

# The Ocean, Both Distant and Close....

*The Russians have for years seen the Pacific Ocean as both distant and close... Today, wherever we may happen to live, it is getting increasingly close. Politicians, investors, economists, bankers, people in the energy business look to the Asia-Pacific as a potential safe haven for global economy to ride out the current crisis, and, possibly, future ones as well. The more farsighted see in it an enormous development reserve, and not just for those who have lived there for centuries on end.*

*And yet the countries with particular responsibility are those Asia-Pacific economies that have gathered this year at the APEC CEO Summit in Vladivostok. For it is they that are to lay the foundations of future cooperation in the Asia-Pacific, and it is up to them to make sure that the success of regional development assumes global dimensions.*

*The Pacific Ocean unites three great continents — Europe, America and Asia. Obviously, not one power, nor even a group of countries focused on narrow interests are capable of transforming the vast and complex Asia-Pacific region into a factor of world growth. The dreams of many generations to transform the Eurasian space into a continent uniting great civilizations, instead of an object of geopolitical ambitions to control global heartland, could hardly come true without the Asia-Pacific potential being realized.*

*The Eurasian project of Vladimir Putin, President of Russia, the host economy of the APEC CEO Summit this year, contains the essential prerequisite of any interciviliation cooperation — openness, a principled approach to cooperation between all in the interests of all. Hopefully, it is this brand of cooperation that the Vladivostok CEO Summit will pave the way for.*



**Armen  
Oganessian**

*Editor-in-Chief,  
International Affairs  
Journal*

**International Affairs**

A Russian Journal of World Politics, Diplomacy and International Relations

**In This Issue**

- BRICS: A New-Generation Forum
- Libya Without Qaddafi
- Europe: Identity Crisis or Schizophrenia?
- Russia's New Arctic Strategy
- Afghanistan at the Threshold of Change
- Russia-Ukraine-Belarus: A Roundtable
- The Russian Council on International Relations

**east view**

**LA VIE INTERNATIONALE**

Politique étrangère, diplomatie, sécurité nationale

www.INTERAFFAIRS.ru

**الاحداث السياسية الدولية**

قضايا السياسة الخارجية، والدبلوماسية، والأمن القومي

www.INTERAFFAIRS.ru

Special Issue  
2010

**INTERNATIONAL AFFAIRS**

**RUSSIA – ASEAN**

www.INTERAFFAIRS.ru

**90** 1922  
2012

**years**

Digest 2011

**VIDA INTERNACIONAL**

Temas de política internacional, diplomacia y seguridad nacional

www.INTERAFFAIRS.ru

文匯 2011

**国际生活**

俄罗斯对外政策、外交和国家安全

www.INTERAFFAIRS.ru

90 лет

Июнь 2012

**МЕЖДУНАРОДНАЯ ЖИЗНЬ**

Проблемы внешней политики, дипломатии, национальной безопасности

**Россия в меняющемся мире**

**Совещание послов и постоянных представителей РФ-2012**

Москва. Издается с марта 1922 г.

Digest 2011

**INTERNATIONALES LEBEN**

Probleme der Aussenpolitik, der Diplomatie und der nationalen Sicherheit

www.INTERAFFAIRS.ru

# Editorial Advisory Board

**SERGEI LAVROV**

**Minister of Foreign Affairs, Russian Federation**

**Alexander Avdeyev**, in a personal capacity

**Vladimir Chizhov**, Permanent Representative of Russia to the European Communities

**Vitaly Churkin**, Permanent Representative of Russia to the UN, Ph.D. (Hist.)

**Andrei Denisov**, First Deputy Minister of Foreign Affairs of Russia, Ph.D. (Econ.)

**Alexander Dzasokhov**, D.Sc. (Polit.)

**Alexei Fedotov**, Ambassador-at-large, Member of the Board, Ministry of Foreign Affairs of Russia

**Igor Ivanov**, President, Russian International Affairs Council

**Konstantin Kosachev**, Head, Rossotrudnichestvo, the Federal Agency for the Commonwealth of Independent States

**Vladimir Lukin**, Human Rights Commissioner in Russia, D.Sc.(Hist.), Professor

**Sergei Mareyev**, Director General, Ministry of Foreign Affairs of Russia

**Mikhail Margelov**, Chairman of the Foreign Affairs Committee, Federation Council of Russia, Ph.D. (Polit.)

**Alexei Meshkov**, Ambassador Extraordinary and Plenipotentiary

**Alexander Panov**, D.Sc. (Polit.)

**Georgy Petrov**, Vice-President, Chamber of Commerce and Industry of Russia

**Eugeni Primakov**, Academician, Russian Academy of Sciences

**Alexei Pushkov**, Chairman, International Affairs Committee, State Duma of Russia, Ph.D. (Hist.)

**Yuri Shafranik**, Chairman of the Board, Soyuzneftegaz Interstate Oil Company, President, World Politics and Resources Fund

**Vladimir Titov**, Deputy Minister of Foreign Affairs of Russia

**Anatoly Torkunov**, Rector, Moscow State Institute (University) of International Relations, Academician, Russian Academy of Sciences

**Alexander Yakovenko**, Ambassador Extraordinary and Plenipotentiary, D.Sc. (Law), Professor

**Editor-in-Chief**

**Armen Oganessian**

# Contents

|                 |  |
|-----------------|--|
| <b>1</b> .....  | <b>Armen Oganesyan</b> , Editor-in-Chief, <i>International Affairs journal</i><br><b>The Ocean, Both Distant and Close....</b>   |
| <b>6</b> .....  | <b>Vladimir Putin</b> , President of the Russian Federation<br><b>Address on the occasion of the APEC Russia 2012 Leaders Week (Vladivostok, September 2-9, 2012).</b>   |
| <b>8</b> .....  | <b>Sergei Lavrov</b> , Minister of Foreign Affairs, Russian Federation<br><b>Russia in APEC: toward New Horizons of Asia-Pacific Integration</b>   |
|                 | <b>INTEGRATION</b>   |
| <b>21</b> ..... | <b>Igor Ivanov</b> , President, Russian International Affairs Council<br><b>Russia's Chairmanship in APEC: Priorities and Prospects</b>  |
| <b>26</b> ..... | <b>Andrei Kostin</b> , President and Chairman of VTB Bank's Management Board<br><b>Meeting the Challenges, Expanding Opportunities</b>   |
| <b>37</b> ..... | <b>Vladislav Lim</b> , Ph.D. (Information and Communication), Head, Center for International Cooperation, REKOD Research & Production Corporation<br><b>Russia-APR: Space Partnership</b>  |
| <b>47</b> ..... | <b>Victor Sumsky</b> , D.Sc.(Hist.), Director, the ASEAN Center of the Moscow State Institute of International Relations (University), Ministry of Foreign Affairs, Russian Federation<br><b>The 2012 APEC Summit Is to Have a Follow-Up</b> |
| <b>56</b> ..... | <b>Sergei Sevastyanov</b> , D.Sc.(Polit.), Professor, Far Eastern Federal University, Vladivostok<br><b>On Issues of Asia-Pacific Integration</b>  |
| <b>71</b> ..... | <b>Alexander Fedorovsky</b> , D.Sc. (Econ.), Head, APR General Sector, Institute of World Economy and International Relations, Russian Academy of Sciences<br><b>Integration in the Asia-Pacific: What are Russia's Stakes</b>               |
|                 | <b>PRIORITIES</b>  |
| <b>83</b> ..... | <b>Maxim Sokolov</b> , Minister of Transport, Russian Federation<br><b>Transportation in APEC Region</b>   |

|  |            |
|--|------------|
| <b>Kirill Komarov</b> , Deputy Director General for Development and International Business,<br>Rosatom State Nuclear Energy Corporation<br><b>Nuclear Power in APEC after Fukushima</b>  | <b>93</b>  |
| <b>Vladimir Likhachev</b> , Deputy Director,<br>Energy Research Institute, Russian Academy of Sciences<br><b>The Asia-Pacific Component<br/>of the Russian Energy Strategy 2030</b>  | <b>104</b> |
| <b>Ekaterina Koldunova</b> , Assistant Professor, African and Asian<br>Studies Department, Deputy Dean, School of Political Affairs,<br>Moscow State Institute of International Relations (University),<br>Ministry of Foreign Affairs,<br>Russian Federation<br><b>Education, Innovation and Social Capital:<br/>Prospects for Russia in APEC</b> | <b>115</b> |
| <b>Tagir Khuziyatov</b> , Ph.D.(Econ.), Professor,<br>Far Eastern Federal University, Vladivostok<br><b>Education and Science in the Asia-Pacific</b>  | <b>122</b> |
| <b>Lilia Revenko</b> , D.Sc.(Econ.), Professor, Department<br>of International Economic Affairs and External Economic Ties,<br>Moscow State Institute of International Relations (University),<br>Ministry of Foreign Affairs, Russian Federation<br><b>External Economic Determinants of APEC Food Security</b>                                   | <b>132</b> |
| <b>Alexander Akimov</b> , D.Sc.(Econ.), Head, Department<br>of Economic Research, Institute of Oriental Studies,<br>Russian Academy of Sciences<br><b>Biofuel or Hydrocarbon ...</b>   | <b>142</b> |
| <b>BUSINESS</b>  |            |
| <b>Vladimir Androsik</b> , Board Chairman, Executive Director,<br>the APEC National Business Center<br><b>The National Business Center as a Russia-Asia Go-between</b>   | <b>157</b> |
| <b>Irina Gorbulina</b> , President, Russian Academy of Business<br>and Entrepreneurship<br><b>Our Business in Countries Not in Our Own Backyard</b>  | <b>171</b> |
| <b>Victor Tarusin</b> , Commissioner, PT Petros Technologies Indonesia<br><b>Small and Medium-Size Business<br/>for Broader Cooperation with ASEAN Partners</b>  | <b>183</b> |





## Address by President of the Russian Federation on the occasion of the APEC Russia 2012 Leaders Week (Vladivostok, September, 2-9)

**Vladimir  
Putin**  
*President  
of the Russian  
Federation*

**O**n September 2, 2012, the APEC Russia 2012 Leaders Week will start on the Russky Island, Vladivostok, to top Russia's Chairmanship in the Asia-Pacific Economic Cooperation this year. The Week will be highlighted by a jubilee event — the 20th Meeting of the Leaders of the member economies of this major regional forum to be held on September, 8-9.

The general theme of Russia's Chairmanship is "*Integrate to Grow, Innovate to Prosper*". Hand in hand with our APEC partners, we are promoting trade and investment liberalization, closer integration, food security, cooperation in the field of natural disaster prevention and mitigation, diversification and improvement of the transportation and logistics chains. All this is fully in line with the regional economies' common aspiration towards fostering a seamless system of free and open exchange of goods,

services and capitals, and enhancing business and scientific contacts.

Russia stands for ensuring truly stable, equitable and mutually beneficial economic relations throughout the Asia-Pacific, a most dynamically growing region. This is manifested, *inter alia*, in our accession to the WTO, our drive for greater Eurasian cooperation and the launch of negotiations on free trade with a number of Asia-Pacific countries, as well as the measures we are taking to enhance the national trade regime.

As the APEC 2012 Chair, Russia has hosted numerous events. Moscow, St. Petersburg, Yaroslavl, Kazan, Khabarovsk and Vladivostok provided venues for a series of productive APEC sectoral ministerial and sub-fora meetings, as well as conferences and seminars for businessmen and experts, which proved very effective.

In preparation for the APEC 2012 Summit, we have done a great deal of organizational work, building and reconstructing a lot of infrastructure elements and other objects. We have created comfortable conditions conducive to fruitful work of the Heads and members of delegations, and all the participants and guests of the APEC 2012 Leaders Week.

We highly appreciate our APEC partners' interested and constructive position on the priorities of the Russian Chairmanship and the agenda of the forthcoming APEC Economic Leaders Meeting. I am confident that the AELM 2012 will contribute to broadening cooperation in the Asia-Pacific and give a fresh impetus to sustainable development worldwide.



**Sergei  
Lavrov**

*Minister of Foreign  
Affairs, Russian  
Federation*

# Russia in APEC: toward New Horizons of Asia-Pacific Integration

**A**t present the Asia-Pacific is confidently assuming the role of a global development leader. This is particularly noticeable in economics, the turbulent times that world economy is experiencing notwithstanding. The Asia-Pacific is also consistently establishing itself as an influential pole within the changing system of coordinates of world politics.

Russia is part and parcel of the Asia-Pacific. Sixty percent of Russia's territory, which is home to over 30 million people, is in this region. And this is not just a matter of geography, but also historical reality. Many generations of Russians worked devotedly to develop the vast expanse of Siberia and the Far East. The eastern section of this country is a focal point of enormous potential, what with its huge reserves of natural resources, powerful industrial, technological and research bases, and creative and intellectual assets of the public.

This country is rightly viewed as an element of strategic stability in the region. Attempts to address security issues in the Asia-Pacific without Russia, moreover in disregard



of its interests, are counterproductive. Russia's contribution is appreciated in such cooperation areas as countering international terrorism and transnational organized crime, providing energy, transportation, food and information security, interacting in emergency, and organizing intercivilization dialogue. Russia's unique geopolitical status of a Eurasian state allows us to play the indispensable role of a kind of bridge joining the main centers of world politics — the Pacific Ring and Europe, that is the East and the West in a manner of speaking.

The Asia-Pacific orientation is one of Russia's foreign-policy priorities. Russian President Vladimir Putin's decree On Measures to Carry Out the Foreign Policy of the Russian Federation defines the main guidelines within this vector of our diplomatic work. The reference is, among other things, to stepping up our involvement in regional integration in order to boost the socioeconomic development of Russia's Eastern Siberia and Far Eastern areas, to promoting initiatives to shape a new security and cooperation architecture in the Asia-Pacific, and to devising proposals to be included in the agenda of the East Asia summit and the Russia-ASEAN Dialogue Partnership.

Russia has no ideological differences or major sensitive issues in its relations with Asia-Pacific states that would be impossible to settle through constructive dialogue. This provides good prerequisites for furthering relations with every single country in the region on the basis of equality and mutual advantage. As for several key states in the Asia-Pacific, we have a relationship of strategic partnership with them.

Apart from working hard to promote a bilateral political dialogue with Asia-Pacific neighbors, Russia takes part in

APEC RUSSIA 2012

« *... we believe, the Asia-Pacific should be organizing multilevel network diplomacy, creating a system of mutually complementary multilateral partnerships, that is to say, building a reliable architecture of security and cooperation that would serve as insurance against any prospective upheavals, and provide conditions for maintaining the strategic balance and stability* »

multilateral mechanisms of ensuring security and stability. While acknowledging the system-forming role of the Association of Southeast Asian Nations (ASEAN) in regional integration, we are steadily building up a dialogue partnership with this organization, vigorously interacting at the ASEAN Regional Forum on Security, and in the format of ASEAN Defense Ministers Meetings. We are actively using the potential of other multilateral entities as well, including the Conference on Interaction and Confidence Building Measures in Asia, and the Asia Cooperation Dialogue.

Our especial attention is devoted to further consolidation of the Shanghai Cooperation Organization as a formidable factor not merely of regional but also of global politics (its latest summit took place in Beijing in early June).

Russia recognizes the associations listed above and other entities active in the region as a value in its own right. At the same time, we believe, the Asia-Pacific should be organizing multilevel network diplomacy, creating a system of mutually complementary multilateral partnerships, that is to say, building a reliable architecture of security and cooperation that would serve as insurance against any prospective upheavals, and provide conditions for maintaining the strategic balance and stability. We are confident that this kind of structure must be formed on a nonbloc basis, relying on the supremacy of international law, equality, openness and inclusiveness. Its core should be the principle of indivisible security, ruling out attempts to attain one's own security at the expense of other states.

The chief vector of reaching this goal could be translating into practice the initiative on security consolidation in the

Asia-Pacific region put forward jointly by Russia and China in September 2010. The positive reaction from many influential Asia-Pacific states is proof that this proposal makes a sound basis for working on the code of behavior in regional affairs.

As we see it, the best forum for pragmatically working out an integral conception of Asia-Pacific security is the mechanism of the East Asia Summit (EAS). The EAS Declaration on the Principles for Mutually Beneficial Relations adopted last year, along with the provisions of the UN Charter and the 1976 Treaty of Amity and Cooperation in Southeast Asia, naturally, could serve a legal basis for this security architecture. Debates on this supremely important issue could be a priority task of strategic dialogue between the leaders of the Forum member states.

To Russia, as well as to our Asia-Pacific partners, the pressing need to redouble the efforts to produce an international-law mechanism guaranteeing peace and stability in our shared space is only too obvious, for this part of the world, alas, is conflict-prone. To put up a secure barrier to smoldering disputes and contradictions threatening to flare up, and eventually to eliminate them gradually is a number one task for all states in the region. Russian diplomacy is ready to work jointly with our partners in the interests of attaining these objectives.

\* \* \*

The Asia-Pacific Economic Cooperation (APEC) that unites 21 regional economies offers good opportunities for promoting Russia's interests in this part of the world. The APEC members are dynamic, economically and technologically advanced participants in global economic relations. The share of mutual trade between them is almost

« To Russia, as well as to our Asia-Pacific partners, the pressing need to redouble the efforts to produce an international-law mechanism guaranteeing peace and stability in our shared space is only too obvious »

« *Currently APEC is the biggest and most authoritative economic association in the Asia-Pacific* »

70 percent of their aggregate foreign-trade turnover. The member economies have to their credit 110 free trade agreements 44 of which are within the APEC area. Both shores of the Pacific Ocean work hard on making reality the grandiose idea of creating a unified Asia-Pacific Free Trade Zone.

Currently APEC is the biggest and most authoritative economic association in the Asia-Pacific, and its main purpose, under the Bogor Goals, is to map out, by consensus, ways of improving the members' economic legislation, and to outline practical measures to set up a regional system of free and open trade and investment activity. Importantly, this intense and interested dialogue involves, along with experts and government ministers, also the leaders of the member economies. No less importantly, the decisions taken are not binding, and it is up to the member economies to construct the format of their implementation at home. Given the sociopolitical, economic and cultural diversity found within the APEC region, this approach is fully justified.

Russia joined APEC as a full member in 1998. That was this country's conscious and considered choice as it had embarked on the road of market development and full-scale integration in global economy. The practice of our APEC membership has borne out the strategic correctness of that decision. Within the past 15 years Russia has acquired a good deal of experience in doing business with its partners on a wide range of issues, from structural economic reform to interaction in an emergency, from mutually adjusting regulatory systems to encouraging business mobility in the region. That helped us use more efficiently the natural competitive advantages Russia had, among them vast tracts of territory, and superrich resources, including intellectual

ones, and improve investment attractiveness, capitalizing new opportunities in global economy.

The Russian Federation is consistently stepping up trade and economic cooperation with all its APEC partners. Last year saw fairly decent results in a number of areas. Mutual trade with APEC member economies is on the up: in 2011, they accounted for 23.9 percent of Russia's foreign-trade turnover against the 16.4 percent in 2002. Some vectors, moreover, displayed even more spectacular results. Thus the amount of our trade with China, our main trading partner, has reached the all-time high of \$83.5 billion, and it looks more than feasible that the figure of \$100 billion, a target for 2015, will become reality. The trade turnover between Russia and Japan has bounced back to the pre-crisis level reaching nearly \$30 billion. The amount of trade with the Republic of Korea has gone up to \$25 billion, that is, has grown 11.5 times against 2002. Russia's trade relations with ASEAN countries are highly dynamic; in 2000 the aggregate turnover with the Ten did not exceed one billion dollars' worth, but by the end of 2011, it had reached \$15 billion.

The next task is to increase Russia's contribution to the intra-APEC commodity turnover, which for years has been hovering around the one percent mark. I am sure that the situation does not reflect the actual potential, either in the case of Russia or of our regional partners. For our part we are doing our utmost to increase the amount of trade, and diversify it qualitatively, above all by raising the share of high-tech products and goods with a high degree of processing. We hope that Russia's accession to WTO will provide powerful impetus for positive changes in the area. Russia's economic presence in the Asia-Pacific should be up to its high political profile in the region.

 *The Russian Federation is consistently stepping up trade and economic cooperation with all its APEC partners* 

This task is obviously given pride of place in the work related to the Russian Federation's chairmanship in APEC in 2012.

« *Our partners endorsed the Russian suggestion of focusing collective efforts on boosting cooperation along such lines as improving regional transport and logistic systems, ensuring food security, and expanding cooperation to modernize economy with an emphasis on innovative development* »

Practical work on the APEC 2012 project started in 2008, and not from scratch either. When Russia's application for hosting the forum was okayed five years ago at the Sydney Summit, this pointed to considerable authority the country had acquired as a fully fledged member of the APEC family. Work coordination was the job of the Organizing Committee on Preparation and Support of Russia's APEC chairmanship in 2012 instituted under the decree of the RF President. In 2011, as the head of state had approved the general idea and list of chairmanship events, this work entered a practical stage.

For a start, we formulated the priorities of the Forum activity for this year. Our partners endorsed the Russian suggestion of focusing collective efforts on boosting cooperation along such lines as improving regional transport and logistic systems, ensuring food security, and expanding cooperation to modernize economy with an emphasis on innovative development.

Naming these departmental and subject priorities, Russia was clearly guided by its own national interests as well. It is these areas that are given especial attention in our plans of socioeconomic development. They fit snugly into the algorithm of actions to implement the basic Russian normative documents. At the same time, we offered our partners specific interaction projects precisely in those areas where Russia has considerable competitive advantages. These tactics, as our partners' reaction suggests, proved perfectly effective.





As the APEC Chair Russia also fully ensures continuity of action on the principal agenda points. A case in point is yet another of the priorities we have named — assisting further liberalization of trade and investment, and development of economic integration in the APEC region. The Russian Federation's accession to WTO allows new steps on the road to the Bogor Goals to be comprehensively and enterprisingly discussed at the forum, and will help us voice additional measures to consolidate the conceptual basis for invigorating regional integration processes.

Meanwhile, we are still mindful of the forum's equally important tasks outlined, among other documents, in the 2010 APEC Growth Strategy. I am referring to the stimulation of joint efforts aimed at ensuring not just balanced, inclusive, and innovative, but also secure development in the region. Russia's chairmanship is actively promoting further cooperation in such areas as countering terrorism, curbing organized crime, early warning and eliminating the consequences of natural disasters and man-made catastrophes, and building up human capital, which includes improvement of domestic systems of healthcare, education and social protection.

Russia backed the initiative of U.S. chairmanship in 2011 about making more dynamic APEC work in the gender integration area. The results of circumstantial discussions at the Women and the Economy Forum in St. Petersburg in June this year will surely enrich the APEC cooperation in the interests of enhancing the role of women in socioeconomic progress.

This country pays the most serious attention to establishing constructive interaction between the public and the business circles in tackling the problems of

« *As the APEC Chair  
Russia also fully ensures  
continuity of action on  
the principal agenda  
issues. A case in point is  
yet another of the  
priorities we have  
named — assisting  
further liberalization of  
trade and investment,  
and development  
of economic integration  
in the APEC region* »

 *We are fully determined to continue doing our best to help expand the APEC-ABAC cooperation as we view it as a powerful means of popularizing and implementing the principles of public-private partnership in member economies* 

economic and society development. Therefore, the Russian chairmanship is actively promoting more profound cooperation between APEC and its business arm represented by APEC Business Advisory Council (ABAC). We are satisfied with work on coordinated promotion of cooperation priorities both within the APEC fora and under the Council, which is this year likewise headed by Russia. We are fully determined to continue doing our best to help expand the APEC-ABAC cooperation as we view it as a powerful means of popularizing and implementing the principles of public-private partnership in member economies. The graphic proof of how much in earnest we are was President Vladimir Putin signing, on June 7, the Decree that opened the way to visa-free exchange between the business people and officials of Russia and other economies who hold valid APEC Business Travel Cards.

Russia's decision to allocate voluntarily a three-million-dollar contribution to the APEC Support Fund in 2011-2012 proved most timely. This move made a good buffer stock for holding subject events to promote our initiatives both last and this year.

Voicing its ideas in APEC, the Russian chairmanship proceeded primarily from the traditional agenda of the forum, but also sought to look ahead. We deliberately offered to our partners quite a few, actually over 50, proposals for discussion. All of them fit in the APEC agenda, elaborating the previous initiatives or inviting the launch of relatively new cooperation areas.

And it was not our intention to dazzle our partners with an avalanche of projects for form's sake; our contribution to the general discussion had been carefully prepared thanks to the creative approach of relevant ministries

and departments, and also to hefty expert support on the part of the Russian APEC Study Center (RASC). Availing myself of the opportunity I would like to thank all the Russian entities involved in supporting our chairmanship for their constructive interaction and useful contribution to the common work.

\* \* \*

It will not be long before the Vladivostok Summit is inaugurated. The better half of the way within the framework of Russia's chairmanship has been covered. This inspires confidence that the APEC Leaders Week on the Russky Island will be a success, the 20th-jubilee-AELM in the first place. I do not doubt that this climactic event will not only fittingly crown the Russian Year in APEC, but will also make a tangible contribution to further progressive development of the APEC process for the benefit of growth and prosperity in the entire region.

It is my opinion that the work done has benefited all the member economies allowing them to considerably increase their cooperation experience. Foreign partners now have a better knowledge of this country. We have done all we could to let our guests not only work fruitfully, but also get to know Russia's potential, and that of its individual regions and cities — Moscow, Yaroslavl, St. Petersburg, Kazan, Khabarovsk, and Vladivostok. On the other hand, our chairmanship helped substantially expand the mutually beneficial partnership of the Russian Federation with Asia-Pacific states, better understand the pressing development problems in the region, and build more tightly our country, especially its eastern territories, in the increasingly rapid process of regional political and economic cooperation and integration.

« *I do not doubt that this climactic event will not only fittingly crown the Russian Year in APEC, but will also make a tangible contribution to further progressive development of the APEC process for the benefit of growth and prosperity in the entire region* »

APEC RUSSIA 2012

There is no alternative to further rapprochement with partners in the Asia-Pacific. This is a must if we are to enjoy a favorable external environment, and rules of the game in world trade profitable to us, which will assist our efforts to induce steady innovative economic growth in Russia's Far Eastern areas.

« *There is no  
alternative to further  
rapprochement with  
partners in the Asia-  
Pacific* »

Lying ahead is long and laborious work, for which we are fully prepared. It is essential to make good use of the stock laid in during Russia's APEC chairmanship to further increase Russian participation in integration processes in the interests of developing Siberia, the Far East and Russia at large, as well as forming a new architecture of security and cooperation in the Asia-Pacific.

The image features a vibrant, abstract background composed of overlapping circles and semi-circles in shades of teal, green, and yellow. A prominent vertical red bar runs along the right side of the composition. The word "INTEGRATION" is written vertically in white, uppercase letters within this red bar. The overall aesthetic is modern and dynamic, suggesting themes of global connectivity and unity.

I  
N  
T  
E  
G  
R  
A  
T  
I  
O  
N

**Igor Ivanov,**  
Russia's Chairmanship in APEC:  
Priorities and Prospects

**Andrei Kostin,**  
Meeting the Challenges, Expanding  
Opportunities

**Vladislav Lim,**  
Russia-APR: Space Partnership

**Victor Sumsky,**  
The 2012 APEC Summit Is to Have  
a Follow-Up

**Sergei Sevastyanov,**  
On Issues of Asia-Pacific Integration

**Alexander Fedorovsky,**  
Integration in the Asia-Pacific: What are  
Russia's Stakes



# Russia's Chairmanship in APEC: Priorities and Prospects

**T**he matter of whether or not Russia is an Asian country may seem academic to some. Suffice it to glance at a map to see that Russia is the largest country in the continent and its eastern “façade” spreads over a biggish chunk of Asia’s Pacific coast. Russia’s major trade and economic partners are likewise in Asia, above all China, which has recently become number one in the general trade turnover with this country. Russia is a member of the chief Asian multilateral organizations, not excepting such influential ones as APEC.

And yet many people in Asia continue to regard Russia as not quite Asian. Possibly because ethnically, religiously and politically speaking, Russia has always gravitated toward Europe rather than Asia. Or else because the bulk of Russia’s population lives in the country’s western part, after all. But the main reason, to me, lies elsewhere. Despite all our attempts to occupy a fitting place in the Asia-Pacific community that is taking shape before our very eyes, Russia is still on the fringe of the process in many respects. The potential of Russia as an Asian power remains largely unrealized.

This is due primarily to the fact that Russia is too slow and at times inconsistent in restructuring the economy of its

**Igor  
Ivanov**

*President, Russian  
International Affairs  
Council, Director of  
the Russian  
APEC Study Center*



## APEC RUSSIA 2012

« Russia's 2012 APEC chairmanship affords a unique opportunity of reevaluating the prospects of Russia's integration in the Asia-Pacific community within the framework of integration processes currently under way in the region »

eastern areas; it does not create the right incentives for foreign investors, or for their Russian counterparts, come to that. Russia's Asian parts are up against a particularly tough infrastructure situation; small business there is crying out for encouragement, and migration processes are badly in need of control. In region-related international affairs we do not always manage to comprehend the logic of our Asian neighbors, which occasionally results in annoying miscalculations.

At the same time our Asian neighbors are not exactly blameless either. To some of them the Cold War is as good as still under way; they continue to base their Russia policies on the principles laid down all of fifty years ago. Others regard Russia exclusively as a raw material source they can use to pump out the required resources, preferably at a minimum cost to themselves. Still others believe that furthering relations with Russia can wait till more auspicious times, because at the moment the Asian political priorities are in a different area.

Russia's 2012 APEC chairmanship affords a unique opportunity of reevaluating the prospects of Russia's integration in the Asia-Pacific community within the framework of integration processes currently under way in the region. The Russian leadership, attaching as it does tremendous importance to acting as a chair there, has done a lot of spadework to imbue with real meaning the chairmanship agendas. That work involved not only ministries, but also many of the regions, and expert panels. The country has invested heavily in the project.

The Russian team of experts and relevant departments were inevitably confronted with the following questions in the course of preparation for the summit: Is Russia, as the host economy, entitled to alter the APEC agenda that for years has been focusing on issues of trade and economic liberalization? How proper will be an emphasis on

cooperation in the areas of power engineering, infrastructure and transport clearly reflecting our national priorities? Is it permissible to put forward projects which, apart from Russia itself, will only be interesting to some, but not all APEC participants? Which is preferable — to take a series of gradual, practicable steps in logistics, customs services, to upgrade the existing communications lines, or to step up the revival of Siberia and the Far East by means of energy, infrastructure and other mega-projects with all the attendant expenses?

Given these and other questions arising in the course of preparation for the summit, Russia has come up with a clear-cut scale of priorities that take into account both its own development interests and the onward going processes in the region as a whole.

Among the key areas of multilateral cooperation in the Asia-Pacific the following have been singled out.

First, the liberalization of trade and investment, and regional economic integration. Certain steps in this direction were made under U.S. chairmanship in 2011. Russia is prepared to continue along the same route moving toward free trade and investment in the region. Whereas the Honolulu Summit mostly discussed the current issues of trade liberalization, in Vladivostok it would be logical to focus on long-term prospects of the APEC economies integration, also taking into consideration the CIS integration initiatives that Russia is implementing, and on issues of averting financial and economic crises in the region and the world. It is the APEC members that account at present for the greater part of global economy and so bear special responsibility for optimizing global mechanisms of economic development regulation.

Another 2012 priority is consolidation of food security. This problem will apparently become one of the principal ones for the 21st century world politics, and there it is difficult to

## INTEGRATION

« It is the APEC members that account at present for the greater part of global economy and so bear special responsibility for optimizing global mechanisms of economic development regulation »

« *Owing to its geographical position, Russia is a transit country between Asia and Europe, but in terms of intercontinental transport corridor we could do a lot more than we are doing at present* »

overestimate the role of the APEC region. Meanwhile, in this area multilateral cooperation by the Asia-Pacific countries is still in rompers. We lack a coordinated regional approach to managing the risks of food security. Clearly, the need has long been overdue to tackle such matters as lessening food price volatility, loss reduction while transporting agricultural produce within the region, coordination of national efforts to raise the yield of agricultural staples. Obviously, food issues are closely related to the environmental problems, and preservation of biodiversity in the APEC region.

Yet another of Russia's priorities is the regional transport and logistical potential development. Owing to its geographical position, Russia is a transit country between Asia and Europe, but in terms of intercontinental transport corridor we could do a lot more than we are doing at present. Here we shall have to do plenty of work within the country, yet the international dimension is every bit as important. Cutting costs and time loss in border crossing, and implementing major infrastructure projects (e.g., modernizing sea- and airports, and transport corridors) in the private/state partnership format, will certainly help extend the areas of contact between the RF and its Asian environment.

Finally, the Vladivostok APEC Economic Leaders Meeting is, among other things, also a chance to promote the innovation agenda for Russia and the entire APEC region. How can we ensure the use of the most efficient forms of interaction for science, business and the state in promoting new technologies? How can we raise to a new cooperation level innovation centers, universities, research institutions, R&D compounds, innovation-active territories? How should the geographical mobility of people in science, education and innovation be increased? How can the intellectual property rights be securely protected in the region, and the turnover of counterfeit products reduced?

What is to be done to harmonize education systems? Questions of this kind are becoming increasingly important not only to Russia, but also to our neighbors on the Asian continent.

On the whole, Russia's invigorated activity in the Asian sector appears timely, especially given the global development trends. The shift of the world economic activity center to the Asia-Pacific is an obvious fact, particularly against the background of the distressingly worsening situation in Europe and North America. Further procrastination by Russia in matters of priority development for Siberia and the Far East is impermissible; promptly and productively taking a turn toward Asia is a sine qua non for preserving the country as an entity that the world actually minds. Along with the growing economic might of the Asia-Pacific, its conflict potential is likewise on the rise, which dictates both caution and resoluteness in stepping up relations with that region. The 2012 APEC Summit is to become a symbolic frontier from which the country will begin accelerated development of its territories adjacent to the dynamic Asia, and derive ever more benefits from its active participation in the regional integration processes.

## INTEGRATION

« *On the whole,  
Russia's invigorated  
activity in the Asian  
sector appears timely,  
especially given the  
global development  
trends* »

## Andrei Kostin

*President and Chairman  
of VTB Bank's  
Management Board,  
Chairman of the APEC  
2012 CEO Summit*



# Meeting the Challenges, Expanding Opportunities

The gravest calamity since the Great Depression, the recent crisis that burst upon the world economy and financial system a few years ago, set off violent changes in the way the world is run. The harsh tests that all countries and regions, without an exception, have gone through brought out the flaws of globalization and exposed the negative sides of socioeconomic growth models that previously seemed unchallenged.

