essence of democracy.<sup>7</sup>

In economic terms, there is a sense in Russia that the economic crisis that began in 2008 and recent political developments in Europe and the US have undermined the attractiveness of the West as an economic partner. The EU remains by far Russia's largest trading partner – something that is unlikely to change soon. But the internal logic of Putin's regime has led to the downscaling of Russia's modernisation agenda, which is now mostly confined to the oil and gas sector. This, along with Western-imposed sanctions, gives Russia incentives to isolate itself from Western influences rather than to integrate with or emulate the West.

Perhaps most striking is Russia's interpretation of the West's international behaviour. It is not so much, as German Chancellor Angela Merkel said, that "Putin is out of touch with reality," but that he has always lived in a

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<sup>6</sup> Author interview with Alexei Makarakin, 9 April 2014.

<sup>7</sup> See Ivan Krastev, *In Mistrust We Trust: Can Democracy Survive When We Don't Trust Our Leaders?* (New York: TED Conferences, 2013).

different reality to that of the West's leaders.<sup>8</sup> Most of Russia's foreign policy establishment – and certainly Putin himself – have always seen a different world with different rules than the one the West perceives. As Dmitri Trenin says in his essay in this collection, “Vladimir Putin's world is an area of endless competition among several great powers or equivalents.” In this world, major powers make deals and small states – in particular those in the post-Soviet space – are mere pawns or vassal states with limited sovereignty.<sup>9</sup> Human rights and democracy promotion are a cover for major powers to expand their spheres of influence.

Moscow has interpreted most of the events of the last 20 years through this lens: it accepted German unification, NATO enlargement, and US bases in Central Asia. These concessions have gone unacknowledged and unreciprocated. Instead, the West enlarged its own sphere of influence. Russia is not an aggressor, but a victim acting in self-defence after its red lines were crossed. These attitudes are reinforced by Russia's legalistic and dogmatic view of international law: Moscow sticks to the letter, not the spirit, of the law, and it is unreceptive towards newer concepts such as “responsibility to protect”. Perhaps the best illustration of this was Putin's speech to the Russian Federal Assembly on 18 March, in which he described the West as having repeatedly violated international law in ways that justify Russia's annexation of Crimea.<sup>10</sup> In his view, the annexation is no more illegal than Western behaviour in Kosovo and Iraq. But unlike the West's actions it was at least just.

## Or a pivot to Asia?

Thus, even as Russia pivots to Asia, its foreign policy thinking remains rather Western-centric. It has always tried to rely on Asia, and above all China, as a political counterweight to the US; now, it is increasingly attempting to use Asia as an economic counterweight to the EU as well. In May, a gas contract between Russia and China was finally signed. This deal had been in the making for years – Mikhail Krutikhin jokes in his essay in this collection

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<sup>8</sup> For Merkel's quote see Peter Baker, “Pressure Rising as Obama Works to Rein In Russia”, *New York Times*, 2 March 2014, available at [http://www.nytimes.com/2014/03/03/world/europe/pressure-rising-as-obama-works-to-rein-in-russia.html?\\_r=0](http://www.nytimes.com/2014/03/03/world/europe/pressure-rising-as-obama-works-to-rein-in-russia.html?_r=0).

<sup>9</sup> See Lauri Mälksoo, “Vassal States”, *Diplomaatia*, June 2007, available at <http://www.diplomaatia.ee/en/article/vassal-states/>.

<sup>10</sup> Vladimir Putin, “Address by President of the Russian Federation”, 18 March 2014, available at <http://eng.kremlin.ru/news/6889>.

about a memorial library for Gazprom Chairman Alexey Miller filled with agreements on gas supply to China. The two sides managed to agree on price, which had been a sticking point as China's domestic prices were a lot lower than Gazprom's offer, as well as on investment in pipelines and other side projects. China would have liked to acquire some equity in upstream oil and gas developments, but Moscow has been reluctant to allow China to increase its influence in this way. Instead, Moscow would like to see Chinese investment in infrastructure projects in the Russian Far East, but China is not enthusiastic about this idea.

The current crisis in relations with Europe may well have increased Russia's readiness to compromise and agree the deal. But even so, it is too soon to dramatise this breakthrough as a signal of a real Russian departure from Europe. The amount of gas that Russia plans to sell to China – 38 billion cubic metres per year from 2018 onwards – is still around one quarter of what it supplies to Europe and prospects for increasing supply remain uncertain. In fact, because gas accounts for only a small (although increasing) proportion of its growing energy consumption and it can rely on alternative energy providers, China's need for Russian gas is becoming less pressing every year. Also, Moscow is likely to be reluctant to allow China to become a monopolistic consumer of Russian gas. In order to maintain flexibility and security, Russia needs markets in both the East and the West.

Even more importantly, in order to have a real presence in Asia, Russia will need to invest in more than just the energy trade. At the moment, it is not exactly performing as a good Asian citizen. Although it sends high-level representatives to regional meetings, it tends not to focus on Asia itself but rather on its own relationships with big Asian powers in a global context. Moscow does not have a vision for the Asia-Pacific region or even for its own role in the region and is still perceived as an outsider.<sup>11</sup> Russia has also had little success in enticing Asian countries to invest in the Russian Far East – in part because of Russia's own barriers to cross-border investment, in part because, unlike European countries, Asians do not see Russia's modernisation as their strategic interest. All of this suggests that Russia's path to becoming an Asian power will be a long one. The crisis with Europe is unlikely to speed it up significantly.

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<sup>11</sup> Bobo Lo, "Russia's Eastern Direction – Distinguishing the Real from the Virtual", IFRI, January 2014, available at <http://www.ifri.org/downloads/ifrirn17boboloeasterndirectionjan2014.pdf>.

## What changed with Crimea?

Some analysts have argued that Russia's annexation of Crimea was the end of the Eurasian Union project. Others, however, point out that Russia is now likely to need the Eurasian Union even more than before. In either case, the nature and dynamics of the project have undergone some important changes after the events of spring 2014. In particular, the Eurasian Union now looks likely to be openly dominated by Russia. With only a little exaggeration, it could be said that Russia needed Ukraine to play in the Eurasian Union the sort of role that France has played for Germany in the EU – that of a de facto weaker partner that pretended to be equal – to create at least the perception that Russia was not dominant.

The composition of the Eurasian Union would always have served to define something about Russia's geopolitical identity, and without Ukraine, this identity would have seemed a lot more Asia-oriented than it would have with Ukraine. But the annexation of Crimea, along with the arguments that Putin used to justify it, speak to a strong nationalist element in Russia's present thinking. What began as a supranational project has suddenly been mixed up with Russia's urge to define its national and cultural borders. Putin's references to Russians as the "world's largest divided nation" pointed to the possibility that with some further evolution in thinking about the use of the Russian diaspora, the old Russian imperial idea of a "gathering of Russian lands" could become a goal in itself. Thus the Eurasian Union has acquired much stronger ideological features. This is clearly a problem for countries such as Kazakhstan that signed up to economic integration but no more.

For Russia, the stakes have also gone up. Pride now forces it to go ahead with the Eurasian Union at almost any cost – regardless of its partners' misgivings and of Moscow's own satisfaction with the shape of the project. If Russia's soured political relationship with the West translates into a sustained reduction of the economic relationship as well, Moscow will need to try to find ways to compensate by mobilising its domestic resources and engaging with (Eur)asia. This will be a tall order. As Dmitri Trenin has written elsewhere, Russia now needs to "modernise in confrontation with the United States" – which is something that no country has managed to achieve so far.<sup>12</sup>

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<sup>12</sup> Dmitri Trenin, "Russian-Western Confrontation: Prepare for a Long Haul", *Eurasia Outlook*, 4 April 2004, available at <http://carnegie.ru/eurasiaoutlook/?fa=55243>.

Moscow may still be hoping for a different outcome. Many people in the West concluded that Russia got away too easily with the Georgian War of 2008: if the West had made it clear that Russian actions were unacceptable and imposed higher costs, Crimea might not have happened. Moscow may well be thinking along similar lines: if it had been clearer in 2008 that Western actions in Moscow's "privileged sphere of interest" were unacceptable, Crimea might not have been necessary. Thus Moscow's actions may not be aimed so much at further conquest, but rather, as Fyodor Lukyanov suggests, at forcing Europe into a new round of talks to forge a new grand bargain based on premises that Russia finds adequate and acceptable.

## Europe's Russia problem

The West needs to understand that, throughout most of its post-Soviet history, Russia has lived in a parallel world. The same events that we have witnessed – and sometimes encouraged or applauded – are not simply evaluated differently but also understood through entirely different paradigms. Russia has not become part of a "Europe whole and free". It does not subscribe to Western values systems and it does not share Western ways of understanding the world or Europe. What Russia is attacking is not just Ukraine, but the entire system of European rules and the European order. Moscow wants not only to restore but also to re-legitimise geopolitical spheres of influence as an organising principle of international life.

This is particularly hard for Europeans to accept. When it comes to the post-Soviet space, Europe is in fact divided between those who quietly subscribe to Russia's vision and see the countries in the region as being within Moscow's ambit and those who view them as fully independent countries with a potential Euro-Atlantic future. As long as Eastern Europe continued to be ruled by corrupt elites with no ambitious strategic vision, these two views could co-exist. But after the Ukrainian revolution, the annexation of Crimea, and Russia's all-but-open invitation to have a new conversation about spheres of influence, it has become increasingly difficult to paper over the differences between these two points of view.

Europeans who are happy implicitly to accept the spheres of influence cannot possibly accept them explicitly. To do so would contradict most of the founding principles of the post-Cold War European order, and would create analogies with historical events that Europeans refuse to allow to be repeated. However,

Europeans who maintain an idealistic vision about freedom of choice and self-determination will find it very hard to mobilise a critical mass of allies and energy, as well as strategy, to defend that vision. The West's geopolitical behaviour has not just been discredited in Russian eyes, but also elsewhere. The sustainability of its economic model has come into question in many parts of the world, and many people have interpreted its indecisiveness and lack of vision as a sign of decline.

For now, Europe's priority is help Ukraine to stabilise itself in political and economic terms. Although Europe's means may be inadequate, the objective itself is a worthy one. Ukraine is a large and strategically important European country, so resolving its difficulties is an important end in itself. At the same time, however, Europeans should understand that stabilising Ukraine – even if it happens under Western terms and can be considered a “win” – is not enough. It will not solve Europe's Russia problem, nor will it answer the questions that Russia has posed about the European order. Better understanding the reality in which Putin lives might help Europe at least to comprehend where Russia is headed and what it means for the future of Eurasia – from Lisbon to Vladivostok.

# WHAT IS THE EURASIAN UNION?

*Fyodor Lukyanov*

1

# Building Eurasia and defining Russia

In the twenty-first century, Eurasia could become a laboratory for testing principles that will shape the world for decades to come. The world's attention has been drawn to the region by its rapid rate of political change and economic growth, its important natural resources, and the development there of different models of nation building. Now Eurasia could potentially claim a leading role in defining the principles of globalisation, by becoming a place where regional institutions can be built and new rules for relations can be set down. But the opposite outcome is also very possible: Eurasia could split into different elements with different cultures, competing interests, and unequal opportunities, making it a site of competition for external powers.

## The balance of power shifts east

The course of global development has been turned upside down. For several hundred years, Eurasia has been understood through the prism of the relations between the great European powers. Perspectives on Eurasia have focused on the eastward expansion of European countries and the consequences for the balance of power in Europe (and, in effect, the world). But this view is out of date. The Atlantic is no longer the sole centre of world events and engine of global progress. The Pacific and, to a degree, the Indian Ocean, are taking over as the main stage for world development. The world's most dynamic developing economies and many of its most dangerous conflict zones are in this region. For these reasons, Eurasia must now be looked at from the east.

However, over the past 500 years, Asia has lost the habit of playing a leading role in world politics. The countries of the region have both ambition and great potential, but they are not sure how to make use of either, particularly in the political and strategic spheres. Relations between the great powers in Asia are complicated,

but economic interdependence has so far prevented tensions from getting out of hand. The countries of Asia – and not just China – have benefited more than any other region from globalisation. But history has shown that close economic ties are no guarantee against rising tensions, especially when one country, in this case China, is viewed not just as a regional leader, but almost as a contender for world domination. China’s impressive growth means that any step it takes makes other countries nervous, even when the giant has the best of intentions.

## Conceptualising Eurasia

At the end of the twentieth century, Eurasia began to build supranational institutions to structure the post-Soviet space. Because of geography, history, and custom, the dominant player in these efforts has been Russia. Moscow has provided the impetus for the formation of many entities. These have ranged from transitional groupings, such as the Commonwealth of Independent States (CIS) that aimed to mitigate the most painful consequences of the break-up of the USSR, to action-oriented regional structures such as the Collective Security Treaty Organization (CSTO) and the Shanghai Cooperation Organization (SCO).

The most interesting initiative on the Eurasian continent in its potential consequences for the region and the world is Eurasian integration, in the form of the Customs Union, which will be transformed into the Eurasian Economic Union in 2015. Many people are sceptical about this project, since even in its present, limited format of the three states of Belarus, Kazakhstan, and Russia, the union seems unstable. However, most observers agree that the Customs Union represents Moscow’s most serious attempt at integration since the fall of the Soviet Union, because the founders of the new structure envisage it as combining both political and economic functions. The concept of Eurasian integration, even if the end product does not emerge precisely as conceived by Russia, is extremely useful as an indicator of the direction and development of this part of the world, on which much may depend in the coming decades.

The name “Eurasian Union” has overtones that are a little misleading. Vladimir Putin laid out his aims for the Eurasian Union in an article in the Russian newspaper, *Izvestia*, in October 2011. The piece seemed an encouragement to supporters of Eurasian

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<sup>1</sup> Vladimir Putin, “Novyi internatsionnyi proekt dlya Evrazii – budushchee, kotoroe rozhdaetsya sevodniya”, *Izvestia*, 3 October 2011, available at <http://izvestia.ru/news/502761>.

ideology, which says that Russia represents a unique civilisation, if not in opposition to, then at least comparable to Europe, with a mission to unify the huge space of Eurasia. However, neither the president's article nor any subsequent clarifications put forward any new Eurasian philosophy in the style of either the famous twentieth-century ideologists of Eurasianism, such as Prince Nikolai Trubetskoy and Lev Gumilev, or the contemporary neo-Eurasianist political scientist Aleksandr Dugin. In fact, the founders of the Eurasian project appear not to be very interested in Eurasia proper, that is, in Central Asia. This is not surprising, as from an economic point of view the most promising candidates (Kyrgyzstan and Tajikistan) would bring with them as many problems as benefits. So, the Eurasian component of the union will probably be limited for the time being to Kazakhstan, with its functional government and abundant natural resources. And of course, three-quarters of Russian territory also lies in Asia.

Building a new Eurasia does not mean rejecting European methods. Instead, it involves borrowing some European approaches and adapting them to Russia and its environment. The Eurasian Union and the Customs Union are projects with a practical focus. The aim is to expand markets and resurrect some of the production chains destroyed by the collapse of the Soviet Union. This is to be achieved by applying in the post-Soviet space the basic principles of the European integration of the second half of the twentieth century. Obviously, not all of these principles can be reproduced, but the European Union nevertheless remains the inspiration for the project. The catalyst for the new drive towards integration was the profound crisis of the EU, which will have to deal with its internal problems for a long time to come, limiting its attraction for countries in its neighbourhood. The fight for Ukraine has shown that while the EU has the political will to fight for assets, it is not prepared to pay the price.

The Customs Union so far has been less about Eurasia, and more about one specific country that happens to be located in Europe: Ukraine. The unspoken but most important task of the Customs Union was to involve Kyiv in the integrationist project. Assimilating Ukraine would give the current Customs Union and future Eurasian Union a completely different format. With three countries, it is just an interesting experiment. If Ukraine, with its large market, potentially strong and diversified economy, and solid geopolitical position, were to be included, the union would become an entity that others would have to take seriously.

But the confrontation with the EU over Ukraine has made one thing clear. Ukraine is not capable right now of taking decisions; it is only thinking of ways to shift the resolution of its internal problems onto the shoulders of external powers, whether

Russia or the EU. It is pointless for any external actor to try and make any long-term plans with Ukraine. Therefore, the prospects of the Customs Union and the Eurasian Union should be assessed without taking into consideration Kyiv's constantly changing priorities.

## Russia's place in the union

Russia's own idea of itself will be the main factor in defining the form of the union. The common point of view in Russia is that it is up to Russia's neighbouring countries to choose between Russia and someone else, whether that is Europe, China, or the United States. But in actual fact, it is Moscow that now must decide how far it is prepared to go in the name of the integrationist project and to what extent it is willing to make concessions today and tomorrow for the sake of a union that might bring dividends in the future. If Ukraine is to be excluded, the "Eurasianness" of the project becomes more palpable. The union without Ukraine would be focused on the east and the south-east. It is questionable how far this direction coincides with the mood of Russian society, which is going through an anti-immigrant phase and is prone to isolationism on the Asian front.

One important consequence of Ukraine's absence is the removal of a country that could provide some degree of symmetry within the union. Any association that foresees collective decision-making and the partial delegation of sovereignty must have an internal balance. All partners must be sure that in giving up certain rights, they will not be treated less well than other partners within the association. Guarantees must be safeguarded by common institutions and by a system of checks and balances that can ensure equality of opportunity. Institutions, however, develop in parallel with the integration process and will not be fully functional for a while (if ever). For this reason, it is very important to find a balance between the weight and influence of all partners.

When Europe began its integration in the 1950s, its founders, France, Germany, Italy, and the Benelux countries, were more or less equal in power. But a post-Soviet integration that includes Russia has an inherent imbalance: all potential partners are several times inferior to Russia in economic, political, and demographic terms. Ukraine could never have provided a full counterweight to Russia, but even so, a union that included Ukraine would have a different overall balance. Ukraine has 40 million people, a potentially strong economy, and a very stubborn political outlook. The absence of this country from the union is,

oddly enough, a real problem for the strongest partner, because everyone else will be afraid of Russia's potential to dominate the entire project.

Russia must face up to a difficult dilemma. Its sheer size and its history of expansionist ambitions make it impossible for it to implement regional integration without scaring its neighbours. But at the same time, it is not big enough, either economically or in terms of influence, to overcome resistance from centres of power such as the EU or China or to define its own stable orbit. Preventing potential partners from turning to other powers is not enough to ensure Russia's ability to compete; bringing this sort of pressure to bear takes too much time and energy, and returns only limited results.

The alternative to competing with other powers is to construct a joint space with one of the other centres of power. But that would mean Russia would have to struggle to defend its own equality within an entity in which it could find itself the weaker partner. It seems hardly possible that any sort of joint union with the West could be created. The EU does integration only on its own terms, requiring others to adopt ready-made European laws and norms. There would be more space for flexibility in co-operation with the East, where norms and laws could be created from scratch. But it would be difficult for Russia to defend its position if formidable emerging powers as China or Turkey were included in the project.

The only option that remains is the formation of a bridge between two great zones of integration. This idea has been put forward in various policy documents, including Putin's article of October 2011. As yet, however, there is no concrete plan for its implementation, and the concept remains ill defined. But Russian discourse about the Eurasian Union now envisages the union not as a closed-off structure, but as one element of a future unified space stretching from Lisbon to Busan and linking European and Pacific markets. This is not a philosophy of isolation – in fact, it is just the opposite.

