TOWARD A NEW CHINESE ORDER IN ASIA: RUSSIA’S FAILURE

By Stephen Blank
Toward a New Chinese Order in Asia: Russia’s Failure

Stephen Blank

**NOTE** This essay draws on an earlier work by this author, “Russia’s New Gas Deal with China: Background and Implications,” *Northeast Asia Energy Focus* 6, no. 4 (Winter 2009): 16–29.
EXECUTIVE SUMMARY

Although China’s recent economic and military policies have stimulated arguments about a potential clash with the U.S., this essay contends that China’s most lasting and tangible gains have come at Russia’s expense, both in the Russian Far East (RFE) and in Central Asia.

MAIN ARGUMENT

Russia’s political and economic failure to develop the RFE has undermined its quest for stable great-power status in Asia and its ability to play that role there. As a result, Russia has been forced to turn to China for help. In so doing, it has not only conceded its failure but also allowed China to begin consolidating a new economic and security order in Asia at Russia’s expense, including in the RFE. To the degree that these trends continue along present lines, Russia will become China’s junior partner and supplier of raw materials, not an independent power in Asia.

POLICY IMPLICATIONS

• China is expanding its capabilities to redefine the Asian security system through successful economic and military modernization. These gains, however, have come at Russia’s expense. Moscow’s continuing political and economic failure to develop the RFE jeopardizes its ability to contribute to a durable power equilibrium in Asia.

• Over time, these trends will give China leverage within Russia’s economic and political system, including a new field for economic expansion and reliable energy supplies, and reduce Chinese fears about military competition in the north.

• This long-term process of change in the Asian security order will confront the U.S. and its allies with something resembling a counterbloc comprising Russia and China, if not a strong alliance system, and will add to China’s ability to block U.S. and allied interests. In addition, to the extent that China need not worry about Russian military developments, Beijing will be more free to develop its armed forces in ways that are inimical to the U.S. and its allies.
2009 was the year that “China showed its claws,” according to China scholar David Shambaugh.\(^1\) Although most analysts emphasize China’s assertiveness vis-à-vis the United States, this essay argues that China has made enduring and tangible gains at Russia’s expense, both in the Russian Far East (RFE) and in Central Asia. Because the author elsewhere examines China’s challenges to Russia in Central Asia, this essay focuses on developments in the RFE.\(^2\)

Even though Beijing has challenged Washington on numerous international financial issues, competes with the United States for influence across Asia (especially along China’s coasts and in Southeast Asia), resists democracy-promotion, and continues to build up its military, Beijing has not actually won any substantive concessions from Washington. Quite the opposite is the case. In fact, tension over these issues in the bilateral Sino-American relationship is growing.\(^3\) In the RFE, however, the evidence suggests that Russia is failing to meet its Asian challenges, particularly the economic development of its Asiatic provinces that is the precondition for the country to be accepted as a great Asian power. China is exploiting that failure in order to become the gatekeeper of Russia’s future engagement with Northeast Asia by defining the parameters of Russian relations with the region.\(^4\) Moscow’s interactions with other Northeast Asian states arguably confirm this trend. Russia has failed to resolve its dispute with Japan regarding the Kurile Islands and is limited in what it can accomplish with South Korea due to the latter’s relative smallness (compared with Japan and China) and the obduracy of the North Korean nuclear issue.\(^5\) These failures continue to limit Russia’s economic and political influence in Japan and the two Koreas.

This essay argues that a Chinese-led economic and security order is emerging in Asia and that this new order is affecting the Russo-Chinese relationship in the RFE.\(^6\) The first section identifies characteristics of this new, Chinese-led order in the context of the RFE. The second section examines Russia’s plans from 2005 to 2009 to develop the RFE and its failure to implement them. The third section assesses Moscow’s appeal to Beijing for development assistance in the RFE and Russia’s relative decline vis-à-vis China. The fourth section examines China’s interests and investments in the RFE as well as Russo-Chinese collaborations, most notably in the energy sector. The final section of the essay draws conclusions about China’s increasing geopolitical presence and Russia’s decline.

### A New, Chinese-Led Order

The emerging Chinese-led economic and security order is one wherein China can secure its preferences while its interlocutors must reverse previous positions. Given the overall aggressiveness of China’s policies since 2008—exemplified by China’s demands for a new financial order, huge energy and infrastructural investments across the globe, demands for a new naval regime with the United States, increased presence in the Middle East, and intensified campaign of cyberespionage

---


\(^5\) For a range of views on this point, see Stephen J. Blank, ed., *Russia’s Prospects in Asia* (Carlisle: Strategic Studies Institute, 2010).

\(^6\) Central Asia, where such signs are also visible, is beyond the scope of this essay.
against foreign governments and corporations—it has become clear that China has not only “stood up,” to borrow Mao’s phrase, but also wants to reconfigure Asia to its own taste. Thus, China is beginning to demand (in some cases successfully) that other states accommodate its preferences.

Russia’s actions in the RFE represent one such case. After failing to develop the RFE largely by its own means before 2009, Moscow reversed its autarchic course, appealed to Beijing for loans to fund energy pipelines, and accepted that regional development plans for the RFE would be tied to Chinese development plans for neighboring Heilongjiang Province. China’s increasingly successful rivalry with Russia in Central Asia and Russia’s continuing problems with China regarding arms sales constitute other examples of this trend.7 China has likewise succeeded in compelling Central Asian governments to accede to some of its demands.8

Such examples reveal a pattern of Asian governments accommodating China, backed up by the unstated but always present specter of China’s economic power. The decisive event that has accelerated this visible transformation of the region is the current global economic crisis, from which China will likely emerge even stronger than it had been before. As Roger Altman observes, the one clear winner is China, whose unique political-economic model has come through unscathed. This will automatically enhance its global position. Yes, its growth has slowed, but to still enviable rates. And measured by financial reserves, it is the world’s wealthiest country. China’s astute leadership is already making strategic investments that others cannot make.9