Past the crisis now, the world is changing fast — old key trends are replaced, budget priorities reshuffled, new economic imperatives identified, and entirely different economic growth patterns developed. What we see now is a new economic world order changing from a theoretical abstraction to geoeconomic reality in which the global economic balance of power is shifting toward leading emerging markets, interstate cooperation and regional integration expanding, and state-private partnership mechanisms arising and advancing at national and transnational levels.

The Asia-Pacific is in the lead of the ongoing change. The trend recognized distinctly in recent years for it to turn into the world economy's main power center has become



stronger under the effect of the global crisis. As we see it, Russia, undoubtedly an integral part of the region, and Russian business, in the first place, are to have a prominent part in the expanding regional economic relations and to use their great potential for this country's wide-ranging modernization and sustainable development under an innovative scenario and improvements in the quality of Russian citizens' lives.

## APEC AS AN ECONOMIC AND INNOVATIVE LEADER

The Asia-Pacific Economic Cooperation (APEC) that brings together 21 economies of the region certainly plays a central role in the APR. Its leading positions among other regional associations are explained by several natural factors, including its geography, demographics, and resources. Indeed, APEC includes economies such as Russia that has the world's largest territory, China with its largest population on earth, or, again Russia, with the richest reserves of natural gas and many other mineral resources. Equally important are the APEC members' basic economic results reflecting the efficiency with which their natural and other factors are used. Three of the APEC economies, the U.S., China, and Japan, are the world's leaders in the size of their GDP. China is the undisputed leader in economic growth rates and, followed by Japan and Russia, has the largest gold and hard currency reserves. APEC generates over 55% of the global gross domestic product, does nearly a half of world trade, and accumulates almost 45% of the world's accrued foreign direct investments.

The APEC region has the greatest number of leading world-class manufacturing and financial corporations. Ten of the world's dozen biggest companies (including six American and three Chinese) are based in the region. Just two of the globe's ten leaders in 2011 receipts are headquartered

## INTEGRATION

« APEC generates over 55% of the global gross domestic product, does nearly a half of world trade, and accumulates almost 45% of the world's accrued foreign direct investments »

« APEC has become  
the world's key center  
of innovations »

beyond the region. Still, these two are very active in the APEC economies as well. Finally, nine of the world's ten most stable and reliable banks (in Bloomberg's estimates) established themselves and are active in APEC economies (four in Canada, three in Singapore, and two in Hong Kong).

One more point. APEC has become the world's key center of innovations. Its member economies make around 70% of the world's investments in fundamental and applied research and development (R&D). Four APEC participants — the U.S., China, Japan, and the Republic of Korea — are among the world's five leading countries in the scale of R&D funding.

APEC's incontestable leadership in innovations is confirmed by many other important signs. In particular, the region has three-quarters of all the world countries' researchers and around 70% of international patent applications registered every year. Almost two-thirds of the roll of 100 world's biggest corporations in R&D investments come from the Asia-Pacific region.

APEC's confident leadership in science and engineering puts it in the lead in international trade in high-tech and science-intensive goods and services. According to the World Bank's figures, export of high-tech goods from the APEC economies topped \$1 trillion in 2010, and their share of worldwide trade in these goods had reached 60%. China, which claims some 25% of the global export of high-tech goods, is their biggest producer and supplier on the world market. Having adopted a strategy to become an innovation-driven economy, Russia certainly has to expand cooperation with its APEC partners in high technologies, trade, and investments.

## APEC PRIORITIES AND RUSSIA'S INTERESTS

Established in 1989 to promote economic growth of Pacific Rim countries by liberalizing trade in goods and services,

facilitate business operation, and free flow of capital between them, APEC can serve as a good example of regional integration to international alliances. APEC operates on the key principles of consensus in decision-making, voluntary implementation of decisions made, nondiscrimination in relations between APEC members, and open regionalism understood as freedom for the forum members to choose liberalization mechanisms that are best suited to the realities of each economy. In particular, APEC membership is no hindrance to any Pacific Rim country entering into bilateral and multilateral free trade agreements that have been multiplying steadily in the region.

This approach reinforced in recent years by efforts to set up a free trade area in the Asia-Pacific accords well with economic integration that proceeds at many levels at different rates. Russia that joined APEC in 1998 has been vigorously active in APEC's processes of late. It is really symbolic coincidence that Russia's APEC chairmanship this year comes together with its admission to WTO and launch of a common economic space joining Russia, Belarus, and Kazakhstan last January 1.

Building up economic ties within APEC is a natural and logical option for Russia that is geographically more Asia than Europe and has the longest Pacific coastline. The priorities set out by APEC in recent years to promote balanced, inclusive, sustainable, innovative, and secure growth in the region are fully in tune with Russia's long-term interests. Expanding persistently its economic presence in the Asia-Pacific that will certainly play a leading role in the global economy in the 21st century, joining in the regional integration, and becoming part of the innovation-driven area look important enough to be listed among the strategic tasks Russia has set itself.

Russia's growing cooperation with its APEC partners contributes immensely to its socioeconomic growth,

## INTEGRATION

« *Building up economic ties within APEC is a natural and logical option for Russia that is geographically more Asia than Europe and has the longest Pacific coastline* »

particularly development of the vast expanses of Siberia and Far Eastern areas, where growth centers motivated by modernization and innovation are to be built. Its closer involvement in APEC activities will give it a greater weight in the key elements of the Asia-Pacific integration architecture that is now going through a period of large-scale transformation and will serve as a foundation on which stability of the global economy will depend.

## RUSSIAN BUSINESS IN APEC

« Major Russian corporations are getting involved intensively in international cooperation within the APEC framework »

The name APEC implies that this transpacific forum is meant, above all, for discussing business cooperation. Indeed, it has the phrase “APEC Means Business” as its rallying slogan. Understandably, the Russian business community fully appreciates this. Major Russian corporations are getting involved intensively in international cooperation within the APEC framework. In particular, Gazprom and Rosneft are key participants in the international oil and gas projects on Sakhalin Island that supply fuel resources to Russian Far Eastern areas and many countries in the Asia-Pacific. Transneft is building a pipeline system from East Siberia to the Pacific coast for oil to be shipped to China, Japan, and other Asia-Pacific countries.

Fuel, though, is not all that Russia can contribute to cooperation with other APEC economies now and in the future. Several large Russian companies and businesses far from oil and gas production and export are active in the region already. They include, in particular, powerful holding companies such as the Basic Element Group that operates in a wide range of industries, from nonferrous metals and motor vehicle manufacture to power generation and agribusiness, and the Summa Group involved in several business areas, including logistics, construction, and telecommunications. Logically enough, the heads of these

holding companies and Vneshtorgbank (VTB), the bank for foreign trade and the most active Russian bank group in the Asia-Pacific, sit for Russia's behalf on APEC Business Advisory Council (ABAC) having three prominent business representatives from each APEC economy onboard.

Innovations are a key area of Russia's cooperation with its APEC partners. To give an example, several research centers of APEC economies' largest corporations, including Boeing, Motorola, Intel, and Samsung, have found fertile ground in Russia. Near-term plans include the opening of several research units of leading U.S., Japanese, and other Asia-Pacific countries' major companies at Russia's Skolkovo Research Center that will give unprecedented tax and customs preferences to its participants. Following a parallel track, Russian academic institutions and universities are building up relationships with research institutions in APEC economies in an effort to have a shared research environment.

Russia's APEC chairmanship this year has encouraged the national business community toward broader involvement in the forum's operations. It has put forward several significant initiatives seeking, for example, to improve transportation infrastructure, achieve food security, make the investment climate better, facilitate freight clearance through the customs, expand cooperation in high technologies, raise energy efficiency, and develop a concept for environment-friendly cities.

In experts' estimates, these initiatives, if put into life, would throw open the tap for Russia's broader cooperation with its APEC partners in commerce, economic development, and investments. As things stand today, its potential is only scratched on the surface. Really, Russia does just around a quarter of its trade with the region's countries, as compared to 2.5 to 3 times as much as the majority of APEC economies does. The situation could certainly be remedied by Russian

## INTEGRATION

« Russia's APEC  
chairmanship this year  
has encouraged the  
national business  
community toward  
broader involvement in  
the forum's  
operations »

## APEC RUSSIA 2012

businesses stepping up cooperation with companies in APEC economies in high-tech industries, including space exploration, telecommunications, nuclear power, and bio- and nanotechnologies. A significant role in this area could, in my view, be fulfilled by the country's major business associations, including the Chamber of Commerce and Industry, the Russian Union of Industrialists and Entrepreneurs, Business Russia, Russia's Support, and the Association of Russian Banks, among other contributors. Their deeper involvement in regional economic cooperation would help build confidence between APEC business communities and facilitate implementation of joint business projects.

« *The Vladivostok Summit will give another powerful boost to Russian companies' drive to penetrate into regional markets* »

No doubt, the Vladivostok Summit will give another powerful boost to Russian companies' drive to penetrate into regional markets. They could definitely benefit from the instructive and useful experience of the VTB Group that is consistently expanding its operations in the Asia-Pacific, taking a conspicuous part in promoting financial integration and implementation of big investment projects undertaken by Russian businesses in the APEC region. I am proud to say here that VTB was the first Russian bank to become aware of the tremendous opportunities opening in the Asia-Pacific and started settling in to remain there indefinitely.

VTB's representative office was open in Beijing nearly a quarter century ago, and it now runs a network of almost 50 correspondent banks across China. It has cooperation agreements with China's leading state and biggest private financial institutions. VTB was the first Russian lending institution to be given a banking license in China. Opened in 2008, VTB's branch in Shanghai offers the full range of banking services to Russian corporations having operations in China and to Chinese companies cooperating with Russia and other CIS countries. Last year, the branch made eight times as many foreign trade transactions as it had done the year before. Beginning in fall 2010, VTB has been acting successfully as a market maker dealing in the ruble-

yuan pair on the currency exchanges in Moscow and Shanghai. With 22 billion rubles turned over in 2011, VTB was named first and given the Shanghai award for promoting trading in the two countries' national currencies.

The joint Vietnam-Russia Bank (VRB) established on parity terms by VTB and the Bank for Investment and Development of Vietnam in 2006 is a key element of VTB's far-flung network in APEC economies. Over a mere five years in existence, it has developed into a commercial bank equipped with modern technologies and having a growing business system that contributes significantly to intensifying cooperation between Russia and Vietnam in commerce, economic development, and investment business. VRB now has six branches and nine offices in Vietnam and a subsidiary bank in Russia.

The VTB Group is building up rapidly cooperation with its partners in APEC economies in finance and investment. In 2010, VTB Capital, which is a VTB unit, managed, jointly with other agent banks, an IPO for RusAl Company on the Hong Kong stock exchange. VTB Capital also was the first Russian financial institution to begin trading in bonds denominated in the Chinese currency. Offices of VTB's investment bank are active in Singapore, Hong Kong, and China.

A short while ago, last April, to be exact, VTB took yet another significant step toward broader cooperation in investment with APEC economies. A VTB Capital unit was opened for business in New York. It will offer services in stock and debt markets, transact in financial derivatives, and develop asset management business. We are planning, in the long run, to do over a half of the VTB Group's operations in other countries through our offices in APEC economies on both shores of the Pacific.

## INTEGRATION

« *The VTB Group is building up rapidly cooperation with its partners in APEC economies in finance and investment* »



And the final point, striking evidence of VTB's cooperation with APEC partners is that its stockholders include companies and funds from the U.S., China, Canada, the Republic of Korea, Singapore, and Australia, to name just a few of the region's economies. I am certain that the number of our stockholders from APEC economies will increase in the near term as we are going to have a block of VTB stock privatized.

## TOP-LEVEL DIALOGUE

« *The magnitude of challenges facing some of the APEC economies and the forum as a whole today dictates the need for the public and private businesses to enter into close partnership, if these challenges are to be met* »

The magnitude of challenges facing some of the APEC economies and the forum as a whole today dictates the need for the public and private businesses to enter into close partnership, if these challenges are to be met. APEC CEO/business summits have enormous significance for maintaining and developing multilateral dialogue of the regional political and business elite. By tradition, business forums immediately precede APEC leaders' retreats and enjoy prestige so great that they are often dubbed "extended meetings of the board" of this most dynamic region of the world.

APEC business summits have been held since 1996, and the upcoming 2012 CEO Summit to be hosted by Vladivostok on September 7 and 8 will be the 17th on the last count, and as representative as many of its predecessors. It is expected to be attended by over 500 CEOs of the Asia-Pacific biggest companies. Also by tradition, business summits are addressed by APEC leaders. This time, they will include heads of state and government of Australia, Canada, Chile, China, Indonesia, Japan, Malaysia, Mexico, Russia, Singapore, the Republic of Korea, and Vietnam.

The business summit agendas cover issues on the priority list of the APEC host economy. Accordingly, we will discuss long-term prospects for regional and global integration, opportunities for maintaining sustainable growth and new

challenges to liberalization of trade and investment, a knot of problems in food security and drinking water supplies, and improvements in the efficiency of transportation and logistical services. And, of course, close attention will be given to intensive cooperation in achieving innovation-driven growth as a key factor for stable and sustainable development of APEC economies in the aftermath of the crisis.

Discussions at the APEC CEO Summit are expected to be followed beyond the Asia-Pacific as well. Indeed, the issues on the agenda are to do with problems affecting both the region and the world at large. The forum participants will exchange views on ways of achieving truly equitable division of the benefits of globalization and economic integration, minimizing their adverse side effects, reducing disproportions and imbalances in the world economy and finance, providing equitable access to natural or financial resources, and maintaining stability on commodity, stock, and currency markets. Special accent is to be placed on how business and governments can help their public to be fully prepared for taking on new challenges and making the most of the opportunities available in this decade and in the rest of the 21st century. Summit program subjects such as human resources as the basis of development, adaptation of cities to the needs of business, people, and the planet in general, education as surety of success, the middle class on developing markets as the new consumer, the role of women in the modern world, and health as true wealth give an idea of key guidelines for discussions to be followed at the summit.

I am confident that the APEC 2012 CEO Summit will contribute vastly to efforts to find paths that the private sector and governments, giant transnational corporations and small business, developed economies and emerging markets will tread toward closer integration in the Asia-Pacific and ultimately toward joint prosperity and dignified

## INTEGRATION

« ... the APEC 2012  
CEO Summit will  
contribute vastly to  
efforts to find paths that  
the private sector and  
governments, giant  
transnational  
corporations and small  
business, developed  
economies and emerging  
markets will tread  
toward closer integration  
in the Asia-Pacific »

APEC RUSSIA 2012

living standards in our economies. I am also certain that Russia's APEC chairmanship will add significantly to this country's weight in the powerful regional group and make its geopolitical positions in the world still stronger. Finally, I believe that the experience Russia gains holding a business summit in Vladivostok will enable it to make a sound judgment about the payback of similar forums if held within the framework of other integration and multilateral dialogue schemes with Russia's participation, including the common economic space, the Commonwealth of Independent States, and the Asia-Europe Meetings (ASEM).

# Russia-APR: Space Partnership

Space technologies that are used today to take on economic and political tasks in the context of integration processes unfolding across the Asia-Pacific Region (APR) are among high priorities for Russian foreign policy. Space activities and the practical application of their results help address energy, information, food, and other issues confronting the world community, contribute to environmental protection, help use natural resources in a rational manner, mitigate the aftereffects of natural disasters, and do dozens of other jobs.

The significance of Russia's space capacities in the Asia-Pacific derives from Russia's involvement in world politics and economics that, in turn, is influenced by its geographic position that gives it added weight in the world community. Signs of this are recognized in its growing ties with ASEAN countries, its attendance of East Asia summits, the Asia-Europe Dialogue, and, certainly, its chairmanship in the APEC Summit in 2012. Official statements by top government figures in Asian countries acclaim repeatedly Russia's role as guardian of military and political stability and sustainable development. In an article headlined "Russia's Policy in the APR: For Peace,

**Vladislav  
Lim**

*Ph.D. (Information and  
Communication),  
Head, Center for  
International  
Cooperation, REKOD  
Research & Production  
Corporation*



## APEC RUSSIA 2012

Security and Sustainable Development” for the Indonesian *Strategic Review* journal, Russian Foreign Minister S.V. Lavrov called space exploration a high-tech area of economic cooperation in which Russia has an unchallenged edge<sup>1</sup>.

Another article, “Integrate to Grow, Innovate to Prosper” by Russian Prime Minister D.A. Medvedev, published in January 2012, sets guidelines for Russia’s cooperation with APEC economies to be followed in the short term. These guidelines include liberalizing trade and investment policies, maintaining food, energy, and environment security, improving transportation logistics, cooperating in education and human potential development, protecting intellectual property rights, and fighting transnational crime and terrorism<sup>2</sup>. Cooperation in the space industry, such as construction of launch facilities in the Republic of Korea and a space launch center in Indonesia, manned space flight programs in Malaysia and Japan, commercial launch services in Australia, India, Indonesia, Malaysia, the Republic of Korea, and Japan, to give just a few examples, is usually put in a long-term perspective for understandable reasons.

**1** [http://www.mid.ru/brp\\_4.nsf/newslines/98765029ECAB810B442579D70051A1ED](http://www.mid.ru/brp_4.nsf/newslines/98765029ECAB810B442579D70051A1ED)

First, Russia has become the last APR economy to be admitted to WTO and, therefore, views trade liberalization as its top priority. Russia’s WTO membership will certainly contribute to its regional economic integration. Meanwhile, problems that prevent it from enjoying its full WTO membership and entering into free trade agreements are a barrier to the promotion of Russian technologies, their entry into the world market, and, by implication, to the commercialization of Russian space-related products and services.

**2** <http://www.kremlin.ru/transcripts/14392>

Second, Russia’s geographic position is a reason for it to be considered a multimodal transportation hub for APEC. Its specific position gives it a great transit potential and creates

prospects for the construction of transcontinental roads for stimulating international trade and expanding economic cooperation between the European Union, APEC, and the Americas. Russia's cooperation with ASEAN countries is an important factor contributing to Asia-Pacific integration as its improved connectivity helps close the gap in its members' economic development. The need to improve transportation infrastructure monitoring in order to increase its efficiency and security adds a further incentive to develop satellite navigation systems.

At present, Russia has intergovernmental agreements with several APR countries on cooperation in exploration and use of outer space for peaceful purposes. In the case of the U.S. and Canada, it is basically operation of the International Space Station program. Russia has an agreement with India on active cooperation in the use of the Russian GLONASS global navigation satellite system. Within the framework of cooperation with Malaysia, three satellites have been launched by Russian carrier rockets, in addition to a manned space flight program. A medium-term plan for cooperation between Russia and Indonesia in several joint space-related projects has been adopted for the period 2011 to 2015. These projects include development, orbiting, and operation of the Telkom-3 telecommunications satellite system; the groundwork for the Air Start project to develop a mixed aircraft-rocket system for launching lightweight rockets and communications satellites; joint monitoring of the circumterrestrial space, detecting hazardous celestial objects and space litter and measuring space vehicle trajectories; and cooperation in space navigation, in particular, setting up a joint enterprise to manufacture satellite navigation equipment.

An integrating function in space activities in the Asia-Pacific region is fulfilled by the Asia-Pacific Space Cooperation Organization (APSCO) and the Asia-Pacific Regional Space Agency Forum (APRSAF, see Table 1).

## INTEGRATION

« *An integrating function in space activities in the Asia-Pacific region is fulfilled by the Asia-Pacific Space Cooperation Organization (APSCO) and the Asia-Pacific Regional Space Agency Forum* »

Table 1. Integration Units of the Asia-Pacific Region

| Member countries | APR* | APEC | ASEAN    | APRSAF | APSCO                    | ADRC    | APRU |
|------------------|------|------|----------|--------|--------------------------|---------|------|
| Argentina        |      |      |          |        | Presence at founding     |         |      |
| Armenia          |      |      |          |        |                          |         |      |
| Australia        |      |      | +6       |        |                          | Advisor |      |
| Azerbaijan       |      |      |          |        |                          |         |      |
| Bangladesh       |      |      |          |        |                          |         |      |
| Bhutan           |      |      |          |        |                          |         |      |
| Brunei           |      |      |          |        |                          |         |      |
| Cambodia         |      |      |          |        |                          |         |      |
| Canada           |      |      |          |        |                          |         |      |
| Chile            |      |      |          |        |                          |         |      |
| China            |      |      | +3       |        |                          |         |      |
| Colombia         |      |      |          |        |                          |         |      |
| Costa Rica       |      |      |          |        |                          |         |      |
| East Timor       |      |      | Observer |        |                          |         |      |
| Ecuador          |      |      |          |        |                          |         |      |
| El Salvador      |      |      |          |        |                          |         |      |
| France           |      |      |          |        |                          | Advisor |      |
| Germany          |      |      |          |        |                          |         |      |
| Guatemala        |      |      |          |        |                          |         |      |
| Honduras         |      |      |          |        |                          |         |      |
| Hong Kong        |      |      |          |        |                          |         |      |
| India            |      |      | +6       |        |                          |         |      |
| Indonesia        |      |      |          |        | Agreement on cooperation |         |      |
| Iran             |      |      |          |        |                          |         |      |
| Japan            |      |      | +3       |        |                          |         |      |
| Kazakhstan       |      |      |          |        |                          |         |      |
| Kyrgyzstan       |      |      |          |        |                          |         |      |
| Laos             |      |      |          |        |                          |         |      |
| Macau            |      |      |          |        |                          |         |      |
| Malaysia         |      |      |          |        | Presence at founding     |         |      |

\* exclusive of the Pacific insular states of Federated States of Micronesia, Fiji, French Polynesia, the Marshall Islands, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.



| Member countries      | APR | APEC | ASEAN    | APRSAF | APSCO                    | ADRC    | APRU |
|-----------------------|-----|------|----------|--------|--------------------------|---------|------|
| Maldives              |     |      |          |        |                          |         |      |
| Mexico                |     |      |          |        |                          |         |      |
| Mongolia              |     |      |          |        |                          |         |      |
| Myanmar               |     |      |          |        |                          |         |      |
| Nepal                 |     |      |          |        |                          |         |      |
| New Zealand           |     |      | +6       |        |                          | Advisor |      |
| Nicaragua             |     |      |          |        |                          |         |      |
| DPRK                  |     |      |          |        |                          |         |      |
| Pakistan              |     |      |          |        |                          |         |      |
| Panama                |     |      |          |        |                          |         |      |
| Papua New Guinea      |     |      | Observer |        |                          |         |      |
| Peru                  |     |      |          |        |                          |         |      |
| Philippines           |     |      |          |        | Presence at founding     |         |      |
| The Republic of Korea |     |      | +3       |        |                          |         |      |
| Russia                |     |      | +8       |        | Presence at founding     |         |      |
| Singapore             |     |      |          |        |                          |         |      |
| Sri Lanka             |     |      |          |        | Presence at founding     |         |      |
| Switzerland           |     |      |          |        |                          | Advisor |      |
| Taiwan                |     |      |          |        |                          |         |      |
| Tajikistan            |     |      |          |        |                          |         |      |
| Thailand              |     |      |          |        |                          |         |      |
| Turkey                |     |      |          |        | Agreement on cooperation |         |      |
| U.S.                  |     |      | +8       |        |                          | Advisor |      |
| Uzbekistan            |     |      |          |        |                          |         |      |
| Vietnam               |     |      |          |        |                          |         |      |
| Yemen                 |     |      |          |        |                          |         |      |

## APEC RUSSIA 2012

« Data beamed down from Japanese, South Korean, Indian, and Taiwanese satellites are picked up by decision-making regional centers to respond rapidly to the occurrence of natural disasters — floods, fires, earthquakes, volcano eruptions, and other natural calamities, around 75% of which happen in the APR »

The first organization established at China's initiative to expand cooperation in the peaceful use of outer space develops joint space-related programs and assists in research and application of space technologies. Russian representatives attended the founding ceremony in an observer capacity, but the organization does not cooperate directly with Russia in research and development.

The second organization was established by the Japan Aerospace Exploration Agency (JAXA) to combine the space research potentialities of the region's countries in the cause of common security, largely to forecast emergencies and remedy their consequences. The APRSAF's key project, Sentinel Asia, is intended to monitor natural disasters from space using GIS (Geographic Information System) technologies and the Internet. Data beamed down from Japanese, South Korean, Indian, and Taiwanese satellites are picked up by decision-making regional centers to respond rapidly to the occurrence of natural disasters — floods, fires, earthquakes, volcano eruptions, and other natural calamities, around 75% of which happen in the APR. Over 60% of all active above-sea volcanoes on Earth are strung along the Pacific volcano rim that has to be monitored around the clock. The project is, therefore, designed to increase the number of satellites, ensure better data availability, produce analytical images to enhance the accuracy of forecasts, and expand the satellite database of natural disasters in the region. APRSAF also runs educational programs for children and stimulates research activities similar to those conducted by Western space agencies.

In parallel with APRSAF, the Asian Disaster Reduction Center (ADRC) responsible for restoring infrastructure in the wake of natural disasters and supporting sustainable development in APRSAF member countries was set up, at Japan's initiative again, in 1998. Significantly, the two

organizations cover much of continental Asia and have South Asian countries among their members, even though they are outside the APR and are not members of other international organizations that could help them upon the occurrence of natural disasters.

China and Thailand, both members of all organizations listed above, are also involved in the international Disaster Monitoring Constellation (DMC) that lacks a developed ground infrastructure and serves mostly to mitigate the consequences of major natural disasters or man-made catastrophes, rather than to forecast them.

On the global scale, an International Global Monitoring Aerospace System (IGMASS) is now under development to give the world community a timely warning of impending natural disasters and put measures in place to overcome their consequences. IGMASS is particularly needed in the absence of an efficient system for short-term forecasting of emergencies and for distant training by making every possible use of the international aerospace potential.

Emergency monitoring systems used in Russia rely on GLONASS and GPS (Global Positioning System) and remote sensing systems to survey the ground from space with high time and space resolution. Given the foreign policy factor and vital role of Russia's Asian part, the Federal Space Agency supports Russia's participation in all international monitoring systems discussed above to be able to use data gathered by space vehicles of foreign space agencies, specifically NASA (U.S.) and JAXA (Japan), as well as data collected by its own space vehicles developed for similar monitoring purposes<sup>3</sup>. In an effort to protect the environment, APEC conducts discussions on the use of space technologies for the needs of the fishing industry and preservation of marine ecosystems, in particular, development of satellite systems to monitor coral reefs (raised by Indonesia, the initiative was sponsored by Russia,

## INTEGRATION

**3** A.N. Perminov,  
G.G. Raikunov,  
*Rossiyskiye  
kosmicheskiye sredstva i  
mezhdunarodniye  
sistemy  
preduprezhdeniya o  
chrezvychainykh  
situatsiyakh: perspektivy  
integratsiyi [Russian  
Space Vehicles and  
International Emergency  
Warning Systems:  
Prospects for  
Integration], Rossiyskiy  
kosmos, No. 1(49),  
2010, p. 29.*

« Cooperation in education in the APR is overseen by the Association of Pacific Rim Universities (APRU) established in 1997 and consisting of 42 universities of the region's 16 countries. Russia is represented in APRU by the Far Eastern Federal University (FEFU) »

China, and the U.S.), oil pollution of the ocean surface, and the effect of climate change on marine bioresources and fisheries.

Cooperation in education in the APR is overseen by the Association of Pacific Rim Universities (APRU) established in 1997 and consisting of 42 universities of the region's 16 countries. Russia is represented in APRU by the Far Eastern Federal University (FEFU), the oldest and biggest educational institution in the Russian Far Eastern region, that is used today to build the infrastructure for the upcoming APEC Summit. To spread knowledge about space and space technologies and services, the FEFU plans to set up a Space Services Center (SSC) for innovation and education that will take in the most recent findings of higher education institutions and research centers of APEC economies. The center will draw on the potentialities of the regional SSC and the REKOD geoinformation platform, both components of the information and analytical support for the region and both developed by the REKOD Research and Production Corporation, a leading organization and authorized representative of the Federal Space Agency in the use of space exploration results. Currently, space services centers of this type that collect, store, and transmit data promptly to end users on the basis of geoinformation and web portal technologies have been set up in many subfederal regions of the Russian Federation.

A greater proportion of the Russian space industry is in the country's European part, too long a distance from Siberia and the nation's Far Eastern areas for the Federal Space Agency to involve these regions in space-related cooperation with APR countries and use their communication potential with best effect. The problem will be solved, to an extent, by the construction of a space launch center, Vostochny, in Amur Region that will be used tentatively to launch automatic space vehicles of various

designations and conduct manned space flight programs. As the new space facilities go into service, they will stimulate infrastructure development in the Far East, create new jobs, and, as a result, improve the socioeconomic situation in the region.

Construction of satellite communications and television systems is another area of space activities related directly to breakthroughs in regional integration. Indonesia is the first developing country in the region, and fourth in the world after the U.S.S.R., the United States, and Canada, to have deployed its own satellite system. From the outset, its satellite system provided TV services to Southeast Asia only. With the launch of new generation satellites, the system beamed its broadcasts across virtually all of Asia, from Japan to Pakistan. Growing cooperation between Russia and Indonesia in recent years is encouraged by interest shown by both countries in exchanging high-tech products, above all using the GLONASS system for the needs of transportation, geodesy, construction, and monitoring of major engineering projects on Indonesian territory. Satellite navigation services are provided in the APR by the American global GPS-III system and several regional systems (Beidou in China, IRNSS in India, and QZSS in Japan) developed primarily for the owner countries' needs and adaptable for deployment on the interregional level. In 2011, Russia officially completed full deployment of its GLONASS system, making it, by definition, global and comparable with GPS in accuracy, accessibility, and speed.

Legal aspects of joint development and interaction are turning into a major barrier to regional integration and effective bilateral and multilateral cooperation in the APR, in the first place, to joint large-scale projects such as the Russian-Indonesian Air Start project discussed above. Cooperation within the framework of this project is impeded by Indonesia's failure to join the international Missile Technology Control Regime (MTCR) that covers

## INTEGRATION

« Construction of satellite communications and television systems is another area of space activities related directly to breakthroughs in regional integration »»

## APEC RUSSIA 2012

« *Even though a great majority of space-related projects are intended to serve peaceful purposes only, APR countries keep increasing their military budgets and are trying to use space exploration results to gain information advantage and control over interstate relations* »

34 countries, including seven countries of the region — Australia, Canada, New Zealand, Russia, the U.S., the Republic of Korea, and Japan.

Another example is cooperation in the region's food and environmental security maintenance. In particular, jungle fires in Indonesia that produce smog floating across vast air expanses beyond Indonesia set off the start of negotiations that ended with the signing of an ASEAN Agreement on Transboundary Haze Pollution in 2002, still to be ratified by Indonesia itself.

Even though a great majority of space-related projects are intended to serve peaceful purposes only, APR countries keep increasing their military budgets and are trying to use space exploration results to gain information advantage and control over interstate relations. This situation may become decisive in foreign policies developed by the region's leading countries and dictate the need for additional obligations being assumed by parties entering into agreements on joint space projects.

An important point to make in conclusion is that efficient use of the APR space capacities for successful regional integration can only be made through close cooperation between national space agencies, ministries, departments, and enterprises of the Asia-Pacific countries' space industries, and creating beneficial conditions for conducting joint business aimed at innovation and modernization in the interests of the region's economic development.

# The 2012 APEC Summit Is to Have a Follow-Up

For a number of years now, at least since the outbreak of the Asian financial and economic crisis, APEC summits have been plagued by critics' laments that this representative forum fails to seriously impact on regional economic cooperation, and on the general state of affairs in the Asia-Pacific. Admittedly, there is some substance to this view. APEC with a 20-odd-year record of existence is still bearing a stamp of starry-eyed idealism typical of the times when the Cold War, much to everyone's relief, was coming to an end, while globalization was seen as a strictly welcome development. Nowadays, with the global crisis continuing unabated, the APEC official agenda with its focus on systemic trade and economic liberalization appears increasingly unconvincing and unrealistic. One hears more and more often that unless APEC can promptly come up with a new rationale, it risks ending up with its head in the clouds totally eclipsed by other multilateral East Asia entities.

As the summit host in Vladivostok, Russia would do well to respond to the mounting demand for new APEC reference points, the more so since, as far as I can judge from my personal encounters and impressions, this sort of response is what the area expects from us. People expect the program

## Victor Sumsky

*D.Sc. (Hist.), Director,  
the ASEAN Center of the  
Moscow State Institute  
of International  
Relations (University),  
Ministry of Foreign  
Affairs, Russian  
Federation*





of our chairmanship, far from ignoring the established APEC procedures and common work trends, to confirm that Russia is all for developing its Siberian and Far Eastern regions, for active and diverse cooperation with its Asia-Pacific neighbors, and for tackling energy, infrastructure and other projects on a scale commensurate with the size of the country, which, while raising it to a new socioeconomic level, would also help the adjacent section of Asia resist crisis tendencies.

So how does the set of Priorities of Russia's APEC chairmanship in 2012 look against the above remarks? Let me remind the reader that the reference is to the 17 lines of cooperation within the framework of such major areas as liberalization of trade and investment, regional economic integration, consolidation of food security, formation of reliable transport and logistic chains, intensive interaction to secure innovation growth<sup>1</sup>.

These are doubtless very important lines where both Russia and its APEC partners are obviously interested in close cooperation. Also in evidence is the element of continuity from the priorities espoused by the previous chair countries (in particular, by the United States that hosted the 2011 APEC Summit in Honolulu). Russia's accession to WTO, the talks on the free trade area with New Zealand currently under way, spadework for similar negotiations with Vietnam (and possibly also with entire ASEAN) should enhance the overall impression that Russia pays due heed to the traditional APEC agenda.

**1** See, *APEC: reference facts 2011-2013, Russian APEC Study Center, Moscow, 2011, pp. 52-53.*

While doing justice to the skills and efforts of experts who prepared the list of Priorities, I would still like to observe that it does not quite look as a single internal whole, at least at a moment when the summit is a couple of months away yet, or as a project where every part in one way or another expresses the main idea and is subordinate to that. Put differently, while covering the area of tactical-technological

tasks, the Priorities bear far less relation to the strategy of regional cooperation involving Russia.

But perhaps this is altogether unnecessary? After all, the Americans did splendidly without it and earned no rebukes on that score<sup>2</sup>. The trouble is, however, that in case of the Americans lack of conceptual depth was made up for by the entire might of the actual U.S. presence in the Asia-Pacific (let alone the fact that the very APEC forum was largely the product and instrument of U.S. economic diplomacy). Russia now is still trying to find a role for itself in the Asia-Pacific political and economic space. Therefore, the Vladivostok Summit for us is a welcome pretext for considering not just the tactical, but also the strategic issues of full-scale inclusion in regional cooperation. Given all that, it would be expedient to supplement the technical section of the RF chairmanship program represented by the Priorities with one more, conceptual, chapter on the subject of long-term revival of Siberia and the Far East in close cooperation with our Asia-Pacific partners.