## Defining Russia

When the Eurasian project was first proposed, everything seemed simpler. The assumption was that Russia, having recovered from the geopolitical shock of the collapse of the Soviet Union, wanted to restore what it could of its former greatness in the post-Soviet space. But it turned out that this was not a realistic goal. Instead, it seems that Russia's own identity depends on the outcome of this initiative. The building of the Eurasian Union should be the key project of 2014

for Russia, even if it turns out that as a result of successful Eurasian integration, Moscow is not the most important capital in Eurasia.

The definition of Eurasia represents a turning point for Russia's future, and it happens at a time when Russia is searching for a new identity to replace those versions that ended along with the twentieth century and the Soviet order. And the identity that is emerging is not what many people think. Russia is not defined by expansionist ambition or by any effort to prevent former Soviet republics from moving west or east. It is not even entirely driven by the desire to cement its position at the centre of a multipolar world.

Russia is in the process of defining its borders – not administrative borders, but cultural and psychological ones, the area that Russia can consider to be “its own” rather than belonging “abroad”. Until very recently, it was thought that this area would correspond to the space previously covered by the USSR, but this is not the case. Some post-Soviet countries are leaving the Russian orbit, not in a political sense, but psychologically. And Russia recognises this fact, sometimes with pain and nostalgia, and at other times with indifference.

The developments in Ukraine throughout winter and spring 2014 created confusion about Russia's strategic direction. On the one hand, sharp conflict with the West following the referendum in Crimea and the rapid integration of the territory into the Russian Federation seemed to make a Russian shift to Asia almost unavoidable. Attempts by the US and the EU to isolate Russia by imposing sanctions fuelled debate about restructuring the whole pattern of Russian partnerships, which has up until now been very Western-oriented. On the other hand, the battle for Ukraine has brought Moscow back to the traditional agenda of classical European geopolitics, and most of its efforts and resources will now have to be assigned to Europe rather than being redeployed in Asia.

Some Russian commentators even believe that the main driver behind Putin's actions in Ukraine is to raise the stakes so as to force Europe into a new round of talks (not immediately, but in the foreseeable future) aimed at forging a new “big deal”. Putin wanted a deal like this from the very beginning of his presidency almost 15 years ago. It still remains unclear to what extent the rhetoric about protection of compatriots abroad really forms the essence of a new foreign policy approach. Traditionally, since the collapse of the Soviet Union, the issue of Russians in other territories has been used instrumentally, but in light of the current quest for identity, it might now have become a more substantial concern.

The Eurasian Union was originally a political and economic venture. But now it has become part of the debate on Russian national identity. Russia's conception of itself depends on whether Central Asia or Ukraine remain in its orbit. The nature of this new identity – whether based on European cultural heritage, on imperialist instincts (which are also essentially European), or on some kind of Eurasian point of view – has not yet been articulated. Russia's new self-identification could be tinged with nationalist aspirations and a touch of isolationism. We are used to others choosing between us and our opponents. But now we ourselves are choosing who we want to be.

*Timofei Bordachev*

2

## Eurasian Russia in the twenty-first century

In March 2014, a new Cold War between Russia and the West began. It is not yet clear how it will proceed, how long it will last, or whether it will end in a compromise or in a Western victory. But it will have a real impact on Russia's relations with its neighbours – the potential partners in the Eurasian Union. At the moment all that can be done to assess the sustainability of the integration project is to try to understand the underlying processes that have led to the emergence of Eurasian integration and the strategic challenges that this integration project faces.

### A new world order

Twenty-three years after the collapse of the Soviet Union, it has become clear that the effort to build a new international order has failed. Since the disappearance of the rigid bipolar system of the Cold War, waves of globalisation and democratisation have washed away the remnants of the Cold War and created a new geopolitical reality. International relations have returned to the same chaotic state they were in for centuries up until 1945. But this return to international disorder is taking place amid unusually high levels of international interdependence, economic and ecological globalisation, and openness in societies.

The solutions found now will determine the future of all humanity – including Russia and the Russians. The outside world is becoming much more important than it ever was before for Russia, as it is for almost all the other countries of the world. To become a strong, modern country, Russia needs more than ever to base its national development strategy on the macro trends of global development: the globalisation of economies and information, political democratisation, and regulatory regionalisation. In the coming years, the

implementation of Russia's foreign policy will be influenced by these major global development trends.

At the start of this decade, Russia began to build its own integrated bloc leaning towards the world's new centre of gravity: the Asia-Pacific region. Russia hopes that this new project will help it to find solutions to increasingly serious and dangerous challenges to national development. The current shifts in power are neither accidental nor temporary; they are the result of global, long-term trends. Even Russia's deep economic and political crisis, which is forcing it to be more realistic and to significantly curtail its more ambitious plans, will not cause it to return to the European orientation that would before have gone unquestioned. For the first time in 300 years, the Old World has ceased to be Russia's only pole of attraction or source of values. Instead, Europe has become just one of many external partners, even if it is still for the moment Russia's most important trade partner.

## Russia and Europe

The chances of overcoming differences with Europe are slim. In spite of the stable economic ties between Russia and the European Union, commitment to mutual knowledge, understanding, and rapprochement is declining. In recent months, neither Russia nor the EU has been able to stay out of zero-sum games. The Ukraine crisis clearly illustrates this confrontational attitude, which precludes any attempt at joint problem-solving; indeed, it seems that the EU can hardly even imagine the possibility of working with Russia to find solutions. First Brussels, then Moscow made ultimatums to Ukraine: choose one or the other, and choose right now. The futility and destructiveness of this approach is obvious. But neither Russia nor the EU seems able to abandon the fruitless logic of "trophy hunting".

It is very unlikely that the EU, however it emerges from the current crisis, will be well disposed towards Russia, let alone try to build a single political, economic, and human space with it. Moreover, the EU is growing weaker and feeling more insecure in its role as an international actor, and its relations with the United States are improving again – the proposed transatlantic free trade area is likely to become reality within the next few years. For these reasons, Europe is likely to become an even more difficult partner for Russia. There is no need for an increase in conflict. Russia should adopt a renewed strategy of co-operation with this important but difficult actor. But in the long

term, integration with the EU is not the most important challenge for Russia. Rather, Russia must look east and integrate the huge territory that stretches from Yekaterinburg to Vladivostok into modern civilisation.

## The globalisation of Russia

For the first time in the history of humanity, the world is becoming truly global, in both politics and economics. A central part of this globalisation is the growing importance of the Asia-Pacific region as compared to the Euro-Atlantic world in the global economy, in world politics, and soon in cultural influence as well. Asia's rise is lifting with it the economies of countries outside Asia that have managed to latch onto the "Asian economic engine". After many years of stagnation and decline, several African countries are experiencing economic growth through supplying China and other countries with raw materials and food. The US has also effectively hitched itself to this "engine", creating an economic and financial network with China and other countries in the region.

Russia has already begun a political "pivot" to Asia. In article in 2012, President Vladimir Putin called on Russia to "catch the Chinese wind in the sails of our economy".<sup>1</sup> In May 2012 the Ministry for the Development of the Russian Far East was created. In September 2012 Russia chaired a summit of the Asia-Pacific Economic Cooperation forum (APEC) in Vladivostok, which was preceded by massive efforts to modernise the infrastructure of the Primorye region and of Vladivostok itself. In December 2013 Putin declared that the development of eastern Russia was a national priority for the twenty-first century. In the first months of 2014 the work of the recently created Ministry for the Development of the Far East was significantly reinvigorated. Some governmental agencies were relocated from Moscow to Vladivostok and some major companies have been advised to follow with their main offices. But Russia's "pivot" is still held back by its backward infrastructure, its corruption, its underdeveloped economy, its demographic problems, and above all its archaic Eurocentric economic thinking.

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<sup>1</sup> Vladimir Putin, "Russia and the changing world", *RIA Novosti*, 27 February 2012, available at <http://en.ria.ru/analysis/20120227/171547818.html>.

Russia's full-scale economic and political entry into the Asia-Pacific region is essential to ensuring its domestic sustainability and international competitiveness. If Russia aspires to emerge as a modern global power, it must find a balance between its western and eastern axes of development and foreign relations. But this should be seen as a means to an end: the "pivot" to Asia should be a way of developing Siberia and the Russian Far East. And developing Russia's eastern territory requires closer trade and economic relations and deeper political engagement with the leading countries of the Asia-Pacific region, especially China, the US, Japan, and South Korea.

Russia has some competitive advantages in the region: its physical presence on the Pacific and Atlantic oceans, its experience in Asian affairs, its strong military and strategic position, and, of course, the growth potential of Siberia and the Russian Far East. However, greater participation in the political and economic life of Asia (and, as a result, of the world) will bring challenges as well as opportunities. Given Russia's traditional natural orientation towards Europe, greater involvement in Asia may present Russia with cultural difficulties. And there will be practical and perhaps even military challenges as well, especially as the main political trend in the region – the growing competition between the US and China – is likely to continue.

## Integrating Eurasia

The ambitious project of Eurasian integration began in 2010 with the foundation of the Customs Union of Belarus, Kazakhstan, and Russia and has now reached a decisive moment. The depth and extent of integration must now be defined, and common principles for co-operation between current and potential partners have to be agreed. Failure at this stage will be seen by the outside world as the final collapse of integrationist processes in the former USSR. The countries of the former USSR have succeeded in building sovereign states. But until the end of the first decade of the twenty-first century, the "European choice" – orientation towards the EU normative model, involving some form of institutional dependence – was the only clearly defined proposal for ex-Soviet countries. Russia talked about integration without offering a real institutional format.

Belarus, Kazakhstan, and Russia formed the Customs Union on 1 July 2010, and the Common Economic Space between the three countries came into force on 1 January 2012. These projects attempted to provide a practical and legal

reality to the integrationist aspirations of Eurasian governments. Whatever the elites of these three countries may want (and their motives do not entirely coincide), a proposal has been made for a common future that takes account of the need to maintain and strengthen state sovereignty. The first stage, in which political motivations were fundamental, has been completed. Now, the three partners need to build functional institutions of integration.

The next step will be the foundation of the Eurasian Economic Union, formally established by the Astana Treaty signed 29 May 2014: a union of equal sovereign states working towards a single economic, customs, societal, and maybe even political space. This kind of structure can only be created voluntarily, based on a rational understanding of the economic and political benefits that can be gained from the union, rather than through the imposition of an external model. The result should be the strengthening of national sovereignty through supranational integration. All the countries involved will gain the means not only to support their own domestic development, but also to act together on the international stage to defend the common interests of the region and to enhance their competitiveness in the global economy.

The first stage of integration has brought about growth in mutual trade, boosted the economies of the three partners, and established a common legal and institutional framework. All this presents new challenges for Astana, Minsk, and Moscow. They must now expand industrial integration, strengthen the institutional balance between supranational and intergovernmental organs, increase public participation, and build public interest in the four freedoms of movement – movement of goods, people, services, and capital. This will be a challenge because the elites of the former Soviet states are egotistical and memories of the Soviet era remain fresh.

Meanwhile the public mood in Russia is changing: a growing arrogance is emerging, along with indifferent and even negative attitudes to the neighbours with whom we share a common historical destiny. Many Russian intellectuals and politicians prefer to disassociate themselves from the former Soviet countries and call for the introduction of visa barriers, especially against the countries of Central Asia. But integration is the only way to create a regulated labour market between Russia, Kyrgyzstan, and Tajikistan and pry the Central Asian economic systems out of the hands of criminals. The introduction of visa regimes would lead to a loss of Russian influence in the region. Russia would end up having to ask Beijing for permission to do business in Central Asia.

The intensity of European and Chinese opposition to the Eurasian Union refutes critics' statements that the union is artificial, amateur, and doomed. The EU says that any rapprochement with the Customs Union blocks off the "road to Europe" for any country. China is less direct but also "raises concerns" about the impact of Eurasian integration on freedom of trade and investment in the CIS – by which it means on the scale and depth of penetration of Chinese business in the former Soviet republics. In fact, the Europeans and the Chinese have made a fairly accurate assessment of the potential of this new union and are taking steps to prevent it from being a reality.

## The impact of the Ukraine crisis

The terrible events in Ukraine in early 2014 cannot but influence relations between Russia and its partners in the future Eurasian Union, along with the fate of Eurasian integration. This influence will manifest itself in many different ways. First, Russia's neighbours now understand that Moscow is ready to defend its interests resolutely, even if this means threatening or actually using force. If it must, it is prepared to enter into conflict with the US and its allies. For Belarus and Kazakhstan, this makes Russia different from the West, which will only make threats and apply personal sanctions. Russia's partners in the Customs and Eurasian Union are, if not scared, then at the very least impressed by Russia's decisiveness.

At the same time, Russia's Eurasian Union partners may see the West's response to the Ukraine crisis as a change in its policy: from buying off authoritarian rulers, the EU and the US have now decided to overthrow them by force. Post-Soviet leaders such as Alexander Lukashenko in Belarus and Nursultan Nazarbayev in Kazakhstan may worry that breaking off close relations with Russia will leave them one-on-one with the West. In reality, they would be caught between an angry Russia and an unreliable West, which could at any moment support anti-government movements, as it did in Egypt, Tunisia, and Ukraine. (Russia, on the other hand, does not walk away from its allies even when they lose power – for example, Kyrgyz ex-president Askar Akayev and Ukraine's Viktor Yanukovich now live comfortably in Moscow.)

Moscow might have also been more prepared to make concessions before the Astana summit at the end of May, when the agreement on the Eurasian Economic Union was signed between Belarus, Kazakhstan, and Russia. Media reports said that between April and May 2014 the technical negotiations on

integration became more complicated. Having taken the strategic decision to create the Eurasian Union on 1 January 2015, Belarus, Kazakhstan, and Armenia have become even more determined in defending their interests. To ensure the agreement goes through, Russia may now act to facilitate access to its market for goods from other Eurasian Union countries. Belarus and Kazakhstan have been unsuccessfully pushing for this concession in recent years, and now they seem close to achieving it.

Many experts (although not this author) believe that the biggest negative consequence of the current crisis will be that Ukraine will not participate fully in Eurasian integration. From an economic point of view, Ukraine's market and strong industrial base could have been a crucial element in the development of the integration process. Ukraine could have acted as a counterweight: on the one hand, it could have balanced Kazakhstan, whose political importance now outweighs its real potential, and on the other hand, it could have offered constructive opposition to Russia. It would also have helped to limit the number of representatives of Russian political and economic elites in supranational institutions.

Finally, the new Cold War increases the influence of external factors on the Eurasian Union. Before the Ukraine crisis, the US and Europe simply refused to recognise the process of integration; now they will try to block it. The West will try to take advantage of Russia's problems in its relations with China, which is now actively advancing its interests in Central Asia. Thus the success of Eurasian integration is far from guaranteed. The Eurasian Union will be a vital testing ground in which to develop new political techniques in an era in which attempts to dominate increasingly either fail or produce counterproductive results. The modern world does not allow countries, even big ones such as Russia, to retain real autonomy within deep co-operation with existing economic blocs. Therefore, the former Soviet countries have no choice but to take their chances outside these blocs and to build their future themselves.

Mikhail Shishkin

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## Russian Monologue

A future Chekhov would write one monologue for all three sisters:

All this is unbearable, we have to leave, just run away from this town and this country, save ourselves! Here all life still follows the laws of the primordial forest: all the time the beasts have to growl, they have to show everyone their strength, their savagery, their ruthlessness, to terrify, to batter, to maul. Here you must prove all the time that you're stronger, more beastlike. Any humanity here is seen as weakness, retreat, foolishness, stupidity, admission of defeat. Here even pushing a pram you never in your life just cross the street, even at a crossing, because the driver is stronger, and you're weaker than him, feeble, defenceless, and you'll just be run over, knocked down, swept away, smeared on the tarmac, both you and your pram. Here since the dawn of time they've been waging a savage, ferocious fight for power, sometimes secretly, silently, and then they kill on the sly, from behind, with stealth, at other times openly, obviously, and then everyone is dragged into the bloody mess, and there's nowhere then to hide or to wait it out, because an axe or a rock or a warrant will find you anywhere, and the whole country has lived for this fight for a thousand years. And if someone's climbed to the top, then you at the bottom, you're nobody, you're cattle, you're excrement, you're labour camp dust, and so as to remain in the chair at the top even for another day, even for another minute, they are prepared, without batting an eyelid, to cut your throat, to let you rot, to

beat you to death with a sapper's shovel, even though you make up half the country. And all of this, of course, is for our own good, they're all thinking only of the good of the fatherland, and all that good of the fatherland and all that love of humanity – all of that is just sticks to break each other's backs with! First the son of the fatherland hits the friend of humanity on the head with a piece of pipe, then the friend of humanity takes the son of the fatherland hostage and shoots him in the backyard under cover of the sound of an engine running, then the son of the fatherland disembowels the friend of humanity with the tracks of a tank, and so on without end, there's no limit to the bloodshed! They can do any hat – heaven above, heaven on earth, power to the people, power to the freaks, parliament, democracy, constitution, federation, nationalisation, privatisation, indexation – they castrate, they emasculate any thought, any notion, any idea, they empty it like a sack, stuff it with stones to make it heavier, and again they start swinging, hammering each other, always aiming for the head, the better to hurt. And where can you go? – to the church? – but their church is the same, not to God but to Caesar. If you don't squeal, you'll be squealed on, they sing hosannas to the tyrant, they sanctify sin, and if you just try to remind them of Christ, just try to bring in just a grain of humanity, you get an axe to the head right away, just like Father Men. Everything is done under the lash. Everything lying around goes into someone's pocket. Better to have nothing than to shiver and wait to be raided tomorrow! All is for show, whatever you stick your finger into, it's just a facade, it's all just a bluff, and inside it's emptiness, dust, like when once upon a time they stewed up a tub of kissel and hid it in the well to trick the Pechenegs, saying look, hunger can't beat us, we have kissel in our wells, and for ten centuries since, we've been slurping that kissel and we can't get away from it! Plant flowers, they trample them – put up a monument, they topple it – give money for a hospital for everyone, they build a dacha for one! They live in shit, drunkenness, brutishness, darkness, ignorance, not getting paid for months, they would not wipe the snot off their children, but they'd hang themselves over some Japanese rocks in the sea, "cos they're ours, don't touch"! But what here is theirs? Whose

is all this? Those with fists that are stronger whose spirits are meaner, they've snatched up the lot! And if you have a little, right down at the bottom, an ounce of human dignity left, if you have not yet been broken, then they'll break you, because you'll get nowhere with your dignity here! Here just to glance in the street from your house is to ask to be humiliated! You have to become like they are, if you want to get anywhere, howl like they do, bite like they do, curse like they do, drink like they do! Here all seems created to foster corruption: bribe this one, slip some cash to that one, and if you don't give and you don't hand it over, then you're left holding the bag, asshole, and it's your own fault! If you don't know to give, you'll get nothing, if you have nothing to steal, you'll have nothing! If you just want to live an honest life and mind your own business, you're not allowed to breathe! And if you, God forbid, are not like the others, if you happen to have a grain of talent, intelligence, desire to learn, to discover, to invent, to write, to create, or just say you don't want to be with all these criminals, you don't want to belong to any gang, then immediately they'll call you "too clever by half", they'll spit on you, trap you, pour dirt on you, not let you do anything, kill you in a duel, make you eat gruel in the Vladimir transit prison, stand at the metro with a packet of smokes and a bottle of vodka, they'll burn your library, at school your kid will be hounded by pimply bastards, in the army they'll drive your son not just to put a bullet in his own head but to take out five others while he's at it! Here there's nothing worth waiting for, this country is cursed, and there'll never be anything else here, not ever! They'll let you stuff yourself until your belly feels like bursting, but they'll never let you feel like a human being! To live here is to be humiliated from morning to night, from birth to death, and if you don't get out now, then your children will have to, and if your children don't get out, then your grandchildren will!