To be sure, this view is hardly uncontested.10 Few analysts of the Russo-Chinese relationship or of Russia’s Asian policies have postulated an outcome of Russian accomodation of China. Indeed, most analysts argue that Russo-Chinese relations will ultimately diverge rather than converge because of inherent differences between the countries. Few expect that China can in any meaningful way subordinate Russia, and those who expect convergence rather than divergence fear a Russo-Chinese alliance.11 At the same time, Moscow is neither simply abandoning the quest for great-power status in Asia nor becoming incapable of scoring meaningful gains in that quest. In Southeast Asia, for example, Moscow has made notable gains in its relationships both with ASEAN and with individual member countries. Nonetheless, recent analyses provide evidence that China is overtaking Russia and relegating it to an inferior postion in Asia, or that Russia will need China more than China needs Russia, which amounts to the same thing.12

---

10 Indeed, at the Asia Policy Assembly in Washington on June 17–18, 2010, the discussant for the panel in which this essay was first offered disagreed with this contention.
Gilbert Rozman contends that Russia is not meeting its Asian challenges. In sum, these and other analysts warn that Russia is either failing to accurately identify the true security challenges it faces or failing to actively confront them.\textsuperscript{13}

Russia and the Development of the Russian Far East

The fundamental cause of Russia’s failure to develop the material basis for its great-power ambitions in Asia is the nature of the Russian political and economic system—a rent-granting state supported by rent-seeking elites—that cannot produce optimal economic and political results. Because this system fuses power and property with a combination of medieval feudalism and the Soviet nomenklatura system, Moscow cannot devise rational economic policies to develop areas such as the RFE.\textsuperscript{14} Furthermore, Moscow is extremely resistant to meaningful change. President Dmitry Medvedev recently admitted that he had failed to visibly reduce corruption despite two years of anti-corruption campaigns.\textsuperscript{15} Since corruption now accounts for about half Russia’s GDP, his admission underscores the staggering scope of the problem and the continuing suboptimal performance of the Russian economy, particularly in the RFE.

Disparity between Reality and Rhetoric

For Moscow, development of the RFE is the critical precondition for Russia to recover its position as a major independent Asian power and thus is a critically important indicator of its standing in Asia. Russian officials acknowledge the intimate link between developing the RFE, particularly its energy and energy-related assets, and Russia’s power position in Asia. As Foreign Minister Sergei Lavrov wrote in 2006,

\begin{quote}
Russia can join the integration processes in the vast Asia-Pacific region only through the economic growth of Siberia and the Russian Far East; in other words, the modernization of these regions is an axiom. Therefore, there does not exist any contradiction between the general vector of Russia’s internal development, described as “the European choice,” and the objectives of our policy in Asia. Moreover, our domestic and foreign policy interests converge in Asia as in nowhere else; because without economic progress there cannot be a solid foundation for our policy in this region. In turn, this policy directly depends on the social, economic, and infrastructural, and other development of Siberia and the Russian Far East.\textsuperscript{16}
\end{quote}

This is still the case. Indeed, Lavrov merely reiterated the consensus view. Sergei Luzyanin had already written in 2005 that the success or failure of RFE development was the determining factor in Russia’s Far Eastern policies.

\textsuperscript{13} Trenin’s and Kuchins’ warnings can be found in Dmitri Trenin, “Russian Foreign Policy: Modernization or Marginalization?” in Russia after the Global Economic Crisis, ed. Anders Aslund, Sergei Guriev, and Andrew C. Kuchins (Washington, D.C.: Peterson Institute for International Economics, 2010), 187–200, especially 195–96 and Andrew C. Kuchins, “U.S.-Russia Relations: Constraints of Mismatched Strategic Outlooks,” in Aslund et al., Russia after the Global Economic Crisis, 241–57. Rozman’s observations can be found in Gilbert Rozman, Russian Repositioning in Northeast Asia: Putin’s Impact and Current Prospects, in Blank, Russia’s Prospects in Asia, 63–96.


Earlier swagger concerning Russia’s prospects in Asia is obvious in statements from around 2007–08 and coincided with official views then that in the geopolitical balance Russia was up, the United States down, and Europe in disarray, counting for little or nothing.\textsuperscript{17} Lavrov claimed in 2008 that because Russian consumers are buying more Japanese cars, Russia “makes for the prosperity of Asia, and in particular, Japan with its entire potential.” Lavrov also said with unjustified confidence that “Russia’s integration into the Asia-Pacific region is a fait accompli.”\textsuperscript{18} Similarly the veteran foreign policy analyst Viktor Kremenyuk wrote that Russia “is successfully crowding out the United States from its position as China’s No. 1 partner, and over time could become that country’s quasi-ally.”\textsuperscript{19} Gleb Ivashentsov, Russia’s ambassador to South Korea, duly said that “Russia has come back to the world stage as a strong state respected by other countries. No important international issue can be solved without Russia’s participation and against Russia’s veto.”\textsuperscript{20}

Along with this swagger Russia showed a public disinclination to discuss security threats in the RFE. Sergei Karaganov, head of the Council on Foreign and Defense Policy (SVOP), said in 2007 that no threat from China was evident and that “China’s attitude toward Russia is loyal and positive. No other state in Asia is more friendly to us—apart from Kazakhstan.”\textsuperscript{21} Indeed, the 2009 National Security Strategy virtually omits mention of China and the Asia-Pacific region. The document identifies possible military threats along all Russia’s borders except in the Far East.\textsuperscript{22}

Such delusions about Russia’s standing in Asia are inexplicable unless we account for Russian elites’ long-standing habit of making and often believing inflated claims about Russia to compensate for or conceal domestic weakness and disarray. Yet a huge and alarming disparity exists between the reality of Russia’s position in Asia and Moscow’s rhetoric. Beneath the swaggering tone of contemporary Russian diplomacy lies a palpable anxiety about the RFE. In addition, Russian authorities will not speak openly of possible threats from China lest they upset the partnership with China on which Russia now depends. Indeed, a recent analysis of the 2009 National Security Strategy observes:

> With the exception of mentions of improving border facilities in the Far East, when reading this document you could be forgiven for forgetting that China exists at all. In this way the Strategy reinforces the supposition that when discussing security threats, Russia feels it can expound at length about more or less hypothetical threats emanating from a fractured and emollient Alliance in the West, but dare not breathe a word about potential risks for the East for fear of immediate political, diplomatic, or economic pain.\textsuperscript{23}

Yet when the leadership addresses Russian audiences concerning the RFE’s condition, Moscow’s tone changes, openly expressing anxiety and mounting apprehension about the future course of events in the region. In September 2008, Medvedev warned in Kamchatka that if Russia fails

\textsuperscript{17} See, for example, Sergei Karaganov, “A New Epoch of Confrontation,” Russia in Global Affairs 5, no. 4 (October–December 2007): 22–36.
\textsuperscript{18} “Foreign Minister Lavrov’s Speech on Russia Policy in Asia-Pacific Region, Ties with Japan,” Foreign Broadcast Information Service–Soviet Union (FBIS-SOV), November 7, 2008.
\textsuperscript{19} V. Kremenyuk, “U.S. Foreign Policy in a Presidential Election Year,” International Affairs 54, no. 5 (2008): 47.
to develop its far east, the region could turn into a raw material base for more developed Asian countries: “unless we speed up our efforts, we can lose everything.”

This has been a common refrain since 2000 and reflects apprehension about the RFE and especially about China that lurks under public praise of Beijing. In 2000, then president Vladimir Putin warned local audiences that unless Russia invigorated regional development, they would end up speaking Korean, Japanese, or Chinese. Putin’s warning displayed Russian fears over the country’s Asiatic holdings and who might step in if Russia faltered. In 2002, he reiterated the multiple security problems that could erupt in the RFE—stressing not only terrorism, crime, and drug trafficking but also economic backwardness—and gave concrete instructions for the development of the region’s energy and transportation infrastructure. That same year the SVOP admonished its elite audience, claiming that Siberia and the RFE would inevitably be depopulated and warning that “one should not turn a blind eye to the risk of some Chinese-related dangers that could materialize within the next 10–15 years.” In 2003 the Russian armed forces, especially the Pacific fleet, conducted large-scale exercises in the area, ostensibly against terrorists operating on land and sea, but also probably in response to China’s rising power and the Korean crisis. Defense Minister Sergei Ivanov depicted the RFE as a region characterized by instability and fast-growing economic potential.

These remarks betray the high degree of anxiety over the RFE that Russian leaders, realizing the region’s importance as a future energy storehouse and source of leverage in Asia, already felt in 2002–03. In November 2002 the deputy secretary of the Russian Security Council, Vladimir Potapov, said that the RFE aroused more concern than did many other regions, and not just because of its vastness, remoteness, declining population, long borders, weak internal communications and infrastructure, and large distances between land and naval bases. Potapov explained that the “region is rich in very diverse resources and, consequently, is attractive economically. It has as neighbors countries which are densely populated, which lead quite poor lives, and which evidently need new sources of existence”—namely, China. This dovetailed with Putin’s threat assessment in 2002. As Professor Mikhail Alekseev of San Diego State University wrote then,

The investment of significant resources in Vostok-2003 signals that the Kremlin has settled on reviving the erstwhile role of the Far East as Russia’s natural resource base and a military outpost. This strategic calculus assumes that the export of oil and gas from Sakhalin and East Siberia will generate dozens of billions of dollars in foreign investment in the coming decade and thus enable Moscow to bankroll large-scale socioeconomic programs and military buildup.

---

30 Ibid., 5.
Russian Development Programs in the Russian Far East

By 2005, Putin had announced a targeted federal program for developing the RFE and set priority areas for federal funding allocated to it.31 Evidently little had been done between 2000 and 2005 to implement his previous program. Only in September 2005 did the minister of economic development and trade, German Gref, promise to double state support for the RFE to $612 million in 2006 and consider allocating a new $2.5 billion infrastructure fund for projects there.32 Moreover, he guaranteed that this time all the new programs would be implemented. Meanwhile, political figures such as Viktor Ozerov, chairman of the Federation Council’s Defense and Security Committee, were warning of a military threat or threats in the RFE and decrying the predatory use of the region’s resources. They further warned of the threat of large-scale illegal immigration, even though no imminent threat was visible. During this period, scholar Dmitri Trenin wrote that developing Siberia was Russia’s civilizational challenge of the century and that failure to master this problem could become the country’s most urgent challenge.33 By 2006, Trenin was clearly pessimistic about Moscow’s success in meeting this challenge:

The principal domestic reason is the situation of eastern Russia, especially East Siberia and the Russian Far East. Since the collapse of the Soviet Union, the territories have been going through a deep crisis. The former model of their development is inapplicable; a new model is yet to be devised and implemented. Meanwhile, the vast region has been going through depopulation, deindustrialization, and general degradation. Russia’s territorial integrity and national unity in the twenty-first century will not be decided by Chechnya. Rather it will depend on whether Moscow will find a way to perform the feat of dual integration of the Far East and Siberia, that is, with the rest of Russia and with its Northeast Asian neighborhood. Eastern Russia is vulnerable. The quality of Moscow’s statesmanship will be tested by whether it can rise up to the challenge in the East.34

Yet after 2006 a curious schizophrenia set in with leading officials and analysts, who generally claimed that China posed no threat even while still insisting that the RFE was at risk. The idea that Russia’s position in Asia depends on the successful internal reconstruction of the RFE was also expressed more openly, as Lavrov’s remarks in the previous section indicate. Once again, Lavrov reflected an elite consensus and was not alone in his views. For example, Ivashentsov stated in 2009 that,

In no other region are internal and external interests of Russia so interconnected as in Northeast Asia. For the future of Russia as a great power to a great extent depends on the economic, technological, and social uplift of Siberia and the Russian Far East. To achieve that aim we need the absence of external threats. By Russia’s view such guarantees could be best provided by promoting positive relations with her neighbors.35

---

This domestic-foreign linkage made the weakness of the RFE a much more pressing security issue after 2006. At the end of 2006, Putin warned again that the RFE’s socio-economic isolation and Russia’s failure to exploit the region’s resources represented a threat to national security. He attributed the problem to the failure to coordinate a comprehensive state program for strategic development of the RFE and advocated another new socio-economic commission to formulate a regional development strategy, even though a program had just been established in 2005–06. Evidently federal government programs either were still not delivering adequate benefits to the RFE or were simply failing to produce intended results. Putin specifically complained that the influx of foreigners from nearby Asian states, combined with Russia’s declining population, was further isolating the region from the rest of the country and thus emerging as the “biggest threat to Russia.”