Someone will probably say to this that to put forward ideas so clearly reflecting the national interest of the host country is not exactly tactful. Others may remark that the stress should be on things meaningful to all APEC participants without exception. Still others may think that it is methodical steps to improve logistics rather than costly mega-projects that are more likely to pay off. And all of the opponents together, citing the poor execution of the previous development programs for Siberia and the Far East, will advise caution, modesty and unobtrusiveness.

Personally, I would counter this with saying that it was precisely the experience of former failures and attendant waste of historical time that prevent us from procrastinating and going small in the East. True, it is paramount to right the logistics situation, but the tactical-technical measures alone will not suffice to develop the vast expanse of land

## INTEGRATION

« *The Vladivostok Summit for us is a welcome pretext for considering not just the tactical, but also the strategic issues of full-scale inclusion in regional cooperation* »

2 *Ibid., pp. 50-51.*

« *Whatever anyone may think about the phenomenon of the Transpacific Partnership, it is impossible to overlook the fact that an initiative emerging within APEC and aimed exclusively at volunteers prepared to take part in translating it into practice is the sign of the times* »

between the Urals and Primorye (Maritime) Territory. Here it is impossible to do without large-scale energy, transport and production projects with an innovative component as a sine qua non, or rather without a system of interconnected major and extragreat projects working for each other.

As for the duty to please all and sundry, we may as well be frank: the composition of the APEC forum is far too motley to abide by this requirement not just in form but also in substance. Whatever anyone may think about the phenomenon of the Transpacific Partnership, it is impossible to overlook the fact that an initiative emerging within APEC and aimed exclusively at volunteers prepared to take part in translating it into practice is the sign of the times.

Last but not least, a couple of words about whether or not an APEC summit host country can focus the region's attention on matters of its own internal development. Is this not precisely a prerogative of the forum chair state, with this important proviso that any national plans have to possess a clearly expressed regional dimension promising benefits to external partners?

Let me remind the reader that most APEC member countries are still working on national-state integration. And when these countries have joined the integration mechanisms on a regional level, they proceed from the assumption that this will help them solve their internal problems as well. So within the Asia-Pacific seeing the idea of moving toward national goals via regional cooperation as perfectly legitimate is the norm rather than otherwise.

It is this vision of their next tasks that ASEAN members are displaying. In October 2010, they approved the Master Plan on ASEAN Connectivity in Hanoi, a ten-year program for finishing the construction of those infrastructure elements that would strengthen these countries individually, would bring them even closer to one another, and would ensure better interaction with the rest of East Asia. The estimated

cost of all the projects is over \$600 billion. This undertaking implies the desire to respond to the global crisis with massive investment in the real sector, presumably in imitation of China that contrived to maintain high growth indicators at a time when the United States and Europe plunged into recession.

Within a year or so the word connectivity, a capacious notion used by programmers to suggest the ability of information system components to keep up interconnections, has become a recognized term of the East Asian political vocabulary. So why don't we, willing as we are to be at home in the region and to speak the same language as the rest, take up this popular term and consider devising our own analog of the ASEAN Master Plan? I should imagine that this would be just the thing to give our APEC chairmanship program the conceptual content.

The already available and functional assets, like the Trans-Siberian Railroad, the East Siberia-Pacific Oil Pipeline, the Sakhalin-Khabarovsk-Vladivostok Gas Pipeline, the GLONASS global navigation satellite system would act within this plan as elements of a prospective transcontinental system of energy, transport and information life support. By way of tools intended for "welding together" more securely the European and Asian parts of Russia, fitting Eurasia into the Pacific economic landscape and giving it a new link with Europe, we could use the Northern Sea Line, the Transarctic Cable System, and transport underpass under the Bering Strait and its adjacent network of railroads. On a level with those would be the Trans-Korean Trunk Line joined to the Trans-Siberian Railroad; the Trans-Korean Gas Pipeline going from the Russian Federation to the Democratic People's Republic of Korea and the Republic of Korea; a GLONASS-based system of space monitoring of commodity and transport flows; other innovations whose introduction might increase the yield from the said undertakings. The overall result would be a mega-project

## INTEGRATION

« The already available and functional assets, like the Trans-Siberian Railroad, the East Siberia-Pacific Oil Pipeline, the Sakhalin-Khabarovsk-Vladivostok Gas Pipeline, the GLONASS global navigation satellite system would act within this plan as elements of a prospective transcontinental system of energy, transport and information life support »

APEC RUSSIA 2012

« *Importantly, the Initiative components that are still on paper have been worked on over decades, repeatedly discussed in public with potential partners and external investors, praised by experts (up to being awarded the Grand Prix for the project of a tunnel under the Bering Strait at the Shanghai EXPO 2010)* »

with clear national, regional and global content. It might be named Eurasia-Pacific Connectivity Initiative.

Importantly, the Initiative components that are still on paper have been worked on over decades, repeatedly discussed in public with potential partners and external investors, praised by experts (up to being awarded the Grand Prix for the project of a tunnel under the Bering Strait at the Shanghai EXPO 2010). Given all that, the novelty component will be chiefly in representing these intentions as a set of interconnected elements, with the synergistic effect to be obtained as a result of their implementation within 10 to 15 years. What with the recent practice of building such unique installations as the North Stream Gas Pipeline and the East Siberia-Pacific Oil Pipeline, the time schedule looks perfectly realistic. In any case, it is necessary to brace ourselves for fast work; we no longer have the time for dawdling.

If including the Initiative in the official summit program does not appear a very good idea, nothing stops us from making it public “in the margin” of the event. The broad public could learn about it from the pages of newspapers, and as for the expert community, it had better get a more detailed and fuller version, with cost estimates for individual parts of the mega-project and for the overall undertaking. So long as the Russian side, as I have remarked earlier, has considerable experience in key points of the Initiative, this document should not take too long to prepare.

Falling back on the precedent of the Transpacific Partnership as a format open to all interested APEC members, it could be announced that a similar invitation is proposed for joint implementation of the Eurasian-Pacific Initiative. It would be pertinent to address the same proposal to the members of the Customs Union as well. In my view, this would merely serve to strengthen Russia’s position as FSU integrator. Finally, in 2012, the Russian public expects the newly elected

RF President to make moves that would confirm the will of the top authorities to overcome the inertia scenario in the country's development. There too the proposed Initiative could play quite a significant role.

Let me emphasize specifically that successful implementation of the Initiative would be a prerequisite for settling the issue the Russian national consciousness is particularly sensitive to — the problem of geopolitical vulnerability of Siberia and the Far East caused by the exodus of the already sparse population. After all, the whole point of this mega-project is not just to construct new roads, pipelines, communications, and achieve a certain economic effect. Even more important is to raise the Siberians' and Far Easterners' self-esteem (and that of lots of other Russians, for that matter), rekindle in people united by a major goal the sense of historical perspective, or put more simply, faith in their own energy and in a better future. Without that we could never hope to reverse or change either the demographic situation, or migration flows, or else the trajectory of the country's long-term development.

And another remark a propos of demography. Realistic estimates of the challenges we encounter in this field imply not only honestly admitting to the weaknesses and bottlenecks, but also a soundly considering force factors. And these are present all right. Let us ask ourselves: is it really true that the demographic vacuum engulfs the whole of Siberia and the Far East? I suppose any sensible persons finding themselves in the center of Vladivostok or Khabarovsk, Irkutsk or Krasnoyarsk, Barnaul or Novosibirsk, Omsk or Tomsk will not hesitate over the answer. The autocracy and Soviet power have left us the most precious of legacies in Siberia and the Far East — a network of major multifunction cities. Thanks to those vast territories beyond the Urals were, still are and must remain an inalienable part of this country. The matter of changing the demographic situation for the better is largely a matter of consolidating and diversifying the links of these cities between themselves, as well as with

## INTEGRATION

« After all, the whole point of this mega-project is not just to construct new roads, pipelines, communications, and achieve a certain economic effect. Even more important is to raise the Siberians' and Far Easterners' self-esteem, rekindle in people united by a major goal the sense of historical perspective, or put more simply, faith in their own energy and in a better future »

« *And once the summit is over and the money allocated for sprucing up the city spent, we must see to it that the forward motion does not cease and the city does become what it should be, namely a model for its neighbors in Russia* »

Russia's European part in the West and with dynamically developing Asia in the East. Making these cities more comfortable for living and giving them lots more jobs will turn them into powerful magnets for enterprising migrants of child-bearing age. The example of Moscow, St. Petersburg, Kazan, Nizhny Novgorod, Yekaterinburg, and most recently of Grozny is convincing proof that transfiguration of old Russian cities into modern megalopolises is perfectly feasible even now while the flywheel of Russian economic growth is still waiting to gather speed.

At the moment the city nearing the threshold of transfiguration is Vladivostok, the capital of the 2012 APEC Summit. And once the summit is over and the money allocated for sprucing up the city spent, we must see to it that the forward motion does not cease and the city does become what it should be, namely a model for its neighbors in Russia. A guarantee of the process safely continuing could be speedy implementation of the two Trans-Korean projects, for each of which Vladivostok is a major base. At least those are the lines along which Beom-Shik Shin, a professor at Seoul National University, seems to be thinking; he is a young scholar from the Republic of Korea who obtained an academic degree from the Moscow State Institute of International Relations (University) attached to the Russian Foreign Ministry and initiated an impressive plan of turning Vladivostok into a modern megalopolis. It would appear that both the authorities in Primorye (Maritime) Territory and heads of relevant federal departments would do well to heed the proposals of Professor Shin, or better still to involve him in practical cooperation.

Awareness of the fact that without properly "facing the East" we may as well forget about powerful hubs of modern urban life beyond the Urals comes through in the renewed debates about moving the capital to the Asian part of the country. And I mean renewed because "Trans-Ural



St. Petersburg” as a condition for keeping Russia whole, making it prosperous and giving it a fitting place in the world was the subject of 1990s writings by so respected an author as Vadim Tsymbursky<sup>3</sup>. Today his ideas are being developed by Nikolay Shmelyov, Vladimir Frolov, and Sergei Karaganov, and their argumentation seems not in the least far-fetched<sup>4</sup>. The reverse, in fact.

In conclusion, let me say just a few words about the following subject of frequent discussions: how drastically can Russia reorient its commodity flows, political preferences and intellectual expectations from the West to the East. The predominant opinion is that our European identity allegedly limits the scope of this kind of reversal. I am afraid that what we have here is identity mythologized and seen as something unchangeable, given once and for all. Meanwhile, identity, whether national or civilizational, is different for each period in history, and its content is every time determined by how well people respond to harsh challenges that jeopardize their further existence. If we respond to challenges coming from Siberia, the Far East and adjacent areas pragmatically, level-headedly, and with faith in ourselves, in the manner currently displayed by the more advanced Asians, then the cultural and historical heritage that allows a good few Russians to think of themselves as Europeans will do nothing to prevent Asian people from accepting us as part of their community.

## INTEGRATION

**3** *V.L. Tsymbursky,  
“Russia is the Land  
Beyond the Great  
Limitroph”, Editorial  
U.R.S.S. Publishers,  
Moscow, 2000,  
pp. 107-115.*

**4** *N. Shmelyov,  
V. Fyodorov,  
“Russia Needs a New  
Capital”, Nezavisimaya  
gazeta, Moscow,  
April 4, 2012;  
S. Karaganov, “Russia  
Needs One More Capital  
in Siberia,” Rossiyskaya  
gazeta, Moscow, May 17,  
2012.*

## Sergei Sevastyanov

*D. Sc. (Polit.),  
Professor, Far Eastern  
Federal University,  
Vladivostok*



# On Issues of Asia-Pacific Integration

Research results suggest that the forming of Asian integration institutions coincided in time either with cataclysmic changes in the system of international relations, or with global or regional economic crises. Thus, the ending of the Cold War encouraged the appearance of the APEC Forum and the ASEAN Regional Forum (ARF). And the Asian financial crisis of 1997 made sure that ASEAN + 3 (APT) lost no time in emerging.

The recent global economic crisis, the crisis of the Doha WTO round still in progress, and the increasingly obvious changes in the system of regional international relations in the Asia-Pacific, above all the growing role of China, prompted a series of new initiatives for promoting cooperation in the area. The reference is to the revised interpretation of building the East Asia Community (EAC) as seen by Japanese Prime Minister Yukio Hatoyama, the suggestions of Australian PM Kevin Rudd on setting up the Asia-Pacific Community (APC), and the Transpacific Partnership (TPP) project already being realized by several states. Also, the economic crisis was largely instrumental in persuading Washington to change its geopolitical priorities, for, confronted with a growing national budget deficit, it was forced to shift the vector of its geopolitical efforts. With

the advent of Barak Obama's Democratic Administration, those efforts started to be increasingly focused on ensuring U.S. political and economic leadership in the Asia-Pacific where China's role had soared, instead of on countering international terrorism (chiefly in the Greater Middle East) as proclaimed by George Bush Jr.

When examining the currently operational and new integration projects, it is crucial to take into account the previous experience of the Association of Southeast Asian Nations (ASEAN) created in 1967. ASEAN is of interest chiefly because over the long years of its existence it has produced a set of institutional rules popularly known as the ASEAN Way that served an inspiration for most regional intergovernmental organizations, among them APEC, ARF, APT, and others. The ASEAN Way is habitually described as a process of regional interaction and cooperation based on gradualness, informality, consensus, personal political contacts, and nonconfrontational negotiating style. This kind of approach, on the one hand, ensures the durability of these international institutions, but on the other, reduces their functional efficiency.

As for the topmost regional intergovernmental cooperation institution, i.e. the APEC Forum, it was invariably observed at all of its latest summits that over the last few years the APEC countries have achieved high levels of intraregional economic and trade integration (reaching 67 percent, more than the EU could boast, with the intraregional exports total growing six times, and the general commodity tariffs going down from 17 percent to five percent).

That is, APEC boosted economic integration de facto, while de jure progress toward the Bogor Goals ground to a halt. In 2010, economically advanced countries were to have fully opened their markets to APEC developing states, but, given Japan's opportunistic stand on the issue shared by the Republic of Korea and several others, the objective was never achieved.

## INTEGRATION

« *When examining the currently operational and new integration projects, it is crucial to take into account the previous experience of the Association of Southeast Asian Nations (ASEAN) created in 1967* »

## APEC RUSSIA 2012

Economic integration displayed more vigorous growth within the more compact region of East Asia. Institutionally speaking, it exists first and foremost in the ASEAN + 3 — APT Forum format (the ten ASEAN members, China, Japan, and the Republic of Korea). The principal motor of the APT project is China, which is setting the pace of its development. At present this structure is the hub of cooperation along the main economic integration lines in East Asia — trade and finances.

« In 2009, against the backdrop of the worsening global economic crisis, East Asian countries agreed to set up the world's biggest regional monetary fund worth \$120 billion »

In 2009, against the backdrop of the worsening global economic crisis, East Asian countries agreed to set up the world's biggest regional monetary fund worth \$120 billion. The point of the fund is to render emergency assistance to countries in the region, which could then promptly receive it without turning to the IMF. Eighty percent of the fund in the making is made up of contributions by China, Japan, and the Republic of Korea, which will enable the Northern Three to play a key role there. A significant stage on the way to *shaping the trade and economic integration in institutional and legal terms* is the 2011-2012 period when agreements on a free trade zone will be coming into effect between the ASEAN countries, in most ASEAN + formats, and so will be commitments by the advanced APEC member states to liberalize trade.

The desire to offset China's rapid geopolitical and economic strengthening molded the policies of several states, above all Japan, which had forced through at the 2005 East Asia Summit the inclusion of India, Australia and New Zealand into it, on top of the 13 APT states. In November 2011, that intergovernmental forum officially incorporated Russia and the United States. As for estimating the role of the East Asia Summit (EAS), until recently its agenda was dominated by issues and cooperation lines that, though global, were not quite so important to the region as were those of APT: climate change, the environment, fighting the consequences of natural disasters, etc.

## THE NEW INTEGRATION PROJECTS IN EAST ASIA AND THE ASIA-PACIFIC REGION

The last few years witnessed new accents introduced in the working model of EAS formation by Japan, and then also by the United States, and several other countries proposing two new integration projects within the Asia-Pacific. Those moves were prompted, first, by geopolitical factors (some countries were eager to create counterweights to China rapidly building up its political and economic might), and also by economic reasons (striving to more efficiently liberalize trade, what with the global economic crisis and undereffective APEC). Finally, no small role was played by the United States changing its attitude to multilateral cooperation in the region.

Japan has been a traditional participant in the struggle for leadership in the integration entities active in East Asia and the Asia-Pacific; it influences the models of international institutions in the making. Moreover, Tokyo lays emphasis on ensuring the interests of global economic cooperation, including of the “outlying,” geographically speaking, participants. Thus back in 2002, while speaking in Singapore, Japanese Prime Minister Junichiro Koizumi voiced the idea of creating an expanded East Asia Community, with Japan, ASEAN countries, China, the Republic of Korea, Australia and New Zealand taking center stage there. The Singapore speech was labeled the Koizumi Doctrine.

Comparing the so-called Koizumi Doctrine with the ideas of creating an East Asia Community initiated by Japan’s new Prime Minister Yukio Hatoyama in 2009, prompts the conclusion that these have a lot in common. Most of the novelty is in Mr. Hatoyama’s principled stand, as he was confident that the United States had to be directly involved in the process. The way he saw it, the U.S. was to play an important role in the East Asia Community, and the U.S.-Japanese Security Alliance was to be its cornerstone.

## INTEGRATION

« *The last few years witnessed new accents introduced in the working model of EAS formation by Japan, and then also by the United States, and several other countries proposing two new integration projects within the Asia-Pacific* »

« *The most sensitive  
issue is still that of APC  
membership* »

Looking at the new scenarios of building a unified Asia-Pacific, it seems proper to start with the previously mentioned initiative by Australia's Prime Minister Kevin Rudd, owing to the comprehensive integration goals named there and the diplomatic enterprise Australia displayed to promote it.

In his speech at the 2009 APEC Summit in Singapore Kevin Rudd proposed creating by 2020 the Asia-Pacific Community (APC), a new all-region intergovernmental institution that, geographically, would embrace the entire Asia-Pacific, while functionally, it was to incorporate all the major cooperation lines (economic, political, and cooperation in the area of security).

The translation of this proposal into practice was at once hampered by the problems of setting up an institution that could cover a whole group of organizations and forums already operational, and also of deciding which countries would be among its members.

The most sensitive issue is still that of APC membership. The Australians believe that it could be the Asian Eight (the U.S., China, Japan, Russia, India, Indonesia, the Republic of Korea, and Australia) or else, the Asian Ten, say (all of the above countries, plus the states that are incumbent and future ASEAN chairs).

Analysis of these proposals suggests that they primarily take into account the interests of major and medium-sized powers (Australia, Indonesia, the Republic of Korea). Whereas the smaller states are left overboard, as it were, and moreover, the plan is not ASEAN-centric, unlike most regional organizations in East Asia. As a result, ASEAN countries looked askance at the suggested options of making up the APC, which did not receive any practical development.

One more new project worth attention is dealing with economics. Considering that formal integration in the APEC format has stalled, some smaller Asia-Pacific countries have

hit on a new mechanism allowing gradual forward movement toward solving the problem of free trade promotion crucial to the region, despite the political and socioeconomic obstacles the process encountered in several advanced countries.

At the 2009 APEC Summit in Singapore, that country's Prime Minister Lee Hsien Loong spoke about the Transpacific Partnership, which was the first mention of the new entity at so exalted a level. TPP is in fact the free trade zone agreement concluded in 2006 by four Asia-Pacific countries, Brunei Darussalam, New Zealand, Singapore and Chile. The distinctive feature of this FTZ is high standards (in contrast to so-called low-grade FTZ when the agreement terms do not cover certain trade areas the member states are sensitive to). The TPP format allows any Asia-Pacific country to join it as long as it is prepared to develop trade relations according to the adopted standard. The mechanism is already working: the U.S., Australia, Peru, Vietnam, and Malaysia have started negotiating their accession to the Transpacific Partnership.

Nominally TPP is no rival to APEC, but it pursues the same basic goal — fully liberalized trade in the Asia-Pacific. Except that TPP is trying to achieve that in the opposite way, not by going at the rate of the last camel in the caravan, as things are normally done in APEC, but by increasing the number of participants through those that have fully complied with the requirements of the FTZ agreement and thus encouraging ever more states in the region to join.

## CHANGES IN THE U.S. ATTITUDE TO ASIA-PACIFIC INTEGRATION PROCESSES

While the Bush Jr. Republican Administration was in power, the United States never resorted to multilateral cooperation mechanism unless that was directly in its interests. Thus, largely ignoring APEC and ARF, it was an

## INTEGRATION

« *The TPP format allows any Asia-Pacific country to join it as long as it is prepared to develop trade relations according to the adopted standard. The mechanism is already working: the U.S., Australia, Peru, Vietnam, and Malaysia have started negotiating their accession to the Transpacific Partnership* »

 *The changes in U.S. politics found expression in striving for greater reliance on partners' resources in ensuring U.S. interests in the Asia-Pacific* 

active participant in hexapartite talks on security in the Korean Peninsula.

Under the impact of changes in conceptual approaches (U.S. Democrats are more markedly in favor of multilateral cooperation methods), and also changes in the external (difficult and unpopular wars in Iraq and Afghanistan) and internal political situations against the unfolding global economic crisis, the Obama Administration promptly revised approaches to multilateral cooperation in Asia-Pacific and East Asia.

The revision was also due in no small measure to the fact that the three initiatives described above (EAS as seen by Yukio Hatoyama, APC and TPP) were to involve Washington deeper in integration processes and so offset China's geopolitical and economic rise.

The changes in U.S. politics found expression in striving for greater reliance on partners' resources in ensuring U.S. interests in the Asia-Pacific, and in the readiness to be active on every major regional site of multilateral cooperation, including those that had not been considered priorities before.

Thus the United States quickly raised the level of its relations with ASEAN countries. During his presidency, George Bush Jr. did not attend ASEAN summits, and on occasion those were ignored even by U.S. Secretary of State Condoleezza Rice. Conversely, in the very first year of Barak Obama's presidency the first U.S.-ASEAN summit was organized, and the U.S. side signed the Treaty of Friendship and Cooperation in Southeast Asia that is fundamental to ASEAN and restricts up to a point the U.S. ability to use its Armed Forces in the subregion. Thus within twelve months Washington took all the necessary steps to conform to the three main criteria set for East Asia Summit members.

The heightened U.S. attention to the Asia-Pacific found clear conceptual expression in the speeches by U.S. Secretary of



State Hillary Clinton. On the eve of the recent APEC Summit in Honolulu Charles E. Morrison, the East-West Center President (a State Department section in charge of the Asia-Pacific research based in that city) made a notable statement, saying that after twenty-five years of U.S. secretaries of state never once visiting the Center, now, within the last two years U.S. Secretary of State Hillary Clinton had thrice delivered speeches within the East-West Center walls. In January 2010, in the first of her program speeches Mrs. Clinton outlined U.S. policy priorities in the Asia-Pacific and America's new approaches to multilateral cooperation institutions. Thus in the area of economics, it was confirmed that the U.S. was prepared to continue work in APEC, but it was pointed out at the same time that the United States had already started negotiating its accession to TPP as an efficient mechanism of uniting the more advanced Asia-Pacific economies.

Simultaneously the U.S. declared itself ready to lead the work of Asia-Pacific institutions. And among the topmost of those the East Asia Summit (EAS) was named for the first time. Moreover, it was announced that Washington had already started consultations with Tokyo and other Asian partners on the following issues: how to secure an important role in EAS for the U.S., and how this forum could be incorporated in the general infrastructure of Asia-Pacific institutional cooperation. Thus the United States displayed interest in taking a fitting place within that organization, on the one hand, and on raising the EAS status within the system of regional institutions, on the other. As for the initiatives put forward by Australia's Prime Minister Kevin Rudd, they failed to win Washington's approval.

In her third speech at the East-West Center on the eve of the APEC Summit in Honolulu (November 10, 2011) Hillary Clinton voiced the ideas previously pretty sketchily outlined as a comprehensive conception in the form of perfectly specific points.

## INTEGRATION

« In January 2010, in the first of her program speeches Mrs. Clinton outlined U.S. policy priorities in the Asia-Pacific and America's new approaches to multilateral cooperation institutions »

## APEC RUSSIA 2012

« *...the future model of the Asia-Pacific regionalism is to be patterned on the templates of the comprehensive transatlantic network of cooperation institutions built by the United States and its European allies. This architecture of security and economic cooperation is supposed to be based on universal (instead of Asian) values and with the U.S. uncontested leadership* »

The first point recalled that in the 21st century the global strategic and economic gravity center would be in the Asia-Pacific whose boundaries extended from India to the U.S. West coast. And in light of that one of the key jobs for U.S. diplomacy over the next few decades would be tangible increase in the amount of every kind of investment in the region — diplomatic, economic, strategic, etc.

The course of events in other regions of the world (ending the war in Iraq, cutting down the U.S. contingent in Afghanistan, etc.) would help translate these plans into reality, among other things, thanks to using the resources thus released.

Key point number two relates to the future model of the Asia-Pacific regionalism. It is to be patterned on the templates of the comprehensive transatlantic network of cooperation institutions built over the last fifty years by the United States and its European allies. Besides, this architecture of security and economic cooperation is supposed to be based on *universal* (instead of Asian) values and with the U.S. uncontested leadership.

The third point is to do with the fact that demand for U.S. leadership is increasingly topical in the region, especially given the need to settle such pressing problems as countering security threats on the Korean Peninsula, providing freedom of navigation in the South China Sea, furthering balanced and inclusive economic growth, etc.

To solve this set of problems the current U.S. Administration resorted to the strategy relying on forward-deployed diplomacy. It consists in sending U.S. representatives (senior officials, diplomats, members of international organizations) to all countries and every nook and cranny in the Asia-Pacific, while pressing into service the entire gamut of diplomatic resources to tackle the following six key tasks:

- consolidating bilateral U.S. security alliances;
- furthering working relationships with the regional powers on the rise;
- actively including in its orbit regional multilateral institutions;
- expanding trade and investment;
- maintaining a significant level of military presence;
- promoting the ideas of democracy and human rights.

Let us look in more detail at one of these points of U.S. diplomatic effort application, which reflects the Americans' desire to rely more extensively on the mechanisms of multilateral cooperation using its potential to achieve their strategic objectives in the region. Aware that taking under its control the long-established ASEAN-centric institutions in the region, such as ARF and APEC, is hardly possible, Washington is making vigorous attempts to impose activity principles most acceptable to the United States, and get a chance to determine the agenda, yet to be formed, for the recently created multilateral institutions TPP and EAS.

As a practicable mechanism of attaining the goals of trade and economic integration, the U.S. is planning to use TPP, while APEC will have to be content with the secondary role of incubator for new integration ideas (i.e. a second track, as it were, next to TPP). EAS is viewed by Americans as the principal forum for addressing regional security problems, such as maritime security, for example, or nuclear nonproliferation, rendering assistance in natural disasters, etc.

In that case ARF is in for playing a role similar to that of APEC, a discussion club under EAS. This approach is presented as a response to the request to Washington from the region's countries to form the regional agenda in the

## INTEGRATION

« Let us look in more detail at one of these points of U.S. diplomatic effort application, which reflects the Americans' desire to rely more extensively on the mechanisms of multilateral cooperation using its potential to achieve their strategic objectives in the region »

« On the one hand, Washington sets itself very noble goals: to speed up trade and economic integration making more efficient cooperation in the area of security in the Asia-Pacific. And there one could talk of a tidal “new wave” of economic integration and security cooperation in the Asia-Pacific that Washington is making »

area of security. However, it appears that this is a case of wishful thinking by the United States, as far from every country in East Asia would welcome so openly expressed a leadership ambition of Washington in the region.

Also noteworthy is the fact that the United States has not drawn conclusions from Kevin Rudd’s unsuccessful initiative of setting up the Asia-Pacific Community that left by the wayside the ASEAN countries, but launched a “diplomatic offensive” in the Asia-Pacific largely relying on the same principles. Washington is laying claim to regional leadership stemming from the following approaches:

- fierce struggle for having power poles in multilateral cooperation replaced (from APEC to TPP, and from ARF to EAS), and the U.S. gradually attaining leadership in TPP and EAS;
- radical changes in the basic principles of cooperation in the Asia-Pacific: from the ASEAN Way to falling back on the European integration practice and universal (Western) values.

So how should one classify the altered diplomatic strategy of the United States in the Asia-Pacific? On the one hand, Washington sets itself very noble goals: to speed up trade and economic integration making more efficient cooperation in the area of security in the Asia-Pacific. And there one could talk of a tidal “new wave” of economic integration and security cooperation in the Asia-Pacific that Washington is making.

However, a more radical version classifying the new U.S. strategy as an attempt to open a “second front” of economic integration and security cooperation in the Asia-Pacific is perfectly legitimate as well. I would like to claim the copyright of the phrase at this authoritative forum. In my view, using the term “front” is pertinent here, as it is all about the confrontation of two systems of values — Western

and Asian, and it is common knowledge that concessions in this area are the least likely.

In the context of the international relations theory this U.S. strategy falls back on the neoliberal approach to establishing cooperation, but in Asia this does not work in its unadulterated form (there is no uniformity of culture, religion, historical experience, etc. among the countries there). I would say that our American colleagues had better take up the no less authoritative theory of constructivism. The latter holds that state identity can be altered, but it takes an inordinately long time to achieve the socialization of states and their leaders, which is borne out by the protracted European integration. Meanwhile the multilateral cooperation formats in the region that have been in existence for ages are easily conducive to socializing Asian and non-Asian partners in the Asia-Pacific.

The new U.S. approaches to its Asia-Pacific strategy have caused an adverse reaction in most countries of the region, ranging from cautious criticism to utter rejection.

Unquestionably, the ASEAN countries managed to reach a consensus on admitting the U.S. and Russia to EAS in 2011, and it was specifically emphasized that the latter had a lot to offer to Southeast Asia countries, particularly in the area of carrying out joint high-tech projects (in space exploration, nuclear power engineering, etc.). At the same time, examining the new multilateral initiatives, the leaders of SEA countries and ASEAN Secretary General Surin Pitsuwan have repeatedly said that it is the ARF that is at present the only regional forum where matters of security cooperation are discussed.

Especially significant in this context is the speech by Indonesia's President Susilo Bambang Yudhoyono at the opening session of the 19th ASEAN Summit in Bali in November 2011. There he over and over again stressed the

## INTEGRATION

« *In the context of the international relations theory this U.S. strategy falls back on the neoliberal approach to establishing cooperation, but in Asia this does not work in its unadulterated form* »

« *Preparing and conducting the APEC Summit in Vladivostok should create prerequisites for actively incorporating Russia's Eastern Siberia and Far Eastern areas in the Northeast Asia integration space* »

fact that ASEAN must preserve its leadership in shaping the regional cooperation architecture. Touching upon the work done by EAS, the president stated unequivocally that relationships between its members, including those that are not in ASEAN, should be built on the principles of peace loving, friendliness and others that are the hallmark of the ASEAN Way. So saying, the President of Indonesia called for preventing EAS-provoked disunity in the region, which became an overt reaction to U.S. attempts at basing the work of the new forum on European experience and universal values.

## **RUSSIAN PARTICIPATION AND CONCLUSION**

It would be expedient for Russia to further interaction with partners at all levels of the Asia-Pacific regionalism. A major multilateral cooperation format for this country will still be APEC. Preparing and conducting the APEC Summit in Vladivostok should create prerequisites for actively incorporating Russia's Eastern Siberia and Far Eastern areas in the Northeast Asia integration space.

Russia endorses continued cooperation within the framework of APEC and EAS in priority branch sectors. Among our plans is expanding supplies of hydrocarbons to East Asia countries in order to consolidate energy security and ensure inclusive economic growth in the region. We are set on cooperation in developing traditional and unorthodox energy sources, creating the infrastructure for oil processing and production of liquefied gas, and improving power efficiency. In conditions of the worsening global economic situation Russia's increased contribution to the Asia-Pacific food security will become a new important line in cooperation.

There is still interest in Russia as a transport link between East Asia and Europe. An important trend is cooperation in science and education. There is room for stepping up export

of Russian educational services in Asia-Pacific countries, especially now that the Far Eastern Federal University has been opened in Vladivostok.

According ASEM (2010) membership to Russia, and this country's accession to EAS (2011) is evidence that Russia has recovered its position as a leading geopolitical player in East Asia, which was largely lost in the last decade of the 20th century. In light of the structural rebuilding of its economy the country has to accomplish, furthering partnership relations with ASEAN members appears particularly valuable, because these states regard Russia as a partner in implementing high-tech projects. And this is the basic difference from the leading Northeast Asia countries that still see Russia largely as a source of cheap energy and other natural resources.

Moscow is confident that the strategic dialogue within EAS must focus on matters of improving the architecture of security and cooperation in the region. EAS is entirely up to developing these principles into an integral conception of inclusive security for East Asia, and Russia is ready to actively participate in that.

Russia endorses the network diplomacy involving EAS, various ASEAN dialogue mechanisms, and those of other regional organizations. For example, Russia that has now assumed APEC chairmanship can work on forming the APEC-EAS link.

In light of criticism voiced by the United States about changes in EAS activity principles, Russia has clearly stated its position: whatever the circumstances, it is ASEAN that is to draw up the forum agenda.

There are several formats that the ASEAN members have initiated: the ASEAN Regional Forum on Security, the mechanism of conferences by defense ministers of ASEAN member-states and partner-states, etc. We believe it fully justified that this impressive group of ASEAN countries whose aggregate

## INTEGRATION

« According ASEM (2010) membership to Russia, and this country's accession to EAS (2011) is evidence that Russia has recovered its position as a leading geopolitical player in East Asia, which was largely lost in the last decade of the 20th century »»

« Under the circumstances the best practical advice to Washington, in my view, would be to revise the parts of its strategy that caused the most resentment and somewhat slow down its regional “diplomatic offensive” that met with the negative reaction of most East Asian countries »

population exceeds 600 million people should continue to act as a system maker in all discussions on regional issues.

As for Washington’s attempt at opening the second front of economic integration and security cooperation in the Asia-Pacific, it is my belief that translating these ambitious plans into reality will encounter extremely serious obstacles. First, promotion of non-ASEAN-centric initiatives is unlikely to succeed, of which the failure to implement the Australian plan of setting up the Asia-Pacific Community was graphic proof. No less difficult to accomplish seems the key idea of Washington about basing further economic integration and consolidating multilateral security cooperation in the Asia-Pacific on universal rather than Asian values dominant in the region.