# THE LOGIC OF RUSSIAN FOREIGN POLICY

*Dmitri Trenin*

# Drivers of Russia's foreign policy

# 3

In 2014 Moscow was supposed to focus on finalising preparations for launching the Eurasian Union. But in early 2014, Russia's foreign policy direction changed dramatically. Responding to the series of events in Ukraine that led to the ouster of President Viktor Yanukovich by the Euromaidan protestors and the triumph of a coalition of pro-Western politicians and Ukrainian nationalists, Moscow took steps to ensure that Crimea would be off limits to the new Ukrainian authorities. To do so, it assisted its local allies in holding a referendum on the peninsula's joining Russia. With the incorporation of Crimea into the Russian Federation on 18 March 2014, Russia's foreign policy entered new, uncharted waters.

The ongoing crisis in Ukraine marks the end of the 25-year period that began with the fall of the Berlin Wall and culminated in the break-up of the Soviet Union. Russia again finds itself in confrontation with the United States and its allies. The issue is not only Crimea, Ukraine, or even Eastern Europe, but the role and place of Russia in the international system, and the survival of the Russian regime and the current Russian state. The stakes could not be higher. As it did 100 years ago, foreign policy could play a decisive part in shaping Russia's future. It is important, therefore, to examine the factors that drive Moscow's foreign policy.

Russia's foreign policy takes account of the interests of the ruling elite in Moscow. It is guided by the Kremlin leaders' worldview and impressions of Russia's national interest, and by their personal ambitions and plans. It is constrained by Russia's resources, limitations, and practical needs. And it shifts in order to take advantage of the opportunities that arise in the course of world events.

Russia is ruled by a wealthy elite, whose members exploited the turbulent environment of the 1990s to enrich themselves as much as they could. They may resent this most recent “Time of Troubles” in Russian history, but they have also been shaped by it. For this elite, power and property are intimately connected: if they lose power, they very likely face losing property. Thus their deepest concern is staying in power as long as possible, and when it becomes no longer possible, passing power on to their trusted allies. This overriding ambition explains the elite’s deep political conservatism, as well as its aversion to domestic political change. At the same time, their desire for international recognition and status has in the past made them useful and dependable partners for the world’s leading nations.

## Vladimir Putin’s worldview

Russia’s political system can best be described as neo-tsarist. Power is personalised, as in a monarchy, but legitimacy is derived not from God, as in traditional tsarism, but rather from the consent of the majority of the governed. Various techniques are employed to ensure this public acquiescence. In the realm of foreign policy, the influence of the president, the modern-day tsar, is virtually absolute. International relations, particularly with big countries, are often seen in Russia through the prism of top-level diplomacy.

Vladimir Putin has been in power since 2000, making him one of the world’s most experienced leaders. Over time, his view of the world, and his conception of Russia’s place in it, has undergone marked changes. Putin began as a would-be ally of the US and a champion of Russia as part of Europe. He went on to assert Russia’s independent role, still within the broader Euro-Atlantic world. Later, he reached out to America and Europe for help with modernisation. And eventually, he became convinced that Russia’s true destiny was as a separate geopolitical entity, even as a unique civilisation.

Putin’s philosophy of international relations has also evolved. He began as a proponent of mutual understanding and international co-operation, pan-European economic integration, and partnership with the US. But by the mid-2000s, this optimistic view had been replaced by a Hobbesian concept of the primacy of power relations. He began to see national might as the true “hard” global currency and to think of a never-ending competition for power, money, and influence as the main engine that drives global politics. In his view, any public preaching to the contrary is just hypocrisy.

Putin's worldview has also changed in another way. He started out as a non-ideological pragmatist, a moderate Russian nationalist, and a secular patriot. His adherence to Orthodox Christianity was a personal matter when he assumed the presidency and first met US President George W. Bush. But over time, it has evolved into something akin to an ideology. Orthodox Christianity is Putin's spiritual guide and forms an ideological underpinning to his mission of consolidating Russia internally and restoring it to its proper place in the world.

Vladimir Putin's world is an area of endless competition among several great powers or equivalents. Russia today, as he sees it, is encircled by those who are either stronger or more dynamic than Russia, or both. The ubiquitous US, while no longer the absolute hegemon it was in the wake of the collapse of its Soviet rival, remains in a category of its own. China is rapidly rising and its ambition is already becoming clear. Asia as a whole has become the most dynamic part of the world. Although the European Union is going through a difficult period at the moment, it still has enormous economic, technological, and soft power potential and exerts a clear attraction over former Soviet states – as illustrated by events in Ukraine. Meanwhile the Muslim world is experiencing a prolonged upheaval that has had an effect on all of its neighbours, including Russia.

To survive and prosper, Putin believes, Russia must be politically united under the Kremlin, ideologically unified by a strong sense of patriotism, militarily capable, and economically strong. It should remain absolutely sovereign and independent. And it should seek to create a bloc of countries in the centre of Eurasia that can enhance its economic weight and geopolitical reach. Putin's foreign policy actions in the past six years have focused on achieving these goals. In 2008, after the war with Georgia, military reform in Russia began in earnest. In 2009 Putin came up with the first serious Russian foreign policy project since the collapse of the Soviet Union: Eurasian integration. In 2012 he launched a campaign against foreign influence in Russian domestic politics and began "nationalising the elites" by making them bring their money home. In 2013 he opposed the EU's Association Agreement with Ukraine and tried to win Kyiv for his Customs Union with Belarus and Kazakhstan. Moscow has also focused on developing the border regions that it views as particularly vulnerable, such as the Russian Far East and the North Caucasus, and those that are opening up for the first time, such as the Russian Arctic. However, the economy has remained impervious to Putin's effort to re-industrialise Russia.

## Russia's competitive disadvantages

The structurally weak economy is the Achilles' heel of Moscow's foreign policy ambitions, particularly at a time of US-orchestrated sanctions over Ukraine. Russia experienced an international comeback in the 2000s as a result of continuously rising oil prices. Now, with the price of oil relatively high but stable, the proceeds from the energy trade are not sufficient to enable Moscow to solve its problems by throwing money at them. Russia's growth in 2013 was just above 1 percent of GDP, and was projected to remain below 3 percent up to 2030. In 2014, with sanctions biting, it could slide into recession. For the first time since the beginning of the century, Russia's economy will be growing at an appreciably slower rate than the global economy as a whole. The Kremlin can see the domestic and international implications of this trend, and it knows it must take action in response. It is faced with a stark choice between applying stricter administrative measures, even embracing autarchy, or attempting reform.

Russia's economy is weakened by the dominance of the oil and gas sector. As president, Dmitri Medvedev announced an initiative to modernise the economy, with an emphasis on encouraging innovation. But this effort has failed. Putin's attempt to re-industrialise Russia on the basis of the defence industry is unlikely to fare much better. Technologically, Russia lags further and further behind the developed countries, and has even fallen behind some emerging economies. Its strength in the sciences, formidable in Soviet times, is also fading away. The brain drain from Russia has become an even more serious issue than capital flight. The government has tried to carry out education reform and has made efforts to restructure the antiquated Academy of Sciences system, but so far these attempts at reform have had meagre and sometimes even negative results.

Russia also has a demographic problem. From 1900 to 1991, the Russian Empire and then the Soviet Union were ranked third among the world's most populous nations, behind China and India and ahead of the US. Today, the Russian Federation, with 145 million people if Crimea is included, is ninth between Bangladesh and Japan. Russia's worst fears of depopulation may not be realised, but Russia is a relatively small nation compared to the US (310 million people), the EU (500 million), and China (1.3 billion). The utility of the population in terms of economics and social stability is another issue. Russia has a low birth rate and a high death rate. And illegal immigration from the former Soviet south has created social tensions.

## The potential for influence

The above list of Russia's limitations is illustrative rather than exhaustive. But neither its weaknesses nor the growing pressure applied to it by the US mean that Russia is becoming a marginal international actor. Even in its current state, the Russian Federation has a number of valuable resources that can help it to exercise influence over world events. Its ruling elite is fiercely independent and wants Russia to be a global player, even though the current mindset of those in power is antiquated. Russian society has gone through the trauma of post-communist transformation; throughout their entire history, the Russians have "never had it so good". Relative personal freedom and a degree of affluence are necessary prerequisites for nation-building from below and for the progressive unchaining of the human resources of Russia, although the process is unlikely to be smooth.

If Russia can capitalise on its resources, and withstand the pressure of sanctions, it could be an important geopolitical player in the many regions where it has a physical presence: Eastern Europe; the South Caucasus, Central Asia, and the Middle East; North-East Asia; and the Arctic. Its geographical position means that it can link Europe and Asia by land and by sea. Russia has East European Christian roots, but it also has rich experience with other cultures and faiths, including many within its own territory. This wide cultural knowledge could, in principle, help it to act as a credible mediator, although at present this possibility is completely overshadowed by the crisis over Ukraine. As a former superpower and an ex-empire, Russia can bring to the table a global view that is different from that of other principal players from both east and west. This, too, is bound to be contentious, in view of the Russian penchant for an international system based on the co-equality of the main players.

Russian diplomacy is highly professional, even if its attitudes and methods are quite traditional. It has demonstrated its ability to assist in the management, prevention, and resolution of conflicts. In 2013, Moscow came up with a workable proposal to deal with the issue of chemical weapons use in Syria. Russia is also a co-convenor, along with the US, of the Geneva II conference on the future of Syria. Theoretically, Russia could work together with the US and the EU to help stabilise Ukraine, both politically and economically. So far, despite the Ukraine crisis, Moscow has been a constructive actor on the Iranian nuclear issue. The continuation of this role into 2014 would be immensely useful. With the departure in 2014 of coalition combat forces from Afghanistan, Russia will need to assume more responsibility for security and stability in that region

as well. In the more distant future, Russia could play a stabilising role in East Asia and the Western Pacific.

## The Ukraine crisis and Russia's foreign policy for 2014

Integrating the former Soviet states became Putin's priority project during the global financial crisis, and after years of preparation, the Eurasian Union is set to launch in 2015. Initially an economic scheme, it has since morphed into a more ambitious project, very much in tune with Putin's foreign policy philosophy. The union should enable Russia to gain more economic weight in relation to its powerful neighbours, the EU to the west and China to the east. It should provide Moscow with a regional political leadership function and give substance to its claim of being the centre of a unique civilisation. The economic union is underpinned by a military security arrangement to which all its members and official aspirants belong, the Collective Security Treaty Organization. This makes Russia's Eurasian project a bid for constructing a new comprehensive centre of power.

However, instead of providing the time and space to finish the arrangements for the launch of the union, 2014 so far has been completely overwhelmed by Ukraine. The battle for Ukraine between Russia and the West came into the open in late 2013 with Ukrainians torn between the EU and Russia. It has since morphed into a contest that looks increasingly like a twenty-first century version of a cold war. As with the two world wars, the failure to achieve an acceptable post-war settlement has led to efforts to revise the status quo that emerged at the end of the Cold War. Having repeatedly failed to be integrated into the wider West, Russia is now challenging the parts of the settlement that its leadership finds most unacceptable, such as the projection of Western political influence, as in Ukraine, and the expansion of Western institutions such as NATO all the way to the Russian border.

This has set the stage for another period of intense rivalry. At a minimum, Russia wants a federated Ukraine as a neutral buffer and a bridge between itself and the West. But the chances of a settlement along these lines are slim. Instead, Ukraine could become literally a battlefield, with Russian forces directly and Western nations indirectly involved. The outcome of that battle will have profound consequences for the international system as a whole. And the war in Ukraine, if it comes to that, would not be the only event shaping Russia's international relations. Western sanctions could be increased to the level of

economic warfare, in a bid to bring about Russia's isolation from the modern world. Politically, the US is already resolved to turn Russia into a pariah state.

It is unclear, however, whether such pressure would lead to the solution of the West's "Russia problem". With the survival of the regime, the state, and the country at stake, the Russian leadership, rather than giving up, will probably call for an all-out patriotic effort to resist another Western attempt to crush Russia. The future of Russia would then depend on the stance taken by the majority of the Russian people. Should they conclude that their government has overreached and embarked on a costly and unnecessary adventure, the state will collapse – as it did in 1917 and 1991. Should they decide, however, that Russia is being attacked by US-led aggressors who want to rob it of its independence, they will rally around the Kremlin – as they did in 1941. Whatever the outcome, Russia will emerge from the events of 2014 a changed nation.

*Pyotr Stegny*

# Russia's foreign policy: searching for a new paradigm

4

Russia is still in a transitional period characterised by conflicting attitudes to global affairs, and at home, by the radical but incomplete economic and political reforms carried out since 1991. Therefore, the search for a foreign policy that can best meet our national interests and help us negotiate global shifts has to be carried out by trial and error. Over the past 20 years, Russia has three times made radical changes to its foreign policy paradigm. Perestroika was inspired by Francis Fukuyama's dreams of convergence between the two world systems. The "wild 90s" saw an attempt to adapt to the harsh realities of a unipolar world. But the multipolar world that emerged in the "noughties" could lead to a "convergence of convergences" that combines the dream and the reality. Not only Russia, but the whole world is moving in this direction, driven not by collective wisdom so much as by a collective instinct towards self-preservation.

The concept of the Eurasian Union and the steps taken so far towards its implementation reflect a trend towards the reintegration of the post-Soviet economic space. As the world tends towards integration, Russia along with other countries has an interest in ensuring sustainable development. The Eurasian Union aims to recreate the economic ties that were weakened or lost after the Soviet collapse, so as to improve the competitiveness of post-Soviet states in a challenging global market that is characterised by trade and economic rivalry.

Many Western politicians and experts have portrayed the Eurasian Union project as an attempt to resurrect the Soviet Union, but this is an incorrect interpretation of the plan. In the 20 years since the collapse of the Soviet Union, the current and potential members of the project have become independent states. However, the states have not yet fully determined their foreign policy positions in a world that is rapidly changing. In general, it seems that for

the foreseeable future all the potential members, apart from Russia, would like post-Soviet integration to follow the model of the Asia-Pacific Economic Cooperation forum (APEC) rather than that of the European Union. Russia, on the other hand, would prefer to follow Europe's experience of integration. This would entail progressive development from the institution of a common economic space to the creation of supranational political structures. The eventual outcome of the Eurasian idea depends on a range of factors, such as Russia's ability to present itself as an attractive economic partner and its capacity to guarantee security in the context of global and regional instability. If things turn out this way, the Eurasian idea could lead to the creation of a Greater Europe that stretches from the Atlantic to Vladivostok, strengthening our historical ties both with Europe and with Asia.

## Russia and the West

In turning towards Asia, Russia is not turning its back on Europe. Culturally, Russia sees itself as a European country with an interest in European technology. But with Japan and China as its neighbours to the east, and Ukraine and the Baltic states as its neighbours to the west, Russia has no choice but to exercise a multi-vectoral foreign policy. The BRICS grouping of Brazil, Russia, India, China, and South Africa, which was initiated by Russia, is indicative of this approach: the group is not a regional body, but aims at solving problems on a global level.

The emerging economies in the BRICS group make up a sort of global middle class. They feel that the global world order since the end of the Cold War has been constructed in a haphazard way and is rife with ambiguity. The West correctly perceived the end of the stand-off after the collapse of the Soviet Union and the subsequent profound political changes in Eastern Europe and the Balkans as the starting point for the transformation of international relations. However, no agreements were made at the end of the Cold War about the content and format of the transformation. Existing security structures, including the United Nations, are not sufficient to deal with the changing balance of power in the world.

Under these uncertain conditions, the values that won the Cold War – democracy, human rights, and the market economy – began to be seen by our Western partners not only as a prerequisite for sustainable development (with which Russia generally agrees), but also as a regulator and criterion for progress. As a

result, the West has formed, in Russia's view, an ideological conceptualisation of democracy as a panacea for all social ills and, consequently, as the main component of the new world order. But the real world is more complicated than that. Geopolitical imperatives and conflicts between individual and collective interests are still more important than ideology in the modern world.

However, it seems like the West just does not appreciate the true complexity of global affairs. It sometimes appears to us Russians that the West, like the Soviet Union in its final years, lives more and more in a world of illusions that it has created itself. The West does not seem to have learned the most important lesson of recent years: any system that is based too much on ideology, including democracy, is by definition unviable. And the system becomes even more impracticable when its supporters try to impose on their partners a set of neoliberal values that are sometimes very different from the traditional understanding of morality in, for example, Christianity or Islam.

Russia is tired of the West's double standards. We know from centuries of experience that Europe's attitude towards Russia changes for the better during tough times: in 1812, when Napoleon Bonaparte was bogged down in Russia's snow; two years later, when General Matvei Platov's Cossacks entered Paris at the head of the forces allied against the French general; and before and during the First and Second World Wars, during which Russia effectively acted as Europe's strategic back-up. This being so, it was a great shock for us, having sacrificed 27 million lives for victory in the Second World War, to see the European Parliament put communism on a par with fascism. One could draw an analogy to the late 1930s, when the shortsighted policy (or national egoism) of the small countries of Eastern Europe and the Baltics in building a cordon sanitaire on the western borders of the Soviet Union prevented the timely creation of an anti-Hitler coalition, bringing the world to the brink of disaster.

These issues may seem irrelevant to the current situation. However, reading history in a politicised way, by taking account of other people's mistakes but not one's own, is the surest way to repeat the same errors. Democracy can only grow organically in a competitive, pluralistic environment that allows for differing, and even contrasting, assessments of the past. Simply exchanging one template for another is no way to ensure progress. If we build society by looking to the past rather than to the future, we will march ourselves straight into an Orwellian dystopia. Russia has experience of a society in which public opinion was controlled by the "Ministry for Truth", and it has no desire to trade one totalitarian system for another.

## Dealing with the wider world

Russia feels that the world order since the Cold War is becoming dangerously unbalanced. Russia and the West have a basic conceptual difference of opinion. The issue is not conflict of interest in the traditional sense. In the Middle East, for example, the strategic objective of the main global players – Russia, the United States, the European Union, and China – is the same: to maintain stability in this explosive region. But whereas Russia has consistently acted based on unconditional adherence to the primacy of national sovereignty and the central role of the UN, our Western partners, in Syria and in other recent conflicts, have acted according to a different political and legal framework, in which democracy promotion has been prioritised over sovereignty.

The crisis in Ukraine has displayed the fragility and even, perhaps, the exhaustion of both sides of this paradigm. On the one hand, in the absence of a legitimate authority that has been elected in accordance with democratic procedures, citizens become the true repository of sovereignty. This truism was confirmed, in our view, after the armed coup in Kyiv put an end to the possibility of a constitutional solution based on the agreement of 21 February, when the referendum of 16 March in Crimea returned results that were overwhelmingly convincing.