The government followed suit, establishing a commission that would have “the status of a governing body and could be a ministry for the Far East.”

In 2006–07, Russia also announced a series of huge development programs for the RFE focused on building up regional energy infrastructure. That announcement then spawned several smaller strategies, such as the plan to develop an innovative program for the RFE and Trans-Baikal regions up to 2035. This continued a seemingly endless series of Muscovite strategies to rejuvenate the RFE that have all failed, and the fate of the 2007 plan looks to be no different. Even before the current economic crisis there were signs that it was in trouble, and by 2008 when Medvedev toured the region, development efforts in the RFE were already clearly failing.

Medvedev’s tour revealed that numerous critical oil and gas projects that were the foundation of the program were lagging behind with little chance of being realized on schedule. His tour was intended to stimulate the 2007 comprehensive development plans—that is, the government’s intention to spend 570 billion rubles (about $19–20 billion) to develop transportation and energy infrastructure. In 2007 Putin made a similar regional tour, leading the government in Moscow to allocate up to 600 billion rubles ($24.4 billion) for development projects in Siberia and the RFE by 2013 and 9 trillion rubles ($366 billion) by 2025. And the results then were likewise hardly impressive.

Lavrov had linked the 2007 program to the 2012 APEC summit in Vladivostok, claiming that the summit would enable Russia to more effectively resolve regional issues. In other words, geopolitical perspectives, not market logic, drove the program. As stated then, Russia intends to raise its share of oil supplies to East Asia from 3% to 10% by 2016 and increase the number of Asia-Pacific countries to which it exports oil and natural gas tenfold and fivefold, respectively, by 2020. These figures clearly depend on the success of both new and developed energy projects, including those in Sakhalin. Industry and Energy Minister Andrei Dementyev also said that,

A program for the development of natural gas resources in East Siberia and the Far East [was] to be submitted to the Russian government in 2006. A single

---

system of gas production, transportation, and supplies will be created in the
region, with account for exports to the markets of China, the world’s largest
energy consumer, and other Asia-Pacific countries.\textsuperscript{41}

The 2007 plan was the third such plan since 1990. As such, it was clearly linked to a new
immigration policy and emphasized the projects outlined by Dementyev as well as strategies for
development of Vladivostok. Those included a large, state-of-the-art university campus, two big
sea bridges, a modern oil refinery, a natural gas pipeline from Sakhalin, reconstruction of the
airport, and two shipyards in the south of Primorski Krai.\textsuperscript{42} Since then, the government has
begun subsidizing passenger air travel on the most popular routes connecting RFE cities with
Moscow, St. Petersburg, and Sochi. At the end of 2009, Putin announced a major long-term plan
for spending $5 billion on civilian shipbuilding in Vladivostok and a major plan for funding
projects to build social infrastructure.\textsuperscript{43} Medvedev claimed that rebuilding local airports would
become important for crosspolar flights that may develop as a result of the opening up of the
polar regions to greater international travel and air commerce. Indeed, he even stated that “for
us the development of the Far East and Eastern Siberia should be the highest priority of the state’s
development.”\textsuperscript{44} Nevertheless, it is clear that by the end of Putin’s term and the start of Medvedev’s
tenure in 2008 Putin had failed to achieve a meaningful transformation of the RFE.

Consequently, since 2009 Medvedev has had to repudiate the previous autarchic policy and
emphasize the need for cooperation with Asian neighbors. He subsequently underscored that
cooperation with Asian neighbors in joint high-tech projects (particularly on energy, space,
and aircraft manufacturing) strengthens Russia’s overall position in Asia-Pacific international
organizations. Accordingly, Russia must supplement these integration processes by relocating
goods, workers, and services to the RFE, where the population has been declining for twenty
years.\textsuperscript{45} However, such relocation plans are a wholly quixotic idea.

Medvedev’s most recent remarks about the RFE also betray just how difficult the situation is. RFE
districts rely heavily on federal subsidies, with one in five people having an income below Russia’s
poverty line. The region’s share of innovative production is 1%, if even that, and the population has
shrunk by a quarter since 1991, despite the “boom” of 1999–2008. Even if the strategy for social
and economic development of the RFE to 2025 is being implemented, the gross regional product of
the RFE is the lowest in Russia and its growth tempo is lower than the Russian average.\textsuperscript{46} Despite
the fact that Moscow has spent billions of dollars to stimulate development and make Vladivostok
a showpiece for the 2012 APEC summit, the results have been disappointing. Projects are mired
in corruption, inefficiency, cost overruns, and local political battles.\textsuperscript{47} Indeed, by 2008, reports
were circulating of law-enforcement agencies being checked for corruption and criminal activity.