Should the new U.S. strategy based on forward-deployed diplomacy be enforced on the region, its countries will inevitably have to make up their mind as to which approach they are opting for — the new one presupposing U.S. leadership, or the old one that envisages the dominant role of ASEAN countries and China, and therefore the situation will be fraught with new dividing lines forming in the Asia-Pacific. Ultimately, this may be counterproductive for achieving the positive goals proclaimed by Washington, i.e. speeding up economic integration and building a new security system in the Asia-Pacific.

Under the circumstances the best practical advice to Washington, in my view, would be to revise the parts of its strategy that caused the most resentment and somewhat slow down its regional “diplomatic offensive” that met with the negative reaction of most East Asian countries. Also, this leaves in a rather awkward position several key allies of Washington, above all Japan, which has thus been confronted with an unacceptable choice between its ally obligations to the United States and the strategy of strengthening political and economic ties with ASEAN countries.



# Integration in the Asia-Pacific: What are Russia's Stakes

**I**n formal terms, the Russian Federation has all the rights of a full APEC member. In many respects, though, it is only marginally involved in the organization's activities and uses the APEC potential far below what it is entitled to. In part, it keeps a low profile for a natural reason, its modest weight in regional commercial and economic ties, and in part because of the indolence of Russian government institutions and private business, both still putting the Pacific behind the European pitch of their external economic policy.

Large infrastructure projects, including construction of railroads and motor roads, and expansion of the network of oil and gas pipelines and electric power transmission lines to step up deliveries of fuel and electric power to Pacific countries' markets, were completed in Russia over the first decade of the 21st century. The hydroelectric power plant put into operation on the Bureya River added significantly to the region's power capacity and a cluster of enterprises was built on Sakhalin Island to produce and export liquefied natural gas (in a successful high-tech project involving transnational companies). On the one hand, a positive view can be taken of this because these projects enable Russian companies, above all in the power and fuel business, to

**Alexander  
Fedorovsky**

*D.Sc. (Econ.), Head, APR  
General Sector, Institute  
of World Economy and  
International Relations,  
Russian Academy of  
Sciences*



« *In 2010, though, as Russia recovered from the crisis, its trade with Pacific countries was growing at high rates, and those countries' share of Russian foreign trade rose significantly, largely because of booming imports* »

diversify their market choices. On the other hand, with no support coming from other industries, Russian export remains centered on fuel and natural resources.

Russia's commercial and economic ties with APEC economies expanded along these lines through the past decade. In 2010, though, as Russia recovered from the crisis, its trade with Pacific countries was growing at high rates, and those countries' share of Russian foreign trade rose significantly, largely because of booming imports. In the medium term, Russia's traditional trade pattern is expected to hold on. Export will be, as it is now, dominated by oil, natural gas, coal, minerals, fish and seafood, ferrous and nonferrous metals, and mineral fertilizers, followed by arms, and one-off contracts for the sale of power generating and other equipment. Import will still be led by engineering equipment and consumer goods of every description, from durables to clothing and footwear.

We must be clear, though, about the kind and range of goods Russia is ready to produce and about the likely demand for them in its Pacific partner countries. Besides, the legal and institutional groundwork for movement of goods, services, investments, and technologies on the regional market acquires added significance. It is important in this context to take account of integration trends that may affect the rules of the game laid down in the Asia-Pacific.

Over the two preceding decades, sustaining economic growth by gradual liberalization of trade and capital movement between Pacific countries was among APEC priorities. Recommendations applying to member economies' internal affairs were of secondary importance and were invoked to an extent to which they contributed to external economic ties. In recent years, the Pacific countries' internal development problems have been brought up for discussion within the APEC framework, but in this case, too, they have been examined from the perspective of broader regional cooperation.

Changes are occurring in the quality of trade structure of the Pacific countries' commercial and economic cooperation. Between 1990 and 2005, the share of industrial semi-manufactures in regional export in Pacific Asia grew from 20% to 32%, and in import, from 18% to 32%, while the share of raw commodities fell off from 12% to 5.6% in regional export and from 13.3% to 5.8% in regional import. These figures are evidence of expanding industrial cooperation between the region's countries. Meanwhile, operation of the Russian industrial sector, in general, and its Far Eastern component, in particular, is not integrated into the major economic processes occurring in the region.

In the second decade of the 21st century, combining internal and external economic projects becomes an Asia-Pacific priority. As the region's countries set ambitious development goals, they have to give close attention to their external economic ties at the regional level because major positive changes in the Pacific countries' economic systems can hardly be achieved to the extent wanted unless the home and foreign economic policies are tightly coordinated. The need for internal structural changes is to be related to the harmonization of external development ingredients.

The ambiguous results attained in special economic zones (SEZ) provide a fine illustration of good intentions miscarried. Attempts to develop a network of new, or modernize the old, SEZes to make them over into centers producing high-tech goods and services, or turn some of the existing portside SEZes into modern logistical centers with no consideration given to global and regional economic trends, in the Asia-Pacific, in the first place, eventually fail because, to put it differently, a product originating in an SEZ can only sell on the regional market if it meets consumer expectations and complies with production and marketing standards. The implication is that legal and environmental regulations applying to SEZ operation, their border, phytosanitary, and customs controls, the quality of the health

## INTEGRATION

« *In the second decade of the 21st century, combining internal and external economic projects becomes an Asia-Pacific priority* »

« Over the last decade, regional cooperation developed among Pacific countries largely under a scenario within which their APEC membership is no hindrance to their involvement in free trade agreements that have been multiplying steadily in the Asia-Pacific »

care system and education, and other services and legislation are to meet high international standards of quality. Experience of many countries in the region shows, though, that assorted “interest groups” (including labor unions, “patriotic-minded citizens,” and some regional administration members) are strongly opposed to foreigners being involved in education and health care — their opposition frequently prevents employment of qualified foreign experts in their countries’ industries and ultimately interferes with the production of competitive output. The host countries’ governments undertaking projects suggesting long-term integration with their regional partners are under pressure to coordinate the economic, technological, and humanitarian aspects of their external economic relations.

Over the last decade, regional cooperation developed among Pacific countries largely under a scenario within which their APEC membership is no hindrance to their involvement in free trade agreements that have been multiplying steadily in the Asia-Pacific. The common explanation offered for this double-track policies the region’s countries followed for years looked simple and convincing — APEC was there to oversee Pacific integration in general, while free trade agreements stimulated bilateral or subregional integration. The FTAs were ultimately to result in a situation in which their principles could be applied — by increasing the number of FTA-covered economies — to the region as a whole. Rightly or wrongly, this scenario could be constructed out of the APEC materials approved at the APEC Summit in Yokohama, Japan, in 2010.

Growth in the number of FTAs made between APEC members has its upsides and downsides. On the upside, liberalization of trade and economic ties between individual countries lifts economic and administrative barriers to the movement of goods and services in the Asia-Pacific. On the downside, proliferation of free trade agreements, one unlike the other, is not woven into the common fabric of regional

legal, administrative, and economic relations that could give equal terms to all Pacific countries for expanding their commercial ties.

There is a growing possibility, too important for APEC to pass up, of voluntary principles on which the member economies comply with the decisions approved by the organization being replaced with mandatory compliance with the accepted rules regulating regional trade and economic ties.

Will it be difficult or easy to put constraints on FTAs is clear from the following example. In May 2011, China, Japan, and the Republic of Korea, which pack 90% of Pacific Asia's overall potential, made public their intention to enter into a tripartite free trade agreement. The FTA talks scheduled for 2012 are to show how Beijing views integration and whether, and how much, China's priorities are shared in Tokyo and Seoul that certainly keep at the back of their minds their longstanding strategic commercial, economic, and political ties with Washington.

Agreement between China, Japan, and the Republic of Korea would be hard to reach because of the heavy deadweight of the past and territorial disputes festering today. These problems regardless, their mutual stakes in economic cohesion would push the three countries toward a search for compromise and common stand on the content, forms of, and prospects for, Pacific integration.

Today already, diversified steady commercial and economic ties are fostered between China, the Republic of Korea, and Japan. If these ties are formalized in a free trade agreement within the next few years, they would give a push to the three countries' tripartite cooperation and have an impact of the progress of integration within the Asia-Pacific as a whole.

From the angle of a prospective FTA agreement, attempts are made to create an environment encouraging integration

## INTEGRATION

« *There is a growing possibility, too important for APEC to pass up, of voluntary principles on which the member economies comply with the decisions approved by the organization being replaced with mandatory compliance with the accepted rules regulating regional trade and economic ties* »

« *Leveling out the regional legislative ground is a common strategic problem the Pacific countries are to solve either within the APEC framework (a conservative option) or in the TPP format (a radical option)* »

at the Pacific level for an upgrade to more formalized relations binding the participants to abide by the decisions passed. The idea of Transpacific Partnership (TPP) that cropped up at the start of the 21st century was a response to new demands.

Leveling out the regional legislative ground is a common strategic problem the Pacific countries are to solve either within the APEC framework (a conservative option) or in the TPP format (a radical option).

TPP suggests widening the bounds and making agreements more to the point, with agreements on liberalizing trade in goods and services patterned on free trade agreements to include rules governing investments, exchange of innovations (including protection of intellectual property rights), labor relations, management of migration flows, environmental standards, and rules of competition. Finally, TPP implies arrangements to be made to regulate trade in foodstuffs and farming produce that still is a cause of bitter differences between several Asia-Pacific countries that have failed to find a good-for-all solution within either the WTO or in free trade agreements they make.

TPP is, for these reasons, thought to be a more profound, diversified, and formalized type of integration than anything implied upon APEC organization, or prescribed in WTO rules that still disregard competition, the environment, and social issues in international economic relations.

The need to take a new approach to integration and take formation of a free trade area set down in Yokohama still further, across APEC as a whole, is underscored by problems that were not resolved at either the regional forums, or at the WTO level within the Doha Round format, and are high on the agenda now.

What is most surprising is the U.S. desire to have the rules on the protection of intellectual property rights couched to

its taste, and to proceed with getting its rules of law built into international agreements binding APEC members to toughen their own laws in this area.

Another issue the Americans want to be solved within the TPP framework is regulation of state-controlled for-profit companies. Even though China's state-owned companies do not come up in this context, the U.S. certainly wants to get approval for measures monitoring external economic operations of large state-owned corporations in China, and in other countries, including Russia, thrown in for good measure.

Finally, the TPP agreement may toughen, at the U.S. initiative, the standards of labor and environmental laws other countries would have to meet, a roundabout way to counteract China's economic expansionism.

The region's countries, medium-sized and small, in the first place, are struggling with the choice between sovereignty and integration they have to make by exploiting economic cooperation trends in East Asia. Openness and readiness to move in the mainstream of regional integration have become part of their strategy to cling to their sovereignty, in much the same way as joining international business alliances becomes a way for major East Asian businesses to fortify their positions in competition on world markets. In their external economic policies, those countries are straining to maintain balance in their relations of partnership with China, the U.S., and Japan. What this all adds up to is integration moving in different directions at different speeds as free trade agreements multiply and, simultaneously, the idea of regional integration within the TPP framework is gaining ground.

Russia's entry into APEC has changed little, if anything, in its slow progress in setting up a mechanism for cooperation with Pacific countries that could, on the one hand, be just what is needed for this country's modernization and, on the

## INTEGRATION

« *The region's countries, medium-sized and small, in the first place, are struggling with the choice between sovereignty and integration* »

« Russia is dragging its feet in both industrial cooperation well under way and in innovation-driven integration still in the works »

other hand, respond to the fast organizational and legal changes in regional economic relations. The wide sweep of free trade agreements across Pacific countries and the emergence of the Transpacific Partnership concept force Russia to get a response ready to either.

Russia is dragging its feet in both industrial cooperation well under way and in innovation-driven integration still in the works. As the “green growth” principles are spreading across the region, Russia will be confronted by the obvious need to tailor its export potential to its Pacific partners’ fresh demands. This is a reality to be benchmarked by the quality of incoming foreign investments, exchanges of investment projects, and all other aspects of international cooperation. The regional system of innovation-driven cooperation still in its incipient form, Russia is not to miss a chance to join in the discussions over the matter to look out, together with interested partners, for Russian interests in scientific and engineering exchanges.

No job is more important today than making a final draft of pilot FTAs with at least a few Pacific countries such as Vietnam, Russia’s partner of long standing. If they get through, the FTAs would put the Pacific priorities of the Russian government and business in focus, give a keen sense of balance between the interests of Russia’s producers and consumers for an economic policy to be pursued, and, ultimately, a strategic approach be adopted to the prospects for regional integration, giving consideration to the principles still honed in the TPP format.

From the standpoint of Russia’s interests, a careful study must be made of the cooperation experience East Asia countries (China, Japan, the Republic of Korea, and ASEAN member countries) have built up in maintaining financial stability in periods of crisis.

The Russian Federation’s Far Eastern economic region is best placed to play the leading role in the Russian Pacific



policy, but counting on it alone in the country's relations with Pacific countries would be imprudent. This short-sighted policy carries a threat of replication (or degradation) of Russia's traditional model of economic relations with its APEC partners for many decades ahead. It would be much wiser to gradually involve the potential of Russia's European part in the development of its Far Eastern regions and, through these regions or straight on, the biggest and imaginative domestic businesses in economic integration processes shaping up in the Asia-Pacific today. To repeat, the Russian Far Eastern region's potential and its entrepreneurial, organizational, and financial assets are far too small to keep innovations flowing in and out and cooperation maintained in science and engineering with other Pacific countries.

A circumstance to be always at the back of our minds is that the standard economic policy principle cannot be applied without second thoughts to a country as large as Russia. The wisdom of a standardized approach to the Russian Far Eastern region's involvement in international economic cooperation in the Asia-Pacific is clearly in need of critical reappraisal. The economic regulation rules are to be adapted to both the European and Far Eastern parts of Russia. The deeper regional economies are involved in integration going on in Europe and the Asia-Pacific, the more fine-tuning of the federal internal and external economic policies would be needed.

The TPP as a formalized type of integration will keep on developing, with new members signing on. In the medium term, though, APEC will not be stripped of its role of a tried and tested regional negotiating platform for key problems impeding cooperation between Pacific countries to be cracked. In the end, the will of both the U.S. and China to come to terms on key economic issues will be the decisive factor giving content and form to integration in the Asia-Pacific. And yet, the potential and stand of other participants

## INTEGRATION

 *The Russian Federation's Far Eastern economic region is best placed to play the leading role in the Russian Pacific policy* 

APEC RUSSIA 2012

in the discussions may have a significant effect on the outcome of the negotiations. In these circumstances, diplomats in the Russian external economic service are now faced with the task of promoting ideas endorsed by their Pacific partners that help best to stand up for Russia's strategic interests in the Asia-Pacific.



P  
R  
I  
O  
R  
I  
T  
I  
E  
S

**Maxim Sokolov,**  
Transportation in APEC Region

**Kirill Komarov,**  
Nuclear Power in APEC after Fukushima

**Vladimir Likhachev,**  
The Asia-Pacific Component of the Russian  
Energy Strategy 2030

**Ekaterina Koldunova,**  
Education, Innovation and Social Capital:  
Prospects for Russia in APEC

**Tagir Khuzyiatov,**  
Education and Science in the Asia-Pacific

**Lilia Revenko,**  
External Economic Determinants of APEC  
Food Security

**Alexander Akimov,**  
Biofuel or Hydrocarbon ...

# Transportation in APEC region

**Maxim Sokolov**

*Minister of Transport,  
Russian Federation*



**T**he Russian Federation is a key member economy of the Asia-Pacific Economic Cooperation (APEC), and its sectoral fora where transportation issues are discussed. Because of its unique geographical position, Russia offers a natural bridge between Europe and Asia. Its bridge-like role has made Russia a strategic partner for many countries in transit freight traffic from fast-growing economies of the Asia-Pacific to Europe. These countries also rely heavily on transportation services offered by Russia's regions lying across the border from them.

The current standards and development trends of the transportation market call for new customer-friendly transportation products and services to be on hand and transportation logistics easily available on the market.

Changes in the economic environment and rising competition between transportation modes make ever new demands on the way freight is delivered and warehoused and new commercial, transportation, and industrial technologies are developed.

Deployment of logistical centers designed to speed up freight traffic and reduce total costs for freight consignors and consignees is a possible option that helps optimize interaction



 *Transportation logistical centers are most needed at major transportation hubs that take freight handling upon themselves. Speeding up freight movement and cutting transportation costs is to become the principal purpose of these centers* 

between several transportation modes and introduce new business technologies into freight transportation.

Three strategic areas can now be identified in the development of transportation logistics:

First, developing infrastructure capable of providing comprehensive logistical services up to high standards by building a system of modern logistical terminals at all convenient points of the network of Russian transportation routes.

Second, optimizing existing terminal warehousing assets and using them as a basis for setting up new facilities providing services (developing terminal operations) in high demand with a wide range of customers.

Third, establishing logistical companies integrating the services of carriers and external service providers into a comprehensive delivery chain management service.

Transportation logistical centers are most needed at major transportation hubs that take freight handling upon themselves and have a significant effect on the structure of freight traffic and on the manner in which freight movement strain is spread over the transportation network. Speeding up freight movement and cutting transportation costs is to become the principal purpose of these centers.

Much of the freight traffic between Asia and Europe follows sea routes. The principal advantages of transportation by sea are relatively low costs of container deliveries, firm schedules of freight delivery by shipping companies at ports of destination, absence of numerous national boundaries, satellite tracking of freight in passage, freight safety, and many more.

Shipping companies, though, cannot make door-to-door deliveries for very natural reasons. To give an example of freight exported from China to the EU and U.S., containers

are brought in by trucks and rail from across China to seaports in the country's east and southeast. Next, the containers are transferred to seagoing ships that then head through Singapore, the Indian Ocean, the Red Sea, the Suez Canal, the Mediterranean, Gibraltar, the Atlantic Ocean, and the English Channel to major European seaports in Germany and the Netherlands. There again, the containers are loaded off ship deck onto trucks that deliver them at the customers' doorsteps. It takes six to eight weeks, including freight delivery to the exporter's seaports and warehousing, to get the freight to destination. Sea shipments have their bottlenecks, too — overcrowded seaports and motor roads and railroads converging on them, and shortage of stevedoring capacities. Limited capacity of the Suez and Panama canals has its effects on the total shipping time and costs of container delivery. Add to this the sea piracy and political instability in countries straddling the shipping routes. These inconveniences and adversities make freight delivery across Russia still more attractive. Indeed, this route has a great economic and technological potential.

The handling capacity of commercial seaport terminals is a major factor for assessing the efficiency of transoceanic container shipments. In turn, freight handling costs at seaports are a significant component of total freight delivery costs. Of the world's twenty biggest container seaports, three are in Europe and 15 in Asian developing countries, eight are in China (including in Hong Kong, China), one in the Republic of Korea, two in Malaysia, and one each in Singapore, Chinese Taipei, Thailand, and the United Arab Emirates.

National container operators are to be encouraged into more vigorous activity for two-way container traffic to be maintained in major transportation corridors. They could become steady partners for foreign forwarding companies

## PRIORITIES

« *Sea shipment from  
Asia to Europe  
inconveniences and  
adversities make freight  
delivery across Russia  
more attractive* »

## APEC RUSSIA 2012

« Over 50 large logistical centers are to be put up under the construction program in Russia, around 60 big goods yards completely renovated, a large number of technological and freight handling facilities modernized, and rail tracks upgraded on the approaches to the terminals and at the transportation hubs themselves »

and place orders for the manufacture of containers and container handling equipment. Incentives have to be applied to step up the output of containers, specialized rolling stock, and other related machinery and equipment. Besides, customs freight clearance and border crossing have to be speeded up by upgrading applicable rules. A logistical approach applied in accordance with Russia's Transport Strategy up to 2030 approved by the Russian Government can help speed up uninterrupted movement of freight, develop containerized freight delivery, improve transportation and logistical services to be up to international standards, and reduce significantly the costs of manufacture, delivery, and marketing and movement of freight from producer to consumer.

Modern multifunctional terminals are to serve as the core of a transportation system and to provide a wide range of commercial freight delivery and forwarding services.

These services are to be provided in infrastructure, transportation, and technologies under the Russian Federation's Transport Strategy and Rail Transport Development Strategy. The Russian Railways company has started building a modern logistical terminal infrastructure. Over 50 large logistical centers (including dry ports in the Russian areas of the Far East, in the country's Northwest, and areas on the shores of the Sea of Azov and the Black Sea) are to be put up under the construction program, around 60 big goods yards completely renovated, a large number of technological and freight handling facilities modernized, and rail tracks upgraded on the approaches to the terminals and at the transportation hubs themselves.

In 2011, an investment agreement was signed for an international multimodal logistical center to be built in Sviyazhsk, Republic of Tatarstan, to handle freight transported by the Trans-Siberian Railroad (TSR), the North-South corridor, and the Europe-Western China



corridor under construction, with a terminal at the Chinese port of Lianyungang on the Yellow Sea as the point of destination. The project to be completed in 2015, on an area of 1,343 hectares will provide direct transshipment between rail, trucks, river boats, and, in a longer run, aircraft and pipelines, and will, together with the warehousing distribution network, minimize transportation and warehousing costs. A carrier operator service is to be established for multimodal shipments to be made under a single transportation document, and a single control center is to be set up to operate automated control systems running all transportation modes and logistics.

Domestic, export, and import shipments have been growing rapidly in recent years, and steps are to be taken to upgrade the railroad infrastructure for increasing the capacity of major transportation routes. There are several capacity-boosting projects in East Siberia and Russia's Far Eastern areas. Work goes on to thoroughly renovate the railroad section between Karymskaya and Zabaykalsk for freight to be shipped on the TSR spur heading for China. Once the entire project is completed, traffic is to increase to between 38 and 40 pairs of trains a day in 2015, and the maximum weight of freight trains is to rise to 6,300 tons.

The bridge on the odd-numbered track for trains moving from the east to the west across the Zeya River, one of the longest on the TSR (1,104 meters long), on the 7,817th kilometer of the Skovorodino-Belogorsk section has been renovated. Work is in progress to upgrade the section between Komsomolsk on the Amur River and Sovyetskaya Gavan bay and build a new tunnel at Kuznetsovo. The section between Oune and Vysokogornaya is to be upgraded (from its length of 37 kilometers before the upgrade) under the project, and a new tunnel at Kuznetsovo is to go into service in 2013. The new tunnel will help increase the freight traffic on the eastern leg of the Baikal-Amur

## PRIORITIES

« Domestic, export, and import shipments have been growing rapidly in recent years, and steps are to be taken to upgrade the railroad infrastructure for increasing the capacity of major transportation routes. There are several capacity-boosting projects in East Siberia and Russia's Far Eastern areas »

APEC RUSSIA 2012

 *The Russian Railways designers have developed and obtained approvals for a program for expanding railroad container traffic on the Trans-Siberian Railroad until 2015 and put a new transportation product, the TSR in Seven Days, on the market* 

Mainline running eastward to Vanino and Sovyetskaya Gavan seaports from 12 million tons in 2009 to 24 million tons by 2015.

The Russian Railways designers have developed and obtained approvals for a program for expanding railroad container traffic on the Trans-Siberian Railroad until 2015 and put a new transportation product, the TSR in Seven Days, on the market. The new strategy will require significant changes to be made in container train traffic patterns all the way from the Pacific coast to the country's western border over more than 9,000 kilometers away.

A new approach will be applied to plans for making up trains and supporting car traffic and to rolling stock maintenance techniques. The route speed of freight traffic will rise, on average, to 1,400 kilometers a day in 2014 and 1,500 kilometers a day in 2015, and, accordingly, the time it takes freight to travel from Nakhodka-Vostochnaya to Brest, Western Belarus, will be reduced to six full days.

By 2015, all these projects are expected to draw approximately 700,000 TEU (twenty-foot equivalent units) of the container traffic between Southeast Asian countries and Europe by sea traditionally through the Suez Canal away to the TSR.

Railroad operations will have to be integrated with seaports within international transportation corridors and efficient methods to be developed for transporting export and import freight. All players on the transportation services market (ports, container terminal operators, and forwarding companies) in Russia have intensified their efforts to develop new, and optimize existing methods of freight movement in containers by coordinating the points of time when freight is collected, handled, shipped off, and arrives at destination within the terminal-to-terminal framework that suggests developing a continuous process (from the

time when a ship calls in to be loaded to departure of a container train to destination, and back).

Back to land, the existing barriers restraining increase in shipments are to be removed for freight traffic to be diverted to overland routes.



The steps taken with this purpose in view are to prevent aging and shortages of cars, containers, and locomotives, and bring infrastructure and equipment up to international standards (like the time of travel from end to end of route, for example). The capacity of border crossings is to be expanded, logistical and communication networks, auxiliary infrastructure, and roadside services developed, and freight handling, consolidation, and deconsolidation capacities increased.

Other, nonphysical barriers include customs clearance taking too much of the travel time at border crossings; lack of full harmonization of transit rates (international agreements regardless, rates may be vastly different in different countries crossed by a freight transit train); and uncoordinated policies on visas for professional drivers. This short list of barriers is far from exhaustive. We still believe, though, that drawing in significant freight traffic, including transit freight, to use the country's transportation routes requires a comprehensive approach to be taken to a possible lowering of barriers in the way of freight traffic and a broad range of measures to be adopted to make the Russian transportation and logistical product competitive.

The Northern Sea Route (NSR), the shortest passage between seaports in Northeast Europe and the Pacific, is yet another potentially important Eurasian route, apart from the TSR. For example, the southern route between Rotterdam and Yokohama through the Suez Canal is 11,200 nautical miles long, while the NSR option measures 7,300

## PRIORITIES

« *The capacity of border crossings is to be expanded, logistical and communication networks, auxiliary infrastructure, and roadside services developed, and freight handling, consolidation, and deconsolidation capacities increased* »

 *The Northern Sea Route, the shortest passage between seaports in Northeast Europe and the Pacific, is yet another potentially important Eurasian route* 

nautical miles. Shipowners are showing growing interest toward Arctic routes.

A federal bill making amendments to federal laws on government regulation of merchant shipping in lanes of the Northern Sea Route has been drafted to stimulate NSR development within the scope of the law. It proposes to give an exact status to the NSR, restore the Northern Sea Route Administration to exercise control over shipping, pilotage, and hydrographic support services in NSR lanes; and create conditions encouraging Arctic freight shipping and promoting socioeconomic development of the Arctic region in general.

Cooperation in the APEC format enables Russia to promote its transportation industry's interests in the Asia-Pacific and encourages development of the country's transit potential. In 2011, a Council of Experts on Transportation in the Asia-Pacific has been established at the ministry to work out details of Russia's initiatives in transportation. The council consists of appointees of the ministry and its subordinate federal agencies and representatives of transportation science institutions, and leading Russian transportation businesses.

Diversification of Global Delivery Chains is a key initiative put forward by Russian Ministry of Transport in APEC, for promoting Russia's transit potential and attracting freight traffic to its transportation arteries.

Diversification of delivery/supply chains in the APEC region is among issues widely discussed in the forum. APEC efforts today are focused largely on fulfillment of the Plan of Action to promote interaction between APEC supply chains in the years until 2015. Clearing eight bottlenecks in supply chains by simplifying, directly or indirectly, the customs clearance formalities and other logistical issues has been under discussion since 2010 as a basis for work on the idea. Improving the efficiency of supply also features in the Joint

Statement issued by the transportation ministers in San Francisco, California, in September 2011.

This initiative is a program raising several tasks to be fulfilled by the APEC fora:



- Uninterrupted freight movement must be maintained by diversifying supply chains.
- Regional economic integration must be accelerated by pooling investments into major transportation projects.
- Comparative assessment of competitive transportation routes must be made to build the most cost-effective, uninterrupted freight supply chains to minimize transportation, customs, and transaction costs.
- Joint investment projects to modernize transportation infrastructure are to be considered and initiated.
- Measures are to be considered and drawn up to enhance the efficiency of the Northern Sea Route (NSR) for transit shipments to be made between the ports of East Asia, North American Pacific coast, and Northern Europe.

An optimal structure of transportation and logistical routes may turn into a key factor for intensifying integration processes and creating conditions for sustaining high economic growth rates in the Asia-Pacific.

In the interim between the two successive sessions, the Russian Ministry of Transport put forward an initiative to build intelligent delivery chains in an attempt to direct attention to the need for equipping transportation and logistical chains with modern optimization hard- and software, such as equipment relying on navigation satellite systems (GLONASS, in the first place), intelligent transportation systems, and automated centers to control freight traffic, as examples.

Between July 29 and August 2, 2012, during Russia's APEC chairmanship, St. Petersburg hosted the 36th meeting of the

## PRIORITIES

 *An optimal structure of transportation and logistical routes may turn into a key factor for intensifying integration processes and creating conditions for sustaining high economic growth rates in the Asia-Pacific* 

APEC RUSSIA 2012

APEC Transportation Working Group. At their extraordinary meeting a day later, the APEC economies' ministers of transport discussed formation of integrated supply chains to sustain innovation-driven growth in APEC.

The meeting ended with the passage of an important St. Petersburg Declaration that set guidelines for developing transportation in the APEC region in the longer term.

# Nuclear Power in APEC after Fukushima

**F**ukushima has sent a signal to the nuclear power industry across the world and put an imprint on its future for years ahead. The greatest impact was that the potential customers now demand a power plant project to be secure and based on precedent.

Even though the demands have changed, the general trend has not — the world is as curious about nuclear power as it had been before this latest disaster. Why, you may ask, hasn't the roll of countries wishing to have their own nuclear power for peaceful purposes shortened after what they had watched happening in Japan? The simplest explanation is that the reason for the accident in Japan is in no way related to the nature of nuclear power. The human factor was actually behind the drama that played out on the Fukushima 1 nuclear power plant. The plant's old reactors, though, withstood the strongest-ever earthquake in the area and the tsunami left them intact as well. The power units were damaged through human negligence — the Japanese engineers dismissed the possibility of a serious accident happening altogether, and when disaster struck they lost their bearings and could not restart the cooling system knocked out of order by the tsunami wave. These were the

**Kirill  
Komarov**

*Deputy Director General  
for Development and  
International Business,  
Rosatom State Nuclear  
Energy Corporation*



« *Significant benefit of nuclear power is that it is environment-friendly. Compared to traditional thermal power plants fueled by hydrocarbons, a nuclear power plant emits virtually no carbon dioxide and other harmful agents* »

findings of the Japanese Parliament's commission that conducted an independent investigation into the causes of the accident at the plant.

The Fukushima disaster aside, APEC economies, more than any other, are pushing for nuclear power to be developed around the world. Even Japan, all its reactors shut down after the Fukushima accident, announced recently that it had started up two power units.

According to forecasts prepared by Rosatom State Nuclear Energy Corp. on the basis of its analysis of trends in nuclear power industry in the world after Fukushima, up to 400 new power units will be built across the world until 2030. Demand for nuclear power plants has not dipped by more than 8% of what it had been before Fukushima. The International Atomic Energy Agency (IAEA) and the World Association of Nuclear Operators (WANO) are coming up with similar forecasts: the IAEA says the number of nuclear power units in the world could increase by 350 toward 2030, and in WANO's estimates another 341 could be built.

## A PLANT ALL WANT TO HAVE

What is it in a nuclear power plant that makes ever more countries want to have one? It is that a nuclear power plant gives a country the sense of energy security. Loaded once, nuclear fuel burns for years without requiring replacement. In anticipation of a rush for nuclear power, the IAEA has built up a stockpile of uranium for any country operating power units already or having plans to build any to avoid all risks of running out of fuel.

Another significant benefit of nuclear power is that it is environment-friendly. Compared to traditional thermal power plants fueled by hydrocarbons, a nuclear power plant emits virtually no carbon dioxide and other harmful agents. Today, carbon dioxide emissions are to comply with the



Kyoto Protocol, and they carry a price tag to pay. This is yet another practical argument in favor of a nuclear plant, let alone the high costs of hydrocarbon-fueled power industry that depends in a most direct way on fuel prices that have been, first, unstable in recent years and, second, showing a steady upward trend. In the apt phrase of one of Russia's brightest academic minds, Dmitry Mendeleyev, "Burning oil is like firing a stove with banknotes."

To illustrate how environment-friendly nuclear power is, the IAEA says replacing all 435 reactors in operation around the world today with conventional thermal power plants generating the same wattage would increase annual emissions of harmful agents into the atmosphere by 600 million tons.

The lure of nuclear power is, of course, elsewhere. A nuclear power plant is a supertech wonder demanding the ultimate in skills to be displayed by designers, builders, and operators. Construction of a nuclear power plant is always followed by a powerful brain wave in a country. Aware of this truth, countries that operate nuclear power plants already do not pass up the slightest chance to add more power units as a way to build up fundamental knowledge in the nuclear industry and in related fields, lest they lose ground to newcomers if they bask in complacency. Countries that only get the feel of nuclear energy are immediately fired by the desire to have a reliable source of energy and raise their technological status. In the world we live in now, we get a measure of leaders from the kind of high technologies they have.

Russian scientists who were first in the world to design and build a civilian nuclear power plant have always been on the lookout for new areas to make breakthroughs in nuclear technologies. Rosatom is investing heavily into efforts to develop new safe and more efficient energy platforms. For example, closing the nuclear fuel cycle in an attempt to

## PRIORITIES

« *A nuclear power plant is a supertech wonder demanding the ultimate in skills to be displayed by designers, builders, and operators. Construction of a nuclear power plant is always followed by a powerful brain wave in a country* »

APEC RUSSIA 2012

« *Russian scientists  
who were first in the  
world to design and build  
a civilian nuclear power  
plant have always been  
on the lookout for new  
areas to make  
breakthroughs in nuclear  
technologies* »

resolve humanity's ever-present problem – spent nuclear fuel and radioactive wastes. “New energy” on hand is a matter of the future not so far away. An international thermonuclear experimental reactor (ITER) based on the Russian TOKOMAK principle is under construction at Cadarache, France. If the project goes through successfully, it could become a commercial thermonuclear power plant. In the future, too, nuclear energy for peaceful purposes may be a straight answer to the search for a virtually inexhaustible, environment-friendly, and safe source of energy for humankind.

## PARTNERSHIP FOR THE FUTURE

Russia has been cooperating extensively for some time already with a number of APEC economies. Rosatom built relations of partnership with the U.S. in the peaceful uses of nuclear energy back in the early 1990s, and Russian and American nuclear scientists have since been working together successfully in enforcing nonproliferation of sensitive nuclear technologies, importing highly enriched uranium from other countries, and implementing scientific and research projects. This coming fall, Russia and the U.S. are going to sign an agreement on cooperation in science and engineering that will enable the two countries to join forces in achieving new breakthroughs in nuclear technologies.