On the other hand, the West, having in all its actions (and not only in the Middle East) prioritised democracy over sovereignty, has itself, however paradoxically, written the script for the reunification of Crimea with Russia. Even former US Secretary of State Henry Kissinger expressed doubts that Vladimir Putin could have hatched plans for the annexation of Crimea in the midst of the Sochi Olympics. The behaviour of US Assistant Secretary of State Victoria Nuland and US Senator John McCain at Kyiv's Maidan, not to mention everything else, presented a challenge that was answered in a manner that was proportionate, and it must be stressed, without any other alternative: it was the only possible response that could be made considering the freely expressed will of the Crimean population.

From a geopolitical point of view, it seems quite revealing that the crisis in Ukraine took place at a time when the world, having reached a dangerous turning point in Syria – if not the very edge of disaster – had just returned to political realism. This shift was rewarded by the agreement on the elimination of Syria's chemical weapons and the beginning of a breakthrough in the negotiation process on the Iranian nuclear programme. Is it not possible that

the Ukraine crisis too needs to reach the edge in order to finally establish the need to define a new paradigm of international development that is relevant to the threats and challenges of the twenty-first century?

The world is changing too rapidly and chaotically. If we are to avoid situations in which local crises slide out of control, we need to agree on the basics of a new system of global security. This is a daunting task. It will require Track II diplomacy, involving non-official actors from other fields than diplomacy, since it will concern themes that practical politicians have always considered the realm of philosophers. These include the moral foundation of a globalising world, self-restraint as a pre-requisite for harmonious development, different models of democracy, religious and ethnic tolerance, civil rights and responsibilities, and the situation of national minorities. We will have to find a way for the West and the East to come together in the twenty-first century. We need to introduce into international relations the same principles of pluralism that form the basis of national democratic systems. Unless we find ways to address these issues, along with the many other points of contention that divide us, it will become even more difficult to find solutions to any new local crises.

Anna Arutunyan

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## The Coronation

1.

Ivan Alexeyevich Sharov could not wrap his mind around an email he had just received; mistakenly, by all appearances.

He stared at it as the hour approached 11, then midnight; the report on next year's projected earnings for ChevYukOilNeftegaz that he had procrastinated on all evening was left untouched, the deadline passed.

Thick clumps of snow fell outside in the darkness, sticking to the shimmering trees lit up for New Year's on the boulevard beside Staraya Ploshchad, the Old Square. Roaring, half-drunk hipsters were hopping from bar to bar on the other side of the boulevard, taking selfies against the Presidential Administration building where he worked.

Ivan Alexeyevich stared at the email from the recently appointed deputy head of the Presidential Administration and tried to make sense of it.

"Colleagues!

Revisions to the attached drafts were due YESTERDAY. Guys! Come on! We've scheduled the coronation for Christmas Eve, let's not fuck this up, PLEEEASE??!!

Respectfully yours,

Slava."

Clearly, Sharov had been copied in by mistake. But seeing the word "coronation", he opened the drafts.

A body of lawmakers and Church leaders were about to sign an address to the president asking him to assume the crown of Emperor of All Russia and the Free Trade Union of Eurasia. The letters themselves were drafted by clerks in the presidential administration, in three variants: purportedly from the Patriarch of the Orthodox Church, the All-Russian Popular Front, and the Supreme Eurasian Economic Council.

The letters contained a single appeal: "In light of the prolonged Second Great Depression that has gripped Europe for nearly a decade, we ask you, dear Vasily Vladimirovich, to assume your predestined role as emperor. Just as Constantine, likewise fleeing the calamity of Europe, established the Second Rome on the banks of the Bosphorus..." etc. etc.

Sharov winced at the tasteless allusion to Moscow as Third Rome. The message was making him physically sick.

For the last five years Sharov, a thirty-six-year-old Muscovite who had made a spectacular career after returning from the United States with a Harvard business degree, had advised the president on energy policy in the Eurasian Union. Once a fragile association of former Soviet countries, the union had since grown to incorporate the entire post-Soviet bloc, with its collective GDP rivalling Europe's, and with pending membership status for Afghanistan and post-Assad Syria. The strategy, which had been used by the Russian Empire for 1,000 years, was simple: instead of confronting a potential security threat, which Russia did not have the muscle to do, it incorporated it. The union's economy relied largely on a Moscow-controlled oil and gas monopoly. The president had tasked Sharov with developing the legal foundations to effectively merge the union's oil and gas companies into one. The resulting conglomerate had earlier that year merged, in turn, with Chevron-Texaco. Sharov had even done the impossible and helped concoct a legal mechanism to hand over the reins of the resulting conglomerate to the president, making an elected head of state the owner and CEO of the biggest transnational energy company in history: ChevYukOilNeftegaz.

In return – and this was, for Sharov, the aspect of his job that filled it with the sort of transcendental meaning he would never expect in civil service – the president listened attentively to every bit of political criticism that Sharov had to offer.

During regular, private audiences, the president would ask him what he really thought about the oil conglomerate. "Honestly? A head of state owning an oil company? Self-destructive, Vasily Vladimirovich. I only hoped that the framework of the law would keep this travesty from getting out of control."

Criminalising capital flight? “Positively toxic for the business climate. Capital flight grew by 20 percent last year, and it will only increase. The free market always finds ways to right the government’s wrongs.”

The president would look at him with his steady, pallid gaze, his real thoughts either concealed or non-existent. Then smile warmly at last with eyes unsmiling. “Thank you, Ivan Alexeyevich. I always value your frank opinion.”

Oh, the president was an exquisite listener. Nowhere else did Sharov feel he was expressing his thoughts as freely and as pointedly as when he sat across from that invariable desk in the Kremlin and talked; no lecture hall before a thousand people, no syndicated opinion column gave him the same certainty of being heard and understood.

Sharov used those occasions to lash out at the government’s stifling economic measures. He questioned why an ally of the president walked with a suspended sentence on a \$10 million embezzlement conviction while an opposition figure got three years in jail for embezzling \$10,000. He ridiculed, directly to the president’s face, a constitutional amendment that established Orthodox Christianity as a state religion in the preamble. He pointed to six jailed LGBT protesters who had launched yet another hunger strike, calling their imprisonment a “disgrace” for a WTO nation and a member of the G10.

When the president quietly suggested that this was merely the people’s will, Sharov even raised his voice – “You know that’s not true, that the courts and the prosecutors are merely executing your will...”

To this the president would nod and smile sadly. He would jot something down in his large, illegible script, and assure Sharov that he would take everything into consideration. Invariably, each meeting ended with a slight prod about the next earnings report from ChevYukOilNeftegaz, an oil conglomerate that Sharov should never forget he had helped make happen.

But that night’s accidental email glared at Sharov and made him feel unwholesome. If his own role in legitimising the president’s direct control over ChevYukOilNeftegaz weighed on his conscience, serving an emperor outright made his further work impossible. He must convince the president that the calls to make him emperor would only play into a provocation concocted by the West to smear Russia as a backward society. The president must, as a gracious ruler, decline the offer to assume more power. Or he, Sharov, must quit, as would many others.

The choice was simple.

Sharov threw on his coat, stuck a flash card into his computer and copied the emailed drafts. He ran down the stairs past the security guards and pushed through the door.

Outside, the wet air punched him in the face, smelling of snow and thaw. "Petrovich," he whispered to his driver, whose face reflected his own panic, "you're free to go. I'm walking home tonight."

Sharov left his driver incredulous in the melting snow by the black iron gates, turned up his collar, strode up the boulevard past Staraya Ploshchad and Novaya, past the Lubyanka building with the statue of Soviet secret police founder Felix Dzerzhinsky reinstated, past the glass skyscraper over the Bolshoi, and into the floodlit orgy of glamour that occupied Red Square.

Three giant shopping pavilions towered over the mausoleum housing the eternal body of Vladimir Lenin. One constituted a glass pyramid; the next – a Chinese dragon; but the biggest was a six-storey Santa Claus. With its head tilted back in obnoxious laughter, the Santa concealed the Kremlin's Spasskaya Tower; and as if to diminish and thereby enhance its own menace, the Kremlin hid coyly behind the glittering monstrosity.

## 2.

Sharov's next meeting with the president was on Tuesday; that had left him three days to prepare.

The first thing he did after leaving the Presidential Administration was meet up with Masha and hand her the flash card.

Masha was a young reporter for one of two business dailies – the most reliable newspapers in Russia. He met her five years ago, when she slithered into the elevator with him after a White House briefing, clutching a recorder. Since then, he fed her occasional leaks, slept with her twice, and, in an irony not lost on either of them, often met with her to clear his conscience at Jean Jacques, a Moscow café that had become synonymous with the oppositionist class.

He was banking on Masha publishing the story on Monday, to spark, as he assumed, an international scandal by Tuesday, when he would meet with the president. If he was

lucky, the first protesters would take to the streets by then. He knew the danger of this, his last leak – and cautioned Masha to source it as vaguely as possible, joking about the cellars of the Lubyanka, except that it wasn't funny anymore.

Alone in his apartment, he phoned his lawyer friend in London to arrange for his assets to be cashed. Capital flight grew 20 percent.

The rest was sorted. His twin daughters were in a boarding school in the UK. His wife was vacationing with her friend in Tenerife, and would fly directly to London once her vacation ended. Everything he accumulated in life was safe.

As he poured himself a glass of whiskey, he noticed his housekeeper had rearranged the junk on his bedside table, revealing a history book that Sharov, who had a layman's regard for history, started over a month ago and hadn't had time to read again: *The Life of Constantine*, by the fourth-century bishop Eusebius of Caesarea, once christened the most unreliable historian of his time.

He opened to the bookmark – and re-read the passage that had made him so uneasy a month ago: "...The men of God proceeded without fear into the innermost of the imperial apartments, in which some were the emperor's own companions at table, while others reclined on couches arranged on either side. One might have thought that a picture of Christ's kingdom was thus shadowed forth..."

Like the first time he read that passage, he winced and threw the book down. The uncomfortable truth that the passage reminded him of was this: aside from an addition to his salary in the form of lecture fees, his job offered him another unexpected perk. A few years ago, a long-time businessman friend came to him begging to set up a meeting with the president because his company was under attack from a particularly ambitious investigator. After Sharov arranged the meeting, the favour was returned with an expensive lecture date. More requests followed – but there were only so many lectures Sharov could give. Pretty soon, the gratitude for the meetings he arranged, for access to the body, as the slightly lewd Russian expression described it, started taking the form of hard cash.

"Everybody does that," Masha replied, laughing, when he told her about it. "I wouldn't be friends with you if you didn't."

...The emperor's own companions at table, while others reclined... Like Eusebius's flattery, there was something vaguely indecent about serving an emperor in the

twenty-first century. Sharov poured himself another whiskey and took comfort in the ultimatum he was determined to give to the president.

### 3.

The media flurry came more swiftly than Sharov expected. Masha got the story into the weekend paper; on Sunday morning Sharov woke up to the news splashed over the Internet. To his horror, he found Echo of Russia, the oppositionist radio station, actually supported the bid. "We've been ruled by an emperor for far too long," the editor of the radio station said. "It's about time he stopped lying to us about it."

By Monday, the presidential spokesman had "declined to comment" on what he called "an absurd rumour". The Patriarch, the Popular Front, and the Supreme Eurasian Economic Council all denied involvement. But some lawmakers actually went out of their way to say that, while they knew nothing of the plans, the president should by "all means go ahead and" be crowned emperor. The country's top fashion designer had even announced a contest for the best imperial robe.

No one had bothered to protest by the time Sharov, who brought *The Life of Constantine* to read during the long wait, sat outside of the president's office.

As the gilded doors opened at 23:30, Sharov stopped dead in his tracks.

At his desk, the president, who looked younger each year as the rest of them aged, was flanked by the German chancellor on the left and the patriarch on the right.

"Ivan Alexeyevich! Sorry to keep you waiting. Please, sit, we're just finishing." To the chancellor: "Less than a month till Christmas. I assure you, we can pull it off."

"I'm glad", the chancellor replied, glancing furtively at the patriarch, "that we both managed to talk you into it."

And the patriarch said, "The picture of Christ's kingdom is shadowed forth."

*The Life of Constantine* dropped from Sharov's hand, he picked it up and clumsily placed it on the desk; the president eyed it.

Sharov had remained standing. He only found himself bowing slightly to the patriarch as he and the chancellor left the room.

"I see no reason why anything should change with regards to your service, if that's what you're worried about," the president said when they were alone. "Remember what you told me about ChevYukOilNeftegaz? That you were merely legitimising the status quo." The president was indeed an excellent listener, because Sharov remembered saying those words only to himself.

He had planned a whole speech about rule of law, about at least holding a referendum, but when Sharov opened his mouth, nothing came out.

"I've always let you tell me the truth," the president said.

"Because it was a truth that always suited you, Vasily Vladimirovich," Sharov replied.

He knew suddenly, as he knew that the email had not been an accident, that he had no ultimatum to make. He loved his job too much. "I will serve the emperor," he said, bowed deeply, and turned to leave.

"Ivan Alexeyevich," the president said. "Those meetings you arranged for cash? Don't worry about them. Everybody does that."

\* \* \*

As the Kremlin gates closed behind him, Sharov walked to Red Square and ascended the ancient Place of Skulls, nestled between the glittering pyramid, the Santa Claus, and the dragon. He threw his cashmere coat on the muddy snow. Sharov would serve the emperor and tell the truth the only way it was possible: a jester who shouted nonsense, or, in Russian tradition, a holy fool. As the clock on Spasskaya Tower rang midnight, Sharov sat on the cold cobblestones and waited for the coronation. He loved his job.

# THE EUROPEAN UNION AND THE EURASIAN UNION

*Eugeny Vinokurov*

5

# From Lisbon to Hanoi: the European Union and the Eurasian Economic Union in Greater Eurasia

The “supercontinent” of Eurasia is home to two-thirds of the world’s population and produces over 60 percent of its economic output. Because of the dramatic opening of China and the former Soviet Union to the world, almost all the countries in Eurasia are becoming more economically, politically, and culturally interdependent. Over the last 20 to 30 years, the reach of globalisation has radically extended. The original gap in central and northern Eurasia caused by the bamboo and iron curtains has been filled in by a network that connects Europe, the former Soviet bloc, and China. And an increasing number of supranational political and institutional structures are being created to supplement economic ties.

With the establishment of the Eurasian Economic Union (EEU) set for 2015, the members of the new bloc need to re-evaluate their relationship with the European Union. One of the biggest challenges that the new body will face will be making progress in economic relations with the EU. The EEU and its Customs Union, comprised of Russia, Kazakhstan, and Belarus, need to acquire proper legal status. And the Eurasian Economic Commission (EEC), with 150 supranational competences, has yet to turn into a full-scale actor in international negotiations. For its part, the EU has to recognise that its standard partnership approach is not applicable to its eastern neighbourhood, a regional economic bloc with 170 million people and a GDP of \$2.4 trillion. Both the EU and the EEU are constituent parts in the emerging phenomenon of Eurasian continental economic integration. The EU and the EEU need to focus on the long-term prospects for deeper economic integration, eventually leading to the creation of a Greater Eurasia that stretches from Lisbon to Hanoi.

The current crisis in Ukraine has serious implications for the EU-Russia relationship. Even an academic researcher, let alone a politician, who suggests the possibility of economic integration between the EU and Russia now runs

the risk of being perceived as a madman. But viewed from a much longer perspective, for example a ten-year period, the idea might not seem so unlikely. When the crisis subsides, the time will come to resurrect sincere negotiations on economic rapprochement. After several years of difficult yet constructive negotiations, a comprehensive agreement could become reality by the 2020s.

## Potential for economic co-operation in Greater Eurasia

The EU and the emerging EEU have good cause for mutual interest in deeper economic integration. This kind of economic co-operation could help them to overcome many of their points of conflict, as well as to combine resources for the advantage of both sides. Some of the factors that lend themselves to closer integration are the two sides' territorial proximity and mutual energy dependency, along with the huge trade flows between the two, and the potential for greater investment flows and technology transfer. Economic integration could help deal with issues of soft and hard security and with tensions over the common neighbourhood, as well as with the unresolved problems in trans-border energy and transport infrastructure. After all, even Ukrainian sustainable development will ultimately only be resolved within the triangle of the EU, Ukraine, and Russia. Neither the West, nor Russia, nor the multilateral organisations will be able to carry the financial burden alone.

Trade flows between the three major regions of Eurasia – that is, Asia (including India and the Middle East), Europe, and the Commonwealth of Independent States (CIS) – are growing at a much faster rate than global trade. Trade between Eurasian regions shows higher growth rates than trade between any other regions, aside from exports from Europe to Asia. In 2009, trade between Eurasian regions dropped by more than global trade, but a quick recovery in 2010 saw figures return to growth. Trade between Eurasian regions typically grew faster than trade within each sub-region, with Asia the only exception. Although its globalisation lagged behind in the past, Eurasia is fast catching up.

There is huge potential for development in infrastructure, in spite of some formidable bottlenecks. The countries of the region could work to create links by constructing roads, railways, fibre-optic cables, and electric power grids. Electric grid linkages would lead to lower prices and more stable energy systems. The greatest achievement of all would be a network uniting the EU and EEU grids. A unified and homogenous common power market stretching from Lisbon to Hanoi via Vladivostok is not necessary, because electric power markets do not

function in that way. But the creation of infrastructure that could support a number of regional and sub-regional common markets would do much for the economic development of Greater Eurasia.

However, the European and post-Soviet worlds struggle to understand the nature of each other's integration projects. Europe tends to perceive the CIS and the Customs Union as products of "Russian imperialism". However, post-Soviet economic integration will generate considerable benefits for member states. Europeans seem to find it hard to understand the depth of the co-operation ties inherited by post-Soviet countries and their vital importance for the economic modernisation of Russia, Ukraine, Kazakhstan, and Belarus. It is difficult to think of a break-up comparable to the dissolution of the Soviet Union in the history of world, except possibly that of the Austro-Hungarian Empire. Just try to imagine, though, the disintegration of the EU – not only the euro, but the entire single market. Now consider all the incentives there would be for Europe's reintegration. And now triple that, because the Soviet economy was much more interdependent than the economy of today's EU.

Relations between the EU and the EEU face two major problems. The first is the absence of progress on trade, capital flows, energy, education, and security. The second is the growing competition over the countries on the western and southern flanks of the EEU, also known as the EU's eastern neighbourhood. Ukraine, Belarus, and Moldova have become the focus of rivalry between two integration projects. Georgia, which clearly has aspirations to join the EU, is another point of contention, albeit less severe, as are Armenia and Azerbaijan. Finally, Russia's own orientation, whether towards Eurasia or Europe, is a matter for competition.

European and Eurasian integration should not be seen as mutually exclusive. Competition between integration projects is not in itself a negative process. Indeed, it can be seen as simply a form of institutional rivalry. In an ideal scenario, the emerging EEU could help to further the European integration agenda on a number of issues. The EU by its very existence promotes regional co-operation. It could help to mitigate the serious obstacles to post-Soviet integration, such as the lack of trust between post-Soviet countries and the issue of the overwhelming size of the Russian Federation. Co-operation with the EU implies the harmonisation of standards: this would foster co-operation between post-Soviet countries as well. But harmonisation should be a well thought-out, gradual process. Rushing it could have a negative effect on the economies of the region and could cause unwelcome side effects such as price rises.

In the longer term, the EEU could serve as a better and stronger counterpart to the EU than any individual country – although perhaps not from the EU’s point of view, since it prefers to deal with weaker partners. But the EU has in the past considered co-operation with economic blocs. In 2010, it renewed negotiations on free trade with the South American economic bloc, Mercosur. Since the EU’s Eastern Neighbourhood Policy has produced only modest results, it is time to think about changing the conceptual approach on both sides.