\textsuperscript{41} “Russia to Drastically Raise Oil Exports to Asia-Pacific—President,” RIA Novosti, September 17, 2006.
\textsuperscript{42} Christoffersen, “Russia’s Breakthrough,” 69.
\textsuperscript{43} “Putin Outlines Social Infrastructure Funding Plan for Far Eastern Region,” Rossiya TV, in Russian, December 28, 2009, reprinted by FBIS-
SOV, December 28, 2009. See also the Prime Minister of the Russian Federation—Point of View website, http://www.premier.gov.ru/eng/
points/74/?count=10&page=2.
\textsuperscript{44} “Russian President Says Foreign Investment to Help Develop Far East, Siberia,” ITAR-TASS, in English, November 16, 2009, reprinted by
\textsuperscript{45} “Integration with the Asia-Pacific Region Countries Offers Great Economic Potential for Developing Russia’s Far East,” President of Russia
\textsuperscript{46} “Excerpts from Transcript of Meeting on the Far East’s Socioeconomic Development and Cooperation with Asia-Pacific Region Countries,”
President of Russia website, July 2, 2010, reprinted by FBIS-SOV, July 2, 2010; and Andrei Kalachinsky, “Putin Is Turning Vladivostok into
Russia’s Pacific Capital,” Russian Analytical Digest, July 2010, 5.
\textsuperscript{47} Kalachinsky, “Putin Is Turning Vladivostok into Russia’s Pacific Capital,” 2–9.
These reports also argued that in the RFE the criminal underworld, law enforcement, and state authorities were merging, and that the entire region was a “free hunting ground” for Russian and Chinese crime gangs.  

Thus, both Russian and foreign analysis, as well as the government’s own internal review, underscore the failure of massive development projects to reconstruct the region sufficiently to sustain Russian geopolitical ambitions. Despite their grandiose efforts, Putin and Medvedev must now reckon with the real threat of Russia’s marginalization in Asia. Indeed, Medvedev’s statements during his July 2010 tour of the region signal a visible retreat in Russian ambitions for the RFE. He announced that yet another new action plan would soon emerge for strengthening Russia’s regional position, replete with forecasts and programs for accelerating Russia’s integration into Northeast Asia. Furthermore, he accepted that Russia must concentrate on its specialization in energy.

Although that position is certainly arguable given Russia’s comparative advantage, Medvedev’s remarks show that Moscow is now resigned to being simply a raw material supplier to Asia for the foreseeable future. Moreover, in view of the failure to complete the major energy projects that are an integral part of the plan for the RFE’s development, the expected returns on these projects will probably not suffice to rectify the situation, especially with energy prices stabilizing, unlike in 1999-2008. As a result, Russian leaders realize that failure to develop the RFE entails reliance on outside powers. In the present context that can only mean reliance on China, an unpalatable but inescapable conclusion. Indeed, Lavrov warns that “only a modern Russia, a Russia capable of energetically promoting its interest, will be able to take its full place in the Asia-Pacific region’s cooperation system.” He then proceeds to discuss how Russia can enlist East Asian capital and technology for its own development, conspicuously omitting how China and Japan can help in this task and focusing on South Korea, India, and the ASEAN states. However, even if ASEAN and South Korea maximally invested in the RFE, they could not repair the situation.

The Turn to China and the Relative Decline of Russia

Officially the consensus concerning the relationship between the RFE and Russia’s ability to play an independent role in the Asia-Pacific still exists. But Russian leaders know that if the country cannot be competitive economically in East Asia, it will face serious disadvantages at home and in Central Asia. Deputy Prime Minister and Finance Minister Aleksei Kudrin warned that if Russia fails to become “a worthy economic partner” for Asia and the Pacific Rim, “China and the Southeast Asian countries will steamroll Siberia and the Far East.” China would then steamroll Russia in Central Asia, too.

Nevertheless, for lack of an alternative strategy, on May 21, 2009, Medvedev more or less admitted that unless China were to invest in large-scale projects in the RFE, the grandiose development plans undertaken by Moscow in the past could not be realized. This turn to China represents a conscious acknowledgement of failure and willingness to accept the risk of being “steamrolled.” Medvedev frankly admitted that the economic development of the Far East will

49 “Excerpts from Transcript of Meeting on the Far East’s Socioeconomic Development.”
depend not on Russia’s ties to Europe but rather on the development of ties with its main Asia-Pacific partners. He also stressed that the RFE’s regional development strategy must be coordinated with China’s regional strategy of rejuvenating its old industrial base in Northeast China, such as in Heilongjiang Province.\(^{51}\) Other officials quickly followed suit. Nikolai Patrushev, secretary of the Security Council, subsequently conceded the weaknesses of the strategy in the RFE and called Russia’s most important priorities “the development of cross-border cooperation with neighboring countries, enhancement of transit possibilities, development of infrastructure and capacities for wood processing, seafood processing and output of products competitive on the world market.”\(^{52}\) Here, too, the emphasis is on providing Asian countries with raw materials. Likewise, Medvedev, Putin, and Lavrov, among others, characterized Russo-Chinese relations as being at their highest point ever. Deputy Foreign Minister Sergei Ryabkov even praised Chinese investments in Central Asia for their “transparency” and welcomed Chinese–Central Asian cooperation on social and economic development.\(^{53}\)

Given the consistent paranoia of Moscow’s policy elite about any gain by China—or for that matter the United States—in Central Asia, this is a profound change in rhetoric if not policy and a major concession to Beijing. As a 2007 report of the Russian-Chinese Business Council observed,

> Being a member of the SCO [Shanghai Cooperation Organisation], China views other members of the organization as promising markets. It is China that wishes to be the engine behind the trade and economic cooperation within the framework of the SCO…China’s intentions to form [a] so-called economic space within the SCO are well known….Beijing has activated ties with all Central Asian countries and strives to comprehensively strengthen economic relations and the dependency of these countries on its market.\(^{54}\)

Thus the verdict of the last two decades is clear.

The rapidity of growth in China’s economy—and in the challenge it poses to Russia—is evident from the following data: according to the World Bank, while the Russian and Chinese economies were roughly the same size in 1993, China’s was over 3.5 times larger than Russia’s in 2008. Moreover, even since 1998, when Russia began a rapid economic recovery, China has grown at a faster rate. The current economic crisis is only widening the gap, as China’s economy continues to grow and Russia’s falters. Finally the quality of China’s growth has been superior, leading to the creation of new productive capacity, whereas Russia’s recovery has been based largely on reutilizing Soviet-era capacity that had been idled during the economic crisis of the 1990s.\(^{55}\)

Moreover, in the past three decades China has experienced the strongest growth in scientific research of any country in the world. As part of that trend, regional science networks are developing in the Asia-Pacific. Russia, however, produced fewer papers in 2008 than did Brazil or India.\(^{56}\)

---

\(^{51}\) “Russian President Urges Coordination with China on Regional Development,” *People’s Daily*, May 21, 2009; “Medvedev: Russia Should Interest China in Investing in Far East,” *People’s Daily*, May 21, 2009; and “Excerpts from Transcript of Meeting with Students from Pacific National University, Khabarovsk,” President of Russia website, May 21, 2009.


