



THE LIMITS OF RUSSIA'S "PIVOT TO ASIA"

Bernt Berger

Forging closer economic and strategic ties with East Asia constitutes a rebalancing act in Moscow's attempts to diversify its markets and counter its increased isolation in the wake of the Ukraine crisis. But looking East to China and other countries is hampered by major obstacles that preclude the prospect of a fundamental pivot away from Europe, argues Bernt Berger.

Russia's tactical move towards greater engagement in East Asia—and with China in particular—has been accelerated by Moscow's fallout with the West over Ukraine. Yet, Russia's so-called "pivot to Asia" to reduce its dependency on European markets and circumvent its perceived containment by the West might turn out to be less favorable than expected. Increasing disparities in economic clout and China's military rise give Beijing increased leverage over Moscow. Furthermore, forging closer ties with other East Asian countries has proven difficult for a number of reasons, including distrust, ongoing conflicts, and a lack of infrastructure.

Rebalancing, not Pivoting

With Moscow's relations with the West at their lowest point since the Cold War, key mechanisms such as the NATO-Russia Council and EU-Russia negotiations over a new comprehensive framework agreement have been suspended. In seeking to decrease dependence on European markets and counter its growing isolation, Moscow's choices are limited: in the mid- to long-term it has no alternative to hedging its bets in East Asia, particularly by fully developing its economic potential. In fact, Moscow's attempts to do so predate the current stand-off over the situation in Ukraine and associated trade sanctions: negotiations with China over energy cooperation started as early as 2004 alongside the signing of the Sino-Russian strategic partnership. Current trends and sanctions have reinforced the already felt need to diversify markets for Russia's highly energy export-dependent economy and reinstate a firmer geo-political and military strategic stance. But, in reality, what some commentators have called a "pivot to Asia" has so far been more of an ongoing attempt to rebalance rather than a fundamental geo-economic shift per se.

China appears on paper a natural ally for Russia: it is not only Russia's key trading partner in Asia, but Beijing shares Moscow's fears of containment and has displayed, at least rhetorically, a revisionist attitude towards the existing international order and its institutions. In 2013 China and Russia's state-owned Rosneft signed an oil worth \$270bn over the next 25 years. In May 2014, moreover, about 10 years after the beginning of negotiations, Gazprom signed a major 30-year gas deal with China; gas deliveries from Russia are expected to begin in 2018 with 38 billion cubic meters supplied annually. In the mid-term, Russia's gas exports will serve China's steadily rising gas consumption and its energy sector transition away from coal. Moscow also hopes to benefit from Chinese investments to promote economic projects in Russia (including in industry, technology, logistics, and tourism), which have hitherto been relatively limited. In the military sphere too both countries have bolstered cooperation through joint exercises and arms deals.

Between a Rock and a Hard Place

Yet, re-balancing Europe's weight as Russia's main trading partner and relying on China as a strategic "ally" puts Moscow between a rock and a hard place. Firstly, in view of the statistics, Russia's task of decreasing dependence on trade with Europe is enormous. In terms of exports, Russia's exports to China in 2013 amounted to \$35 billion compared with \$258 billion to the EU. Furthermore, China's share of Russian gas amounts to only 4.9 percent; it is predicted to rise to 10 percent by 2020. This compares to the fact that the EU share of Russian energy exports is approximately 77 percent. This imbalance will be difficult to redress.

Furthermore, during the past twenty years China's economic strength has outpaced Russia's by far. Economic cooperation is therefore only possible among non-equals.



China's self-sufficiency in natural gas is also on the rise: companies are tapping into off-shore sources and China is estimated to possess the world's largest reserves of shale gas. These factors, combined with alternative sources, mean that China will not rely on Russian gas and so gain greater leverage in negotiations. In bilateral relations Russia has therefore increasingly come to be seen as the "junior partner."

Neither China nor Russia have in the past demonstrated that they would prefer to sit in the same boat or form a global or regional alliance. Whereas both sides have paid lip service to alternatives to existing "Western" institutions, in practice the implementation of any real measures has been limited so far. The reasons are manifold. China has profited from the existing economic order and so far has had out of self-interest little incentive to become a game changer. Indeed, the U.S. has been far more important for China as a trading partner than Russia and remains a crucial partner in security cooperation.

Distrust between China and Russia most clearly manifests itself in Central Asia, which Moscow regards as its traditional sphere of influence. Albeit ostensibly partners there, Moscow still views the Shanghai Cooperation Organization (SCO) as a Chinese initiative. What is more, China's medium and long-term plans in the region including the Silk Road Economic Belt initiative are not well regarded in Moscow. Alternative regional models such as the Russia-led Eurasian Union have been designed as a response to China's and the EU's regional ambitions, with the Customs Union likely to prevent further integration between Central Asia and the Chinese market.

Beyond China

In the wider East Asian environment Russia's endeavors have also encountered difficulties. Mistrust over the Ukraine crisis and ongoing territorial issues have hampered deals with Japan. Relations with Vietnam have been improving but might cause discontent in China. Russia and Vietnam have agreed on more than 17 bilateral agreements involving strategic energy cooperation. This involves joint offshore drilling projects between Gazprom and PetroVietnam. Even more sensitive is the fact that Vietnamese arms procurements from Russia involving improvements of naval capabilities are strongly against China's interests. On the Korean Peninsula, meanwhile, Russia is also encountering difficulties in accessing the South Korean energy market,

which would involve laying a pipeline through North Korea, a partner that has hardly been predictable in the past. Russia has agreed to write off North Korea's Soviet-era debt but this might not be enough to keep Pyongyang from interrupting gas supplies for political purposes. It is unlikely that Russian companies will hedge their bets on such uncertainties. In addition, fully developing its economic potential in East Asian countries depends on improving infrastructural links and supporting greater investment and trade than is presently the case.

Outlook

Russia's moves to rebalance its geo-economic relations in Asia can at best be a long-term goal. Political rapprochement, bargaining, and establishment of critical infrastructure are necessary pre-conditions for any major moves in this direction. In any case, Moscow will be confronted with unfavorable conditions in terms of political and economic leverage, particularly in regard to China. In terms of balancing and re-balancing, therefore, there are clear limits to any fundamental tilt from Europe to Asia.

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