## The nature of future EU-EEU economic integration

Economic co-operation and integration was high on the agenda in 2003-2004, when the EU and Russia seriously discussed the establishment of four “common spaces”: a Common Economic Space, a Common Space of Freedom, Security, and Justice, a Common Space of External Security, and a Common Space of Research and Education. Not much progress was made on the project and the issue was put on the backburner. But the convergence of the two blocs may move to the top of the international agenda when EEU institution building has been completed. Neither the European Commission nor the Eurasian Commission is particularly concerned with discussing the matter right now, although the Eurasian Commission has demonstrated slightly more interest than the European Commission. But in the current climate, with relations worsened by the dispute over Ukraine, a more proactive agenda would pave the way for future negotiations.

Deeper economic integration with the EU is of enormous importance for the emerging EEU. The EU is the largest trading partner of Russia and Kazakhstan and Russia is the EU’s third largest trading partner. The EU could help to modernise the economies of the Customs Union. The EEU is in the process of negotiating a range of free trade agreements with smaller partners, such as Vietnam and Israel. But negotiating an agreement with the EU should be seen as the main long-term objective. For one thing, the current crisis over Ukraine will ultimately be resolved only within the context of deep economic co-operation between the EU and the EEU.

Potential EU-EEU integration could take a range of different forms, from a Deep and Comprehensive Free Trade Agreement (DCFTA) to a Comprehensive Economic and Trade Agreement (CETA), similar to that agreed between the EU and Canada in October 2013. The Transatlantic Trade and Investment Partnership (TTIP) and Transpacific Partnership (TPP), both currently under

negotiation, also offer potential prototypes for an agreement. Any prospective EU-EEU agreement must be both wide-ranging and deep if it is to be feasible. The obvious problems that trade concessions would entail should be compensated by advantages in other areas.

An agreement between the EEU and the EU might include a wide range of issues, such as trade tariffs, trade in services (particularly financial services), and the reduction of non-tariff barriers. The partners would have to agree terms for the free movement of capital (but most likely not of labour). The two sides might consent to mutual access to governmental procurement. Regulatory convergence is important, but it is a sensitive issue for the EEU, so the two sides would have to move carefully on this issue. An agreement could be made over securing intellectual property rights and technology transfer. The EU and the EEU could decide to institute mutual recognition of professional certification and to foster educational exchange between the two sides. Visa barriers could be lowered, and a special economic regime could be set up for Kaliningrad. The two could agree to join forces in developing cross-border transport and energy infrastructure, including settling regulatory issues, and to develop a common electric power market.

Post-Soviet Eurasian integration should not create a closed system. Certainly, the potential for economic and technological convergence within the post-Soviet world is significant, but Eurasian continental integration would be a more logical step forward. There are clear benefits to be obtained by deeper integration and co-operation, westwards (with the EU), eastwards (with China and Asia), and southwards (with Turkey and, to a lesser extent, India and the Gulf). Potentially profitable areas for co-operation include a common trade regime, the harmonisation of technical standards, common infrastructure for hydrocarbons, transport, telecommunications, and electric grids, visa-free regimes, education, and many other developments. The current Customs Union members will become simultaneously the drivers, the backbone, and the key beneficiaries of the integration process, and deeper economic integration with the EU should be their foremost priority.

*Vladislav Inozemtsev*

# Russia turns east: Eurasian integration, regional development, and the West as East

Shortly after the formal announcement of his return to the Kremlin, Vladimir Putin published an article that outlined Russia's policy towards the post-Soviet space.<sup>3</sup> He said the creation by 2015 of a Eurasian Economic Union was the most important task facing Russia in its "near abroad". He also laid out the need for further deepening a comprehensive integration process, which, he argued, was to be largely based on the European experience.

More than two years later, many important benchmarks are still a long way from being met. Moreover, some recent events – for example, the March 2014 reaction of Belarusian and Kazakh leaders to Russian aggression against Ukraine – suggest that the differences between the parties involved are only increasing.

Even so, Russian policymakers are obsessed with Eurasian ideological constructs, and have fallen in love with the idea of a *Drang nach Osten*, or push to the east. The proposed Eurasian Union is only one aspect of this drive eastwards, which will necessitate difficult decisions on Russia's orientation and its identity as a European or Eurasian nation.

## The Eurasian Union and the EU: different paths of development

The construction of the Eurasian Union differs from the evolution of the European Union. European integration was first launched by countries with comparable economic size and complementary economies. But even if not

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<sup>3</sup> Vladimir Putin, "Novyi internatsionnyi proekt dlya Evrazii – budushchee, kotoroe rozhdaetsya sevodniya", *Izvestia*, 3 October 2011, available at <http://izvestia.ru/news/502761>.

only Kazakhstan and Belarus, but also Armenia, Kyrgyzstan, and Tajikistan join a prospective Eurasian Union, Russia's share of the union's combined GDP would stay at no less than 89 percent. The two largest economies, Russia and Kazakhstan, are both heavily dependent on the resource sector: energy resources and metals accounted for 77.9 percent of Russia's exports and almost 91.5 percent of Kazakhstan's exports for the first 10 months of 2013. Therefore, no significant synergies can be expected from co-operation between the countries.

Even if all the economies of potential members of the union were added to that of Russia, the new conglomerate would not become a major economic power. Russia would not even improve its current standing in the ranking of the world's largest economies. After each new country joined the European Economic Community/EU, its trade with other member states increased – on average twofold in the first five to six years after joining. But in 2010-2013 Russia's trade with all other countries in the world grew faster than its trade with the other members of the Customs Union, Kazakhstan and Belarus. In other words, the integration of the former Soviet republics makes no economic sense – and the key to success in the integration of Europe was economic advantage.

European integration led to an expansion of the freedoms enjoyed by EU citizens. Today, they possess full freedom of movement, equal labour rights, and even the opportunity to participate in elections outside their countries of citizenship. The situation in the post-Soviet space is quite different. Since the beginning of the 1990s, around 4 million Russian-speaking people have been forced out of the now “integrating” states of Transcaucasia and Central Asia. As a result, between 1989 and 2010, the share of the population made up of Russians, Ukrainians, and Belarusians decreased from 44.4 to 26.2 percent in Kazakhstan, from 24.3 to 6.9 percent in Kyrgyzstan, and from 8.5 to 1.1 percent in Tajikistan. Because of the nationalist policies of these countries, no new influx of Russian-speaking population is expected.

At the same time, starting in the mid-2000s, Russia began to experience an increasing flow of migrants from Central Asia, between 600,000 and 1 million people a year, which has caused serious social tensions in Russia. Russia cannot strengthen its position within the union's other members through the outflow of its citizens, which was the basis for modernising the Central Asia region in Soviet times. And the influx of migrants from other potential members of the Eurasian Union could cause problems so deep that the EU's principle of

granting equal rights to all the union's citizens would never be realised. This could limit integration for years, if not for decades.

Russia's unique position among the post-Soviet states raises deep concerns in its potential partners. Putin has frequently expressed sympathies for the Soviet Union, which he called "the same Russia by a different name".<sup>4</sup> This makes other leaders worry whether "integration" would not be used as an excuse for a full-scale political restoration. This feeling has intensified after Russia's recent involvement in Crimea and in Eastern Ukraine.

In Europe, a democratic political system served as a precondition for the participation of any country in the EEC/EU. But the post-Soviet space is dominated by authoritarian regimes, and ruling elites behave as if the states in which they live are their own private property. In these circumstances, agreeing any difficult economic agreements seems likely to prove as impossible as the creation of supranational governing bodies – which were the main innovation of European integration, with its ruling principle of spillover. "Enforcement of integration" such as Russia has demonstrated in Ukraine clearly shows that Putin's objective is to sideline other political players and ensure Russia's political domination of the whole former Soviet Union. Recent experience indicates, however, that most of the post-Soviet countries – including Kazakhstan, Ukraine, Uzbekistan, and Azerbaijan – prefer a multi-vector foreign policy.

European integration is aimed at maximising economic benefits for all its participants and is based on the principles of equality and consensus. Eurasian integration, on the other hand, is driven by the desire of a dominant regional power to secure geopolitical advantages by paying off its partners with sizeable economic concessions. Kazakhstan may be given access to transit routes through Russian territory. Belarus and Ukraine may be rewarded with lower prices for Russian natural gas. Armenia may receive more military and development assistance. And Kyrgyzstan and Tajikistan could be allowed to send labourers to Russia in even greater numbers.

However, providing these opportunities to others brings Russia itself no significant benefits. Belarus receives direct and indirect subsidies from Moscow estimated at \$8-10 billion a year. Up until early 2014, Ukraine received financial

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<sup>4</sup> Quoted in Aleksandr Botukhov, "Ryad programnykh zayavleniy na etoi nedele sdelal prem'er-ministr Vladimir Putin", Pervyi Kanal, 23 October 2011, available at <http://www.itv.ru/news/polit/189002>.

help from Russia through its unpaid gas debts and through direct credit lines. Central Asian countries, too, hope for considerable economic assistance. But it is unclear for how long and to what extent Russia will fund purely political projects in the post-Soviet space, especially if Putin begins to feel that his wishes have not been carried out. For example, despite being part of a Union State with Russia, Belarus declined Moscow's call to recognise Russia's client states of Abkhazia and South Ossetia. The fate of Eurasian integration depends on how long Moscow remains convinced that the money paid and privileges disbursed to its allies provide valuable political dividends.

Another serious challenge for Russia is that it is trying to integrate with former colonies that split off from the imperial centre and have discriminated against its people for more than two decades. Some elements of a Soviet identity persist among the older generations in Central Asia and the Caucasus, but the most active younger citizens of these countries possess a worldview dissimilar to that of the majority of Russians. A massive income gap exists between Russia and the poor countries of the post-Soviet periphery: average income in Tajikistan, for example, is 9.5 times less than in Russia, while in Soviet times the gap was never more than 23 percent. This income gap will lead to migration flows similar to those between France or Britain and their former dependencies. Russia will have to fund development programmes for the lagging areas, or risk serious social unrest by completely lifting controls on migration flows.

A final important factor is the perception of the union by the citizens of participating countries, and above all by the Russians. Many Russians support the project because they value the geopolitical position of their country, but at the same time, they see themselves as Europeans. The Eurasian integration project involves not so much a "gathering" of Slavic and non-Slavic peoples around Russia but rather a clear refocusing towards Asia. That is why Ukraine is so important to the enterprise: without it, the Eurasian Union would become a tool for the "Asianisation" of Russia, which a significant part of the Russian electorate does not want. The EU is attractive not only to those who gathered on Kyiv's Maidan but also to many Russians, especially those who have long been familiar with the European way of life. A perception of the Eurasian Union as a less attractive alternative to the EU that would block Russia from moving closer towards the West would cause huge disappointment among the Russian public – even if after the annexation of Crimea this public seems united around President Putin.

## Developing the Russian Far East

The Eurasian Union project, with all its flaws, is part of Russia's new eastward-looking approach. As part of this approach, Russia intends to develop its eastern regions. By value, more than 76 percent of Russia's exports are made up of goods extracted or manufactured in Siberia. The region contributes hugely to Moscow's power, but it is still far less developed than the core of the country. Russia needs to strengthen its own east if it is to strengthen its position in Eurasia.

Moscow says that Russia needs to "diversify markets", a nod to the growing difficulties Russia faces in its trade with Europe. The Kremlin says that it is searching for "true allies", which may be found in China and other members of the Shanghai Cooperation Organization (SCO). Official experts also note that Russia could gain trade and transit opportunities from its geopolitical positioning in the region. But however rational the approach, it carries a powerful ideological meaning: the turn towards the "East" is seen as a rejection of Russia's dependence on the "West". And the new emphasis on the Russian East is not directed at improving the quality of life of the local population but rather at strengthening the financial foundations of the central government.

Moscow intends to develop Russia's Far East, but not to allow it to develop itself. This part of the country evolved over the years as a typical settler colony with its own identity and "frontier" culture. It has huge potential for self-development, but Moscow prefers to continue to withdraw from the region its vast financial resources, giving back a small portion for image-building or politically sensitive projects.

At the moment, the central government in Moscow survives primarily because it receives from Siberia and from the Russian Far East an annual net financial transfer of \$300-320 billion, which significantly reduces any risk of social instability in the country. More than half of federal budget revenues come from two sources: customs duties on oil and natural gas and the special tax on the extraction of natural resources, both of which mainly come from Siberia. This net transfer explains why it is so difficult to develop the eastern regions. For real development, Moscow would need to channel to the east between \$60 and \$100 billion per year, and this money is already earmarked for federal needs.

Moscow is not ready to grant the region more autonomy. Only state-owned companies are given a free hand. But none of the 14 prospective East Siberian

oil and gas fields granted without charge to Gazprom and Rosneft in the past three years has been operationalised. The federal funds sent from the capital have mostly just disappeared into bureaucrats' pockets. If Moscow maintains its colonial attitude to the eastern part of the country, the region will never be developed.

## A new strategy in the East

Rather than hoping to develop the eastern territory in co-operation with China, which wants Russian resources but has no interest in Russian industrialisation, the development of Russia's eastern territory should become first and foremost a "European" project. The region's population, despite the fact that their land is geographically in Asia, feel even more "Europeanised" than city-dwellers in Rostov or Samara. They frequently interact with Chinese and Central Asian partners – and every such interaction strengthens their European identity. Therefore, the Russian Far East must position itself as a "Europe on the Pacific", as it was in the late nineteenth and early twentieth centuries.

Russia's investment strategy must be changed to limit the export of unprocessed raw materials. Every available opportunity must be taken to attract investment into the industrial sector. Instead of from China, investment is likely to come from Japan, Korea, the US, or even Australia. The eastern parts of Russia should be turned into a giant free industrial zone, in which adventurous Europeans, both from Russia and from other European nations, can use Asian capital and American technology to create a non-Chinese industrial powerhouse.

The Russian Far East should become a kind of European outpost in Asia. This would be just the first step towards a much more ambitious final goal. Today, everyone accepts the "rise of Asia" as irresistible and considers eventual Chinese hegemony as inevitable. But the West should not play down its capabilities. Using the purchasing-parity method to assess the economic strength of all 31 Pacific coastal states, based on the IMF's World Economic Outlook statistics, 46.1 percent of the combined gross product of the Pacific states is generated by non-Asian countries: the US, Canada, Mexico, the Latin American nations, New Zealand, and Australia. The Asian share is 48.6 percent, and Russia's is 5.3 percent. Asia's dominance is not complete, and China's is even less so.

Russia's mission must be to bring true Europeanness all the way to the shores of the Pacific. It should create a new growth pole in its eastern regions. It

should seek investment from the US, Japan, Korea, and Latin America, and build a new global industrial centre, on the basis of Russian natural and human resources and Western technology and capital.

Historically, after reaching the Pacific Ocean, Russians headed not to Manchuria but to Alaska and California. Siberia is a product of settler colonisation, a European offshoot like North America. The North Pacific should become a *mare interna* of European civilisation, as the North Atlantic has been for centuries. The West needs to realise that the completion of “the Northern Ring” of Europe, Russia, and North America could become the key element in a stable geopolitical structure for the twenty-first century.

Russia should remember that its aggressive expansion toward continental Asia has never brought great benefits. Instead of working on its Eurasian project, it might recall that the demise of the Soviet Union began with Afghanistan and consider why Central Asia was so easily and so deeply dissociated from Russia in the 1990s. Russia might find it much better to stand firmly on the Pacific coast and to look towards the ocean’s eastern shore, the coast dominated by the US, Canada, and Mexico. The planet is round – and Russia’s real East has been and always will be the West.

Andrei Rubanov

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## Temujin Highway

*Editor's note: Temujin was the name given at birth to Genghis Khan (1162-1227), the founder of the Mongol Empire. The largest contiguous land empire that the world has ever known, the Mongol Empire stretched at its height all the way from Eastern Europe across Russia and China to the Sea of Japan.*

*One of its greatest achievements, and one of the key elements in holding the vast empire together, was the Yam, the Mongol courier service. The Mongols set up relay stations across the empire, and messengers travelled from one station to the next, showing their paiza or official pass to make use of the facilities of each station, including fresh horses or a place to stay.*

*Run by the military, the Yam was originally a means for messengers of the Mongol khans to conduct official business. But later, the Yam was also used by merchants and travellers. By enabling the khans to stay apprised of developments across the empire, it helped them to maintain control of their wide territory. And the merchants, explorers, and missionaries who used it to travel in peace across the empire brought new goods and technologies from Asia to Europe, including gunpowder, paper, and navigational instruments, setting the stage for European countries such as Spain and Portugal to become world powers.*

*In Russia, the Mongol Empire put an end to the power of Kievan Rus' in the thirteenth century. The Russians would not again emerge as a force until Ivan III (1440-1505), the "gatherer of the Russian lands", made Moscow the centre of what would soon become the Russian Empire.*

*At least in the earliest days of their empire, the Mongols followed a shamanistic religion, based on the worship of many deities, of whom the most important was the sky god, and next to him, the god of fire. Namkhai, although not the name that the Mongols gave to their sky god, means "Of the sky" in Tibetan.*

The road was pleasantly brownish-grey. Its verges shone with shades of green.

If you walk for many days, about the end of the fifth or the start of the sixth day, you enter a kind of pedestrian nirvana, and you see only stripes stretching into the distance: a wide brownish-grey band with two green sides. All the rest of it doesn't stay in your mind; it loses all meaning. What is life like, out beyond the verges? – it doesn't matter.

The width of the road was four hundred paces. That is to say, if a herd of fifty or so elephants was driven from Calcutta to Minsk, and the same sized herd of bison was driven the opposite direction, they could pass without colliding at any point on the way.

Oktai licked his lips, accidentally tasted the bitterness of the eucalyptus oil, and spat. He cursed under his breath and decided to stop for a while.

When you're on the road, it's better not to curse at all, even in your thoughts – or else Namkhai or some other god might send their wrath down on your head.

For instance, you might get a blister on your foot, or your eucalyptus oil might run out, and then you'd be finished.

Gods keep the Temujin Highway.

The road was built a very long time ago, during the age of petrol and kerosene. When the petrol was gone and the time came for walking, the road changed. The tarmac gradually wore away, and only a foundation of gravel was left; for two hundred years, it was trampled by millions of feet; and now Oktai's soles touched a polished stone surface, flat as a table.

Ramparts of rubbish, tossed aside by travellers, lined the verges. On top of the calcified food debris and fossilised faeces grew a luxuriously dense forest of nettles and plantains – revolting to look at, a poisonous, unclean jungle. Among the burdocks and horsetails swarmed billions of gnats, horse flies, and other bloodsucking creatures, and only eucalyptus oil could save you from them.

Oktai took his pack off his back. He lay back and put his feet up.

His father told him all tricks of the walker-carrier trade when he was still a small child.

A professional can make it from Moscow to Guangzhou and back in a season.

From north to south, you carry furs, fish, herbs, silver, and weapons. From south to north, crockery, cloth, leather, jewellery. And also weapons.

From China you carry silk and crockery, from India pepper, from Russia skins. It's called business.

Oktai saw in the sky the white trail of a plane and hastily muttered a prayer. You don't see flying machines every day; usually, their appearance means absolutely nothing. Where they are flying or where they come from, and why they exist in the world at all, nobody knows. But you have to say a prayer.