\(^{53}\) “Russian Officials Laud Ties with China; Observers Express Concerns,” Open Source Center (OSC), OSC Feature, Russia, available from FBIS-SOV, July 20, 2009.


Similarly, the Organisation for Economic Co-operation and Development (OECD) announced in 2008 that the combined total of its members’ investments in research and development was $818 billion, of which the United States alone accounted for $330 billion. China accounted for $90 billion, India for $24 billion, and Russia for $20 billion. China’s expenditure on R&D grew by 18% annually from 2000 to 2006. If it meets its targets, China will be the second-largest R&D spender in the world by a wide margin in 2020. These figures not only describe the present, but forecast a depressing future insofar as Russia is concerned.  

Neither is this relative decline of Russia confined to East Asia. As mentioned above, Ryabkov was obliged to voice Russia’s “approval” of China’s huge investments in Central Asia:

> China has steadily advanced, commercially speaking, into Central Asia. It is now second to Russia as a trading partner for Central Asia, and its volume of trade with the three Central Asian states it borders is already equal to that of Russia. China is also actively seeking to obtain oil and gas directly from the region, bypassing Russian territory and challenging one of Russia’s core strategic goals, monopoly control of energy flows in Eurasia. China is already linked to oil fields in Kazakhstan’s Caspian region and to gas fields in Turkmenistan by pipelines completed in 2009.

These trends demonstrate Russia’s massive economic, political, and ultimately geopolitical failure. Russia remains a part of the global economy’s semi-periphery and is not competitive anywhere except in some categories of weapons, nuclear reactors, and energy. In many crucial ways, the country remains a raw materials appendage of the more developed economies.

Russia has followed a failed semi-autarchic economic policy that is relatively inhospitable to foreign investment. From 1993–2005, 1,200 foreign corporations were located in Russia, whereas there were 281,000 in China. As Ted Hopf observes,

> Unlike the East Asian “tigers” whose states adopted the “managed market” approach to economic growth and development, Russia has adopted a strategy that privileges isolation over competitiveness. Instead of using state-directed investments to direct capital to industries whose aim, relying on real world market prices, is to create competitive export producers in the medium to long run, it has relied on revenues from exporting energy and raw materials to subsidize the price of energy and electricity for otherwise uncompetitive industries, and to maintain lower prices for average Russians, for housing, heat, electricity, and transportation.

Not surprisingly Russia has underinvested relative to China for at least a generation, if not longer. Neither is the country competitive in the software and information technology sectors, which are at the cutting edge of today’s technology industry.

Similarly, a recent Swedish assessment of Russia’s overall prospects observed that its great challenge in Asia is to exploit Siberia’s abundant natural resources in ways that do not jeopardize national unity. Though both central and local elites want to see the RFE integrated into Asia and are preparing to hold the 2012 APEC summit in Vladivostok to showcase the region, there is a substantial disparity in views among them regarding the fear of being subordinated to China—an

58 Graham, “The Sources of Russia’s Insecurity,” 65.
outcome that could occur either by mass migration or by economic investment (which more nearly approximates what is happening). Local authorities are ever more mindful of the increasing amount of trade with China, South Korea, and Japan and the leverage this gives these countries with Moscow to the extent that “China is becoming an instrument in the domestic Russian game of re-composition of center-periphery relations.”60 While that position strengthens China, it is clear that Russia’s response to the current economic crisis, notwithstanding its commitment to developing the RFE, only impedes the optimization of the region’s development and repopulation.

China Enters the Russian Far East

In 2003 and even as late as 2007, Russian officials were discussing Beijing’s invitation to invest in both Heilongjiang and Xinjiang as part of China’s development plans for these regions. Chinese officials stressed not just the development of northeast China but the formation of a regional market there, a sign even then of Beijing’s strategic focus. Russian investment in China at the time totalled about $1 billion.61 By 2006, China was already emphasizing efforts to increase investment in the RFE, especially in energy firms and projects. The China Development Bank (CDB) was financing Chinese-owned companies in Sakhalin and had loaned money to Rosneft to complete its takeover of Yukos. Moscow had also invited Chinese energy firms to invest in the RFE, especially in the Sakhalin-3 fields, even as it was squeezing Western and Japanese firms in Sakhalin.62

By 2009 Moscow had no choice but to turn to China.63 Once Medvedev agreed in May 2009 to joint development of the RFE, events moved quickly. Since then both sides have been busy negotiating bilateral agreements on projects in the region, but it is clear who has the initiative. As ITAR-TASS noted, “China now has the ability to pick and choose the fields of cooperation with Russia and the projects of cooperation and holds both initiative and the power to choose in its hands.”64 That initiative applies equally to energy imports because China has diversified its sources and can often obtain energy supplies for less than Russia wants to charge. Consequently, China needs Russian gas less than Russia needs to sell it to China, and the expansion of the number of projects where China collaborates with Russia is moving forward largely on Beijing’s initiative. Chinese analysts also apparently believe that Russia’s dependence on China as a gateway to the Asia-Pacific can mitigate Chinese apprehensions about Russia reemerging as a future threat.65

Thus, Russia has needed to solicit China’s intervention in its economy and welcome Chinese economic power in ways that have forced it to reverse long-standing Russian policies in the RFE. Russia’s Bank for Development and Foreign Economic Affairs, Vneshekonombank (VEB), had to borrow money from China. And as China has become a major stockholder in Lukoil, it indirectly has leverage over that firm along with the bank. Next, after having excluded foreign