Vietnam was the first country in Southeast Asia to opt for Russian technologies for developing its own nuclear power industry. Construction of Vietnam's first nuclear power plant of Russian design at the Ninh Thuan-1 site is scheduled to commence in 2014 and the plant is to go into service in 2020. The Ninh Thuan-1 plant will comprise two power units having water-moderated water-cooled power reactors of around 1 GW capacity each. The units belong to generation 3+ and are equipped with all imaginable security systems. A similar project was implemented in China at the

Tianwan nuclear power plant that is rated by international experts among the safest plants in the world. Rosatom is now helping Vietnam to train operators and develop regulations and specifications needed for the plant to be operated.

Construction of the plant in Vietnam goes along with the completion of several related projects. The list begins with the Center for Nuclear Science and Technology we consider a priority that will handle research, technological, and engineering issues, and set off research in various fields of knowledge, such as development of modern materials, biotechnology and biomedicine, cybernetics, and automation.

Toward the end of this year, a Nuclear Energy Information Center is to open at the library of Hanoi Polytechnic University. The coming of nuclear energy to Vietnam and its development is to enhance its citizens' general awareness about everything to do with the operation of nuclear power plants — indeed, this is a condition on which they will be accepted by the public. The Russian Federation also gives training to Vietnam's future nuclear power engineers. For now, over 100 Vietnamese students have completed a preparatory course and first year majoring in nuclear power units at the National Research Nuclear University, Moscow Engineering Physics Institute (MEPhI).

Giving consideration to the interests of its partners in nuclear projects and showing its ability to take a comprehensive approach to all aspects of cooperation are among Rosatom's top priorities. Rosatom offers each of its partners what they want specifically and meets the customers' interests in quality.

Rosatom's cooperation with China is an illustration of the profound attention it gives to its partner's interests and consistent expansion of joint work. Far back in the 1960s,

## PRIORITIES

« *Toward the end of  
this year, a Nuclear  
Energy Information  
Center is to open at the  
library of Hanoi  
Polytechnic  
University* »

« *The Republic of Korea is Rosatom's yet another key partner among APEC economies. Around 30% of that country's energy is generated by nuclear power plants today, and its share is to be raised to 50% over the next decade* »

Rosatom was involved in uranium enrichment in China. Shortly, Beijing said it wanted to expand cooperation to nuclear power plants. Finally, in 2007, China had the Tianwan nuclear power plant, the world's most modern plant built to the Russian design. After a few years of its successful operation, a general contract was signed in 2011 for the construction of a further two power units for the plant. Russian designers and engineers built a fast neutron research reactor for China. Last year, the fourth stage of a gas centrifuge plant was brought into service in China, with assistance from Russian engineers, nine months ahead of schedule. Today, the enrichment plants built with Russian technical assistance in China have a combined capacity of 1.5 million EPP.

The Republic of Korea is Rosatom's yet another key partner among APEC economies. Around 30% of that country's energy is generated by nuclear power plants today, and its share is to be raised to 50% over the next decade. The similar attitudes the ROK and the Russian Federation take toward nuclear power advancement is common ground on which they can engage in close cooperation in a variety of civilian nuclear power technologies.

The two countries' cooperation today is largely limited to deliveries of Russian uranium fuel for Korean nuclear power plants that meet almost 20% of the Korean nuclear power industry's needs. Elsewhere, the two countries can join forces in developing the uranium ore deposit at Elkton in the southern part of the Republic of Sakha (Yakutia) in Russia, which is ranked by experts among the world's biggest. Negotiations are currently going on over this prospect.

Nearly just as productive are Russia's cooperation with the Republic of Korea in mechanical engineering. Last summer, a memorandum of understanding was signed between Russia's Atomenergomash Engineering Holding Company and ROK's Doosan Company for cooperation in engineering and manufacture of many types of machinery.

Russia's cooperation with Japan over nuclear technologies has acquired a totally new quality today. The two countries' parliaments have ratified a Russian-Japanese intergovernmental agreement on the peaceful uses of nuclear energy. In our view, it is a sign of great confidence in Russian nuclear technologies and Japan's serious intentions to develop joint projects in the peaceful uses of nuclear power that the Japanese parliamentarians could do this in 2011, the year of Fukushima.

Ratification of the intergovernmental agreement put the Russian-Japanese cooperation on firm legal ground – it gives the two signatories an opportunity to carry through a number of commercial projects of interest and benefit to both. In particular, this could be processing of Japan's regenerated uranium in Russia and opening of a new route to transport nuclear materials through a seaport in Russia's Far Eastern areas to Japan. The new Far Eastern route will cut significantly — from three months to three or four weeks — the time deliveries take now. Besides, Japanese companies will bring in nuclear material from Europe across Russian territory and have raw nuclear materials on their way to Japan from Kazakhstan and Europe processed at Russian enterprises. These opportunities will make the transportation logistics significantly cheaper and minimize risks of proliferation and loss of, or damage to, nuclear materials.

Singapore is an Asia-Pacific financial and business center and focal point of Asian presence for a majority of global corporations. To join the mainstream, Rosatom Overseas, a subsidiary of Rosatom, has had its marketing office registered in Singapore. The new office will develop Russian nuclear power business in Southeast Asia and Australia, in particular, market and promote Russian nuclear technologies in these regions, spot promising projects and attract investors to sign in on them, and also cultivate relations with potential customers, partners, and regulators in the region. We would also want to set up a Russian-Singaporean

## PRIORITIES

« *Russia's cooperation with Japan over nuclear technologies has acquired a totally new quality today. The two countries' parliaments have ratified a Russian-Japanese intergovernmental agreement on the peaceful uses of nuclear energy* »

APEC RUSSIA 2012

« *Australia is also a potentially attractive partner for Rosatom. The Russian-Australian intergovernmental agreement, signed and ratified, on cooperation in the use of nuclear power for peaceful purposes has opened new opportunities to Russia and Australia for launching joint projects* »

radiation science and technology center having a large number of laboratories to conduct research, develop specialized software, and design specialized equipment. The center is to have opportunities for subsequently commercializing its scientific ideas and developments. It could become, sometime in the future, the core of a radiation technology park (by analogy with the Biopolis R&D Park already in operation in Singapore). Rosatom is also ready to assist Singapore in building a nuclear reactor to conduct research, manufacture isotopes, and train specialists.

Australia is also a potentially attractive partner for Rosatom. The Russian-Australian intergovernmental agreement, signed and ratified, on cooperation in the use of nuclear power for peaceful purposes has opened new opportunities to Russia and Australia for launching joint projects, such as, in the first place, enrichment of Australian uranium at Russian enterprises for other countries.

Implementation of the agreement is already under way – Russia’s Techsnabexport OJSC and Australia’s Rio Tinto Group entered into a contract at the International Atomexpo Forum last June for delivery of Australian uranium to be enriched in Russia. This is real proof of the possibility for traditional users of enriched uranium to have uranium supplied to them on commission from Australia. I am confident that this contract will open new opportunities for us to cooperate in uranium enrichment with major mining companies in Australia and other countries.

## THOSE COMPETITIVE RUSSIAN NUCLEAR TECHNOLOGIES

I want to make a point here why Russian nuclear technologies are among the most advanced in the world.

We go to the world nuclear power market with a cutting-edge generation 3+ nuclear power plant project and

operation services, and we deliver fuel for the entire lifetime of the plant. We are also considering the possibility of producing equipment for nuclear power plants locally (between 30% and 70%), transferring technologies to the customer country, certifying equipment suppliers, and giving the certified suppliers an opportunity to join us in projects we undertake in other countries. Rosatom invests efforts and funds into building all relevant infrastructure elements, from writing basic regulations to training skilled workforce to public relations in a partner country. We offer to build nuclear fuel cycle facilities and whatever is needed for handling nuclear fuel wastes and radioactive nuclear wastes. As well as a responsible seller, Rosatom is also a long-term investor. We have on offer several options to make loans and provide funds for projects.

There are, to my mind, five indisputable factors that put Russia in the lead on the world nuclear market.

First, Rosatom has never ceased building nuclear power plants at home and abroad. A “nuclear pause” set in, though, in the world after the disaster at the Chernobyl nuclear power plant — for lessons of the disaster to be learned, multiple security systems built, and approaches to the safety of all things nuclear for the public and the environment reviewed. There was no pause for Rosatom. Apart from research and designing to modernize channel-type fast reactors (one of them was used at Chernobyl), we used those 25 years to build 20 new water-moderated water-cooled power reactors in Russia, Ukraine, Slovakia, Hungary, China, Iran, and India. The latest power unit (unit 4 of the Kalinin nuclear power plant) in Russia went into service in 2011, the same year when the nuclear power plant was put into operation at Bushehr in Iran. The first power unit of the Kudankulam nuclear power plant in India is scheduled to be operational in 2012.

## PRIORITIES

« We go to the world nuclear power market with a cutting-edge generation 3+ nuclear power plant project and operation services, and we deliver fuel for the entire lifetime of the plant »

« *As well as building, Rosatom has gone on funding and promoting experimental developments. It has not abandoned research and trials, and worked on modernization of its selection of reactors and on improvements in projects and nuclear fuel. It never stopped developing active and passive security systems at nuclear power units* »

As well as building, Rosatom has gone on funding and promoting experimental developments. It has not abandoned research and trials, and worked on modernization of its selection of reactors and on improvements in projects and nuclear fuel. It never stopped developing active and passive security systems at nuclear power units. Far from losing the touch, we have built up extra competencies. The Chernobyl accident spurred development of new security systems at nuclear power plants. For example, the “meltdown trap” that is provided on all Russian projects today was thought up by our scientists on the heels of the disaster.

Second, today Rosatom is a global power generating company (second after the French EDF) in control of 25.2 GW of installed capacity at its nuclear power plants. We have a vast background of operating nuclear plants we build. To put it differently, it would be right to see Rosatom as both a company that boasts a unique and safe design to build generation 3+ nuclear power plants and an investor putting cash into generating capacities on international markets worth it.

Third, Rosatom is a flexible player on the international market for nuclear technologies. For example, Rosatom was project supplier for the Tianwan nuclear power plant in China, built its nuclear core, supervised construction and gave it warranty cover, while in Turkey we came up with the BOO (build-own-operate) scheme under which we invest in the project, build the plant, and sell electric power over the lifetime of the plant. Or another example, in the Czech Republic. Teamed up with Škoda JS, Rosatom filed a bid for construction of the Temelin nuclear power plant and was ready to outsource up to 70% of the services and equipment to the local market for the local industry to be involved fully in the plant construction project from



start to finish, including supply of high-tech equipment for the nuclear core.

Fourth, Rosatom's projects have proper references — we do not build a plant in another country the like of which we haven't built here in Russia or elsewhere from our design. We are ready to take a customer on a tour of a nuclear power plant — from the first bin of concrete emptied into its foundation (for example, at the Baltic plant) to a completed project meeting all post-Fukushima security standards, as at the Kudankulam plant in India.

Fifth, the thing Rosatom is most preoccupied with today is developing reactor technologies based on “natural” security systems. This is actually the field Rosatom's engineers are plowing up now — fourth-generation reactors that are completely immune to any sort of serious accidents followed by release of radioactivity. What this type of reactor is required to do is essentially this — no accident harmful to the staff and the environment can happen to it. This requirement is built into the operating principle of fourth-generation reactors. The innovation-brimming potential of the Russian nuclear power industry based on the foundations of the Soviet school of engineering thought helps us to take the lead.

Our contemporaries have come to live with the idea that nuclear power is here to stay for ever, as a practically inexhaustible source of energy for challenges to be met on earth and venturesome inroads made into the wide expanses of outer space. Civilian nuclear power gives us a chance to sit back dreaming of new and greater things to do, and really doing them.

## PRIORITIES

« *The thing Rosatom is most preoccupied with today is developing reactor technologies based on “natural” security systems* »

**Vladimir  
Likhachev**

*Deputy Director, Energy  
Research Institute,  
Russian Academy of  
Sciences*



# The Asia-Pacific Component of the Russian Energy Strategy 2030

**I**t is hard to overstate the significance of Russia's cooperation in energy production and use with the Asia-Pacific countries, in particular with their neighbors in Northeast Asia (NEA) for its economy and energy production industry and for development of its eastern regions.

Promoting cooperation with Asia-Pacific/NEA countries, an objective written into several federal target-oriented programs, is an effective way to develop the economy of Russia's eastern regions.

Bringing natural gas to homes and factories, building a distributed energy system, optimizing transportation and energy prices, modernizing existing seaports and building new ones, including those suitable for container transshipments and energy export, building an integrated road system (or infrastructure corridors) linking major centers in the country's Far Eastern areas, and integrating them into the national and worldwide transportation systems in the long term are critical to the development of Siberia and the country's Far Eastern areas.

Russia's energy strategy over the next two decades to 2030 gives much attention to the country's eastern areas, and a

great number of major strategic initiatives in the Russian fuel and energy industry are related directly to the development of energy production in those areas. The strategy aims at putting together oil and gas complexes, tapping into the hydrocarbon potential of the Arctic shelf and northern territories, developing and diversifying the energy infrastructure by territory, and stimulating development of renewable energy sources in the country's eastern regions.

The 2011 survey of progress in Energy Strategy 2030 implementation showed that the goals and figures it sets out will not, with a large measure of probability, be attained in full. Its underperformance would threaten to upset plans to modernize the Russian economy and fail to give the country a feeling of energy security.

Diversifying markets by energy types and regions is an essential component of Russia's export policy until 2030. In the long term, markets in Western and Central Europe will be its main targets and oil will still be the principal energy resource to draw on. The natural gas market is going to be the most dynamic segment of the European market where Russia is traditionally the biggest supplier and will seek to retain its critical role in the future as well. By late 2030, though, the Energy Strategy 2030 directs, developing new markets, above all in the Asia-Pacific that is to take in around 26% or 27% of Russian energy exports, 22% to 25% of crude oil, and 19% to 20% of natural gas exports, is to become the main purpose of Russia's energy export diversification.

Asia-Pacific economies hold, in the long term, the greatest promise for Russian energy resources. Given the enormous resources of Russia's eastern regions, diversifying eastbound exports is a key objective to be pursued under the Energy Strategy 2030.

In the next two decades, Northeast Asian countries, China in the first place, will be expanding their energy imports to

## PRIORITIES

« *Asia-Pacific economies hold, in the long term, the greatest promise for Russian energy resources. Given the enormous resources of Russia's eastern regions, diversifying eastbound exports is a key objective to be pursued under the Energy Strategy 2030* »

« *Relations between Russia and China were given powerful encouragement by the Memorandum of Understanding on Cooperation in the Oil Sector signed in 2008. Joint construction and operation of oil refineries and gas petrochemical plants has a big role to play in the two countries' cooperation* »

offset decline in their own oil output and meet fast-growing demand. This bright outlook regardless, a special point must be made that the window of opportunities is not without a limit for Russian exports, and rather tends to contract.

Russia's cooperation with Asia-Pacific economies over oil depends on completion of large challenging infrastructure projects and growth in the production of oil and gas condensate in oil- and gas-rich provinces of Siberia and Russia's Far Eastern areas. In late 2009, the East Siberia-Pacific Ocean (ESPO) Oil Pipeline went into service, enabling Russia to start oil deliveries to destinations in a departure from its tradition — Japan, the Republic of Korea, China, and other countries of the region, including the U.S.

In August 2009, commercial operations started at the unique Vankor oil and gas condensate field in the Pur-Taz oil and gas area of West Siberia's oil and gas fields (in Turukhansk District of Krasnoyarsk Territory). The launch of the East Siberia-Pacific Ocean Pipeline signaled the birth of a new Russian oil grade, ESPO. This grade pumped from East Siberian oil fields, mostly from Vankor, compares favorably with the prime of Middle East oil grades.

Relations between Russia and China were given powerful encouragement by the Memorandum of Understanding on Cooperation in the Oil Sector signed in 2008. Today, cooperation between them in the oil industry is centered on export of Russian oil to China by a fork of the ESPO pipeline over the next twenty years, beginning in 2011, at market prices at a rate of 15 million tons a year. Under the ESPO development project, its ultimate capacity is to reach 80 million tons a year. Discussion is now going on over the feasibility of enough oil being pumped to fill the pipeline. It is obviously no easy matter to do so unless a rational tax policy is applied.

Joint construction and operation of oil refineries and gas petrochemical plants has a big role to play in the two countries' cooperation.

*Gas industry.* A gas transportation system is difficult to build in East Siberia and adjoining Far Eastern areas because of rocky terrain, remoteness of the construction projects from producers of whatever the projects need in the way of equipment, poorly developed social, transportation, energy, and market infrastructure, enormous lengths of gas pipelines running over areas having the extremes of climate, permafrost, bogs and mountains, broken terrain, and a high frequency of earthquakes.

Natural gas is marketed in the region against the background of severe competition between piped and liquefied gas, compressed gas, and other hydrocarbons, and between gas delivery projects.

Piped gas deliveries from Russia to Asia-Pacific countries (China and the Republic of Korea) in the period until 2030 are estimated at between 70 and 80 billion cubic meters. Completion dates of these projects are yet to be named, after agreement is reached on prices.

Construction of a gas transportation system in the country's eastern part will proceed depending on demand for natural gas on the domestic and foreign markets by combining gradually the four gas production centers — on Sakhalin Island, in Yakutia, Irkutsk Region, and Krasnoyarsk Territory — and, probably, if they prove to be economically efficient, connecting them to the country's Unified Gas Supply System (UGSS).

The Memorandum of Understanding on Cooperation in the Natural Gas Industry signed in 2009, sets guidelines for cooperation in Russian gas deliveries to China and in Russia's gas petrochemistry and gas production and marketing in third countries. Two routes — western and eastern — have been chosen for export of approximately 30 and 38 billion cubic meters of gas, respectively.

The western, Altai, pipeline could deliver 30 billion cubic meters of gas from the existing gas fields at Nadym and

## PRIORITIES

« *Natural gas is marketed in the region against the background of severe competition between piped and liquefied gas, compressed gas, and other hydrocarbons, and between gas delivery projects* »

« *The eastern pipeline that appears to be of a far more interest to China is to export gas from Russia's Far Eastern area and Sakhalin Island* »

Pur-Taz in West Siberia via Novokuznetsk, South Siberia, to the western borders of both Russia and China. The Altai export pipeline would have a high price tag because of the difficult terrain and great length (nearly 2,700 kilometers).

The eastern pipeline that appears to be of a far more interest to China is to export gas from Russia's Far Eastern area and Sakhalin Island. If commercial terms are put in place for an increase in natural gas export to China and the Republic of Korea along this route from 25 to 50 billion cubic meters a year, the gas fields in the Yakutian or Irkutsk gas production center could be connected to the eastern pipeline by a pipeline around 2,700 kilometers long built to Khabarovsk. The eastern option would require more gas processing plants to be built to separate nongas components from natural gas and new gas processing and gas petrochemistry centers built to extract, store, and transport helium.

These plans have not been carried out as yet, contrary to the terms of the Memorandum of Understanding signed with the Republic of Korea in 2009, for joint construction of a large gas petrochemical complex in the Russian Far East at a cost of over \$100 billion.

The eastern route of Russian natural gas export to China will not be put into service until 2018 or even 2020. The nuclear catastrophe in Japan has changed Russian priorities in the east to gas piping to Vladivostok, liquefying it at the Vladivostok LNG, and exporting liquefied natural gas (LNG) to Asia-Pacific countries. No feasibility studies have yet been done for the project of the LNG plant with a capacity of 15 million tons a year. It is estimated, though that LNG produced in Russia will be cheaper than LNG delivered from the new Australian projects (above all, because of a shorter transportation distance). Still, the official plans to have the plant in operation between 2017 and 2020 look overly optimistic. Most probably, the project will be completed sometime after 2020.

Japan's market is the greatest lure for LNG deliveries from Sakhalin Island. Gas export will start growing in the wake of the agreement on joint construction of a third unit of the LNG plant on Sakhalin to produce around 5 million tons of LNG and a new plant in Vladivostok to have a tentative capacity of 15 million tons of LNG (this plant is to become operational in 2017). Export to Japan has been raised recently by diverting shipments from other destinations.

Russia invited Japan to jointly develop gas fields in this country's Far Eastern areas, in Irkutsk Region (gas condensate field at Kovyktino), Yakutia (Chayanda gas field), and on the island chain off Japan. On its part, Japan said it wanted to be involved in the Sakhalin 3 project. Russia's Gazprom gas field developer said, though, that no foreign companies were eligible. Generally, the lack of infrastructure (or guarantees of its eventual construction) for direct delivery of gas to Japan restrains progress on joint projects.

Currently, natural gas is delivered from Russia to the Republic of Korea as LNG. In the longer run, liquefied or compressed gas will be shipped from a terminal in Vladivostok, still on the drawing board.

Gazprom and Kogas have considered the matter and set a deadline for commencement and volume of deliveries — at least 10 billion cubic meters beginning in 2017. The seabed gas pipeline project has been scrapped as lacking in efficiency. An overland gas pipeline across North Korea looks more attractive. Its implementation, though, is constrained by transit security problems and allocation of risks involved.

Sometime in the distant future, the Northern Sea Route could be used beneficially to deliver Russian liquefied natural gas to Asia-Pacific markets from gas fields on Yamal Peninsula by sea.

The prospects for an increase in Russian coal export are linked up with Asia-Pacific economies. Between 2002 and

## PRIORITIES

« *Japan's market is the greatest lure for LNG deliveries from Sakhalin Island. Gas export will start growing in the wake of the agreement on joint construction of a third unit of the LNG plant on Sakhalin to produce around 5 million tons of LNG and a new plant in Vladivostok to have a tentative capacity of 15 million tons of LNG (this plant is to become operational in 2017)* »

2009, the share of Russian coal export to this region rose from 13.7% to 23.5%, or 24.8 million tons. In 2009, as China became a net coal importer, Russian coal export to that country jumped from 0.3 million tons in 2008 to 9.6 million tons in 2008. Overall, export of Russian coal to the Asia-Pacific may reach 56 to 60 million tons by 2015 already.

The *coal industry* has become a new area of cooperation between Russia and China in the energy industry. A framework agreement was signed with the Export-Import Bank of China on funding for Russian coal mining projects for exporting coal to China. Within the next five years, coal export will be maintained at around 15 million tons a year, to rise to 20 million tons toward 2030. Cooperation in coal processing technologies is also in the plans.

Deliveries of Russian electric power to China run into handicaps such as Russia's generating and export capacities and prices China agrees to pay. In a more favorable scenario, export of Russian electric power to China may reach 7 to 10 billion kWh by 2014, and rise to between 60 and 80 billion kWh by 2030.

In the *nuclear power industry*, preparations are gathering speed in joint construction of a third and fourth power units of the Tianwan Nuclear Power Plant. Nuclear power generation is among China's development priorities in the twelfth five-year plan period.

Deliveries of electric power to the Republic of Korea may start beyond 2015, reaching 10 to 15 billion kWh by 2030. Admittedly, the prospects for Russia's cooperation with the Republic of Korea in the energy industry depend in many respects (pipeline and power transmission line) on political relations between North and South Korea.

*Energy-related technologies*, particularly energy saving and renewable energy sources, are an area of cooperation

« In the nuclear power industry, preparations are gathering speed in joint construction of a third and fourth power units of the Tianwan Nuclear Power Plant »



between Russia and Asia-Pacific/NEA countries that merits special attention. Japanese technologies are highest in demand in the energy system of the Russian Far Eastern regions.

Interest toward the Russian energy sector is stirred in Asia-Pacific/NEA countries (Japan, the Republic of Korea, and China) by the following motivations:

- diversifying energy supplies and maintaining import at a steady level;
- gaining wider access to energy resources in other countries and increasing their share in the import of goods from manufacturers in which their national companies have an interest;
- expanding the market for their own hi-tech goods and know-how; and
- studying more thoroughly the opportunities offered for business development in Russia.

The Asian energy markets are attractive to Russia for reasons such as:

- export diversification;
- rising demand;
- access to broad investment opportunities;
- access to technologies;
- potential opportunities for companies to have a vertically integrated business, including the downstream sector; and
- opportunity for the economy, in general, and manufacturing, in particular, being developed in East Siberia and the country's Far Eastern areas.

Potentially conflict-prone areas of relations between Russia and China over energy lie beyond their national borders at the crosscurrents of interests on the markets of Central Asia, Mongolia, the Caspian region, and the Middle East. Strategic partnership between Russian and Chinese companies is nonexistent in their relations while

## PRIORITIES

« *Energy-related technologies, particularly energy saving and renewable energy sources, are an area of cooperation between Russia and APR/NEA countries that merits special attention. Japanese technologies are highest in demand in the energy system of the Russian Far Eastern regions* »

« Arrangements on prices for energy resources and guarantees of delivery and collection are still at the center of bilateral cooperation in the energy industry »

in third countries, and China's expanding oil and gas business there erodes the ground under Russian companies. Still another vexing problem for China is Russia's drive to send more of its oil and gas exports to other Asia-Pacific countries.

Arrangements on prices for energy resources and guarantees of delivery and collection are still at the center of bilateral cooperation in the energy industry. With a contract between Rosneft and CNPC in full effect, the Chinese company slashed unilaterally the amount of payment due from it by 7% in 2011. Negotiations over the CNPC default dragged on until the countries' top political leaders stepped in.

In the long term, China's activity in CIS countries, Central Asia, in the first place, may prove to be a major drag on relations between the two countries.

The problem of the Kurile Islands is a potential burden on cooperation between Russia and Japan. Japan's desire to be less dependent on oil it brings in from the Middle East and to have oil shipments flowing in steadily against the background of fast-growing demand for energy across Asia nudges it into closer cooperation with Russia, no matter what. Basically, relations between the two countries over oil are beneficial to both sides. To give an example, Russia shows interest toward the LNG plant project in Vladivostok because it hopes to gain access to new industrial construction technologies, while Japan stakes on diversifying its gas import.

Tensions between North and South Korea are a serious hindrance to cooperation expanding between Russia and the Republic of Korea and a barrier to projects to develop overland energy infrastructure (gas pipeline and power transmission line). Still, both countries want to develop relations on a mutually beneficial basis. Apart from the

project in the limbo as yet, the two countries pursue joint projects to develop gas petrochemical industry in East Siberia.

No task of strategic significance set out in Energy Strategy 2030 can be taken on unless it is backed by relevant laws and strategic documents passed to develop the region are matched in purpose. Reaching the goals articulated in Russia's Energy Strategy will require the authorities to put in greater efforts to make the eastern option of the Russian energy policy a driving force of the country's energy industry for years to come. It is high time a relevant concept was developed and acted on.

Energy security has become a central component of overall national security and government economic policies of a great majority of Asian countries, above all China, Japan, and the Republic of Korea (NEA countries), India, and Pakistan.

Energy security today is a dynamic, unsteady, and high-risk ingredient of energy policy, and it is no longer a national concern — rather, it is a regional and global worry.

Russia needs a new mechanism for regional energy security to be maintained with consideration for long-term interests of both energy suppliers and consumers.

A mechanism serving this purpose can take a variety of formats, such as:

- Russia-APEC energy dialogue or, in the light of the Russian prime minister's new initiative, a Eurasian Union (EAU)-APEC; or
- a special-purpose agreement (concept) on cooperation in energy between APEC economies to provide energy, security and environmental protection in the region.

It would be reasonable to keep discussion of the Russian leaders' initiatives on international energy security going on within the APEC framework.

## PRIORITIES

« *Energy security has become a central component of overall national security and government economic policies of a great majority of Asian countries, above all China, Japan, and the Republic of Korea (NEA countries), India, and Pakistan* »

The list of subjects to be discussed could include:

- coordinating the energy policies (strategies) of the region's countries (their ideologies, goals, quantities they want, and conditions they set);
- coordinating national development programs and international agreements;
- coordinating projects to develop energy and transportation infrastructure;
- coordinating programs to develop (disseminate) advanced technologies in the energy industry (and energy saving); and
- setting up a research and analytical center for energy policy and energy security studies within the framework of the NEA integration institution.

« *Economic growth in the eastern regions of Siberia and the Russian part of the Far East would require specific supergoals to be attained and mega-projects carried out* »

Economic growth in the eastern regions of Siberia and the Russian part of the Far East would require specific supergoals to be attained and mega-projects carried out. Comprehensive development of the region's energy and transportation infrastructure as a component of the national transportation corridor from Vladivostok to Europe (Rotterdam) is an example of such mega-projects.

This project must be given an international status and headlined Energy for Infrastructure.

The project is to combine transportation routes in their strict sense and energy infrastructure components such as power transmission lines, oil and gas pipelines, and telecommunications lines.

The project must use supermodern technologies (intelligent Smart Grid networks, superconducting power transmission lines, high-speed transportation, and innovative logistics).

The project would require unconventional taxation to be imposed and special conditions created for investments to flow in.

# Education, Innovation and Social Capital: Prospects for Russia in APEC

The creation of conditions for vigorous interaction to achieve innovative growth is among the principal priorities of Russia's APEC chairmanship in 2012. If the aim is genuinely efficient cooperation of this kind, one has to identify the main trends typical of the Asia-Pacific in these areas, and, consequently, decide what Russia can do as a party to regional developments in relevant sectors.

A distinctive feature of the Asia-Pacific is a high degree of divergence in national education systems, theoretical research and design projects. These differences raise doubts as to whether APEC can rightly be regarded as an entity in terms of education and science. Also considerable are discrepancies in the levels of readiness in various economies to undertake innovative development and integrate in international cooperation in science and education. Particularly glaring is the gap between the leaders (the United States, Japan, the Republic of Korea) and the rest, above all Asian regional players.

These differences are largely due to the national conditions for progress in science and education, the overall economic situation in the countries of the region, the qualitative and

**Ekaterina  
Koldunova**

*Assistant Professor,  
African and Asian Studies  
Department, Deputy  
Dean, School of Political  
Affairs, Moscow State  
Institute of International  
Relations (University),  
Ministry of Foreign  
Affairs, Russian  
Federation*



**1** *World Development Indicators*

[Electronic resource],  
mode of access: <http://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS>

**2** *See, e.g., Times World University*

*Rankings 2011-2012*  
[Electronic resource],  
mode of access: <http://www.timeshighereducation.co.uk/world-university-rankings/2011-2012/asia.html>

**3** *Global Competitiveness*

*Index 2011-2012*  
[Electronic resource],  
mode of access: <http://gcr.weforum.org/gcr2011/>

**4** *A.D. Voskresensky, "Vospitaniye tigrov*

*[Nurturing Tigers]"*,  
*Nezavisimaya gazeta*,  
January 26, 2010.

quantitative gap between the countries of what is known as the technological nucleus, and the other APEC members. Statistical analysis shows that whereas the United States, Japan and the Republic of Korea regularly spend some three to four percent of their GDP on R&D, the other APEC economies, Russia included, are a lot more frugal in this respect, with their 0.5 to one percent at the most<sup>1</sup>.

At the same time Russia would do well to bear in mind that within the last few decades the Asian part of the region has accomplished quite a leap forward in improving the standards of education and research, in setting up world-class universities, and ultimately in internationalizing the education and research systems. Thus such Asia-Pacific educational institutions as the University of Tokyo, the National University of Singapore, Beijing University, Seoul National University, National Taiwan University, Nanyang Technological University, Fudan University, and several others have actually made it into prestigious international rankings of university education<sup>2</sup>.

In terms of global competitiveness, which ranking, among other things, takes into account the quality of higher education, technological development standards and innovation scope, four economies in the Asia-Pacific Asian sector (Singapore, Japan, Hong Kong, and Taiwan) are among the top twenty, while a few more countries (Malaysia, the Republic of Korea, and China) are fairly high on the list within the first fifty positions<sup>3</sup>. These transformations were the result of conscious political decisions and public consensus that defined progress in education and science as an essential condition of economic growth, reduction in social inequality, improved living standards, and therefore also quality of political governance and state institutions<sup>4</sup>.

Given all the above, one wonders what sort of role Russia might play in furthering the APEC innovation and education trend not just in the year of its chairmanship, but also in the

long term. The specific features of APEC, the consultative and deliberative nature of this forum, suggest that Russia's participation in furthering the said priority cooperation trend could be twofold. First, there is the general coordination of the research/education and innovation cooperation sphere within the APEC framework under Russia's chairmanship. Second, it is Russia's involvement in building up the APEC institutional structure in the area, which requires continued work after 2012. Both things are important for international support of the scientific and high-tech development model for Siberia and the Far East.

Among the coordination initiatives in the innovation sphere are projects of creating various databases on innovation and education, including a pool of venture projects and that of innovation infrastructure facilities; making databases to do with applications for innovation project funding; coordinating the efforts of national funds active in R&D.

The institutional proposals being worked out by the expert community include the idea of setting up a working group on innovations under APEC<sup>5</sup>. It could help establish system interconnections between education, science and innovation generating within the APEC framework. The mechanism of this type of connection could be formed through creating technological platforms for interaction between business, science and the state.

It would be perfectly logical to test this kind of interaction in priority areas named within the framework of APEC chairmanship. These are the infrastructure, high-speed rail transport, navigation systems, and deep processing of carbohydrate resources. All of them are conjugated with the priority development trends of the Far Eastern Federal University (the World Ocean, power engineering, power-saving techniques, modern transportation and logistical technologies, the nanosystem and nanomaterials industry,

## PRIORITIES

**5** *Speech by  
N.V. Stapan at the  
First Asia-Pacific Forum  
(Moscow, November  
28-29, 2011).*

## APEC RUSSIA 2012

**6** *The Far Eastern Federal University Development Program. Approved by December 17, 2010. Resolution of the Government of the Russian Federation. FEFU website [Electronic resource], mode of access: <http://dvfu.ru/struct/rectorat/strategic/strategic/dokumenty/programma-razvitiya-dvfu/>*

**7** *“Interesy Rossiya v Aziatsko-Tikhookeanskom regione: bezopasnost’ i razvitiye [Russian Interests in the Asia-Pacific: Security and Development]”, p. 9.*

**8** *I.S. Troyekurova, “Problemy rasshireniya vneshneekonomicheskikh svyazey Rossiya v ATEs [Issues of Expanding Russia’s Foreign Trade Relations in APEC]”, Far Eastern Studies Institute Press, Russian Academy of Sciences, Moscow, 2010, p. 300.*

118

technological, economic and cultural cooperation with the Asia-Pacific)<sup>6</sup>. Moreover, the said areas of development and cooperation, including education and science, could easily become an element of Russia’s broader conceptual approach to and APEC expressed in the Eurasia-Pacific Connectivity Initiative<sup>7</sup> that Russia might offer to its partners in the region.