Then he covered his face with his cap and little by little dozed off, to the ringing of the swarming horse flies and gnats. He had a short and interesting dream, in which there were women, flowers, coolness, and a man with his eyes closed and his narrow chin raised, playing beautiful music on a complicated instrument. When the man with the narrow chin began to play especially passionately, Oktai was interrupted. Someone was on the road, about a kilometre behind. Oktai put his ear to the surface of the road and heard the sound of a horseman: four strong hooves were striking the granite.

When the horseman reached him, it turned out he was a patrol officer – and judging by the red stripe, a Yam inspector. His saddle held him like a glove. With a strong and confident pull on the reins, the horseman stopped his horse and silently held out his hand. Oktai just as silently handed over his route pass, the paiza. The patrolman critically inspected the seals embossed on the leather strap. His horse was amazingly muscular and small, either Mongolian or Kalmyk – the kind Oktai wanted to buy in time, in five or seven years, when age began to hit and when he had saved enough money.

The officer threw the paiza at Oktai's feet and asked, looking at the sky:

"Have you seen anyone today?"

"Only the same sort as myself."

Apparently, the officer was showing an interest in the walker just to follow procedure: apart from them, nobody was on the road at that hour, only a few shapes getting closer in the east, walking together, in a caravan.

Quite a young guy, Oktai thought. Hardly a dozen hairs in his beard. But already a Yam inspector.

"Have you been registering at the stations?" the officer asked.

"Only when I stay the night."

"Every time you go past a station, you have to go in and register."

"I am a law-abiding man," said Oktai. "I'll do that if you explain to me why. Every time I go into a station, I end up wasting time. And my time belongs to me. Explain the law to me and I'll start doing it right away."

The young man paused, and then said with authority:

"The State wants to know how many citizens stay put and how many wander the road. The scholars say the number of settled must be ten times the number of the wanderers. Then Namkhai will stay in balance. Is that answer good enough for you?"

"Yes, boss."

"Then farewell."

The boy straightened up and raised his whip to spur on his horse – but the horse neighed in alarm. Ahead, in the east, something appeared near the horizon. Oktai felt a sharp rush of fear.

The flying machine sped straight towards him, a thousand times faster than the fastest horse runs.

Nothing ever happens on the road. The road across the continent, linking Minsk, Moscow, Novgorod, Rostov, Novosibirsk, Krasnoyarsk, Astana, Ulan-Bator, Beijing, Shanghai, and Guangzhou, feeds hundreds of millions of people. Temujin Highway is a sacred territory kept by the gods, and for a century and a half nobody has raised a hand here against his neighbour. But now, out of the sky, through the grey clouds of gnats, came bearing down on Oktai a sparkling, roaring, hissing monster, defying all the laws of nature – and he could not wrench his feet from the granite where they had taken root.

The horse reared up and tried to throw its rider, but the boy officer was strong and held on.

"It's a helicopter," he yelled. "Don't be afraid!"

Because of the roar, Oktai heard only fragments of the words. The flying monster stopped its rapid approach and hovered two hundred metres ahead, emitting an unbearably bright light, and Oktai had to squint and then turn away to protect his face from the slashing wind.

When he opened his eyes again, in front of him stood two men and a woman, all of them beautiful as gods. But their chins were small and weak. And the woman smelled spicy and sickly-sweet. In twenty years of travelling, from Novgorod to Hong Kong, Oktai had seen many women, but not one of them so smooth and delicate. Her skin and hair seemed like they were coated in lacquer, and iridescent sparks danced in her eyes. She was fresh as the sap of the birch in May; she looked like a simple and happy miracle, like a rainbow, or the first rain after a drought. Unable to control himself, Oktai gave in to instinct and reached out a hand to touch her – but thank Namkhai, the Yam chief brought him to his senses with an elbow in the ribs.

"That's lucky," the woman said to one of her companions, a short, scrawny, sluggish man. "Two natives at once."

"We must hurry," said the second man, who was broad-shouldered but just as listless. "The light's going."

The woman smiled at Oktai, like a bride smiles at her groom, and said:

"Hi, guys! Have you got a little time?"

Her chin was slanted, but only a little bit.

"We could make some," the Yam officer said cautiously, and Oktai felt relieved and grateful. It's good to have a well-educated boss man beside you at a time like this, even if he's nearly a kid.

"Just a few questions," added the scrawny man. And he smiled too.

In the meantime, the broad-shouldered man, the least handsome of the three of them, went to the side and started examining Oktai and the patrol officer intently, but with no real interest.

"Give us more light," said the scrawny one.

The golden glow from the helicopter grew twice as strong, hurting their eyes; now Oktai could see only the outlines of the visitors from the sky standing in front of him.

"They're Eurasians," the Yam inspector hissed through his teeth, "they won't do us any harm."

"Tell us your names," the woman asked.

"Oktai."

"Amgalan," said the officer.

"Are you travelling together?"

Oktai burst out laughing.

"I am a walker-carrier, and he's a Yam inspector. How would we be doing something together?"

"Ah," the woman said. "Social stratification. Sure, I see. Sorry."

"That's OK," said the officer.

"Do you know why this road is here?"

"To walk on," Oktai answered, too quickly. The boss again elbowed him hard in the ribs.

"This man is a walker. He doesn't understand much. I, on the other hand, am an officer – Section 152 Yam Inspector. This road was built by Eurasians, about three hundred years ago. They wanted to link the unlinkable: the east and the west."

From the other side, out of the unbearable golden glow, the sound of clapping rang out.

"So what happened?" the woman asked. "Did they manage it?"

"Nobody knows. Some of the Eurasians think they did. The rest of them believe they failed."

"And what do you think?"

"I am an educated man," the boy inspector said precisely and coldly, and his hand went to the hilt of his sabre. "I don't think, I know. As soon as Temujin Highway was opened, the civilisations of Eurasia went into decline. The continent was shaken by a series of conflicts, draining its resources. The Eurasians quickly degenerated. Now other tribes and peoples live on their lands."

"And who told you this?"

"It is written in the law that they teach to children."

"And your friend thinks the same?"

The woman changed position for a moment, and Oktai licked his lips. She was talking about him, she was looking at him.

"He's not my friend," the officer said, and put a hand on Oktai's shoulder. "He is a professional walker-carrier. He carries goods from town to town. When he has enough money, he'll buy a horse and carry things on the horse. To him, I'm almost a god. I could cancel his paiza any time I felt like it, and then he'd have no job and he'd starve to death, because he doesn't know how to do anything else."

"Excellent answer, Amalgam!" the woman said.

"Amgalan," the officer corrected. "It's a Buryat name."

"Sorry."

"Keep going with your questions."

Oktai sensed that the protective powers of the gods had clamped down on the road once again, and that the strange beings were not to be feared. They're just people. They speak the same language as us.

"Then tell us, please..."

"Hold on," the broad-shouldered man interrupted the woman. "Let's try something else. Go stand between them."

"I don't think so," said the woman drily.

"They're OK guys."

"No, I see that. But the smell!"

"Go and do it," the scrawny one said to the slender woman, even more drily. "Go on."

Oktai felt the kick of her caramel scent – and there she was, standing next to him, and his eyes caressed her long white neck.

"And you?" she asked, with a promise in her eyes. "How old are you?"

"Twenty-seven."

"Have you had the walker job long?"

"It's not a job. I just am a walker. I've been on the road since I was seven."

"And you walk from Moscow to Shanghai?"

"Every year."

"And what, are they very different cities?"

"No. All cities are the same."

"So that means it actually is possible to link the east and the west?"

Oktai strained to come up with an original answer, but he couldn't, so he just shrugged.

But the woman was still waiting. And all the others stood around and waited too, in silence.

"Maybe you'd be better off asking the boss?" said Oktai.

"No, you tell us."

"You are Eurasians. You know the answer."

"Go on, just tell us!" came a voice out of the golden mist; the scrawny one was trying to help the conversation along, even though nobody asked him to.

"Me, personally," Oktai said, after thinking for a while, "I can. I do it all the time."

"Stop," the broad-shouldered man shouted. "Get him to come forward a bit. Go on. No, not you – you! Step forward! And smile!"

Oktai screwed his lips into a smile. On his tongue he tasted the bitter eucalyptus again.

"And scratch your head. Yes, like that. OK, and again!"

"Me, personally, I can," Oktai repeated obediently. "I've seen them, so I've linked them."

"Cut!" yelled the broad-shouldered man. "Great! Let's go."

The woman turned abruptly and walked away.

"Wait," yelled Oktai. "That's not all!"

But the three of them were pretty quickly heading for the helicopter, which came to life on its own and roared, twisting the air again into a murky tornado.

"Shut up," said the Yam inspector. "Let them go."

"Boss," said Oktai. "Let's catch them. It's the chance of a lifetime. They're Eurasians! The gods don't protect them! Let's kill them! Or just take the flying machine!"

"Fool," the inspector said grimly. "They're armed. You'll burn like a torch."

"Well let's at least try!"

"Stay where you are!"

But Oktai had made up his mind – and he ran.

When he was literally thirty paces from catching up with the woman, thunder struck, and the ground before Oktai burst into flames. He had to stop and cover his face with

his elbow. The helicopter stopped shining and sparkling; it rose into the air and floated away, gradually picking up speed – and it disappeared into the darkening sky, strange and grotesque. And with it, it took the improbable dream of beauty and love.

Oktai fell to his knees, turned his face to the sky, and screamed, overcome with emotion.

When his head cleared and he turned back, the Yam inspector was already in the saddle.

“Boss,” Oktai called. “Have you ever seen them so close?”

“No.”

“Why did they ask such stupid questions?”

“They are Eurasians. They’re not people. Once upon a time, they were people, but then they decided to make over the whole of Namkhai, with all its land, water, and sky. They built the road. They thought that Temujin Highway would unite all the peoples of the earth.”

“So now they’re ashamed?”

“So ashamed that they hardly ever come here.”

“And so where do they live?”

“Nobody knows. People say they have a city far in the south. But you can’t get there on foot, only by flying. They all live there, a few thousand men and women. Or rather, they survive there. They exist only thanks to the energy of fire.”

The boss stroked the few hairs on his youthful, see-through beard, and smiled at Oktai.

“Give me some oil.”

Oktai came over and poured some oil from the flask into the officer’s outstretched palm. The officer slathered it on his face and neck.

“Don’t forget,” he said. “Make sure and register at every station.”

**RUSSIA'S  
ECONOMIC  
"PIVOT"  
TO ASIA**

*Alexander Gabuev*

7

# The development of the Russian Far East

On New Year's Eve last year, Vladimir Putin addressed the nation not from Moscow but from Khabarovsk in the Russian Far East. The gesture – which Putin said was made out of concern for the victims of last summer's floods – was the latest sign of a new focus on a part of the country that the Kremlin has in recent years been trying to turn into an outpost of Russian influence in the dynamic Asia-Pacific region. This Asian vector of Russian domestic and foreign policy is now becoming even more important as the European Union and the United States impose sanctions on Russia. The Russian Far East, with its proximity to Asia, could become the new backbone of the Russian economy.

## A new interest in the East

The central government has begun to shower the Russian Far East – which was until recently considered very marginal – with substantial “gifts”. The Asia-Pacific Economic Cooperation (APEC) summit held in Vladivostok in September 2012 cost the state 680 billion roubles (over \$22 billion) – one-third of which came from the federal budget, with the rest put up by state companies such as Gazprom. In 2012 the Ministry for the Development of the Russian Far East was created and in 2013 long-time Putin ally Yury Trutnev was appointed to oversee the development of the region in the joint role of deputy prime minister and presidential envoy to the region. In 2013 the government also allocated 300 billion roubles (\$10 billion) for the reconstruction of two key railway lines, the Trans-Siberian and the Baikal-Amur Mainline. Putin and his prime minister, Dmitri Medvedev, have publicly ordered ministers and heads of state-owned companies to spend more time in the Russian Far East.

The last time that Moscow paid so much attention to the region was at the height of the Cold War, during Nikita Khrushchev's administration and the

early years of Leonid Brezhnev's tenure. Before that, the last time the central authority showed any interest in the region was during the reigns of Tsars Alexander III and Nicholas II in the nineteenth and early twentieth centuries. The emperors had extensive plans for regional expansion, but their schemes were derailed by the Russian defeat in the Russo-Japanese War in 1905 and by the 1917 revolutions. After the collapse of the Soviet Union, when the Russian Federation came into being, nobody in the Kremlin was particularly concerned about the Russian Far East. The region's governors have always been extremely intransigent and for a long time mafia groups were the most powerful force in the area. The region's economy had very few links to the rest of Russia: locals made a living by smuggling natural resources, shuttle trading with neighbours, and reselling second-hand Japanese cars.

Until recently, Russian officials and oligarchs did not have much interest in East Asia either. Raised for centuries with a Eurocentric worldview, the Russian elites holiday in the Mediterranean, keep their money in Swiss or Cypriot bank accounts, and send their children to British schools. Russia's dependence on European gas and oil markets has also ensured that the focus remains on Europe. Asia seems a long way from Moscow, and has been seen only as a bargaining chip to use in dealing with the West. For example, after the "gas war" with Ukraine in 2006, the Kremlin successfully used a threat to send hydrocarbons to Asia instead of Europe to force European clients to renegotiate their long-term contracts. But Gazprom subsequently seemed to forget about its grandiose plans to build two pipelines to Asia and instead spent several years trying in a desultory fashion to get the Chinese to pay European prices for its natural resources.

The situation began to change after the 2008-2009 financial crisis. In 2009, as Europe started to buy less Russian energy, Russia's economy contracted by nearly 9 percent. Over the same period, China's GDP grew by 8.7 percent. At that point, Russian officials started to think seriously about the changing role of the Asia-Pacific region, while the oil and gas oligarchs took a new look at these dynamic emerging markets. However, even as it became clear that Russia stood to benefit from greater dealings with Asia, the question remained as to what form the country's integration into Asia would take. Russian elites have still not come up with an answer. The Ukraine crisis and its possible implications for the Russian economy make pivoting to Asia one of the key priorities of the government. But so far it seems that Moscow has no clue how to accommodate its own conflicting interests in the region.

In late 2010, on the initiative of then President Medvedev, Russia developed a new strategy aimed at strengthening its position in Asia. The document that detailed the new approach was classified as secret, but according to officials familiar with it, it said Russia should not simply provide raw materials but rather build infrastructure in East Asia and export high-tech products there. In conversation just after the APEC summit in September 2012, First Deputy Prime Minister Igor Shuvalov told me that Russia was already exporting sophisticated equipment to Asia, and in the future, would begin exporting services, including education. Deputy Prime Minister Arkady Dvorkovich has said that Russia would only allow Asian investors to participate in infrastructure projects in the Russian Far East if similar projects are assigned to Russian contractors in Asia. Russia has repeatedly tried to establish a programme of common economic projects with Association of South-East Asian Nations (ASEAN) countries. One reason why the programme has never been agreed is that each time, Russia includes a list of “world-class” roads and railways that must be built by Russian companies in South-East Asia.

The vision of Russia as a major European power in Asia, looking on countries like China and India from the perspective of an “older brother”, has its roots in Soviet times – the same time in which the worldview of many of contemporary Russia’s decision-makers was being formed. Many of them still hold onto this image of Russia’s relationship with Asia as if nothing had changed. They can even find some support for this nostalgic picture: Russia is still building nuclear power plants in China, India, and Vietnam and still selling high-tech weaponry and electrical equipment in the region.

In fact, however, they are deluding themselves. In 1990, China was the main buyer of Russian arms, but by the 2000s, sales had started to decline. The Chinese began to copy Russian models and learned to design their own weapons. Sooner or later, Chinese engineers will learn how to make even complex equipment that they are not at present able to produce, such as engines for fighter planes. The Tianwan nuclear power plant, which Russia is building in China, provides an instructive example of the changing relationship between Russian and Chinese industries. Local production share on its third and fourth blocks is at an unprecedented 70 percent; Rosatom (the Russian State Nuclear Energy Corporation) will build only the heart of the station, because the Chinese already know how to do the rest themselves. In the medium term, it is even possible that Chinese nuclear power companies will start competing with Russia in emerging markets.

These problems are compounded by Moscow’s inadequate perception of the supposed Chinese threat to the Russian Far East. Of special concern to the

Russian administration is the difference in demographic potential. The Russian Far East makes up one-third of Russian territory, but it is home to just 4 percent of the country's population: 6.2 million people, of whom 2 million live in the warm Primorsky province. On the other side of the border, in the three neighbouring provinces of north-eastern China (Heilongjiang, Jilin, and Liaoning), nearly 110 million people live in just 804,000 square kilometres. The contrast is fuelled by the exaggeration of data on Chinese migrants to Russia. Some alarmists put the number of Chinese immigrants at up to 2 million people, but the 2010 census puts the figure at just under 29,000 people. Expert estimates suggest a maximum of 500,000 Chinese people in Russia, including tourists, students, and seasonal migrants, with the majority concentrated in central Russia and especially in Moscow.

## Making the Russian Far East competitive

What is holding back the development of the Russian Far East is not a shortage of human or financial capital but the lack of a coherent strategy on integration into Asia and the absence of a clear understanding of the Russian Far East's role in the regional division of labour. Fear of China is causing Moscow to take steps to close out Asian involvement in the region, in spite of the potential benefits that it could bring. Between 2005 and 2007, the government adopted measures to reduce the Chinese business presence in the Russian Far East. Because of these measures, many companies owned by Chinese immigrants had to close and tourism from China fell.

Bureaucratic hurdles also get in the way of local businesses' efforts to work with Chinese counterparts. Many joint projects proposed by the Chinese authorities in recent years have been purposely shelved. At the same time, the Russian leadership is constantly talking about the need to increase the population of the Russian Far East so as to "hold our territory" against the imagined demographic threat from Russia's neighbours. At the APEC summit in September 2012, Vladimir Putin said: "if we do not in the near future take practical steps to develop the Far East, in a few decades Russians will be speaking Chinese, Japanese, or Korean."<sup>5</sup>

Moscow has regularly blocked attempts Asian investment projects aimed at developing mineral resources in the Russian Far East. In 2010, Medvedev and

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<sup>5</sup> "Sammit ATEs: Rossiya vyiderzhala perviyi ekzamen", NTV.ru, 9 September 2012, available at <http://www.ntv.ru/novosti/331696/rambler>.

Chinese President Hu Jintao agreed on a programme of co-operation between the Russian Far East and the north-east of China, but by 2011, the programme had effectively been stalled. At an economic forum in Irkutsk in September 2011, Regional Development Minister Viktor Basargin accused the Chinese of wanting only to invest in resource extraction rather than in high-level processing, which is unacceptable to Russia.

Moscow is also trying to limit local initiatives to create links with neighbouring states. Since 2007, when the APEC summit project was started, Moscow has tried to head off greater involvement from Asian investors by deploying federal funds. The federal government spent \$7 billion on improving the infrastructure of Vladivostok and establishing the Far Eastern Federal University on Russky Island, which, the Russian authorities say, will attract students from China, South Korea, Japan, and even the United States. The first minister for the development of the Russian Far East, Viktor Ishayev, put forward a development strategy that called for investing more than 3 trillion roubles (\$100 billion) by 2020 to create a strong infrastructure base for the expansion of local industry. His successor, Alexander Galushka, intends to focus on high value-added exports to Asia and aims to increase the region's population to 4 million people.