63 This is true for more than just the well-known loans of $25 billion to Transneft and Rosneft on condition that Russia would build an oil pipeline from Siberia to Skovorodino near the Chinese border, from where a Chinese pipeline could transport the oil to the terminal in Daqing.
65 Christoffersen, “Russia’s Breakthrough,” 77.
firms from bidding on the huge Udokan copper mine in Southeast Siberia, Moscow had to welcome Chinese, South Korean, and Kazakh miners and refiners back into the bidding process, as well as foreign investors such as Total and Shell (two and a half years after forcing Shell to sell its share of Sakhalin-2). All these moves signify a complete reversal of past Russian policy for energy and mineral investment, dating back to 2003. Similarly, Bloomberg News reported that Russian companies may invest in oil exploration and natural gas distribution in China (for which they lack the capital at present), but that Chinese firms with huge amounts of investment capital may also invest in developing oil and gas fields, along with liquefaction plants, in Russia. This was also a point in China’s behalf in the virtually simultaneous loans-for-oil deal that it made with Russia in 2009.

Russia-China Collaboration on Energy Projects in the RFE

China’s earlier anxieties about the partnership with Russia and its sense of looming possibilities in the RFE had led it in 2008 to devise a four-point proposal that included intensified regional cooperation in the RFE-Heilongjiang zone. Thus Beijing was both ready to act once Russia accepted these proposals and clearly gratified by Medvedev’s support for the plan. Consequently, the real payoff—to both sides but primarily to China—lies in the energy deals completed after May 2009. At a June 2009 summit with China, Medvedev stressed both sides’ acceptance of the need for a qualitative breakthrough and the readiness of Chinese firms to make sizable investments in energy facilities, timber processing, and transport infrastructure in the RFE. Medvedev also claimed that he had clinched energy deals with China totaling $100 billion by a “special mechanism.” This mechanism included the loans-for-oil deal mentioned above. The conclusion of that deal supposedly allows Russia to claim a win-win outcome because the country has now fulfilled its long-standing goal to enter a market in Asia. Upon closer examination, however, the deal appears distinctly less favorable to Moscow than it is to China.

The loan benefits China far more than Russia by committing Russia to providing a long-term supply that cannot be interrupted if things go bad in the Middle East, Indian Ocean, or Central Asia. China’s cash is also important in supporting the ruble’s value. As John Helmer reported, this deal, though it provides an impetus for massive development of Eastern Siberia, also gives China access to East Siberian oil and gas fields that it never had before. Indeed, China could possibly get majority equity in the pipeline or ESPO. China will also be able to exercise much greater influence on Russia’s economy than before.

According to Victor Mishnyakov, oil analyst at Uralsib Bank in Moscow, “We think that the development should offer support for the ruble and underlines our expectations that the devaluation of the ruble is over if crude prices remain at their current level throughout the year”….China’s undertaking means that new Russian oilfields, such as Rosneft’s Vankor field in central Siberia, will move oil eastwards to Asian markets, rather than westwards to Europe. This geostrategic shift of Russian energy flow has been a Chinese objective for years.

---

68 Ibid.
While Transneft will use the money to build the pipeline to Skovorodino and then the second stage to Kozmino Bay by 2013, Rosneft will use at least $9 billion to cover its refinancing debts due in 2009. However, it remains to be seen whether or when the pipeline to Kozmino Bay will be completed, given that Japanese subsidies are not likely and that Russia has essentially mortgaged its current policy and pipeline to one customer. As energy experts well know, when a country builds a pipeline to one customer, that customer owns it.

The large-scale opportunities now open to China in the Russian energy and mining sectors from which it was previously excluded show who has won in the RFE and what the likely geostrategic and geostrategic repercussions of this loan will be, even if Russia obtains access to the Far East. Indeed, according to STRATFOR, the real price China expects to pay for oil is $11.40 per barrel rather than the formally agreed upon price (the price of Brent crude oil entering Kozmino Bay on the Pacific), which evidently takes into account repayment of the loan. This price is astonishingly low. As STRATFOR observes, “The Russians have essentially locked in the fate of their Far East Strategy to the whims of Chinese energy policy, and this is a compromise that could reveal how financially desperate Russia is.”

In addition to the loans-for-oil deal, other agreements were consummated at a June 2009 Sino-Russian summit in Moscow, some of which were listed above. Specifically, both sides also signed memoranda of understanding (MOU) on gas and coal cooperation, trade promotion, an investment cooperation blueprint, a framework agreement on a $700 million loan from China’s Export-Import Bank to Russia’s VEB, and gold mining.

Furthermore, Lukoil and Sinopec signed a contract on June 17, 2009, to supply 3 million tons of crude oil from the South Hylchuyu deposit in Nemets Autonomous Region in Russia between July 1, 2009–June 30, 2010. Since then the Liaoning Xiyang group announced that it will invest in developing a 1 billion ton iron ore deposit in Moscow at the Berezov deposit, twenty kilometers (km) north of the Inner Mongolian border town of Shiwei. Therefore, if, as key members of the elite such as Patrushev believe, Siberia becomes one of the main platforms for Russia’s future development, Russia can no longer (if it ever could) develop the region exclusively or even mainly under its own auspice. Moscow’s invitation to China to gain equity in Russian energy assets represents the first major breach of Russia’s closed door policy. This breach will no doubt be followed by others, given all the evidence of the country’s incapacity to build up this region. Once China becomes a major investor with a large stake in the region, its political influence is sure to follow.