To translate into practice the tasks of forming the high-tech development model not just for Siberia and the Far East, but for entire Russia it is supremely important to create a favorable environment for developing and inculcating innovations. In this context it might be a good idea to critically revise the Russian patenting procedures to make them easier for researchers and the business community, and also to explore the issue of investment climate for introducing Russian innovations.

Experts point out that for Russia to switch from the exports of raw-materials model to the high-tech one the country will have to get some 350,000 patent rights applications a year<sup>8</sup>. At the moment, according to the Federal Service for Intellectual Property, Patents and Trademarks (Rospatent), the number of applications for patents in Russia is just over 118,000 as registered in 2011<sup>9</sup>.

In the area of education it is the job of forming a single information space that would be in the interests of Russia and most of its APEC partners. An element of that could be a unified database on curricula and educational services in APEC economies. Keeping the academic and business communities better informed about the potential of academic mobility and priority trends in research might make a fruitful basis of forming multinational research teams and generally rendering education international.

Russia with its experience of cooperation both with European and with Asian universities could contribute to the process of harmonizing national education systems



within the APEC framework. By way of institutional steps in this direction we could form a partnership network of APEC universities, and eventually, possibly also set up an APEC network university (e.g., on the basis of the Asia-Pacific University Association). Currently the Association comprises 42 universities from most APEC economies<sup>10</sup>. Russia is represented there by the Far Eastern Federal University. At the same time Russia has already gained considerable international experience in implementing network university programs within the framework of the CIS and Shanghai Cooperation Organization.

Given the available education experience, the Russian side could put forward a series of more specific suggestions on increasing the interconnection of APEC economies in education. And these measures could well fit the logic of moving ahead at different paces and according to individual plans, which is in keeping with the current economic activity practice in APEC.

Elements enhancing the interconnection could be summer schools and education modules (including distance learning), mutual semester and 12-month student and teacher exchanges and training courses, devising standard supplements to higher education diplomas in APEC universities, and in the future, dual diploma programs.

Debates on this matter started already at the Canberra Conference in October 2010. The results of the conference work were summed up in the report titled *Higher Education Diploma Supplements among APEC Member Economies*. However, the report assessed the education systems of just a few APEC countries, while to be really successful, work on devising supplements for higher education diplomas should be preceded by a comprehensive analysis of the education systems in all the APEC member economies. In this connection it appears productive to make a comparative analysis of Russia's experience in introducing ECTS and

## PRIORITIES

**9** *Some 59,000 of them are to do with trademarks and ownership marks, 4,000 are about industrial specimens; 13,000 about useful models; 41,000 about inventions (for more detail, see, [Welcome to WTO: Patent Registration Statistics in the Russian Federation \[Electronic resource\]](http://www.copyright.ru/ru/news/main/2012/05/10/patent_statistika/), mode of access: [http://www.copyright.ru/ru/news/main/2012/05/10/patent\\_statistika/](http://www.copyright.ru/ru/news/main/2012/05/10/patent_statistika/)). Let me note that the difference between the Rospatent data on patent applications and those cited by the World Bank are about fivefold.*

**10** *More on the work of the Association at <http://www.apru.org/members/index.htm>*

« A network of university partnerships could start forming under the APEC aegis, which would eventually allow a single education space to emerge within the Asia-Pacific »

UMAP systems (European Credits Transfer System and University Mobility in Asia and the Pacific, respectively) to work out higher education diploma supplements. Then the practice of major universities, both in the European and in the Asian part of Russia, could be taken into consideration.

The Russian side would find it useful in practical terms to propose developing approaches to the formation of unified educational standards under the APEC priority education cooperation line in the area of linguistics (*Learning Each Other's Languages*). The system of international certificates for APEC economies' languages, falling back on the certifying practice for individual languages, such as the English TOEFL or the Chinese HSK, could promote both the harmonization of education systems in APEC economies, and the creation of a single basis for stepping up student exchange and eventually also mutually conjugative university systems in APEC economies.

Each of the APEC universities could join the step-by-step cooperation described above proceeding from its actual needs and potential. Thus a network of university partnerships could start forming under the APEC aegis, which would eventually allow a single education space to emerge within the Asia-Pacific.

At the same time it has to be said that Russia is still underrating the possibilities of cooperation with many Asia-Pacific countries in the sphere of education and high technologies. The region's countries, for their part, are also skeptical about Russia as a partner in research and education cooperation. Despite its vast experience in international partnership with universities in Europe and the United States, Russia's involvement in research and education coordination in the Asia-Pacific and APEC is truly minimal. Meanwhile many APEC members already have experience in cooperating outside the forum framework.

Given the contradictory points in Russia's education cooperation with Asia-Pacific countries outlined here, it would be expedient to continue developing the Far Eastern Federal University as an educational, research and innovation site. As a follow-up of this line, the Russian side could initiate a University-based running regional discussion forum. Its work could help create a mechanism of system discussions of Russian initiatives in the areas of innovation, education and other priority spheres regardless of Russia's APEC chairmanship.

Conceptually speaking, the University could undertake to build up human and social capital. In this case human capital implies training world-class professionals capable of boosting the development of Russian Siberia and the Far East and contributing to the consolidation of relations between these regions, as well as the entire country, and the Asia-Pacific with Russia's long-term interests in view. As for social capital, it implies creating the kind of social organization for the Russian Far East, with the assistance of the University Center, that could render more effective the coordinated actions by society<sup>11</sup>, i.e. form a cluster of individuals interested in seeing their own region and their country develop in an international context.

## PRIORITIES

**11** *R. Putnam,  
Making  
Democracy Work: Civic  
Traditions in Modern  
Italy, Princeton:  
Princeton University  
Press, 1993, p. 167.*

**Tagir  
Khuziyatov**

*Ph.D. (Econ.), Professor,  
Far Eastern Federal  
University, Vladivostok*



# Education and Science in the Asia-Pacific

**T**he Asia-Pacific region is a vast area, which is home to over four billion people, or 60 percent of the world's population. The rich variety of socioeconomic, cultural and historical conditions also tells on the systems of higher education. The region is going through a phase of rapid and far-reaching economic and social changes that occur, among other things, under the impact of accelerating globalization, growing international economic competition, and transition from traditional economies to those based on knowledge and to market-oriented systems. The progress in information and communication technologies (ICT) has been nothing if not impressive, especially where there is massive government support. By way of example one can cite the Malaysian multimedia superchannel, digital universities in the Republic of Korea, and on-line colleges set up at China's universities. The makeup of the labor market is also changing.

Economic and social transformations in the Asia-Pacific make high demands on higher education. It is increasingly clear that in the future the role of higher education is not only to rise, but also to change. In particular, the rules of access to education will have to be different, as will be the procedure of

rendering educational services, the teaching strategies, and the content of curricula, while the bounds of national education policies and general approaches to planning will in many cases have to be reoriented. Currently higher education encounters serious challenges, such as the need to look for substantial resources for expansion, the quantity-quality dilemma, increased demand for expanded and better-quality higher education necessary for being up to the requirements of changing society, the growing role of ICT as the motive force of progress and its impact on higher education, the growing trade turnover in educational services, and pressure in favor of wider mutual recognition of qualifications.

The rapid changes and new challenges place education in tough conditions. In several countries of the region the demand for university educational services is not met properly, support from the state stays the same or is indeed reduced, and the higher education infrastructure is not up to modern standards. One could cite any number of examples of a growing gap between developed and developing countries in terms of educational services provision and quality, and the same goes for cities and rural areas. At the same time universities possess enormous opportunities of influencing society to induce its renewal and can even determine its future. Innovation and experimentation of global significance is exemplified by the establishment of major open universities, development of learning by correspondence, wider use of new technologies, a wider range of educational services offered by private universities. And more than half of the world's mega-universities are in the Asia-Pacific.

The shaping of integrated educational space in the region is influenced, along with national governments, departments and universities, by numerous intergovernmental and nongovernmental organizations. Relevant measures may be taken both individually and jointly. Active work on forming an integrated educational space in the Asia-Pacific is being done

## PRIORITIES

« *The shaping of integrated educational space in the region is influenced, along with national governments, departments and universities, by numerous intergovernmental and nongovernmental organizations* »

« *In contrast to Europe, where the process is spearheaded by governments and ministers of education, the initiators and motive forces of education integration in the Asia-Pacific are intergovernmental and nongovernmental organizations, including UNESCO, the ASEAN University Network (AUN), and the University Mobility in Asia and the Pacific (UMAP)* »

within the framework of UNESCO (chiefly by its regional headquarters in Bangkok), Asia-Pacific Economic Cooperation (APEC), Organization for Economic Cooperation and Development (OECD), and also several subregional associations (ASEAN, ASEAN + 3, the tripartite China-the Republic of Korea-Japan mechanism), plus on a bilateral basis.

Asia-Pacific countries reacted positively to the Declaration and recommendations of the World Conference on Higher Education convened in 1998. According to many experts in the region, the following issues are of especial importance here:

- massiveness of higher education — increasing the number of higher educational institutions, teaching programs, and students;
- the role of private and external higher education;
- quality, quality assessment, and academic excellence;
- transfer of credits and mutual recognition of qualifications;
- resources and further diversification of funding;
- trade in educational services and attitude to foreign suppliers and GATS (General Agreement on Trade in Services).

As for credit transfers and mutual recognition of academic and professional qualifications, the tendency is largely determined by economic globalization and rapid progress in ICT. Even though the headway made here is rather more modest than in Europe, progress is still noticeable. However, in contrast to Europe, where the process is spearheaded by governments and ministers of education, the initiators and motive forces of education integration in the Asia-Pacific are intergovernmental and nongovernmental organizations, including UNESCO, the ASEAN University Network (AUN), and the University Mobility in Asia and the Pacific (UMAP).

In that respect, the role of UNESCO is particularly great, as it is practically introducing the revised Regional Convention on the Recognition of Studies, Diplomas and Degrees in Higher Education in Asia and the Pacific (1983).

Lately there has been an intensification of partnership between UNESCO, AUN, UMAP and other organizations and programs. Worth noting here are the regular sessions of the Regional Committee of the Regional Convention on the Recognition of Studies, Diplomas and Degrees in Higher Education in Asia and the Pacific, joint research into qualifications given by the region's universities, publication of reference books on certificates, higher education diplomas and degrees in Asia-Pacific countries, etc.

The University Mobility in the Asia-Pacific scheme was proposed in 1991. UMAP is a voluntary organization uniting higher education entities (universities) of the region both on the governmental and nongovernmental levels. The aim of UMAP is to improve mutual understanding by increasing the mobility of teachers, staff and university students and encourage standard improvement in higher education in the region.

The UMAP scheme involves hundreds of Asia-Pacific universities, including some from Australia; Japan; the Republic of Korea, Hong Kong, China; Chinese Taipei, etc.

Mindful of the European experience, UMAP member states agreed in 1998 to adopt a similar credit transfer scheme known today as UCTS (the UMAP Credit Transfer Scheme). That was the most important initiative as it provided Asia-Pacific universities with a mechanism for taking into account the studied subjects and the grades received upon the students' return to their own university after training abroad.

For all the significance of regional conventions as a legal instrument, by themselves they cannot ensure mutual

## PRIORITIES

« *In that respect, the role of UNESCO is particularly great, as it is practically introducing the revised Regional Convention on the Recognition of Studies, Diplomas and Degrees in Higher Education in Asia and the Pacific (1983)* »

« *Russia is a member of the Regional Convention on the Recognition of Studies, Diplomas and Degrees in Higher Education in Asia and the Pacific* »

acknowledgement of qualifications in the countries where recognition of academic qualifications is part of university autonomy. They are the result of multilateral negotiations conducive to inevitable (and essential) political and practical compromise. For example, they cannot force individual universities to recognize qualifications awarded by universities in other countries. This problem should be tackled on a bilateral basis by the universities themselves, or by national university organizations. Nevertheless, the interest in signing and ratifying regional conventions is on the rise. Besides, the recent success in confirming the standards and limits of qualifications paves the way for further progress, ensuring commensurability of qualifications between universities and countries.

Governments can play an important role in overcoming procedural bottlenecks and providing a favorable climate and financial support for exchange. They can, for example, promote integration of international experience as part of local programs on a regular basis, create favorable conditions for joining bilateral and multilateral regional conventions, etc. In particular, at the Third APEC Education Ministerial Meeting (2004) the following areas of joint activity were pronounced priorities: teaching English and other foreign languages, encouraging studies in mathematics, technical and natural sciences, using modern technologies to teach and train students, and also introducing systemic reforms in education.

« *Cooperation in education is gathering momentum on the subregional level* »

Russia is a member of the Regional Convention on the Recognition of Studies, Diplomas and Degrees in Higher Education in Asia and the Pacific, yet its representatives' participation in regional conferences and seminars is but modest, whereas within the UMAP program we are merely an associated member.

Cooperation in education is gathering momentum on the subregional level. Thus the Declaration of the Heads of



State/Government of Japan, China and the Republic of Korea (2003) says that these countries will continue to support tripartite cooperation in education, in particular, expansion of student exchange, mutual recognition of teaching, credits and degrees and language training.

The Asia-Pacific is the only part of the world where the chief form of transborder education is obtaining degrees through payment. In this context, the stand of the World Trade Organization (WTO) on education is of especial interest to the countries of the region.

The General Agreement on Trade in Services is the first legal trade agreement focusing strictly on trade in services instead of commodities. The point of GATS is to promote freer trade in services by removing the existing barriers. The current debates on higher education in WTO have revealed serious disagreement if not indeed polarization in the views of its members. The critics of liberalization point out the danger of undermining the role and responsibility of governments in providing higher education as a common weal, and the need to protect high-quality education. Liberalization advocates cite potential benefits resulting from freer trade in educational services (innovations, wider access to education, higher profits, etc.).

Within the Asia-Pacific the attitude of various countries to GATS (with regard to the section on higher education) is ambiguous. Some, e.g., Australia and New Zealand, have already undertaken commitments on educational services. Thus Australia's commitments are to do with providing learning by correspondence, training foreign students, and having foreign suppliers of educational services in the country.

China's accession to WTO will doubtless exert considerable influence on GATS and further progress in higher education in the region. When joining WTO, China assumed some of the commitments on educational services in the subsectors

## PRIORITIES

« *The Asia-Pacific is the only part of the world where the chief form of transborder education is obtaining degrees through payment* »

« *Within the Asia-Pacific the attitude of various countries to GATS (with regard to the section on higher education) is ambiguous* »

« Clearly,  
negotiations within the  
GATS framework will  
considerably impact on  
smaller countries »

of technical education, higher education, adult education, and certain others. The Chinese experts are on the whole fairly optimistic about the potential influence of GATS on China's higher education.

At the same time many countries in the region are rather reserved about liberalizing trade in educational services. They proceed from the traditions of the state/private sector ratio, the degree of involvement in educational services exports, their own ambition, experience in admitting foreign suppliers, the scale of training their students abroad, and foreign students at their universities.

Such countries as Malaysia, Singapore and India have already become educational services exporters, and their opinion on GATS will carry a good deal of weight. Both Malaysia and Singapore are nurturing ambitious plans of becoming major regional exporters of educational services and are actively promoting themselves in a number of countries, including China, Vietnam, Cambodia and Indonesia. As for India, it is set on winning the regional markets in the Arab states and the countries of the Indian Ocean basin.

Clearly, negotiations within the GATS framework will considerably impact on smaller countries. Freer trade in educational services will afford easier access to them, but smaller countries are often worse positioned in the matter of quality provision and protection of consumer rights, although many of them have long-standing traditions of sending their students abroad to be trained in professions for which they lack experience or opportunity. Most developing countries are as yet to settle for a strategy and tactics with regard to GATS, and are sitting on the fence.

Asian students account for 52 percent of the world's student body. Most of them go abroad to study from China, India, and the Republic of Korea; however, some of the Asia-Pacific countries are as well world's major exporters of

« Asian students  
account for 52 percent  
of the world's student  
body »

educational services (meaning the share of foreign students exceeding 10 percent of all the students registered there). These are Australia (22 percent) and New Zealand (15 percent). Talking of advanced research programs, Australia, Canada, New Zealand and the United States have over 20 percent of foreigners. And the correlation of forces among the world leaders in attracting foreign students keeps changing: the share of the U.S., Great Britain and Germany is going somewhat down, while that of Australia, Canada, New Zealand, and also of Russia is growing.

The dominance of English-speaking countries in the world and regional markets of educational services is only natural — English is increasingly a global language. Under the circumstances, ever more universities in the countries where English is not a native tongue are offering programs in English to attract foreign students. The Far Eastern Federal University in Vladivostok, incidentally, is trying to do so too.

In 2012-2013, the University is offering ten Master's programs in English that involve both Russian and foreign professors from partner universities.

Moreover, the Far Eastern Federal University has put forward the idea of stage-by-stage formation of an interaction network for the Asia-Pacific universities, which may eventually grow into an APEC network university.

The APEC network university is a sum of agreements between several universities on harmonizing certain curricula for a variety of training courses. This harmonization implies an environment and infrastructure for student, professor and researcher mobility in the interests of training specialists up to the requirements of global economy, *mutual recognition of grades by universities and readiness to award academic degrees with just a minimum of credits obtained in one or another university.*

The APEC network university is a model that would give students access to the best courses and topmost lecturers, as

## PRIORITIES

« *The dominance of English-speaking countries in the world and regional markets of educational services is only natural — English is increasingly a global language* »

« *The APEC network university is a sum of agreements between several universities on harmonizing certain curricula for a variety of training courses* »

« *The network university should be decentralized, and have a representative international leadership, distributed programs, centers and offices* »

well as to the best research projects. This kind of university could also promote teacher mobility, and provide a platform for joint research and development, databases and centers for collective equipment employment.

The result will be a more competitive environment, which will generate stimuli for boosting cooperation in education and science.

The principal paradigm of the APEC network university is maximum student mobility, and also openness of information about the curricula and individual courses on offer, as well as a system of independent quality assessment for the latter, and international accrediting.

Naturally, there should be clearly defined rules of setting up a network university, mechanisms for deciding on priority training areas, conditions for awarding academic degrees, and approaches to funding the cost of training. These rules will have to be transparent and comprehensible to all members of the academic community. All universities should be able to take part in the network university as long as they conform to the uniform established rules.

The list of priority curricula can include both natural and humanitarian sciences, and also engineering, to wit Master's and Doctor's programs in the World Ocean research, in energy resources and energy-saving technologies, transport and logistics, biomedicine, international relations, etc.

The network university should be decentralized, and have a representative international leadership, distributed programs, centers and offices. For example, one member university could house a coordinating bureau for joint research, another — a center for experimental and design projects, a third, an office for educational standards, and so on.

Given the well-known political and procedural hassles in setting up this kind of cooperation in APEC in the short term, the formation of a similar university network could

start with a relatively minor consortium of partner universities as a nucleus of the APEC university network, e.g., on the basis of, the Association of Pacific Rim Universities. Incidentally, the Far Eastern Federal University is as yet the only participant in this authoritative consortium of 42 research universities of the Asia-Pacific countries.

The practice of APEC economics in the area of education within the framework of the Human Resources Development Working Group, the Association of Pacific Rim Universities, the ASEAN University Network, and within the existing research networks, under bilateral and multilateral agreements suggests that work on fostering academic and science-and-technology cooperation between APEC economies has entered an active phase. Russia's efforts to form network interaction between APEC universities may become an integrated regional platform for training a generation of well-educated youngsters prepared for future challenges of the world going global.

The region's potential is enormous, both in terms of population numbers and of the rate and scale of socioeconomic development. It is in the interests of Russia as a Eurasian country to become an active participant in the dynamic processes of integrating the education space in the Asia-Pacific both at the level of the government, the RF Ministry of Education and Science, and of individual universities, as well as at that of the Russian Rectors' Union and Regional Rectors' Councils.

## PRIORITIES

« *Russia's efforts to form network interaction between APEC universities may become an integrated regional platform for training a generation of well-educated youngsters prepared for future challenges of the world going global* »

## Lilia Revenko

*D.Sc. (Econ), Professor,  
Department of  
International Economic  
Relations and External  
Economic Ties, Moscow  
State Institute of  
International Relations  
(University),  
Ministry of Foreign Affairs,  
Russian Federation*



# External Economic Determinants of APEC Food Security

The global agricultural and food sector is going through a fundamentally new stage in its development, which is related to structural changes in raw-material and processing industries, production and consumption increasingly going transnational, the interaction between market mechanism elements being modified, new investment conditions and rules emerging, and greater impact of norms and regulation measures on the production and turnover of agricultural produce.

A typical feature of this stage may be described as increased attention on the part of the world community to the issue of declining food security caused by radical changes in the general economic situation and the state of the food market.

The problem of food provision has been looming large throughout human history, varying only in intensity for individual countries and population groups. However, it was not named a global problem of today until the mid-1900s. Since then the concept and state of food security have gone through the main phases in their evolution, criteria and approaches to solving the problem have been modified, and the economic scene of the world has changed. And the current condition of food security is still seen by

the world community as deplorable, no different from decades ago.

The latest FAO documents the following interpretations of the notions of food security and nutrition security: Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. Nutrition security exists when food security combines with proper sanitation, adequate medical services and properly organized care and feeding to ensure a healthy way of life for all the family members<sup>1</sup>.

Thus we see the emphasis shifting from the idea of national food security calculated on the basis of national self-sufficiency as far as basic foods go to potential food security of the household calculated according to indices of energy dietary resource provision, and further according to the actual food security of the household based on a balanced diet.

For a long time it was assumed that the improvement of household food security and war on malnutrition should be based on comprehensive national socioeconomic measures, without appealing to the world community unless the situation turned truly extreme. During the latest agricultural and food crisis this approach changed in favor of global and multilateral regional response to the challenges of food security.

The formation and modification of these tendencies did not proceed smoothly. Particularly debatable were, and still are, issues of the state's regulatory role (and especially that of groups of states) in food security, use of types and amounts of aid, and the impact on the market from noncommercial food supplies.

To work out a mechanism of raising the level of food security political and intellectual resources were pressed into service on the global, regional and national scale in 2010-2011. The fact that Russia included these issues in its APEC chairmanship agenda was an important step toward harmonizing the

**1** See: *Global Strategic Framework for Food Security and Nutrition. FAO Committee on World Food Security, 38th session, Rome, October 17-22, 2011, p. 11.*

**2** *The State of Food Insecurity in the World, 2010, FAO, Rome, 2011, p. 11.*

**3** *Ibid., p. 16.*

**4** *Calculated from: The State of Food Insecurity in the World, 2010, FAO, Rome, 2011, pp. 61-65.*

countries' efforts at these three levels. (It is well known that the FAO Committee on World Food Security is determined to have elaborated a Global Strategic Framework for Food Security and Nutrition by October 2012).

The APEC region displays a variety of general economic development standards and conditions of the agricultural and food sectors in its member states according to all basic indices, differentiated per capita incomes and, accordingly, different shares of food expenditures within the spending patterns, as well as food underconsumption indices.

In 2010, of the 925 million people in the world rated as food underconsumers, 578 million lived in the Asia-Pacific. Moreover, 40 percent of the underconsumer total are in the dynamically developing China and India<sup>2</sup>. These countries have 15 percent of their population undernourished<sup>3</sup>.

It is known that the agricultural, food and general economic crises prevented humanity from reducing levels of malnutrition and hunger in the first decade while the Millennium Development Goals (MDGs) were in operation. In the Asia-Pacific on the whole the MDG fulfillment rate was 0.8, which is consistent with the general world level, but in some APEC economies the figures were lower: 0.4 in Vietnam; 0.5 in China; and 0.6 in Peru, Thailand and the Philippines<sup>4</sup>.

Every group of APEC member economies faces the problem of adequately helping the undernourished. This aid could take the form of free food or food coupons issued to persons without sufficient means of sustenance. In that case the external factor would be confined to financial support. But outside help could also be provided in the form of handing out effective resources (seeds, plants), technologies of growing highly productive species and production of finished products, improved infrastructure in the agricultural sector, and other support methods.



There is a direct correlation between crises and the state of food security in a country: the deeper the former, the poorer the latter. For some APEC members, moreover, cyclic changes in the economy coincided with recurring natural disasters, which exacerbated the problem and increased food instability not just in the poorest, but even in relatively prosperous economies.

Concurring economic, natural and climatic factors act as a sort of catalyst for instability in medium-term and long-term food provision. But developed countries find it easier to cope with such situations. Thus, after the devastating tsunami of 2011, Japan promptly set going a food stocks information system, both in the country at large and in its various parts; to satisfy the lopsided demand the authorities used food reserves. That helped avoid serious problems even in the affected areas where food prices soon reverted to the precrisis level. Conversely, natural disasters in Thailand, and some other countries in the region, destabilized the provision of basic foodstuffs to the public.

In a situation like that the major short-term and medium-term factors in stabilizing food security are: use of external food supplies on a commercial and humanitarian basis, stimulating investments in food making industries, and optimizing business processes in food industries.

In the short term the external factor of improving supplies to the groups of population most in need of food may clearly be a flexible mechanism of basic foods humanitarian reserves. Building up similar humanitarian reserves is actively discussed with regard to all regions. However, it is necessary to remember that the problem of forming such reserves is debatable because they cannot be used as commercial buffer reserves impacting the elements of the market mechanism, which affects the interests of exporters and importers.

The APEC region has considerable commercial reserves of food. Thus the chief exporters there (Thailand, Vietnam,

## PRIORITIES

« *There is a direct correlation between crises and the state of food security in a country: the deeper the former, the poorer the latter. For some APEC members, moreover, cyclic changes in the economy coincided with recurring natural disasters, which exacerbated the problem and increased food instability not just in the poorest, but even in relatively prosperous economies* »

the United States) plus India and Pakistan account for 30 percent of the world's rice stock; speaking of grain, some 35 percent belong to Argentine, Australia, Canada, the EU, Kazakhstan, Russia, Ukraine and the U.S.A. (half of the exporters are APEC members)<sup>5</sup>.

In Russia the external determinants of food security are defined in the text of the doctrine of the same name. Among the external factors of Russia's food security are import replacement in the main food groups, a coherent foreign trade policy, furthering international cooperation in agriculture and food R&D, interaction with international institutions on relevant issues. Each of these lines is important and, to a certain extent, ambitious. Russia intends to provide for itself more high-standard agricultural produce to the tune of at least 80 percent of the needed amount, and in the case of the critically vital products (meat, milk and grain), 85 to 95 percent<sup>6</sup>. One of the chief measures of raising the competitiveness of the food industry is supposed to be active customs tariff regulation to protect domestic producers and create a favorable investment climate in the industry.

Virtually every one of these policies may be implemented in the APEC region on a mutually beneficial basis, provided our partners are willing and interested.

APEC comprises both exporters and those with the bulk of food reserves, and importers that rely on export supplies. This makes more difficult the job of achieving joint decisions on improving food security at the grouping level. However, combined challenges and risks related to food security require concerted efforts to minimize them.

Obviously, the current state of global and regional food security has been affected above all by a combination of agrifood crisis tendencies and those of the general economic crisis expressed in long periods of higher food prices and their greater volatility, which is causing especial concern in the world community.

**5** *Calculated from: International Grains Council, Grain Market Report, October 25, 2011, GMR № 416. <http://www.igc.int/ru/downloads/gmrsummary/gmrsummr.pdf>*

**6** *Food Security Doctrine of the Russian Federation, <http://www.mcx.ru/documents/document/show/13296.19.htm>*

Theoretically speaking, the nature and mechanism of food price volatility were discovered way back in the 1990s. The Deaton and Laroque models, further elaborated by their followers, proved that volatility was an inherent feature of food prices; the patterns of food volatility spreading from one type of food commodities to another were revealed; the dependence between oil price and food price volatility was defined, as was the link with currency exchange rates, reserves and crop capacity.

A wider amplitude of price fluctuation during agricultural and food crises is largely due to speculation. According to experts, speculation is a permanent price-forming factor for the markets of basic primary food commodities that adds an average of eight to ten percent to the swing of the price pendulum. Yet during the latest crisis speculation was considerably more pronounced. According to UNCTAD, it was responsible for 30 percent of price change<sup>7</sup>. As for proof of traders' influence on volatility, none has been found. In this respect hypotheses by various researchers are highly contradictory.

The state of the world's food security is worsened by regulation, which is not in the interests of vast numbers of small producers. While the general global tendency is toward further liberalization of world trade in food, market regulation is getting increasingly diverse and complex. There appear new motivations for toughening its standards based on objective features of market development, which merely serves to aggravate the food problem. At the national level, governments introduce measures restricting external trade in order to protect domestic producers and consumers. In fact, every area of the world has seen an increase in agricultural protectionism.

The national policies in many countries are now taking into account the cyclic economic development, including

**7** *Trade and  
Development  
Report, 2008, UNCTAD,  
New York and Geneva,  
2008, p. 24.*

« Over the last few years the trend toward using the planet's reproducible bioresources for nonalimentary, chiefly energy-related purposes, has been increasingly pronounced in agricultural markets »

specifically agricultural cycles. And during revival and growth phases an improved overall economic situation is not necessarily translated into commensurate reduction in poverty and increase in food security indices, particularly in developing countries. While during periods of depression and crisis relevant tough measures invariably result in an instant and palpable drop of these indices.

Also observed is a reduction in investment accretion rates in the agriculture and food sector, and in some countries also less investment in absolute terms. Simultaneously the branch structure of investment changes in favor of processing and services to the detriment of primary food commodity production.

In this sense the APEC region is not much different from the rest. However, one of the reasons for worsening food security named among the most important, namely production of biofuel, is very significant for the region.

Over the last few years the trend toward using the planet's reproducible bioresources for nonalimentary, chiefly energy-related purposes, has been increasingly pronounced in agricultural markets.

The food aspect of the working of this energy market is to some countries extremely difficult, questionable and to a degree adverse. Progress in industries manufacturing liquid automobile fuel, bioethanol and biodiesel, that take a lot of agricultural raw materials to produce (and these are traditionally used as food) will cause before long the prices of virtually all types of food products to rise even higher.

Removing considerable quantities of basic vegetable goods from the food sector is a species of "supply shock," while removing those from the fodder sector lowers the efficiency of animal husbandry and poultry farming, and by the same token results in higher prices of meat and dairy products.

Thus, a degree of energy price reduction thanks to a growing biofuel sector fails to reduce the cost price of processed agricultural produce, but changes the expense makeup and entails an increase in the raw-material component.

In this context the production of biofuel can certainly be considered a destabilizing factor for the world food system.

In the APEC region the production of biofuel is booming. The United States, which is the world leader in the manufacture of liquid biofuel, is actively backing the sector by every means available to a WTO country, and is pursuing an aggressive export policy. The raw-material base of APEC economies, particularly tropical ones, is eminently suitable for the industry development.

The conflict between the need to provide energy and food in APEC has only barely been outlined at present (owing to fairly limited use of biofuel in the region), but it will soon be fully fledged and acute. In this connection Russia is in a unique position to discover, on a regional level, a way of settling the difficult problem of striking a balance between the energy and food constituents of the biofuel sector development in world economics.

In the long term, the solution of the food security issue in the region may also be impacted by measures aimed at maintaining the natural resources used to produce food.

However important these factors affecting food security in the world, regions and individual countries may happen to be, it is necessary to point out that the thing causing especial concern is their combination and interaction. This is the reason why the response measures by the world community to deal with food security challenges are also to be comprehensive.

The above argumentation prompts the following conclusions of practical significance for this country.

## PRIORITIES

« *In this context the production of biofuel can certainly be considered a destabilizing factor for the world food system* »

« To implement the point about optimizing Russia's export-import makeup in the Pacific region every support tool authorized by WTO rules should be put to use: customs tariff measures, export subsidies, nontariff measures »

1. The state of food security in the world and APEC economies, Russia included, both justifies and necessitates the inclusion of these issues among the priorities of Russia's chairmanship in APEC in 2012. It is important to use this crucial subject to qualitatively step up interaction with the member economies and give the regional integration processes a new boost on a mutually advantageous basis, steadily increasing the level of pragmatism in the short, medium and long term.

2. The comprehensive nature of response to food security challenges in APEC that might improve economic and physical access to food may take the form of a twofold approach: the specific features of the region imply a differentiated approach to looking for response solutions for a brief situation worsening related to food shortages on a local scale; at the same time it is possible to work out common approaches to tackling the food problem on the level of long-term cooperation programs intended for improving food production, optimizing foreign-trade flows, and other measures.

3. Aware of the fact that, in the context of addressing food security problems, for its APEC partners Russia is not only a supply-forming center for basic foodstuffs that take considerable land, marine and other natural resources to produce, including water and energy, but also a center of forming demand, we recognize the need to optimize the makeup of foreign-trade food turnover in the region.

4. To implement the point about optimizing Russia's export-import makeup in the Pacific region every support tool authorized by WTO rules should be put to use: customs tariff measures, export subsidies, nontariff measures.

5. Given that there are two equivalent factors — varying levels of the food security state in APEC economies, and the nuclear dispersion of the real integration level, efforts

focused on interaction in the said sphere at the grouping level should be combined with subregional cooperation. And there it is important to bear in mind that gravitation models, under which the general interaction density of countries in problem tackling depends on the economic weight and geographical position of the countries, are not applicable to cooperation between countries in food security provision either in the world at large or in the APEC region.

6. Because Russia is bound to display in the near future the global tendency toward consolidating not just the vertical, but also the horizontal integration in agricultural business (both transnational and national), it is necessary to encourage Russian companies to use the resource potential of the APEC economies with regard to such products whose manufacture is impossible in this country for natural, climatic or economic reasons, if we are to address the problem of food security in the medium and long term. This also implies a chance of using both the contracting principle and participation in product manufacturing at plantation enterprises.

7. To tackle the vital global problem of price stabilization and reduction of price volatility we should strive to consistently and systematically optimize commercial reserves of basic foodstuffs at the Pacific region level on the whole and especially in subregions.

8. A system should be formed to render external aid to countries that experience acute problems in food provision in the short term owing to natural disasters or severe economic disproportions jeopardizing the physical survival of some population groups. This would take the creation of a material basis plus a flexible mechanism of using humanitarian reserves, a system of their funding, and scientifically substantiated limits of their formation and depletion. In geographical terms, these reserves should be located with a view to the actual chance of being promptly used.

## PRIORITIES

« *A system should be formed to render external aid to countries that experience acute problems in food provision in the short term owing to natural disasters or severe economic disproportions jeopardizing the physical survival of some population groups* »

## Alexander Akimov

*D.Sc. (Econ.) Head,  
Department of Economic  
Research, Institute of  
Oriental Studies, Russian  
Academy of Sciences*



# Biofuel or Hydrocarbon ...

Rapid development of automobile industry in Asian countries, China in the first place, in recent years, and growth in world prices for oil have put the problem of providing engine fuel for swelling motor vehicle fleets on its head. Apart from rising vehicle fuel efficiency and growing production of electric and hybrid engines, gasoline and diesel fuels are gradually ousted in many countries by bioethanol and biodiesel produced from plants. Many APEC economies run programs to expand biofuel production.