Russia's flawed assessment of its role in Asia, along with its fear of becoming only a supplier of natural resources to its neighbours, will have serious negative consequences. The Russian Far East's population, in spite of all of Moscow's efforts, continues to abandon the economically depressed region. Investment in dubious projects such as the Far Eastern Federal University diverts funds from more important infrastructure programmes. According to PricewaterhouseCoopers, the \$22 billion spent on the APEC summit would have been enough money to carry out the modernisation of the Trans-Siberian and Baikal-Amur Mainline railways as well as to upgrade the Russian Far East's ports. This could have kick-started the exploitation of many mineral fields in Eastern Siberia and the Russian Far East that are currently inaccessible because of lack of infrastructure.

By wasting money on ambitious projects with unclear prospects, Russia is losing precious time and falling behind its competitors in dynamic markets. In 2006, Gazprom was able to enter the half-empty Chinese gas market on terms that were mutually acceptable to both Russia and China. But Beijing would now be the one dictating conditions, especially since it knows that the EU is rethinking its energy strategy and trying to decrease its dependence on Russia, and that Moscow needs cash to fulfil Putin's pre-election promises. Meanwhile, Russia is being supplanted as a source of raw materials for Asia not only by the countries of

the Middle East, Central Asia, and Africa, but also by developed countries such as Australia, Canada, and, after the shale gas revolution, the US.

Australia and Canada could become models for the development of the Russian Far East. Although their economies are growing through the supply of raw materials to dynamic Asian economies, their governments are hedging their bets by diversifying export markets. The resulting resource rents can be invested in other industry sectors, thereby creating jobs and improving living standards at home. Canada and Australia are not trying to compete with China for industry leadership in all sectors – for now, wage differentials and comparatively low levels of industrial automation make China impossible to beat. But as far as possible, they are trying to move up the value-added chain and to develop high-tech industry.

Russia could take this route too – but only if Moscow can get over its great power complex and come to terms with the fact that being a raw material supplier to Asia is no worse than being one to Europe. Russia needs to build new infrastructure, to attract foreign contractors while maintaining a balance between investors from different countries, to shift from access to resources to access to technology, and to manage the resulting income effectively and invest it intelligently in other industries. If Russia were to follow this path, it would no longer be necessary to increase population “at all costs”. The population density of Canada, Australia, and Alaska is not that different from the Russian Far East. Russia’s possession of nuclear weapons and the possibility of curbing illegal migration by strengthening border controls with China would work to diminish any hypothetical geopolitical risks. Population growth will be achieved by increasing the attractiveness and wealth of the region, not by any directive from Moscow.

The decrease in Russian oil and gas exports and Putin’s fragile legitimacy may, in the end, push Moscow to get over its great power complex. The shift has already begun in the oil sector, as state company Rosneft has begun to change from making promises on future oil supplies to making use of multibillion-dollar Chinese loans. However, it is important for Moscow not to completely fall into China’s arms out of ill-prepared and premature geopolitical calculations. Russia should pivot to Asia, not only to China, so that the Russian Far East becomes an effective supplier of natural resources to Asia with the potential to grow further, like Australia or Canada, rather than yet another source of income ripe for corruption.

# Can Russia reroute natural gas from Europe to Asia?

Concerned about the country's dependence on European gas consumers, Russian policymakers have been debating the idea of opening an alternative export route for natural gas for years, and Gazprom's contract with China, signed on 21 May 2014, might be the first step in this direction. The pipelines from the main producing centres in Siberia run westwards – a vulnerability for Gazprom, Russia's monopoly exporter. European Union clients want to scrap oil indexation of gas prices, whereby natural gas contracts are linked to the price of oil; to abandon "take-or-pay" conditions in contracts, under which European customers must pay a penalty if they do not take delivery of Russian gas; and to install independent operators at pipelines that carry Russian natural gas. They see Gazprom as an unreliable and irresponsible supplier, ready to disrupt deliveries for ill-disguised political reasons – as happened with transit flows in Belarus in 2006 and in Ukraine in 2009 – and have tried to replace Gazprom with other sources of gas wherever possible.

## Threatening Europe

In March 2009, President Vladimir Putin invited the CEOs of several major international energy companies to Salekhard, the capital of the Yamal-Nenets Autonomous District, in which about 70 percent of Russian natural gas is produced. He told them that if Europe was so unhappy with the terms of the current contracts, Gazprom would shut down the pipelines, liquefy its gas, and sell it as liquefied natural gas (LNG) in the United States. Minister of Economic Development Elvira Nabiullina told the audience that Gazprom would soon have conquered 10 percent of the US gas market.

The CEOs in the audience could only see the warning as a clumsy and irrational attempt at blackmail. At the time, Gazprom was selling gas in Europe at

about \$250 per 1,000 cubic metres, whereas the main price point for the US market, the Henry Hub price, was slightly over \$110. Moreover, Russia was selling around 120 billion cubic metres to the EU in 2009. It would have been impossible to have this volume of gas liquefied and exported from LNG plants and terminals in Siberia – especially since the LNG plants had not yet even been built.

Another example of tactics aimed at forcing European consumers to be more flexible was the plan to sell gas to China and other countries in Asia. Speaking in Vienna in April 2010, Putin declared that Russia would soon be exporting 68 billion cubic metres of gas a year to China. Addressing the St. Petersburg Economic Forum on 23 May 2014, he said that Russia's existing gas pipelines would be connected with the planned eastern grid, enabling Gazprom to switch flows from Europe to Asia and back. He also insisted on renewing talks with China on the planned Altai pipeline, which would enter China through a short border gap between the territories of Kazakhstan and Mongolia.

In Gazprom's negotiations with China, the Russians insisted that the Altai pipeline should be the priority option. The source for exports was to be the ongoing gas projects in the north of the West Siberian region. If the pipeline had come on stream, it could have provided Russia with the means to switch gas flows from Europe to China and back whenever necessary. However, the option was abandoned because the Chinese had no need for all that gas in its sparsely populated north-western regions. And even if they had, they were not prepared to pay Gazprom's asking price.

In any case, the planned volume would not have been high enough to blackmail the EU by rerouting the export flow. But in spite of their faulty numbers, Gazprom's management continued their verbal attacks on the Europeans. Sergey Komlev, head of the contract structuring and pricing department at Gazprom Export, claimed that the volume of gas exports going east would soon be as great, or even greater, than the volume of sales to Europe. I asked him at a seminar in Moscow in December 2012 whether the plan would really mean a dramatic cut in European sales; after all, Gazprom says it exports about 150 billion cubic metres per year to Europe and Turkey, and 68 billion was the most that it had ever hoped to export to China. Komlev responded angrily, making his usual argument: "It's all anti-Gazprom propaganda."

Even without the Altai pipeline, Gazprom insists that it can deliver 38 billion cubic metres a year to China under the May 2014 contract. The delivery

schedule, however, shows that by 2020 Russia will be in a position to send only 12 billion cubic metres of gas across the Chinese border. The targeted annual flow would be reached by 2030 at the earliest.

## Is the China deal commercial?

Jokers at Gazprom say that, when Chairman Alexey Miller retires, the company should dedicate a memorial library to him. The bookshelves could be stuffed with an impressive collection of copies of agreements on gas supply to China. The stumbling block was the basic price, which Gazprom was prepared to accept and the Chinese regarded as an overestimate.

The May contract put an end to the haggling, but some questions remained. According to estimates made by Gazprom planners, the project will have a payback period of about 17 years based on net profit, and more than 32 years, if estimates are based on discounted net profit. Among 26 scenarios that the Gazprom experts have examined, more than one-third showed that payback would never happen, even after 2042.

In September 2013 Gazprom spokesman Sergei Kupriyanov told reporters that deliveries to China would begin in 2015. Now, the 30-year contract between Gazprom and the China National Petroleum Corporation (CNPC) confirms the volume to be delivered. But the parties admit that initially, gas will be sent to China through the Sakhalin-Khabarovsk-Vladivostok pipeline until new lines are built from Eastern Siberia, and deliveries will not begin before 2018. In fact, Gazprom has already moved the deadline to 2019 – and its experts admit that the real beginning of cross-border flow will take place after 2020.

Moreover, the planned LNG plant in Vladivostok, which would have had an annual capacity of 5 million tonnes for each of two production trains, will have to be scrapped. There will not be enough gas to feed the plant at the same time as carrying out the Chinese contract.

Gazprom's enthusiastic promises to China may have a cynical rationale, apart from the desire to achieve a semblance of geopolitical progress by attempting to expand into Asian gas markets in contrast with the stagnating markets in Europe. Russian gas pipeline projects work on the logic of "never say never". Gazprom's costly projects are often launched without any calculation of commercial value or prospects of reasonable payback terms. One example of

this lack of forethought is the Sakhalin-Khabarovsk-Vladivostok pipeline. Its construction went ahead despite the fact that, at its Sakhalin end, it had no reliable source of gas, and at its Vladivostok end, no distribution contracts had been agreed with China. Some industry observers even suggest that the main goal of this kind of project is to enrich “friendly” contractors. It seems that decisions of this sort are made in the Kremlin with an eye to potential geopolitical gains rather than economics.

Even if Gazprom goes ahead with its “eastern programme” and actually sells some gas to China, the sale will not be on a large scale. Moreover, the timeframe will not be short enough to have an impact on Russian gas exports to Europe. The belligerent declarations by Gazprom and the Kremlin say they are prepared to provide \$20-22 billion to finance the pipeline as far as their own border. The whole project, however, is estimated to be worth well over \$62 billion. For many years, Gazprom will remain a big spender rather than a profit generator, causing difficulties for the Russian economy. And if the last-minute concessions made by the Russian negotiators to get the May contract signed involved a significant price discount, It could well mean that Russian taxpayers will find themselves subsidising gas consumption in China.

Anna Arutunyan

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## The Paleologue Donation

Long before the Russian president pronounced himself emperor and the warships of the Black Sea Fleet were spotted in the Dardanelles, before thousands of Russian volunteers stormed Istanbul unfurling Orthodox icons, Katya was lying face down on a balcony in Sevastopol quivering, mentally kicking herself for still clutching that piece of paper in her hand, as a cold Makarov pistol pressed to her temple.

“Get down on the floor!” they had yelled when they broke down the door. Fifteen masked gunmen in camouflage had surrounded the apartment where she and two other journalists had interviewed pro-Ukrainian activists who had come to Crimea straight from Kyiv’s Maidan. The activists, Alexei and Viktor, who just a month ago had fought Berkut officers armed only with flaming bottles of alcohol, had managed to flee from that same balcony during the two-hour siege, leaving Katya frantically giving interviews to Sky News. It was all she could do amid the relentless pounding on the door.

“No, they are not identifying themselves. They have masks and machine guns,” she was whispering over the mobile phone. As she did, the lower part of the door broke open and two rifles slipped under, pointing at her.

“Open the door! We have just seven questions for you,” said the man with the southern Russian accent.

“No. We have only one question,” said the man with the Moscow accent. “Are you going to open the door or not?”

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Katya was in Sevastopol investigating the Russian invasion for an American magazine. Or, rather, whether it was an actual invasion or not. Were Russian troops working

under the cover of local Crimean defence militia purportedly protecting ethnic Russians from Ukrainian nationalists? Or were local defence militia deployed on orders from Crimea's pro-Russian government? Was the Russian president doing Crimea's bidding by sending troops, or was Crimea doing the Russian president's bidding after the troops had been sent in? She had covered enough separatist conflicts to know that by the time things got heavy, everybody lied. The narratives spun by CNN or Russia Today were essentially the same, with the names of the "aggressors" switched around. On the ground, there were no good guys and bad guys; once a government was toppled, it was down to the thugs on either side to fight it out and take power. Egypt. Kosovo. And Cyprus, where she had fled after 2008, buying a little cottage, the last time she had promised herself not to do any more journalism and focus on raising her son.

"Do you think the deaths of 100 people on Maidan were worth it?" Lauren, the American journalist, was asking Viktor.

"Yes," Viktor said. "More people will die, but we will have a better country."

Katya, her recorder taping the conversation, had spaced out and was looking through the supplies that Viktor and Alexei were planning to covertly transport to Ukrainian military personnel stuck in the bases surrounded by Russian-aligned troops. (Russian-aligned? Troops? Who were the men in green? "The Russian president is merely protecting us!" said the drunk, plainclothes Russian Crimean guarding the Ukrainian base at Perevalnoye, who insisted he was lieutenant major, that he was a volunteer, that the speechless, masked men with body armour, uniforms, and rifles with silencers were Crimeans too and had bought their weapons.)

She was just thinking of asking about how exactly the activists from Kyiv were planning their diversion when she noticed a slip of paper stuck between the table with the supplies and the wall. The apartment was small but well kept; it looked like a home recently turned into a makeshift cell, hence cluttered with all sorts of objects; from chocolate bars to cameras and walkie-talkies. The piece of paper could have been a candy wrapper, but even from a distance Katya knew that it was not. She reached over and found that it was a brittle roll, something either very worn or very old, like a Xerox copy that survived a washing machine, its age indeterminate. When she unrolled it she saw two sentences scrawled in fading Greek letters. And that was all. Instinctively, she pocketed it, although she didn't know why.

When the Crimean defence militia, or the Russian troops, or whoever those men were, finally broke down the door and made her lie on the ground, she grabbed the paper, clutched it in her fist. A few minutes after they ransacked the apartment, someone

blindfolded her and led her out to a waiting car. They drove her out somewhere east and led her into an office building that turned out to be the former headquarters of the Ukrainian Security Service, now under Russian control. She was seated in a chair; five masked men sat before her asking her all sort of questions. She could only see their eyes.

“Tell us why you were taking chocolate to the Ukrainian troops,” asked the one with the southern Russian accent, a native Crimean, by the sound of it. He had dull, vicious eyes that she didn’t like looking at.

“I wasn’t. I’m a journalist. I met those activists the first time today.”

“How did you meet them?” But he didn’t seem interested in the answer, so he asked another question. “Why did you poison the chocolate?”

“What? I didn’t poison it.”

“Then eat a piece,” said the man with the Moscow accent, who had smarter, more understanding eyes.

As Katya would tell an American journalist the next day, it was an irony straight out of a Tarantino movie that she was allergic to chocolate; dangerously so. Of course, they didn’t believe her when she tried to tell them that; instead, they forced a square of chocolate into her face.

It was then that she remembered the slip of paper. They had already been questioning her for hours; it was close to four in the morning, they needed something from her, and she hadn’t been able to give them anything. All she had to protect her from that possibly deadly piece of chocolate was a slip of paper, and somewhere inside she felt that it was important. So when she cried out, “Wait, I have something,” and produced the creased slip from her pocket, it felt like she had given them the names of all her friends and colleagues.

They didn’t seem to get it; looking at the Greek script the guy with the dull eyes asked her what the fuck it was, but the guy with the Moscow accent looked at it quietly and said nothing. Then abruptly everything changed, the change in demeanour came from the man with the Moscow accent as he quietly took the piece of paper and left the room, examining it intently as he walked. Probably the Greek text tipped him off to something, and he went to make a phone call. Or maybe not.

Five minutes after the phone call was made, the officers, or whoever they were, released Katya into the night. They called her a cab and gave her an aspirin. Two days later she had crossed the new border into Ukraine and went to Kyiv; by the end of the week she was back in Cyprus. All it took to regain her bearings was a new haircut.

\* \* \*

It took a few months for Ukraine's restive east to settle into a precarious monotony. But whatever forces were unleashed in the early months of 2014 took their historical focus elsewhere. When the contagious drive of street demonstrations spread to Ankara that summer and toppled the Turkish government, the Russian president suddenly reacted with a card everyone had forgotten he could even consider. As Russia Today broadcast his coronation in Christ the Saviour Cathedral, an Orthodox mass was held for a holy relic said to have been uncovered in Crimea's Alushta, the Byzantine coastal town of Alouston. The relic was a well-preserved piece of parchment on which the last Byzantine emperor, Constantine Paleologue, during the siege of Constantinople by the Ottoman Turks, hastily penned a letter bequeathing his crown, his faith, and his legacy to Vasily II, Grand Prince of Muscovy, the only Orthodox sovereign remaining in the universe, according to the universe as the last Roman emperor saw it. His messenger only made it as far as Alouston, where he died of illness. The letter miraculously survived for more than half a millennium among old junk, finally discovered in the basement of a decrepit library by a man in the 1990s who Xeroxed it and gave it to his grandson, Viktor, during one of his summer visits to Alushta.

"When the time comes, the Vice-Regent of God on Earth should take what is his," the newly-crowned Russian emperor, wearing the same black suit he always wore, read baldly, monotonously, from that ancient inscription, blazoned from the Kremlin-funded TV screens, as Russian ships sailed to the Dardanelles, and Russian volunteers picked up their icons and headed to take back Tsargrad, the city of the Tsar, without firing a single shot.

In her Cyprus cottage, Katya stared at the television set, looking at the familiar inscription, and wept. With legitimacy like that, you didn't even need referendums.

# AN ASIAN RUSSIA?

Western analysts have been talking about a Russian version of the United States' "pivot to Asia" since the Asia-Pacific Economic Co-operation Forum (APEC) Summit in Vladivostok in September 2012. Many have suggested that Russia was stepping up diplomatic activity in Asia as a response to worsening relations with the US and the European Union. In fact, the main reason for Russia's change of direction is the dramatic geo-economic changes that are currently taking place and are driven mainly but not exclusively by China. In the long term, the new geo-economic reality could lead to a new paradigm of development for the Russian economy, resulting not just in a pivot, but in an irreversible Russian turn to the east.

### Exporting to Europe and Russian foreign policy

Since the first days of the Moscow-centred Russian state, Russia has been an exporter of resources to Western Europe. The route to Europe through the White Sea was first found in 1553, enabling Russia to export its goods without having to transit through Russian competitors such as Poland and Lithuania. From the end of the sixteenth century, the main depot for Russian exports to the West was Arkhangelsk, a tiny, remote White Sea port, which was iced in for several months of the year. Even so, this export channel provided 60 percent of Russian budget revenues and gave Russia access to at least some Western technological advances.

It is not surprising, therefore, that for centuries Russian foreign policy was entirely focused on creating reliable channels for delivering Russian resources to West European markets. Both Ivan the Terrible and Peter the Great fought wars to secure Baltic ports. Until the last years of the Russian Empire, a key Russian priority was to ensure control of or at least favourable terms of access

to the Black Sea Straits. The need to control export channels to the West defined Russia's alliances, its wars, and its entire foreign policy and military organisation.

After the collapse of the Soviet Union, Russia found itself again within its seventeenth-century borders. Most of its Baltic and Black Sea ports were lost to the newly independent former Soviet states. The old policy was reinitiated using different tools. Russia began to transfer export flows to the rapidly expanding ports in Leningrad Region and Krasnodar Territory. It started building the North and South Stream pipelines to enable its gas to bypass "problematic" East European neighbours. It also tried to control energy infrastructure in post-Soviet countries. Russian foreign policy in the post-Soviet period has been entirely bound up with energy exports, pipelines, and Gazprom.

Now, the changing geography of Russia's economic relations may diminish the significance of these traditional Russian strategic priorities. For the first time in centuries, Russia has an alternative energy export market, which in the next decade may be able to compete with or even overtake the European market. The reorientation of export flows is already leading to the reorientation of investment flows. In the longer term, it could even lead to the rerouting of population to the East.

## China: a more promising market than the EU?

Given the current euro zone crisis, Russia's dependence on the European energy market is not ideal for the Russian economy. In 2012, EU-Russia trade accounted for \$410.3 billion, 49 percent of Russia's foreign trade turnover. In the same period, Russia-China trade was worth \$87.5 billion. Trade between Russia and all APEC countries excluding the US came to \$182 billion. However, Russian trade with China is growing fast. In 2000, Russia-China trade amounted to just \$8 billion, while trade with the EU-27 came to around \$90 billion.

Trade with China will continue to grow faster than trade with the EU, because Russia exports natural resources for foreign industry and imports foreign industrial products. Mass industrial production is concentrated in Asia, whereas Europe specialises in the service sector and R&D, and carries out production only in high-tech industries.

The EU is trying to improve its energy efficiency, to expand renewable energy production, and to diversify its import sources for natural resources. Europe plans to bring the share of renewable energy in its energy mix to 55 percent by 2050, and is working on shale gas projects to reduce its dependence on external energy sources. Energy-intensive industries are unlikely to see much growth in the region. Therefore, the EU is no longer a very promising market for Russia.

China, by contrast, is going through a process of rapid urbanisation that will continue for a long time. The urban population has only recently reached 50 percent of China's total population, a low urban penetration for a developed economy. The adverse effects of China's one-child policy and the rising cost of Chinese labour will eventually cause low-tech production to relocate to other countries. But industry will remain the mainstay of the Chinese economy. Rapid growth in Chinese resource consumption will continue for decades.

China imports about 57 percent of its oil, and it is also importing chemicals, timber, and coal. In the long term, soil degradation and urbanisation will raise Chinese demand for agricultural products. Coal-fired power plants, which currently produce 70 percent of China's electricity, will have serious consequences for the environment and will cause chronic congestion in China's transport infrastructure. Opportunities for exploiting existing shale gas reserves may be limited due to lack of land and water resources in eastern China. Demand for gas imports may turn out to be practically unlimited.

China has both economic and strategic reasons for wanting to increase its import of Russian natural resources. It wants to reduce its energy dependence on the Middle East and escape the bottlenecks of sea lanes such as the Straits of Malacca. Chinese investments in Africa, the Middle East, and Latin America face serious political risk. For example, Chinese companies had contracts in Libya worth \$18.8 billion and suffered direct losses of \$16.6 billion as a result of the overthrow of Muammar Gaddafi's regime. In contrast, alongside its geographical proximity and its safe, land-based transport corridors, Russia has the advantage as an energy supplier of being relatively immune to US pressure.

Russia's main problems in implementing its pivot to the East are the absence of infrastructure in the Russian Far East and the concern that China will monopolise Russia's economic relations in Asia. Russia is carrying out large-scale investment in infrastructure in the Russian Far East and creating special state structures to develop the region. However, implementation is constrained

by factors including a lack of manpower and the generally inefficient use of government funding in this kind of project. Nevertheless, the Russian state has previously managed to complete such projects, albeit with substantial costs and delays.

To avoid a Chinese monopoly over Russian economic interests, Russia has intensified its efforts to develop partnerships and increase trade with countries such as Japan, South Korea, and Vietnam. Trade with Japan in 2012 was worth just \$31.2 billion, trade with South Korea came to only \$24.9 billion, and trade with Vietnam amounted to just \$3.6 billion. Russian trade with India is also modest, at \$11 billion in 2012. But the development of economic ties is complicated by shortcomings in the Russian investment climate, lack of mutual understanding, and, in the case of Japan, unresolved territorial disputes. The need to find an economic counterweight to China should push Russia towards closer co-operation with the US in Asia. However, chronic conflicts between the two countries elsewhere make closer ties impossible.

The Russian economy's turn to the East is irreversible. The argument that Russia will become just a "resources supplier" to Asian countries is a poor one. Throughout its history, Russia has mostly been an exporter of natural resources. Soviet industrialisation did not create modern and competitive industries, except in arms production and some defence industries. The creation of effective civilian industry will take several generations, during which the country will have to rely on revenues from natural resource exports. And having two large markets for natural resources is better than having just the European one.

Even before the Ukraine crisis, it was clear that, in the twenty-first century, Asia would be the main driver of the global economy and the main stage for world politics. Each country's place in the world will be decided by its economic, political, and military influence in East Asia. At the moment, Russia is gradually transferring its economic and military development to the East. In the more distant future, the pivot may lead to a shift in Russian geo-economic strategy and a decline in Russian interest in the European problems that provide the main cause of friction with NATO, the EU, and the US. Thus, the Russian pivot to Asia may eventually have positive consequences for Russia-EU relations. However, any such result is right now a very long way off.

## The impact of Ukraine

The worsening Ukraine crisis has catastrophically damaged Russia's relations with the EU and the US and given renewed momentum to Russia's pivot to the East. US and EU sanctions have so far mostly affected only a small number of high-level Russian politicians and officials and have had little impact on the economy. But Moscow has already taken several decisions that, whatever happens in the crisis, will determine Russia's future balance between Asia and Europe.

Russia is implementing a national payments system that will take the major share of the Russian domestic market from Visa and MasterCard. China's state-backed card network, China UnionPay, may be the main international partner in the system. Preparation of the contract for exporting natural gas to the Chinese market has been accelerated and the deal will likely be expanded in scope. To lessen the impact of future sanctions, Russia has begun to replace European and US suppliers of equipment, machinery, and materials with suppliers from China and Asia. Once these measures are implemented, they will be impossible to reverse, even after relations with the West are normalised.

China could not openly support Crimea's efforts to join Russia, because it would have undermined Beijing's position on Taiwanese self-determination. But China gave Russia all the support that it could. During the crisis, China emphasised the good relations between the two countries – in March 2014 China's Foreign Minister Wang Yi said Russia-China relations were the best they have ever been. And China has consistently opposed sanctions against Russia.

State-sponsored Chinese media praised Moscow's actions to rebuff "Western-backed colour revolutions". Chinese observers, formally representing "NGOs", were present at the Crimea referendum. And in early May 2014, reports emerged that Chinese companies intend to participate in infrastructure projects in Crimea, including the construction of the bridge across the Kerch Strait. Putin will visit China in May and November 2014. These visits will likely be used to demonstrate the closeness between the two countries.

If US and European sanctions on Russia get progressively tougher, as happened in Iran, China will become Russia's main trading partner and the "window on the world" for the Russian economy. China-controlled Hong Kong will be Russian companies' sole international financial centre. But whatever happens, Russia will become more politically and economically dependent on China.

On 17 April, Russian TV hosted a live phone-in with Vladimir Putin, in which the president was asked about the possibility of a formal alliance with China. Putin said that an alliance is out of the question. Even so, the question was chosen out of several thousand others by the presidential press service and broadcast on live television. Relations between China and the US are also growing tense. At some stage, Russia and China may yet agree a formal military and political alliance.

## The Chinese threat

At the moment, Russia still worries that China could become a long-term security threat, even though Russian leaders acknowledge that the current Chinese leadership's actions do not justify this fear. The concern is based on the transitional nature of China's political system, the large number of internal conflicts and contradictions in Chinese society, and the rapid growth of Chinese nationalism. Russia has to consider the possibility of abrupt changes in Chinese power structures, the potential for change in China's official ideology and development priorities, and the possibility that China's leadership could attempt to divert attention from internal problems through external expansion.

China's potential to become a threat has had a significant impact on Russia's foreign policy and military organisation. Even as Western nuclear powers work to minimise their arsenals, Russia is continuing to develop its tactical nuclear potential, largely because of the possibility of confrontation with China. At least until the Ukraine crisis, Russia prioritised the development of conventional forces in the Russian Far East. The Pacific Fleet was to receive most of Russia's new and upgraded military warships, including new nuclear missiles and nuclear multipurpose submarines. These plans are likely to go ahead even if the conflict in Ukraine spreads.

The Russian leadership believes the best way to reduce the hypothetical Chinese threat is to build political and military trust with China and to increase economic interdependence. The two countries maintain close military ties and hold annual land and naval joint military exercises. Russia's military technology exports to China are worth nearly \$2 billion a year. The Russian and Chinese foreign ministries consult on all important international issues. And the Russian ambassador to China always has the rank of deputy foreign minister, given to one of the most influential Russian diplomats with wide-ranging powers. Russia's role in Chinese energy security will be further

strengthened by current and planned deals on the export of Russian oil, gas, coal, and other natural resources.

Russia is trying to avoid becoming too reliant on China by stepping up economic ties with other Asia-Pacific countries. Japan could become Russia's second most important long-term partner in the region. Tokyo wants to build closer ties with Russia. Putin's increased popularity after Crimea gives him enough political capital to compromise on territorial disputes with Japan, even if real progress on the subject is unlikely. The key risk to Russia's efforts to improve ties with Japan is the US attempt to involve Japan in isolating Russia. Under US pressure, Japan has imposed symbolic sanctions against some Russian officials and businessmen. If it continues its restrained approach, Japan will probably replace Germany as Russia's main partner among the G7 countries.

The major Asia-Pacific countries maintain a long-term pragmatic policy of promoting their economic and security interests. This makes them easier partners for Moscow than the EU, which is constantly pulled in different directions by groups of member states and external actors. The political, ethical, and values problems that have damaged Russia-EU relations, such as human rights, the rights of sexual minorities, and freedom of speech, have little or no effect on Moscow's relations with Asian countries. Asian states are not troubled when external partners have radically different values and convictions. In spite of its continuing rhetoric about Europe, Russia now feels more comfortable thinking of itself as an Asian country. The Ukraine crisis will likely finalise the transition.

# European Asia: why Russia is ready to turn to a “backward” East

It has become fashionable in the West to talk about the Russian “pivot” to the east, or at least about a new Russian distancing from Europe. And in many ways, Russia really is turning to Asia, as part of a strategic pivot that contains within it a large degree of inertia. This process cannot be reversed through banal appeals to common values, no matter what European politicians or the ever-dwindling number of European supporters of Russia’s “European choice” would prefer. Much has been written about the economics of the pivot. But it must also be understood from the perspective of culture and values. Why is Europe gradually ceasing to be a cultural focal point for Russia and why is Asia starting to become one?

## The Westernisation of Russia

The reasons behind the Russian pivot do not lie in Russia itself, nor even in Asia, but in Europe and in the internal processes that are changing the continent. It is generally assumed that the West (at first Europe and later the United States) has always dominated the world, and has played the leading role in global affairs since the destruction of the ancient world. However, anyone who is even remotely interested in history knows that this is not true. For the last 1,500 years, the centre of gravity of world politics has repeatedly shifted from Europe to Asia and back. For example, in the second half of the first millennium CE, in the so-called Dark Ages (dark for Europe, of course), writing in Europe was mostly only found in monasteries. The achievements of ancient medicine would have been lost forever if they had not been preserved in the Arab world, from where they were later borrowed by Europe.

The beginning of the last period of European pre-eminence (first economic, then military and political, and then social and cultural) began around the

seventeenth century. The Russian leaders of the time noted the emerging historical trend and followed it. Peter the Great carried out a forced Westernisation, pushing Russia towards Europe. At the beginning, the young Russian Empire was prepared to play the role of student and poor relation: Europeans were accepted as mentors in all spheres of life for large sums of money. But after a while, Russia laid claim to a real place on the European – and therefore global – “board of directors”. By the end of the eighteenth century, the Russian diplomat Alexander Bezborodko could say that in his generation, not one cannon could be fired in Europe without Russian permission.

Peter the Great’s Westernisation set up a lasting orientation of the Russian elite towards Europe as a bastion of cultural values, which took root among the Russian intelligentsia. For example, in the mid-nineteenth century, the debate between the Westernisers and the Slavophiles centred on whether Russia should choose Western or Russian values. The Slavophiles defended “traditional” Russian values, reproaching Westernisers for (to use a Soviet phrase) “kowtowing to the West”. The irony was that the Slavophiles themselves debated with their opponents mainly from Europe, where they lived for a large part of the year on income from the exploitation of their serfs in Russia.

Even so, the Westernisation of Russia was only superficial and its effect was limited to the political, military, scientific, and creative elites. The vast majority of the people were not part of the process. This led to the formation of two different peoples: the two had common ethnic roots (mostly Slav), but spoke different languages and wore completely different styles of dress. In the end, this was the cause of the 1917 revolution, in which the Westernised ruling minority was destroyed or chased out of the country by the masses. The irony here is that the instigators of the revolution were representatives of the very same Westernised intelligentsia.

After the revolution, Russia was cut off from Europe, although the real distance between the two has been intentionally exaggerated. There was no real break between Soviet Russia and European civilisation. Soviet Russia simply went head to head with the US in staking a claim for hegemony in the Western world. In fact, both sides believed in the same values, those of what would later be called the welfare state – in other words, government for the people. The only differences between the two were the methods they used in defence of these universal values, whether capitalist or communist (which, incidentally, is based on European philosophy), and the results they obtained.

By the end of the 1980s, it began to seem as if the West, and particularly Europe, had had more success in the creation of a welfare state than the Soviet Union had had – although whether this was in fact the case is questionable. However, even the Soviet elites were convinced, and this was one of the main factors in bringing about the collapse of the Soviet Union and the subsequent “leap into the arms of the West” in the 1990s. The post-Soviet elite (perhaps remembering past history) were expecting, if not a controlling interest on the European “board of directors”, then at least to be treated as equals. That this did not happen was a huge disappointment: to adhere to the European values system, and yet to be excluded from decision-making structures, was just unacceptable.

As a result, in the first decade of the twenty-first century, a complicated situation emerged. On the one hand, the people (primarily the elites and the middle class) began to articulate more clearly their demand for the European values of the welfare state: government for the people, pensions, effective governance, security, housing, education, healthcare, culture, and so on. But for many reasons, these demands could not be satisfied through integration on equal terms with Europe, which neither the European nor the Russian authorities wanted.

## The pivot to the East

Two landmark events set the stage for the Russian “pivot to the East” that is currently in progress. First, for economic reasons, the “centre of the world” started to shift for the first time in 300 or 400 years from the West to the East, from the Transatlantic to the Transpacific region. By historical standards, this shift is happening quickly. And Asia’s economic rise has also created the conditions for cultural dominance. One clear example of this growing cultural clout is that many global luxury brands, in, for instance, jewellery, perfume, and clothing, are cutting their distribution networks in Europe and broadening them in Asia. They are doing this for purely economic reasons: demand is falling in Europe and increasing in Asia. However, the result will be that the global elite and the rich will spend more time in Asia. Rather than making money on the London stock exchange and holidaying in Switzerland, they will make money in Hong Kong and holiday on Hainan Island.

Meanwhile, as compared to the West in general and Europe in particular, decision-making infrastructure in Asia is undeveloped. The US, which foresaw

the trend a long time ago, has begun to shift the “weight” of its policy-making structures from its east coast to the west. It has begun to set up infrastructure in the region under its own auspices based on the antagonism of its partners towards China. Russia, chagrined at not being treated as an equal by Europe, also has the opportunity to contribute to building a system in the East that would guarantee it a stake in new global decision-making structures.

The second big change that has led to Russia’s pivot to the East is the crisis of the European welfare state and its values (including moral values, such as the decline of the family, and so on). The Russian elite and middle classes saw in Europe a model to copy and perhaps a destination for emigration. Of course, they make up only 20 percent of the Russian population; the rest do not have passports, have never been abroad, and have no intention of going abroad. Therefore, they perceive foreign events only through media clichés and the attitudes of the elite and middle classes. Now, however, the global economic crisis has seriously impeded the implementation of the European project – or maybe even ended it for good. The crisis has provoked the disintegration of the welfare model that, to most Russians, was Europe’s most important achievement. In other words, the European experience based on current European values is losing significance for Russians.

Russian attitudes towards European moral values have changed. As mentioned above, about 20 percent of pro-European Russians are attracted to Europe from purely pragmatic reasons. For the middle classes, the European model means building a “normal state” instead of an empire, which places a priority on creating a functioning societal framework that can provide security, education, health services, housing, and so on. The Russian elite also sees the European model in pragmatic terms. They are interested not only in the welfare state, but also in stable political transitions, in which a shift in power is not accompanied with mass redistribution of property. Europe has this tradition, but Russia does not.

Strangely enough, it is the 80 percent of conservative Russians who have never been abroad who are most concerned about moral values. Because of their conservative outlook, they concentrate more on the moral and ideological aspects rather than the pragmatic aspects of the European model. State-sponsored propaganda makes use of this concern. Because the “Putin majority” feels itself to be the ruling majority, state television channels constantly portray a “degenerate” Europe that is ruled by a minority (and sexual minorities are shown to be just the tip of the iceberg). By doing so, they create the impression

that any effort to recreate the European model in Russia would cause the “Putin majority” to lose its ruling status and would transfer power to minorities, as happened in the “wild 1990s”.

It should be noted that in Europe too a renewed call for “healthy” European conservative values is gaining momentum. It is possible that the European Parliament elections in May will confirm this trend and that conservatives will be able to strengthen their position. If that happens, Vladimir Putin will be ahead of the game, having positioned himself in his speech to the Russian Federal Assembly in December 2013 as a conservative leader for a new generation, not only in Russia but also in the world.

The illusion of a “common European family” was destroyed for good by the events in Ukraine. When regime change in Kyiv was presented as a *fait accompli*, the Russian elite believed that it indicated that the West did not see Russia as an equal partner. So, the Kremlin returned the compliment, putting before the West a *fait accompli* in Crimea. In fact, Russia’s position on Ukraine in general and Crimea in particular has demonstrated a fundamental shift in Moscow’s priorities. For the first time in the post-Soviet era, the Russian authorities do not consider it a priority to maintain good relations with the West, and therefore, they do not consider Russia to be a part of European civilisation. From this naturally follows the ever more obvious “pivot to Asia”. For example, there are huge expectations of Putin’s visit to China in May 2014.

However, it is not quite accurate to describe the processes now under way in Russia as simply a pivot from Europe to Asia. The Russian government and Russian thinkers are now positioning the country not as an integral part of the European or Asian project, but as the centre of its own civilisation. As Putin says: “Russia does not lie between the West and the East. It is the West and the East who are on the left and the right of Russia.”<sup>6</sup>

The Eurasian Union that the Russian government is so actively promoting has only an indirect link to the Russian pivot to the East. Russian authorities and experts believe that an integrationist project on a global scale must consist of an economic or political entity with a population of at least 200 million. With only 140 million inhabitants, Russia falls short of the target – but if it joins with

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<sup>6</sup> “Vladimir Putin vystupil za sokhranenie subsidii RZhD za prigorodnye perebozki”, TBTs, 5 December 2013, available at <http://www.tvc.ru/news/show/id/24661>.

Ukraine (or at least with its eastern regions and their population of 20 million people), Belarus, and Kazakhstan, it would have enough people. At the head of such a union, Russia would be able to meet Europe and the East on an equal footing, although it would prefer to talk to the East. For purely geographic reasons, it is more logical for Ukraine and Belarus to integrate with the East with Russian help (to the East via the east) than for them to integrate with Europe (to the West via the east).

The Russian pivot to the East is really happening. However, in terms of values, the reason it is happening is not that Russians have changed and started to abandon European values for Asian values. Instead, a gradual transfer is taking place from the West to the East of the European model of values and achievements, such as the social welfare state in its various forms, and in fact, it seems that Russia is somewhat delayed in catching up with this global trend. As for the Asians, given the phenomenon of urbanisation that is having an enormous impact on their cultures and values, in a few decades they may become much more European than the Europeans themselves.

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*Kadri Liik, May 2014*

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