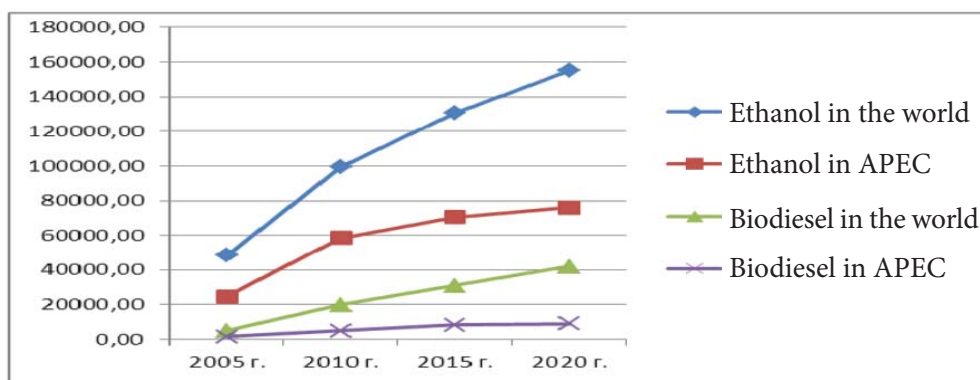
Bioethanol is ethyl alcohol derived from crops having a high content of sugar (like sugar cane, sugar beet, sorghum, etc.) or starch (maize, wheat, barley, manioc, sweet potatoes, and potatoes). Bioethanol has a calorie content a third less than gasoline, and a higher octane number responsible for the efficiency of this fuel. Modern preferences are for adding up to 15% of bioethanol to gasoline to obtain combustible mixtures at a saving in gasoline, a greater efficiency of engine fuel, and no changes in engine design.

Biodiesel fuel is produced from vegetable or animal fats contained in rape, soy, oil and coco palm, and some inedible plants. Biodiesel fuel is 5% biodiesel and 95% diesel fuel.



The output of bioethanol and biodiesel has been growing fast around the world and in APEC economies in recent years (see: Figure 1).

Fig. 1. Production of bioethanol and biodiesel in the world and APEC economies, in millions of liters a year



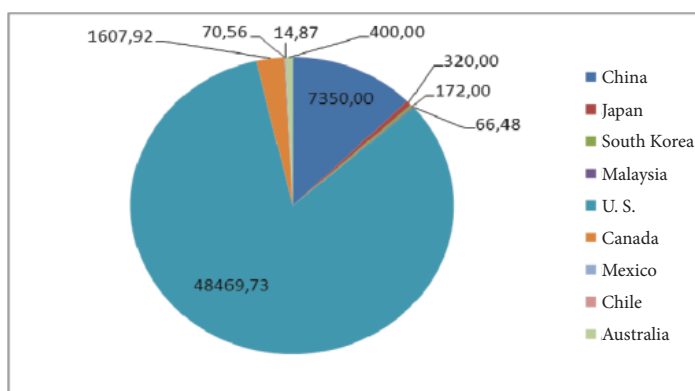
|            |      |      |      |      |                        |
|------------|------|------|------|------|------------------------|
| 180,000.00 |      |      |      |      | Ethanol in the world   |
| 160,000.00 |      |      |      |      |                        |
| 140,000.00 |      |      |      |      | Ethanol in APEC        |
| 120,000.00 |      |      |      |      |                        |
| 100,000.00 |      |      |      |      | Biodiesel in the world |
| 80,000.00  |      |      |      |      |                        |
| 60,000.00  |      |      |      |      | Biodiesel in APEC      |
| 40,000.00  |      |      |      |      |                        |
| 20,000.00  |      |      |      |      |                        |
| 0.00       |      |      |      |      |                        |
|            | 2005 | 2010 | 2015 | 2020 |                        |

Source: <http://stats.oecd.org/viewhtml.aspx?QueryId=30107&vh=0000&vf=0&l&il=blank&lang=en>.

« APEC economies lead the world in ethanol production, but have a smaller share of biodiesel in the world output »»

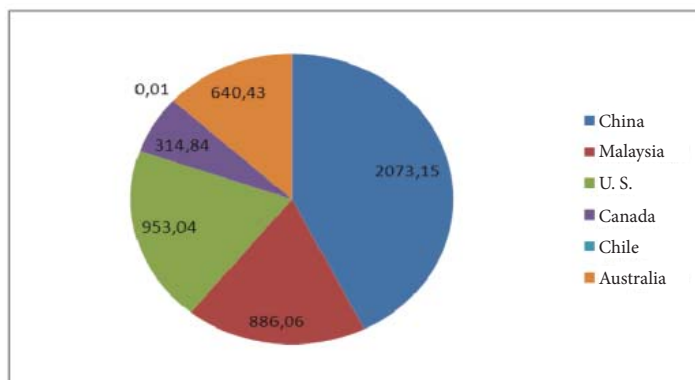
Forecasts are made for a fast growth in the production of these fuel types. APEC economies lead the world in ethanol production, but have a smaller share of biodiesel in the world output. The U.S. is the biggest producer of bioethanol in APEC, followed by China (see: Figure 2). China produces more biodiesel than any other APEC member economy, with the U.S., Malaysia, and Australia as the next three biggest producers, in that order (see: Figure 3). Many APEC economies have biofuel production programs, as will be shown below.

Fig. 2. Production of bioethanol in APEC economies in 2010, in millions of liters a year



|           |           |
|-----------|-----------|
| China     | 7,350.00  |
| Japan     | 320.00    |
| Korea     | 172.00    |
| Malaysia  | 66.48     |
| U.S.      | 48,469.73 |
| Canada    | 1,607.92  |
| Mexico    | 70.56     |
| Chile     | 14.87     |
| Australia | 400.00    |

Fig. 3. Production of biodiesel in APEC economies in 2010, in millions of liters a year



|           |          |
|-----------|----------|
| China     | 2,073.15 |
| Malaysia  | 886.06   |
| U.S.      | 953.04   |
| Canada    | 314.84   |
| Chile     | 0.01     |
| Australia | 640.43   |

Source: Compiled on the basis of Fig. 1.

## UNITED STATES

Biofuel production is developing at fast rates with significant government support in the U.S. The Office of Energy Efficiency and Renewable Energy, U.S. Department of Energy, has developed a multiyear bioenergy development program<sup>1</sup> that comprises research and development, demonstration, and dissemination of technologies.

The program seeks to achieve the following goals:

- stimulating production of biofuel in the country and reducing dependence on oil by creating a new industry, bioenergy; and
- increasing the input bioenergy can make toward attainment of the goals of the national program to develop

**1** *Biomass Multiyear Program Plan. April 2011, U.S. Department of Energy.*

renewable energy by encouraging production of electric power with the use of biofuel.

The program developers claim that the biofuel and bioenergy markets exist in many other countries of the world, as well as in the U.S., but are not given appropriate attention. Advance of the alternative energy is held back by poor infrastructure, high production costs, competition from other technologies in energy, and by market barriers. Laws are needed to regulate the market and encourage market players for these barriers to be removed.

**2** *Ibid.*, pp. 1-5.

The U.S. transportation industry today depends on petroleum products, including 70% of the oil used up in the country. Nearly all gasoline sold in the U.S. in our days contains 10% of ethanol — the mixture is, though, also suitable for vehicles produced since the late 1970s. The American automakers have committed themselves to raise the output of vehicles using fuel containing 85% of ethanol<sup>2</sup>.

**3** *Jing Zeng and Dehua Liu, "The Development Status and Perspective of Biofuels in China". International APEC Symposium on APEC-ATCWG Biofuels Network Annual Symposium and Biotrade/Technical Training Workshop Agricultural Technical Cooperation Working Group, May-June 2011, p. 48.*

In recent years, high oil prices, government support, public concern over environmental problems and energy security, as well as good harvests of cereals and oil-bearing crops have added up to create a favorable situation for biofuel market development. Among its other advantages, ethanol produces fewer harmful emissions than gasoline on combustion.

## CHINA

China imports around 200 million tons of oil a year. In 2000, nearly a third of imported oil was used for producing engine fuel, and its share is expected to rise to 57% by 2020. In the last few years, automobile sales have topped 9 million a year, five times as many as they were in the late 1990s<sup>3</sup>. The rapid growth in demand for engine fuel against the backdrop of rising import and climbing oil prices has forced China to begin biofuel production.

An ethanol production program was launched in China in 2001. The fuel at the filling stations is a mixture of 10% bioethanol and 90% gasoline. The fuel (mixture) available to consumers is produced by state-owned oil companies, Petro China and Sinopec. The government's policy encourages the use of ethanol. Addition of ethanol to engine fuel is mandatory in ten provinces. Ethanol producers are given tax preferences and direct subsidies.

Initially, ethanol was produced from grain. This practice was then replaced with a policy that biofuel production was not to draw off funds and labor from crop farming, or land areas planted with farm crops. A factory using cassava for processing it into biofuel soon went into service, and five factories are producing ethanol today.

Ethanol production rises along with growth in biodiesel fuel production. More than 50 factories in operation in China today have a total capacity of over 1 million tons of biodiesel<sup>4</sup>. They use mostly fatty vegetable and animal wastes as raw materials to produce biodiesel. They operate under capacity, though, because of the noncompetitive market and shortages of raw materials. China imports around 70% of its vegetable fat needs for human consumption. The measures taken as part of government policy to stimulate biodiesel production include requirements for biodiesel to be added to diesel fuel and tax incentives given to producers using fatty wastes.

**4** *Ibid.*, p. 49.

A long-term policy for encouraging biofuel production has been developed in China. In September 2007, the State Council passed a Mid- and Long-Term Development Plan of Renewable Energies<sup>5</sup>.

**5** *Ibid.*, p. 49.

The plan aims at raising the share of renewable energy in China's fuel and energy balance, bringing electric power to remote areas, improving living conditions in the countryside, encouraging the use of wastes for producing energy, and developing a modern industry using renewable

energy in the country's economy (industrialization of renewable energy).

The government will pursue the following three principles in biofuel production:

- replacing oil as the main goal of projects to develop alternative energy and replacing engine fuel as a priority;
- developing biofuel production projects without affecting the production of cereals on small arable land areas in China, a country with a large population; and
- using diverse raw materials, rather than cereals, and developing a special practice for producing biofuel in China. To this end, research and development are to be pursued in raw materials other than cereals for producing biofuel and expand plantations of crops that are effective substitutes for grain in this industry.

## MALAYSIA

**6** *Lee Keat Teong and Steven Lim, "Progress and Challenges of Biodiesel from Palm Oil in Malaysia: An Overview". APEC International Symposium on Biofuels from Agricultural and Agro-Industrial Wastes, Agricultural Technical Cooperation Working Group, May 2010, p. 95.*

As a producer of biofuel, Malaysia holds a special place among APEC economies. It is one of the biggest palm oil producers in the world. In 2009, it produced 17.56 million tons of palm oil. Malaysia started research into the possibility of biodiesel being produced from palm oil in the early 1980s. In 1984, the Petronas national oil company built a first plant with a capacity of 3,000 tons of biodiesel a year<sup>6</sup>. No demand existed for what it had done for a long time because the market situation and lack of government incentives made the biodiesel business unprofitable.

At the start of the 21st century, the government passed programs to develop biofuel production. A large plant, a first again, went into operation to produce biodiesel in late 2005.

Early steps to develop the industry were made in cooperation with companies in the U.S., the United

Kingdom, Germany, Australia, and Japan. Cooperation helped this Malaysian industry to move far ahead in the world.

Malaysia's nature has a great potential for suitable plants to be grown. Oil-bearing palms are grown on an area of 4.48 million hectares, and any surplus oil is exported. Biodiesel production in Malaysia is based on good natural and technological assets.

Ten biodiesel producing plants were operational in 2009, and 90 licenses had been issued for construction of more plants. Of the 22.43 million tons of palm oil and palm oil products exported in 2008, 0.18 million tons were biodiesel that went to:

|             |                         |
|-------------|-------------------------|
| U.S.        | 71,324 tons,            |
| EU          | 70,273 tons,            |
| Singapore   | 29,485 tons,            |
| South Korea | 6,594 tons,             |
| Taiwan      | 3,081 tons, and         |
| Australia   | 1,203 tons <sup>7</sup> |

**7** *Ibid.*, p. 96.

Overall, palm oil and palm oil products agribusiness contributes 3.2% to Malaysia's GDP and gives employment to a workforce of 590,000. In short, biodiesel production has a solid economic and social foundation, with palm oil as the predominant feedstock for biodiesel production.

Heavy dependence of biodiesel production on prices for petroleum fuel is among the principal handicaps that hold off biodiesel production in Malaysia. Another handicap is the lack of subsidies for biofuel producers. Arguments are going on about the wisdom of foodstuff materials being used for fuel, a further reason for investors to feel undecided. The Malaysian government is not a powerful driving force behind biofuel projects today, while national

business is showing activism, for example, by establishing a Malaysian Biodiesel Association.

## INDONESIA

Since October 2008, the Indonesian government has been gradually authorizing the use of biofuel in transportation, manufacturing, and the power industry. Apart from greater energy security and falling oil imports, biofuel, in the government's view, improves its opportunities for relieving poverty, increases the number of new jobs, and reduces carbon dioxide emissions that contribute to climate change through the greenhouse effect. The country has capacities of around 4 million tons of biodiesel and 200,000 tons of ethanol a year.

Whatever the official stand, biodiesel production is yet to start off in Indonesia. Government-commissioned research has been conducted since the early 1990s to find out how much and how biodiesel can be produced in Indonesia<sup>8</sup>. Research extends all the way from raw materials to technologies to uses of biodiesel. The greatest headway in feedstock research has been made by the research institute of the Ministry of Agriculture that has developed a project for *Jatropha curcas* being used in biodiesel production.

Distillation units developed within the framework of the Energy Self-Sufficient Village project can produce up to 400 liters of biofuel a day each for villagers' needs. Twenty units of this capacity have been built since 2007. They have been integrated into the rural communities' economies to benefit villagers in a variety of ways.

More important still, research has extended to new, primarily tropical, plant species as suitable feedstock for producing biofuel. The findings of the researchers at the Bandung Institute of Technology show that over 50 biological plant species can be used for producing biodiesel<sup>9</sup>.

**8** *Dadan Kusdiana, "Updates on Indonesian Biofuel Development Program". International APEC Symposium on APEC-ATCWG Biofuels Network Annual Symposium and Biotrade/Technical Training Workshop Agricultural Technical Cooperation Working Group, May-June 2011, p. 57.*

**9** *Ibid., p. 58.*



## VIETNAM

Starting up bioenergy production is part of the modernization drive for Vietnam. Biomass has been used widely in the traditional form of firewood and farming wastes to produce energy — around 60% of the rural population is still using it to make fire for cooking food<sup>10</sup>. Firewood and farming wastes are the principal kinds of fuel in handicrafts and local industries (like brick firing and production of ceramics and chinaware).

Growth in interest toward modern biomass processing technologies and products obtained from biomass for use in energy production in recent years has largely been triggered by economic recovery and modernization and rising world prices for oil.

In 2001, Vietnam's government initiated its Renewable Energy Action Plan that is centered on electric power generation and biofuel production. Biofuel production targets were fixed at 100,000 tons for ethanol and 50,000 for biodiesel, to be met by 2010, at just 0.4% of national energy consumption; by 2020, biofuel production is to rise to 1.8 million tons, or to 5% of countrywide consumption.

Biofuel producers are stimulated by subsidies, tax preferences, government loans, subsidized loan interest rates, government guarantees for loans, and first priority in land tenure and borrowing. These benefits are provided under the government's Scheme for Development of Biofuel up to 2015 with a Vision to 2025<sup>11</sup>.

## CHILE

Beginning in the late 2000s, Chile has pursued an energy security policy that is based on three principles: diversification of primary energy sources, greater energy independence, and higher energy efficiency. Biomass, any kind of it, takes up 16% of Chile's fuel and energy balance<sup>12</sup>.

## PRIORITIES

**10** *Nguyen Duc Cuong, "Current Status of Biofuels Development in Viet Nam." International APEC Symposium on APEC-ATCWG Biofuels Network Annual Symposium and Biotrade/Technical Training Workshop Agricultural Technical Cooperation Working Group, May-June 2011, p. 105.*

**11** *Ibid., p. 106.*

**12** *Germán Aroca, "Current Status of Biofuels Development in Chile." International APEC Symposium on APEC-ATCWG Biofuels Network Annual Symposium and Biotrade/Technical Training Workshop Agricultural Technical Cooperation Working Group, May-June 2011, p. 40.*

Demand for engine fuel in Chile is predicted to double within the next 15 years. The energy security policy was centered on bioethanol, biodiesel, and biogas because Chile's physical environment is beneficial to this new industry. In current estimates, biofuel can meet up to 10% of the transportation needs by 2020<sup>13</sup>. A government commission set up in 2006 and consisting of government members, engineers, and businesspeople conducted an analysis of the country's potential to develop bioenergy. The commission found that the use of land and water resources for producing biofuel would do no harm to foodstuff production for domestic consumption and export. The commission came out for encouragement of research in bioenergy and development of government regulation of biofuel production and measures to support it.

Chile's nature allows crops, such as sugar cane, wheat, and rape, to be cultivated to serve as feedstock for the first generation of biofuel, but suitable acreages for these crops are very small. The country, though, has large woodland and unfarmed land areas on which nonfood crops can be grown as feedstock for biofuel production. Chile's bioenergy development program, therefore, aims at second-generation technologies, that is, planting wood and shrub species and exotic crops such as jatropha for feedstock.

A system of legislative regulation and stimulation of bioenergy has been adopted in Chile in recent years. In March 2008, Congress passed a law on renewable energy, including biofuel. In May 2008, the country's Ministry of Economy issued a directive laying down specifications for the production, import, transportation, storage, distribution, and promotion of bioethanol and biodiesel. The proportions of ethanol addition to gasoline and biodiesel to diesel fuel were fixed at 2% and 5%, respectively. Corporations and individuals engaged in the biofuel business were liable to registration and eligible for licenses.

**13** *Ibid.*, p. 40.

The use of biofuel releases taxpayers from the special tax on liquid fuel<sup>14</sup>.

Specialized consortiums established with government assistance in the country comprise for-profit companies and universities to conduct research and use biotechnologies utilizing the country's natural resources for producing biofuel on a commercial scale. Specialized funds have been set up to give them financial support.

## MEXICO

Legislative foundations for promoting biofuel production and bioenergy in Mexico were laid in 2008 when the parliament passed the Law of Promotion and Development of Biofuels and the Law for the Better Use of Renewable Energy and the Financing of Energetic Transition<sup>15</sup>. The passage of these laws stimulated establishment of companies in this field, including farmers associations and cooperatives.

The program for replacing gasoline with ethanol has been in effect since 2008. It is designed to save 6% of gasoline by 2014. Low prices were offered for ethanol by bidders at auctions for ethanol supply contracts, however, and the Mexican Pemex state-owned company has not started producing ethanol-modified gasoline until now. Still, government support has led to intensification of research and development projects, over 400 of which were budgeted and completed between 2008 and 2010. Several pilot projects have actually got off the ground. *Jatropha* growing on small farms had little success, though, but proved to be more profitable on large areas for big companies<sup>16</sup>. Three small companies are now producing biodiesel from vegetable oil and fats. Most importantly, there is natural potential for growing biomass for energy-producing purposes, and discussions are going on around the country about the need to withdraw land from the standby reserve intended for raising food crops.

## PRIORITIES

**14** *Ibid.*, p. 41.

**15** *Ing. Julián Vega Gregg, "Current Status and Perspectives of Biofuels in Mexico". International APEC Symposium on APEC-ATCWG Biofuels Network Annual Symposium and Biotrade/Technical Training Workshop Agricultural Technical Cooperation Working Group, May-June 2011, p. 114.*

**16** *Ibid.*, pp. 114-115.

## APEC RUSSIA 2012

« *Economic, social, technological, and environmental problems of biofuel production in APEC are discussed regularly at international workshops that are arranged by the Agricultural Technical Cooperation Working Group* »

Economic, social, technological, and environmental problems of biofuel production in APEC are discussed regularly at international workshops that are arranged by the Agricultural Technical Cooperation Working Group. Workshops were held in May 2010, and in May and June 2011, and were attended by representatives of many APEC economies.

Biofuel production and use are not priorities for the Russian Federation because its fuel and power industries are efficient in meeting the country's internal and export needs, while biofuel is an important ingredient of national energy security for many APEC member economies. Biofuel production has a direct effect on food security because this problem is at the crosscurrents of the two trends that are scheduled for discussion in Vladivostok, Russia.



# B U S I N E S S

**Vladimir Androsik,**  
**The National Business Center**  
**as a Russia-Asia Go-between**

**Irina Gorbulina,**  
**Our Business in Countries Not in Our Own**  
**Backyard**

**Victor Tarusin,**  
**Small and Medium-Size Business for**  
**Broader Cooperation with ASEAN Partners**

# The National Business Center as a Russia-Asia Go-between

The usual APEC practice is that the host economy sets up a special entity to supervise the business part of the APEC process and, in particular, take charge of any matter to do with the preparation and conducting of the APEC CEO/Business Summit.

It was precisely to this end that, at the close of last year, the APEC National Business Center noncommercial partnership was established in Russia.

The National Business Center (NBC) Supervisory Board is headed by Arkady Dvorkovich, Deputy Chairman of the Russian Federation Government.

The NBC Supervisory Board consists of the heads of Russia's major business associations: Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs; Sergei Katyrin, President of the RF Chamber of Commerce and Industry; Boris Titov, Chairman of the Business Russia all-Russia public organization; Sergei Borisov, President of the OPORA Russia, small and medium-size business organization; Elvira Nabiullina, ex-head of the Ministry of Economic Development and currently RF Presidential Aide, and Oleg Deripaska, Alexei Kostin, and Ziyavudin

**Vladimir Androsik**

*Board Chairman,  
Executive Director,  
the APEC National  
Business Center*



APEC RUSSIA 2012

 *APEC Business  
Advisory Council is a key  
working body of the  
Asia-Pacific Economic  
Cooperation Forum and  
a tool for the forum's  
interaction with APEC  
business circles* 

Magomedov, Russia's members of APEC Business Advisory Council (ABAC).

APEC Business Advisory Council is a key working body of the Asia-Pacific Economic Cooperation Forum and a tool for the forum's interaction with APEC business circles.

It is this organization's job to make intellectual spadework for APEC business summits, draw up agendas and prepare business proposals and recommendations to the APEC Leaders aimed to further favorable trade and investment conditions in the region.

ABAC comprises three representatives of each of the 21 economies in the region. They are appointed through special orders by the economies' Leaders.

In the case of the Russian Federation, the persons tasked with ABAC membership are Ziyavudin Magomedov, Chairman of the Summa Capital Group Board of Directors; Alexei Kostin, President and Chairman of the Vneshtorgbank Board; and Oleg Deripaska, Director General of the Basic Element Holding.

During the Russian year in APEC in 2012, Ziyavudin Magomedov acts as ABAC Chair, while the 2012 APEC CEO Summit is to be chaired by Alexei Kostin.

The information and analytical support of ABAC activity is also among the major tasks of the National Business Center.

The third, but every bit as important, line in the work of the National Business Center is the promotion of Russian business interests in the Asia-Pacific and, conversely, the representation of APEC economies' business interests in Russia. This is a long-term, but extremely promising job.

## FOUNDATIONS LAID

The NBC development logic in this respect is as follows. The APEC National Business Center was originally created



by three companies that represent ABAC members — Vneshtorgbank, Summa Group, and Basic Element Holding. The idea was to address perfectly concrete issues: support Russia's ABAC chairmanship and conduct the 2012 APEC CEO in Vladivostok. However, from the beginning the organization was intended to work on an open basis. Consequently, all companies with interests in the Asia-Pacific that would like to make use of the normal, universally acknowledged and accepted instrument of civilized lobbying could also join the NBC and take part in its activity.

At present, the NBC has among its members the Skolkovo Foundation, Transneft, JSC "FGC UES" Federal Grid Company, while a dozen more major companies and organizations are at the membership negotiating and document signing stage.

Admittedly, originally we counted on more active involvement of Russian companies in the NBC work, but the scale of business and the scale of our economy's integration in the Asia-Pacific are such that our businessmen still prefer to solve their problems through private contracts, never aiming at the new opportunities to influence the investment climate in the region at large.

However, the NBC is yet to prove its efficiency as a champion of Russian business interests in the Asia-Pacific. And the first step in this direction will be the APEC CEO Summit in Vladivostok.

## THE VENUE HAS BEEN CHOSEN

It is for the first time that Russia hosts an APEC summit. Thereby several things emerge that are impossible to overlook.

On the one hand, we lack experience in holding events of that scale in the country's Far East. On the other hand, we

## BUSINESS

« *It is for the first  
time that Russia hosts an  
APEC summit* »

cannot allow any dropback in the standards set by the predecessors, including our U.S. counterparts who hosted APEC 2011 Summit in Honolulu.

Vladivostok cannot boast of the same kind of advanced infrastructure one can find in many APEC cities, which used to host previous summits — like Yokohama, Singapore, Sydney, to name just a few. Therefore, while getting ready for the Summit in Vladivostok it was crucial to have at least the minimum of the necessary infrastructure nice and ready. This problem could only be tackled at the federal level.

« *The choice of the venue for the 2012 APEC Summit, namely, the Russky Island, has a long-term political nature, and will certainly benefit the development of the Far Eastern region* »

In my view, the choice of the venue for the 2012 APEC Summit, namely, the Russky Island, has a long-term political nature, and will certainly benefit the development of the Far Eastern region.

As for the APEC CEO Summit, our job was, firstly, to draw up the kind of the Summit's agenda that would be sufficiently interesting to its participants, that is, nearly 700 heads of the biggest companies of the Asia-Pacific.

Secondly, we had to solve financial and organizational issues. It was necessary to offer our guests everything needed for fruitful work at the summit, consistent with their high status, including the accommodation and service standards they are used to.

As I have said earlier, the business section of the summit is normally paid for not from the budget but through sponsor contributions. The National Business Center did its best to attract resources; and it was not just Russian, but also U.S. and Asian companies that took part in funding the APEC CEO Summit.

Predictably, as the summit was being organized, quite a number of logistic hurdles arose; all due to the fact that all the main CEO summit events are to take place on the Russky Island, which is a newly developed area, and everything had to be done literally from scratch, starting

from session halls construction and decoration and all the way down to furnishing the living quarters, catering and the cultural program.

Because Vladivostok is such a long way off, inviting summit participants proved something of a problem. We had to answer scores of questions about how our guests could reach the Russky Island, where they would be housed and what the conditions would be like, how communications would function, and what was the system of access to the main summit facilities. All these matters were discussed in detail with the Presidential Staff and the Russian Government, so in the long run, we feel confident that the 2012 APEC CEO Summit will be up to the best international standards. And our guests will not only settle all their professional problems, but will have warm memories of Russian hospitality and the scenic beauty of Primorye (Maritime) Territory.

## THE ASIAN VECTOR IN RUSSIAN ECONOMICS

The prospects of Russian business in the Asia-Pacific are fairly obvious. The Old World (Europe) under the present circumstances is vacillating between recession and stagnation. And the areas displaying growth rates that are at all significant are precisely the Asia-Pacific and Latin America, including moreover, the APEC member economies.

Currently, the Asia-Pacific, according to expert estimates, accounts for 57 percent of global GDP and 48 percent of the international trade turnover. The area is home to more than 40 percent of the planet's population (2.7 billion people), but the economic growth rate (the region's GDP grew by 4.8 percent in 2010) is way ahead of its population increase (0.6 percent a year).

APEC members are actively involved in world trade and cooperation; they are open to international cooperation

## BUSINESS

« APEC members are actively involved in world trade and cooperation; they are open to international cooperation and are providing every possible condition for attracting international investment »

and are providing every possible condition for attracting foreign investment.

The result is that the APEC economies account for 44.5 percent of the entire body of foreign direct investment accumulated in the world.

In terms of the ease of doing business, development of the telecommunications infrastructure, and investment protection, many APEC economies are among the topmost in the world. In the list of the world's 500 biggest companies 340 ones come from the APEC region.

 *Russia's APEC membership may help boost the development of the Far Eastern and Siberian regions, and provides extra opportunities for securing favorable export terms for Russian goods, and also for optimizing our trade policy, including bilateral agreements and participation in economic groups, which regularly emerge within the region* 

Russia's APEC membership may help boost the development of the Far Eastern and Siberian regions, and provides extra opportunities for securing favorable export terms for Russian goods, and also for optimizing our trade policy, including bilateral agreements and participation in economic groups, which regularly emerge within the region.

The National Business Center, for its part, is prepared to help Russian companies get to this promising market, look for partners, and also lobby Russia's business interests in the APEC and ABAC bodies.

Yet, most Russian companies look on Europe rather than Asia as their priority. Suffice it to say that APEC economies account for a mere 10 percent of Russia's foreign trade. And if we leave out the United States and Canada, this will drop to a meager five percent. As for the Russian share in the foreign-trade turnover of the region, it is altogether minuscule, just 1.5 percent.

It is only the exporters of raw materials and energy vectors that seem to display an unequivocal interest in the Asia-Pacific.

China, Korea, Japan and several other countries in the region account for some 19 percent of Russia's oil exports; 15 percent of petroleum product exports, and 26 percent of

coal exports. Other significant export components are metals, timber, and pulp and paper products, as well as chemicals. This more or less takes care of the list.

But it is not to be doubted that the Asia-Pacific market can be of considerable interest to our builders and industrialists, too, as well as to telecommunications, trading and service companies.

The job of the National Business Center is to detect this tendency, or even actually mold it, and reorient the interests of Russian business to region's markets, which is bound to impact on the build-up of economic might in Siberia and the Far East.

Technically, this eastward thrust of Russian business can go along several lines.

First, there are quite a few meetings of the APEC economies' ministers, both among themselves and with businessmen, in the course of APEC summit preparations. There it is possible to discuss any matters, from customs tariffs reductions for certain groups of commodities to preferential taxes on investment in various industries and projects.

This looks like an official lobbying tool purposefully created by APEC economies, which can be used to promote one's business interests.

Second, major business honchos meet up four times a year at the working sessions of the APEC Business Advisory Council. The ABAC instrument is a most powerful influence lever for national policies of the region's economies. Even more importantly, there is the annual APEC CEO/Business Summit that can be used not just to select potential partners, but also to launch one's projects and present one's companies.

As for statistics, it is hardly reasonable to assess the efficiency of APEC business summits by the number of deals concluded there.

## BUSINESS

« *major business honchos meet up four times a year at the working sessions of the APEC Business Advisory Council. The ABAC instrument is a most powerful influence lever for national policies of the region's economies* »

## APEC RUSSIA 2012

 *The APEC business summits proved in practice that direct contacts between company leaders act as a booster to business processes* 

To be sure, every year a few major contracts get signed at the summits, but these are typically bilateral deals made up beforehand, although they are related to APEC in one way or another.

The APEC business summits, however, possess one more indisputable merit. It has been proved in practice that direct contacts between company leaders act as a booster to business processes. APEC CEO summits provide perfect venue for meetings between number ones in business, company and corporation heads. Which naturally imparts a special status to these events and affords greater opportunities for strategic development.

It is hardly an accident that most CEO Summit participants prepare well in advance an individual program of meetings and consultations, business lunches and suppers, and choose for themselves the sessions best suited to the prospects of their business interests.

## RUSSIA'S PRIORITIES

This year, Russia as APEC Chair, has formed the agenda and proposed the initiatives that are most topical for progress in the whole region and in Russia itself.

Our spokespersons in the ABAC outlined four fundamental priorities:

- formation of reliable transport and logistics chains;
- consolidation of food security;
- vigorous interaction to ensure innovation-based growth;
- liberalization of trade and investment, regional economic integration.

Let me dwell on just a few of the trends.

Talking of transport and logistics, or supply chains, we have prepared several initiatives that are already being translated

into practice. The first one is to speed up the process of fully standardizing documentation between APEC economies.

This step, even without extra investment, can make a tangible effect on trade development.

This is graphically exemplified by Russia's own practices. Calculations suggest that reduction of time of container registration at Russian seaports from 11 to 12 days at present to at least six or seven days (in developed countries this takes four to five days) will increase their capacity by 30 percent.

A second initiative in this area is elimination of bottlenecks in the transport infrastructure — at railroads, in airports, and at the automobile transport.

The program initiated by Russia is to include collecting data about the bottlenecks in the APEC economies' transport and logistics infrastructure, as well as drawing up and updating an international wish list for improving the national transport infrastructure of each economy.

The point of the project is to attract mutual direct investment to important infrastructure projects and create international public-private partnerships to implement them.

To the Russia of today this is supremely topical, because the investment capacity of our infrastructure, by some estimates, is over a trillion dollars' worth.

If Russia is in earnest aspiring to the role of a transport bridge between Europe and Asia, such investment is absolutely vital in this respect.

Here we are working along several lines at once.

The first one is something known as soft infrastructure — devising certain procedures related to investment attraction, defining the principles of public-private partnership, studying model practices in the Asia-Pacific.

## BUSINESS

« The program initiated by Russia is to include collecting data about the bottlenecks in the APEC economies' transport and logistics infrastructure, as well as drawing up and updating an international wish list for improving the national transport infrastructure of each economy »

APEC RUSSIA 2012

« *Incidentally, one of the main wishes voiced by our potential partners is to have nondiscriminatory access to the shipping and freightage infrastructure ensured by the state* »

The second one is applied matters. We discuss with partners specific investment projects.

We draw up the so-called wish list of investment projects in transport and infrastructure in order to eliminate the bottlenecks in the Asia-Europe corridor and boost trade and commodity and cargo transit via our territory.

With these projects in mind, the National Business Center, jointly with the APEC ABAC Working Group for Investment and Trade, is planning to select investors in the future who would be prepared to invest in the development of the Russian infrastructure. Obviously, these plans could never become reality unless we had the backing of the federal government, since this is mostly about public-private partnership. And there we are working in close cooperation with the authorities.

Incidentally, one of the main wishes voiced by our potential partners is to have nondiscriminatory access to the shipping and freightage infrastructure ensured by the state.

First and foremost, the reference is to the Russian railroads, but on the whole also to the fact that the infrastructure owner should have no relation to the companies using it. Then the monopoly is destroyed and competition flourishes.

Should these principles be guaranteed, we may expect a considerable influx of direct investment in the near future, and active construction of new transport main lines and intermodal hubs in the Far East and Siberia that will help quickly build up Russia's transit potential.

The prospects here are nothing if not excellent. For instance, at present the annual trade turnover between Europe and China is worth around \$500 billion, but less than one percent of the flow goes via Russia.



The reason is that since the mid-1990s the Asia-to-Europe railroad freightage tariffs have been steadily higher than those on container shipping. In part this is due to the inadequate railroad network, lack of infrastructure and overloading. Basically, this can be remedied by new construction. The second problem, now, is strictly Russian. This is overbureaucratized cargo registration, market monopolization, nontransparent legal and customs procedures — a whole bunch of artificial hurdles for business development with a corruption constituent, which results in substandard and more expensive transport services.

For example, the Russian Volga-Dnieper Company, a potential partner of the National Business Center and one of the leaders in the world air transportation market, prefers to transship freight on foreign territory whenever it comes to transportation between Europe and Asia. Because transshipping transit freight in Russia, in terms of the time spent, is the same as clearing it at customs. Which is certainly impermissible for countries wishing to develop their transit potential.

Meanwhile, our APEC partners among themselves have accumulated vast experience in economic process improvement. The National Business Center is doing its best to study the most successful practices in the region in various areas and bring this to the attention of the Russian authorities, prompting the desirable course of actions, as we see it, in order to attain world standards and make our economy competitive in more areas than extracting and freighting raw materials.

One more issue that Russia named as a major discussion priority at the 2012 APEC CEO Summit is food security.

The reason is as follows. In the countries of Asia and the Pacific Ocean some one billion people live on \$1.25 a day, that is on the verge of poverty and starvation.

« One more issue  
that Russia named as a  
major discussion priority  
at the 2012 APEC CEO  
Summit is food  
security »

By 2050, the planet's population will have reached nine billion people. There is a limit to how much labor productivity in agriculture can grow; the rise in crop capacity is slowing down, while on the other hand, increasingly large chunks of arable land are used to produce biofuel. That is the portion of land employed to produce foodstuffs is shrinking. Meanwhile, one kilo of beef takes between seven and 10 kilos of grain to produce. Thus an increase in one type of resources causes a reduction in others.

And thereby hangs a global problem of food security, which is being discussed at all levels, including the UN. Undoubtedly this problem is topical to the Asia-Pacific as well, where many countries largely depend on food imports.

To Russia, nevertheless, this is a unique chance to step up its export potential, chiefly thanks to producing extra grain. Siberia and the Far East have enough arable land to add another 15 to 20 million tons of grain to Russia's grain exports within the next three to four years. Our APEC partners are ready to actively assist in this endeavor.

This year, Russia has given practical dimension to the subject, having set up the APEC Food Security Partnership, a working body uniting public and business representatives from each member economy, among them heads of the region's major agricultural companies. They will meet up several times a year to discuss issues of trade in farm produce, infrastructure development, introduction of advanced technologies in agriculture, etc.

To Russia this kind of support is vital in terms of investment attraction and further exports diversification, the more so since global grain demand is expected to have risen by 48 percent by 2025, and by 70 percent by 2050, against the current level.

## THE NEW LINE

## BUSINESS

In short, the functions of the National Business Center are not confined to holding the 2012 APEC CEO Summit in Vladivostok, although the NBC owes its emergence precisely to this event. Already the tasks our noncommercial organization is facing appear to us a lot grander than could have been assumed even six months ago.

In reality, with the advent of the APEC National Business Center Russian business for the first time in its existence got an entity capable of lobbying its interests in the country's Far Eastern areas and generally in the Asia-Pacific. Previously, for all the promise of the Asian market, no one was specifically engaged in the matter.

Within a short period, the NBC has organically fitted into the mechanism reserved for business within the APEC framework. Naturally, we are determined to go on working on the same issues, because APEC forums convene on a yearly basis, and preparations for them are under way all the time proceeding according to the organization scheme we are already at home with.

However, Russia's integration in global economy goes beyond APEC economies. At the latest BRICS Summit the Russian President expressed a wish that Russian business circles engage more actively in the work of this informal alliance of countries with robustly growing economies.

We made a few suggestions as to the formation of a similar business council in BRICS states. In that we had the backing of the Russian President, and now a BRICS Business Center is to be set up on the basis of the NBC.

So our next destination is China, India, Brazil and South Africa.

« *So our next destination is China, India, Brazil and South Africa. We will continue to promote the interests of domestic business abroad and offer assistance to foreign investors prepared to take part in the development of Russian economy* »

APEC RUSSIA 2012

We will continue to promote the interests of domestic business abroad and offer assistance to foreign investors prepared to take part in the development of Russian economy.

But whereas within APEC our role is rather that of experts and consultants, in the future we hope to take up practical work: participate in devising specific projects, monitoring and accompanying Russian and foreign investments under bilateral and multilateral relations development between our economies. The NBC interest there remains the same, which is reflected in its very name: we are a NATIONAL Business Center. We are working for the good of Russia.

# Our Business in Countries Not in Our Own Backyard

**N**o doubts exist about the significance and beckoning future of the Asia-Pacific. The Asian theme comes up with increasing frequency at international forums. More and more companies pledge their growth and future on the Asia-Pacific. Facts and figures aside, there are personal sensations as well.

An old acquaintance of mine, a Japanese businessman, wrote recently in a letter to me — we have kept up correspondence for some time already: “The half millennium supremacy of the white race has come to an end.” I think I know what he hinted at. The poor colonial backwoods of the world has made an amazing leap forward within the shortest time imaginable to become a key player in the planet’s economy and politics.

The psychological climate in the region has changed as well. The sense of confidence, patriotism, and, of course, satisfaction with remarkable economic performance add up to create an incredible atmosphere of accomplishment and feed unquenchable business energy. And you soon understand that you are witnessing the birth of a new economic model for the world **HERE**.

**Irina  
Gorbulina**

*President, Russian  
Academy of Business and  
Entrepreneurship*



## APEC RUSSIA 2012

« *the Russian Academy of Business and Entrepreneurship (RABE), a nationwide nongovernmental organization, caught the wind of coming change back in 2001 and, aware of the growing significance of the region, is now pursuing a custom-tailored program, Russia-Asia Pacific* »

In anticipation of this turnaround, thousands of American and European companies are crowding in for a place under the Asian sun. Scores of interstate, intergovernmental, and nongovernmental organizations have joined in to cultivate political and economic ties with the region. Down here, the Russian Academy of Business and Entrepreneurship (RABE), a nationwide nongovernmental organization, caught the wind of coming change back in 2001 and, aware of the growing significance of the region, is now pursuing a custom-tailored program, Russia–Asia-Pacific, to put more muscle into Russian companies’ efforts in Asia, expand their reach, and help Russian business executives to build relations and maintain constructive business ties with partners in the Asia-Pacific countries.

It is one thing to throw up a banner with a lofty aim and mission splashed across it, and quite another to put through, arrange, convince, and draw supporters to it, or, briefly, to help in deed, not in word. The record of the Russian Academy of Business and Entrepreneurship is evidence of what it has or hasn’t done. Since it launched its Russia-Asia-Pacific program, the Academy has hosted dozens of international forums, conferences, business missions, and individual business meetings with executives of ministries, agencies, chambers of commerce and industry, and nongovernmental organizations in many Asian countries and entered into dozens of agreements and contracts with them.

The RABE scored its first success in Asia at a series of annual business conferences in Australia that ended in a concluding forum timed for the APEC Business Summit in Sydney. The official Russian delegation was led by Alexei Gordeyev, head of the Russia-Australia intergovernmental commission, and the business delegation was headed up by Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs.

Following next was the international conference Russia–Asia-Pacific: New Boundaries of Cooperation in March 2004. The Russian delegates who addressed the audience included members of the State Duma, government ministers, ambassadors, and general directors of major corporations. The main theme of the conference was related to areas promising good returns on investments made in Russia and to the balance between current opportunities and large-scale projects with long-term prospects of payoff.

Two years later, the Academy convened an international economic forum Russia–Asia-Pacific: Toward Strategic Partnership and Civilization-to-Civilization Dialogue. The forum was sponsored by the Russian Foreign Ministry, the Ministry of Economic Development and Trade, the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC), and the Eurasian Economic Cooperation Organization (EAECO).

The full-house meeting was addressed by Alexander Yakovenko, Russia’s Deputy Foreign Minister, Ong Keng Yong, ASEAN Secretary General, Scott Smith, Director of Economic Programs, APEC Secretariat, Grigory Rapota, EAECO Secretary General, Alexander Torshin, Vice Chairman of the Federation Council, Russian Federal Assembly, and Nadezhda Gerasimova, Russia’s Deputy Minister of Emergency Situations, among others.

The forum was attended by over 350 delegates, including representatives of the business communities, government agencies, and nongovernmental organizations of 25 Asia-Pacific countries and 35 Russian regions.

Russian delegates did all they could to project an image of Russia as a reliable partner now and in the long run and open for it a window on Asia to which it belongs as much as it does to Europe, or, in a sense, it is more a part of

## BUSINESS

« The forum was attended by over 350 delegates, including representatives of the business communities, government agencies, and nongovernmental organizations of 25 Asia-Pacific countries and 35 Russian regions »

« *Conferences and forums on business cooperation and development are more than reports, speeches, and interviews with the media. They are, above all, a way for Russian business executives to establish direct links with their counterparts in Asia* »

Asia where it has a far larger territory than it does in Europe. It has natural, intellectual, and technological resources on tap in its European part, in Siberia, on Kamchatka Peninsula, and on Sakhalin Island. We said Russia was ready to be a suitable platform for business dialogue at any level. Shortly afterward, Moscow played host, at the Academy's invitation, to a succession of CEOs of major corporations — Mikio Sasaki, Mitsubishi Corporation's Board Chairman, Minoru Murofushi, Itochu Chairman, Neville Isdell, Coca-Cola Board Chairman, and Richard Mathews, CEO of Mincom, Australia, to name just a few.

In my view, this is the way for us to use the second track — representing our country as it really is, at top business level, above all, by entering into informal human-to-human contacts.

As we proceeded with our Russia-Asia-Pacific program we always saw our mission to be presenting a favorable image of Russia and Russian business and building new direct business contacts.

In July 2009, the Foreign Ministry convened a conference to discuss Russia's eastern areas and their integration into the Asia-Pacific, the challenges they faced, and the opportunities they had. The Academy put forward a proposal to set up a Coordination Committee in charge of cooperation with the Asia-Pacific integration schemes.

Conferences and forums on business cooperation and development are more than reports, speeches, and interviews with the media. They are, above all, a way for Russian business executives to establish direct links with their counterparts in Asia. It is, of course, fine to talk to your partners on your home turf where they are your guests, and it is just as good to see the opportunities for Russian business to pick with your own eyes. And we began sending business missions to Asian countries, now one now another,



and having them report back in a new and, in our view, the most efficient format that is becoming a tradition already.

These business tours help Russian business executives better to understand the way dialogue is to be started in one Asian country or another, or how prospects for a project can best be assessed, or how their own potentialities can be used with maximum effect and mutually beneficial cooperation they can depend on be launched.

Since the Russia-Asia-Pacific program was unveiled, the Academy has been involved in cooperation with Australia, China, Indonesia, Malaysia, Mongolia, Singapore, and Vietnam. In 2005, the Academy conducted a business workshop for a Russian and Chinese audience on the development of partnership in investment, commerce, and economic projects. In Mongolia, it arranged the first-ever Mongolian-Russian meeting on the development of business initiatives.

In 2005, we joined forces with the Austrade-Russia trade commission, Australia, to put on the Australia Week in Moscow, the first Russian-Australian business and cultural forum ever held at either end, which turned out to be a great success. Peter Beattie, Queensland's Trade Minister, said in an interview, one of many he gave here, that the APEC economies were making efforts to have a common tariff policy, protect the environment, and make business open and transparent. The APEC members, he went on, had succeeded in lowering nontariff barriers, an achievement that definitely served to promote trade and investments between Russia and Queensland.

For two years in succession, 2009 through 2010, the Russian Foreign Ministry authorized the Russian Academy of Business and Entrepreneurship to put together a Russian delegation to attend APEC CEO/business summits.

Addresses by APEC Leaders and their direct dialogue with business elite are probably the most important part of the

« For two years in succession, 2009 through 2010, the Russian Foreign Ministry authorized the Russian Academy of Business and Entrepreneurship to put together a Russian delegation to attend APEC CEO/business summits »

APEC RUSSIA 2012

« *Beneficial bilateral relations between Russia and Indonesia is our priority today* »

summit programs. Our meetings with President Susilo Bambang Yudhoyono of Indonesia, Richard Adkerson, President of Freeport-McMoRan Copper & Gold Company, and Mark Davis, business development manager of People Search Company, among others, led to the opening of Academy offices in Brisbane, Ulan Bator, and Jakarta.

Beneficial bilateral relations between Russia and Indonesia is our priority today. In April 2009, we were joined by Muhammadiyah, a leading Islamic organization, to hold a round table in Jakarta on the promotion of moral and spiritual values in the dialogue between civilizations.

In August 2009, I attended celebrations to mark Indonesia's independence. On the sidelines, we discussed a variety of issues that were current for the country's development, including promotion of democracy in Indonesia, dialogue between different confessions, and ways to end the economic crisis. We had working meetings with the governor of Bali Island and Foreign Minister Hassan Wirajuda. While we were there, over here, in Russia, the Academy hosted Indonesian officials. Academy members met with Mari Elka Pangestu, the country's Minister of Trade, Coordinating Minister Mohammad Hatta Rajasa, Muhammad Taufik, head of the investment committee of Sued Province, Jon Arizal, mayor of Batam Island, and Ahmad Kurniadi, deputy chairman of Indonesia's Investment Coordinating Board.

The Academy has sent dozens of business missions to Indonesia in an effort to establish direct links with the country's business community. The Russian-Indonesian Intergovernmental Commission on Trade, Economic, and Technological Cooperation praised highly the Academy's efforts to promote bilateral relations between Russia and Indonesia.

In fall 2009, the Academy sent two business missions to the Mongolian People's Republic. The mission members met

with Deputy Premier Norov Altankhuyag and Ariunsan Banldanjav, the republic's Minister for Natural Resources, and a decision was made to complete several investment projects.

In September 2010, the Academy hosted Saleem Mandviwalla, Pakistan's Minister of State and Chairman of the Board of Investment. Shortly afterward, he invited the Academy's top officials to come to Islamabad, Pakistan's capital city, and Karachi, a major economic center of the region. The Academy delegation met with executives of the Ministry of Water and Power, the Ministry of Industries and Production, the Ministry of Science and Technology, the Chamber of Commerce and Industry in Islamabad, and members of Pakistan's business community. At the end of a return visit, on May 11, 2011, the parties signed a Memorandum of Cooperation in the presence of Pakistan's President Asif Ali Zardari in Skolkovo.

Support for business led by women takes a special place in the Academy's activities. The RABE has been, on commission from the country's Foreign Ministry, national coordinator of the Russian delegation at APEC women business leaders meetings for six years.

Russian women delegates spoke on APEC current issues at each of the forum's meetings in the Republic of Korea in 2005, Vietnam in 2006, Australia in 2007, Peru in 2008, Singapore in 2009, and Tokyo in 2010.

In September 2011, San Francisco, California, hosted, within the APEC framework, the first-ever Women's Economic Forum attended by business women from 21 member economies.

A Russian delegation led by Tatiana Valovaya, Director of the Russian Government's International Cooperation Department at that time, attended the summit as well. The delegation members came from several ministries and

## BUSINESS

« *Support for business led by women takes a special place in the Academy's activities. The RABE has been, on commission from the country's Foreign Ministry, national coordinator of the Russian delegation at APEC women business leaders meetings for six years* »

« *It is high time we had an articulate long-term policy in Asia. We are to have a clear vision of the country's goals, benefits, and strategic interests* »

agencies, including the Ministry of Economic Development, Foreign Ministry, and the Ministry of Health.

The summit had a tightly packed program. Full-house scheduled sessions and workshops evolved gradually into free discussions and informal meetings. The women summitters discussed the sore points of politics and economics, such as regional integration, broader market opportunities for women-led businesses, environment-friendly and safe technologies, social protection, and certainly incentives to women to have a greater part in APEC region's economic growth.

Many years of the Academy's involvement in the Asia-Pacific affairs entitle me to claim that Russia is very important for the region from the perspective of business cooperation. Not for its goods or services, though. Rather as a source of investments.

It is high time we had an articulate long-term policy in Asia. We are to have a clear vision of the country's goals, benefits, and strategic interests. Once we do have it, we can set to building efficient institutions and instruments in support of Russia's economic operations worldwide.

The government must have a clear realization that expansion of Russian business in the Asia-Pacific and acquisition of industrial and other assets in the region is not capital flight — it actually is wider in coverage, has to have stronger roots running deep into local ground, and needs business diversification. That's what is most important. On its part, of course, business must have a drive to make these gains. And this is where the government is to step in with support and encouragement.

Support for business is very efficient in the West. As a nominee of the Presidential Friends of Indonesia program, I met in Jakarta with the head of a research institute set up by the U.S. Congress. He made no bones about being a

former agent of the U.S. special services. He was plain and frank answering my question about his institute's objectives, "Making U.S. positions in the Asia-Pacific stronger." Judging by the huge number of officials of many Indonesian ministries who know him in person, who have been frequently to the U.S. and some of whom studied there, his institute and others like it are paying off handsomely. Are we left out of the picture?

Right now, the government doesn't have a coherent policy, and Russian businessmen, and women, have to draw up their own reputation-building programs for Asia and push their business. We are not to expect Western businessmen to be overjoyed to see us digging in our feet deeper in the Asia-Pacific and making inroads into the markets carved up among Western companies. Strong competitors are the least thing they want. It's rather the other way around. They are naturally averse to having Russia among world economic leaders. Which means we have to brace up for a hard uphill struggle.

We are fated to live in an age of change. It is a waste of time today to make long-term forecasts — in personal life and business. New inputs keep coming in every day. Every day means fast decisions we are to make, be immune to stress, and keep looking for new shortcuts.

It is far from everybody who can stand overstrain every day.

The cruel and just rule of life, though, is you either move ahead or pay the price of staying put.

Remember, you are a businessman, a risk-taker. Someone who is ever on the lookout for opportunities, who acts on them, who takes risks and responsibilities by setting out on an untrodden path.

Russian consul general Bakunin at the Dutch colonial administration in Jakarta deplored bitterly the "stupefying

## BUSINESS

« *We are fated to live  
in an age of change.  
It is a waste of time  
today to make long-term  
forecasts — in personal  
life and business.  
New inputs keep coming  
in every day* »

« An Asian saying goes, “A road a thousand miles long begins with a first step” »

indolence and lack of initiative among people making up the Russian commercial and industrial community. We are devoid of the spirit of enterprise. Each and every one in Russia are waiting for government subsidies to be handed out of the Treasury.” Penned in the late 19th century, his words have a modern ring. You will certainly agree they do.

You can cite, in self-defense, underperforming trade mission staffs, no government funding diet, and the Asiatic mentality you have no inkling about. With hundreds of examples to draw on, I can tell you no — it’s our own stupor, lethargy, and our habit of looking up for Treasury handouts that are snagging Russian business.

Australia, a nation of twenty million, is teeming with improbable numbers of businesses, most of them small and medium-sized, from all countries of the region. Folks came down there and started doing what they had come for — working calmly, patiently, with a high sense of purpose. They have not pressed the locals to do things their own way, and instead persevered in making themselves part of the local business environment, gradually and successfully.

We do not choose the time and country to be born and work in. Here by the will of fate, we are to shed illusions, remove blinkers from our eyes, get clicked into gear, and start doing things. In Asia, Africa, anyplace that offers a chance to build new factories, houses, open restaurants and outpatient clinics, ... do all we can and love to do.

An Asian saying goes, “A road a thousand miles long begins with a first step.”

Equally important for Russian companies entering foreign markets is doing things the right way. Russian businessmen are almost complete strangers to business culture, a subject taught at business schools elsewhere. Of all things necessary in business, they travel on business missions abroad fully equipped with a presentation package of their companies or

their products. Very few of them, though, know much about their target markets and, still less so, about their target countries' cultures. Little wonder then that a traveling promotion agent learns, already in the airliner's seat, to his great surprise that, for example, Indonesia is the region's, nay, the world's biggest Moslem country. Examples of this kind abound.

When ASEAN Secretary General Ong Keng Yong was here on a visit, I asked him at a friendly dinner about the impressions Asian businessmen have about their Russian colleagues. Unfortunately, he said, the overall picture is just that, "A character turned up in haste trying to sell or buy something. And evaporated. Asia, though, is long friendships and strong relationships."

Today, after over a decade-long experience in doing business in Asia, we concur with him that the region requires plenty of patience and determined pursuit of purpose. And a clear understanding that it has a different mentality and different business conduct rules, and cultural specifics nothing like our own. You can only attain success by feeling carefully the way you penetrate into the local business environment — with its long and openhearted friendships and good human-to-human relationships. Our business is making blunder after blunder. One day recently, I read in *Vedomosti* an account of the head of a major Russian telecommunications company about its failure to penetrate into the markets of three Asian countries and his explanation for its setbacks, "We failed because, — he writes, — we are accustomed to work on CIVILIZED markets." Really, his approach is the reason for his failures.

The mass media are to play a big role in making the positions of Russian business in the Asia-Pacific stronger. True, the media so far show no interest toward Russian companies' wins and losses. Business competition in our day is tending to be increasingly promotional and use

## BUSINESS

« You can only attain success by feeling carefully the way you penetrate into the local business environment — with its long and openhearted friendships and good human-to-human relationships »

APEC RUSSIA 2012

information aimed at eroding the reputation and prestige of a rival country across the world.

What we see today is both business and the state machinery doing nothing you can call a determined effort to improve the image of Russian business executives in the Asia-Pacific, neither does the press. This is in marked contrast to developed nations where any success, no matter how small, scored by a local business undertaking receives publicity in regional mass media as a call on all underachievers to try harder to do the same. No efficient PR programs are run today in this country to help Russian business to strike strong roots in Asia. Little surprise then that no one there is aware of what we can do, and attitudes to Russian business are based on simplistic and primitive conceptions.



# Small and Medium-Size Business for Broader Cooperation with ASEAN Partners

**B**y virtue of its geopolitical position, Russia is destined to join countries and continents. This is true in the political and economic sense. Its position is best described by the term Eurasian Power.

Since the reign of Peter the Great in the early 18th century, Russia's political and economic preferences have lain with the West more than anywhere else. Whenever it turned around to look to the East, it did so on rare occasions by historical measure. In recent memory, the last time it became aware of its interests in the East was in the 1940s and 1950s, when it had close relations with China, and in the 1970s and 1980s when it befriended itself to India. It is hard so far to see anything that could be recognized as Russia's coherent and explicit political and economic program for Southeast Asia. The first steps it made knowingly into the East's embrace was its involvement in the region's integration processes at the turn of the 21st century within the framework of ASEAN and APEC.

Thus far, these steps are just expressions of intent, no more. In practice, though, Russia is still preoccupied with its bilateral relations with its partners in the region.

**Victor  
Tarusin**

*Commissioner,  
PT Petros Technologies  
Indonesia*



## APEC RUSSIA 2012

« *What does Russia have on the table for its potential partners in Southeast Asia to get interested in?* »

A major breakthrough was expected to come in the wake of the ASEAN meeting in Vietnam, in October 2010, but the expectations were overblown, to an extent.

Now, all interested parties are looking forward with hope to the APEC summit to be held on the Russky Island in September 2012. Whatever comes out of this forum will be felt more tangibly if only because of the enormous effort that had gone into the summit infrastructure long before the event — record-size bridges and university campuses, for example, were built. No matter what follows, Russia's Far Eastern region is a beneficiary already.

Anyway, the costs the country's leaders have gone to is a sign of their intension to pump huge funds into its Far Eastern regions and open up new opportunities for cooperation with neighbors next door.

Experience of the past shows that business forums and summits are worth the fuss made over them when they cease to be just another "historic event" and have a practical sequel in the form of physical projects and daily efforts put in by interested institutions and individuals who have personal stakes in their common cause, and bring their experience, professionalism, and, come to that, heart even to it.

What does Russia have on the table for its potential partners in Southeast Asia to get interested in?

Weapons, space projects, oil, technologies — all ready for the taking. The first and second items are the government's domain, and we leave them out of consideration. The other two are thought to be open for private business — building business to business (B2B) relations or public-private partnership.

## OIL

In 2010, Russia made a big stride toward entering Southeast Asia's energy market by completing

construction of a pipeline from East Siberia to the Pacific Ocean and opening Kozmino seaport for transshipment of the new oil grade, ESPO. The two years between then and now were spent to cultivate relations and carve out a niche on the regional market for its main players — Rosneft, Surgutneftegaz, TNC-BP, and Gazpromneft — that pump oil they can send down the ESPO pipeline. The new market is still in a mess. Most deals are made through traders. Russian oil companies have no direct ties with oil refineries in the region. They are shortchanged as a result, and have no access to the regional petroleum products market. Tapping into this tremendous economic potential that will help significantly to reinforce Russia's national positions in the region. The undeniable competitive advantages of the Russian new oil grade (ESPO) cannot be challenged by any of the traditional market participants. Its quality is not questioned by even the most demanding refineries (Indonesian refineries said they were ready to add it to their oil baskets). Kozmino is superior to both the Middle East and Africa in logistics. Stability of deliveries covered by guarantees is the new grade's principal advantage, though. No political or other "revolutionary" risks are a threat to them. The gathering pace of oil production in East Siberia is an indication that oil exports will increase.

The status of bilateral economic relations is commonly assessed in terms of annual trade. With Indonesia as an example, a single contract signed directly between a Russian oil company and the Pertamina national oil and gas company for delivery of just a million barrels of ESPO grade oil a month will actually double that country's annual trade with Russia.

Once this first step has been made, talks are to be held about the possibility of Russian oil companies entering the

## BUSINESS

« In 2010, Russia made a big stride toward entering Southeast Asia's energy market by completing construction of a pipeline from East Siberia to the Pacific Ocean and opening Kozmino seaport for transshipment of the new oil grade, ESPO »


*Technologies are central to plans for the growth of the Russian economy. The policy followed by the country's government over the last five years to rebuild its technological potential has yielded results already. Some of the recent unique products project Russia's true image abroad, including Southeast Asian countries*


region's petroleum products market. The going is hard, of course, as many refineries are dead set against give-and-take. None of the Russian oil giants, though, has so far approached any potential partners in the region with serious intentions. Indonesia, a net oil importer since 2008, is desperately in need of more refining capacities to meet domestic demand for petroleum products. Over the last five years, it has been in end-to-end talks with Iran, Saudi Arabia, and the Republic of Korea over joint construction of a refinery. Indeed, the talks are facing an uphill struggle, and none of the three negotiators has up till now succeeded in sealing a deal with Indonesia. Why not seize upon the chance of exploiting the situation and pooling the four biggest Russian ESPO oil companies' financial and technological resources to build an oil refinery of their own in Indonesia? That would be a real breakthrough in the current stalemate.

## TECHNOLOGIES

Technologies are central to plans for the growth of the Russian economy. The policy followed by the country's government over the last five years to rebuild its technological potential has yielded results already. Some of the recent unique products project Russia's true image abroad, including Southeast Asian countries.

The question now is how these products can be placed intelligently on the market? All-around professionals who can guide a product from an idea to manufacturing and put it on the national market are few and far between. Still fewer are those who can turn the spotlight of international recognition on it.

It takes little effort to bring the product to the market by huge financial injections. How long would it stay there, though?

This is precisely here that small and medium-size businesses have to join in the effort. A company offering just one or a couple of its own products is much quicker on the uptake than the larger players and responds much faster to market fluctuations. It has no problem adapting to local conditions and does not look down on either competitors or customers.

There is practical experience to support this statement. As a professional petroleum-related services company, the Petros Group came to Indonesia in 2008 armed with its know-how to boost oil recovery. It ran its flag up, obtained all required registrations from local official and professional agencies, and launched several core business projects.

Coming and staying in the country is first a well-intentioned company, rather than a sell-and-forget undertaking, must do. Having a full-blown office toiling away day in day out in the country helps the company's head office to identify correctly the market segments to target for diversifying its business, a way to survive and thrive in this changing world of ours.

Indonesia is one of the fastest growing economies in the region, and it is driven by expanding consumption, rather than expensive oil or cheap labor. Consumption is a powerful growth incentive for any economy. The world's fourth most populous country of 248 million, a majority of them young people, its economy is stimulated by its residents' desire to live a better life, and its \$2,500 GDP per capita is assurance of sustainable growth for years to come.

What you do in this environment is offering products, goods or services without rivals in the market or superior in the price to quality ratio. Don't forget you have to live by the rules of the place — getting certified and registered with the local ministries and agencies as an exclusive distributor and cultivating a sales network.

After you've gone through all the preliminaries, you can sit back in the certainty that your product will find its way to

« *Coming and staying in the country is first a well-intentioned company, rather than a sell-and-forget undertaking, must do* »

« Investments are,  
more than technologies  
and oil, however, the  
kind of input Russia is  
expected to make in  
Southeast Asia »

the customer, whether a private or public company. This trick had been tried on several high-tech products that were just the leading end of a long line of products.

The trial balloon was Pyrosticker AST 15 (a mini fire-extinguisher that can put out fire at its origin, the power switchboard) from PyroChimica, Pte., a Russian company. Between its maiden presentation at the Infrastructure Asia 2010 Conference and Exhibition in Jakarta, in April 2010, and its rollout in September 2011, we had our hands full certifying, rebranding, and pushing the product to the local market. Several thousands of these unique items incorporating real-life nanotechnologies have been supplied to Indonesia thus far.

Next in the line were water filters from Petros itself, which were registered under the Nakva brand name in Indonesia. Once you use a tried and tested approach to promote high-tech products, and it works, you can start up the assembly lines. This is the best practical way a business can, and has to, use to penetrate into new markets, and these are the products Russia is expected to put on world markets.

Investments are, more than technologies and oil, however, the kind of input Russia is expected to make in Southeast Asia.

## INVESTMENTS

Regret as we do, Russian business has nothing much to boast about in this economic area. With the exception of a few smallish industrial projects in mineral exploration and development, all other investments tend to bear a personal imprint and be made in real estate.

The tiny size of this market segment has several reasons to account for. First, the great distance between this region and Russia's major economic centers. Perhaps, equally to blame for this is lack of practical experience and, even more

important, no mechanisms in place to pump investments in. The two countries' investment companies and banking institutions at either the public or private business level have no ties tuned up and run-tested. All they have are a few memorandums signed and locked away in government strongboxes. On the practical side, a rare few wholesale deals are made from time to time without any correspondent banks invited to have a part.

Finally, the continuing campaign against capital flight from Russia scares off many home investors from going elsewhere to make significant investments that can be taken for an attempt to export capital illegally out of the country. Their fears can only be soothed by the government setting up private-public mechanisms to minimize investors' risks and watch over investment flows.

To leave the investment subject here, the Russian Federation and the region's economies are interested in two-way investment traffic. Many investors in ASEAN member economies see Russia as an inviting target for investment. My numerous conversations with investment bankers in Singapore and Jakarta led me to conclude that a short two years ago Russia ranked fourth or fifth — after Southeast Asia itself, the U.S., the Middle East, and Europe — in regional investors' plans. Now, the backwash of the crisis in Europe and the U.S. and the Arab Spring in 2011 pushed it up to second place.

### RECIPROCAL INVESTMENTS AS A MEASURE OF SECURITY AND CONFIDENCE

Making Russia attractive to international investors is a continuing headache for its government. And more, it is not just turning Russia into a country with a favorable business climate — it must be the best climate there is anywhere. “We realize that coming up on top in competition

## BUSINESS

« Many investors in  
ASEAN economies see  
Russia as an inviting  
target for  
investment »

« *Building mutual confidence is immensely important for improving the investment climate* »

for direct investments and creating a truly attractive climate for business means making the Russian economy efficient and giving growth a new quality,” said President Vladimir Putin.

Building mutual confidence is immensely important for improving the investment climate. Understandably, any investment deal calls for close and comprehensive due diligence by both the investor and project initiator.

Reciprocal investment is the best way to achieve confidence in the opening phase of relationships. To put it differently, I give my money to my partner for a joint project to be completed in his country, and he reciprocates in the same way for a similar project to be built in my country. There is no better way for two partners in the same industry to minimize risks than entering new markets in their industry in other countries and be driven by similar aspirations.

For this to happen, both sides are to put in their best efforts. What only needs is telling the potential investors about existing opportunities, picking promising projects, and, most important, finding local partners. There must be someone who really cares about that.

This is a job for both government and nongovernmental agencies (sectoral and professional associations, for one), such as bilateral and multilateral Business Councils under the Russian Chamber of Commerce and Industry, and also the Russia-ASEAN Business Council.

Business Councils offer the simplest, and safest, way to find a partner up to international standards. Indeed, a Business Council takes upon itself a measure of responsibility, moral and ethical at the very least, for a partner it puts up.

Injecting vigor into these agencies that provide negotiating platforms for small and medium-size businesses, in the first place, may contribute in no small measure to improvement



in Russia's investment climate and open up real opportunities for Russian businesses to make direct investments in ASEAN economies.

In this way, Russian business, not least small and medium-size business, too, will give an economic rationale and support to the steps made in good faith by the Russian leaders in Southeast Asia.

**BUSINESS**

# Compilers

## **Project Manager**

**Armen Oganesyan**, Editor-in-Chief, *International Affairs* Journal

## **Managing Editor**

**Eugeniya Pyadysheva**, Executive Secretary, *International Affairs* Journal, Ph.D. (Hist.)

## **Scientific Editor**

**Andrei Dubina**, Editor, *International Affairs* Journal

## **Editor-Consultants**

**Valery Sorokin**, Deputy Director, the Asia-Pacific Cooperation Department, Ministry of Foreign Affairs of Russia; Chairman, APEC-Russia-2012 Interagency Working Group

**Gleb Ivashentsev**, Ambassador Extraordinary and Plenipotentiary, Deputy Director, the Russian APEC Study Center

**Ivan Timofeyev**, Programs Director, Russian International Affairs Council

## **English Edition**

Translation into English

© Progress ID

*Director General:* Sarkis Oganyan

*Managing Editor:* Margarita Tarverdova

*Translators:* Gennady Khmelev, Margarita Kvartskhava

*Editor:* Natalia Brumarova

*Computer operator:* Alexei Uvarov

*Layout:* Dmitry Tarasov

The *International Affairs* journal Editorial Board highly appreciates and expresses its gratitude to the Russian International Affairs Council for its assistance in creating the APEC Russia 2012 special issue.

The *International Affairs* journal Editorial Board also wants to express its gratitude to the VTB Bank for its significant contribution to the publication of the APEC Russia 2012 special issue.