Since then, China has followed up the process of interregional “integration” with alacrity. While China has shown considerable initiative in pursuing integration, there is little sign of any countervailing Russian initiative. China wants to raise its investment in Russia’s economy by 600% from $2 billion to $12 billion. Similarly, it invited Russia to set up a support fund for joint projects. Moscow notably emphasized energy exports to China, whereas Beijing stressed infrastructure and transport projects. This appears to be the general trend of the relationship. Prime Minister Putin’s visit to China in October 2009 reflected a similar emphasis on energy projects. Although no new projects were agreed to, other agreements were reached:

---

71 Helmer, “China Loan Turns Russian Oil East.”
74 “China to Raise Investment to Russia: Russian Ministry,” Xinhua, in English, June 1, 2010, reprinted by FBIS-SOV, June 1, 2010.
In October 2009 the two countries signed a programme of cooperation in 2009–2018 for a total amount of $3.5 Bln. The programme includes 250 key joint projects located in the border regions, covering primarily energy and other natural resources on the Russian side.\(^75\)

Beyond that, both sides signed a framework agreement on the sale of Russian natural gas to China from Gazprom to CNPC. Despite much publicity and reports of plans for mammoth Russo-Chinese oil and gas deals, the deal is not nearly as overwhelming as what was described. Although some commentators predict that this deal, if consummated quickly, could provide up to 68 billion cubic meters (bcm) of gas annually to China, equaling 85% of country’s current annual gas consumption, caution is warranted.\(^76\)

The current plan is a more detailed variant of the agreement concluded in February 2006 and provides for gas to be supplied from fields in West Siberia (around 30 bcm a year) and in East Siberia and the RFE (around 38 bcm). Although, according to Gazprom, supplies could begin flowing by 2014–15, this seems unlikely given that the parties have not yet agreed on price, which is the main issue. Moscow is eager to have the contract signed, but Beijing is demanding a much lower price than the European prices Moscow wants. Though Beijing wishes to import gas from Russia, such imports will not be essential for several years because it has secured gas supplies from Central Asia and other sources such as Australia, thus strengthening China’s bargaining position. China also is mainly interested in importing gas supplies from Sakhalin and East Siberia to eastern China and only to a lesser degree in importing gas supplies from West Siberia to western China (which is the destination for gas from Central Asia). Gazprom, however, is prepared to launch supplies from West Siberia first. Moreover, arrangements are in place under which gas from Sakhalin-2 will be purchased for over twenty years by Japanese and Korean companies, making any potential deliveries to China require the costly development of new fields.

This deal is motivated by several factors. First, the fact that it was signed even before a pricing mechanism was agreed on indicates that Moscow is using the deal to convince Europe that there are alternative markets for Russian gas supplies and thereby frighten Western governments into yielding to Moscow’s plans for the South Stream and North Stream pipelines.\(^77\) Second, by pushing for access to Sakhalin-2, China is trying to undermine Japan’s and, to a lesser degree, South Korea’s deals with Russia to secure a stable energy supply. Thus, Beijing is interested in tying Russia firmly to China as a sole recipient of eastern Siberian and Sakhalin gas. Third, this deal not only opens up the East Siberian gas fields to exploration, but because Gazprom cannot make the necessary investments, the agreement has opened up the fields to Chinese investment for the first time. Shortly before Putin’s visit, a previously unknown Russian-Chinese energy investment company that is controlled by the Hong Kong–based RusEnergy Investment Group acquired 51% of the shares in Suntarnneftgaz, which holds a license for the East Siberian fields of Yuzhno-Berezovskoye and Cherendelskoye containing up to 60 bcm in reserves. Nevertheless, Beijing is not making concessions as it did on price in the loans for oil. Instead, China fully intends to ensconce itself in the role of Russia’s sole or primary customer in East Asia by gaining ever more equity in Russian energy firms.

---


\(^{77}\) Kononczuk, “Putin’s Visit to China.”
Neither was this the only energy deal signed in October 2009. China has agreed to construct
two nuclear reactors at its Tianwan power plant in Jiangsu with Russian help and to buy electricity
from the RFE. It will also import Russian coal. These deals alone total $3.5 billion. Lastly, in the
energy and infrastructure field, China’s development bank (China Investment Corporation, or
CIC) is lending Russia’s VEB $500 million for joint projects in Siberian transport, infrastructure,
construction, and mineral extraction. CIC has also begun a joint venture with the independent
Russian oil producer Nobel Oil worth $666 million.78

Thus, Russia’s efforts to export energy in large quantities to Northeast Asia are truly underway.
Yet China appears to be the primary beneficiary of recent agreements. The gas deal is the most
important of the recent negotiations, with implications far beyond a mere pipeline construction
plan. Once again, Russia appears to be pushing for the rapid conclusion of these deals, whereas
China can afford to take its time, and Moscow’s sense of urgency gives China an advantage.
Chinese media have recently reported that in its loans for deals on oil and gas, the global economic
crisis of 2007–09 impelled Russia to break the logjam its earlier ambivalence about selling China
energy had created. Consequently, the loans-for-oil deal and subsequent agreements such as
China’s acquisition of a controlling share in Suntarneftgaz represent an “unprecedented new model
for Sino-Russian energy cooperation that will lay the foundation for even closer Sino-Russian
cooperation in the energy field.”79

By March 2010, Beijing had successfully signed deals worth $15 billion and was promising more
interregional cooperation, stressing China’s priority in the bilateral relationship, and emphasizing
its intention to move from trade deals to investment deals, (i.e., by investing in the RFE). In June,
Russia finally approved eight more projects in Eastern Siberia and Sakhalin.80 Although China
wants these bilateral projects to proceed because they strengthen the Russo-Chinese relationship
and should be profitable for China, this cooperation has a clear geopolitical edge to it. During his
tour of Russia in March 2010, Vice President Xi Jinping stated:

> China stands ready to step up mutual support on issues concerning both sides’ core and strategic interests,
> exploit complementary advantages, jointly promote a multipolar world and the democratization of
> international relations, and elevate bilateral ties to a new stage.81

There can be no doubting China's hunger for Russian resources, but at the same time this form of
exchange confirms Russia’s subordinate economic role in the relationship.

**Russia-China Collaboration on Other Development Projects**

Chinese companies are also buying up vast swathes of agricultural land in the RFE (850,000
acres as of mid-2010) that the shrinking population there has abandoned and encouraging
Chinese migrants to work there on a seasonal basis. Moreover, Beijing is driving hard bargains
regarding the terms of trade between the RFE and China. As Andrew Kramer of the *New York
Times* reported,

78 See Gleb Bryanski and Darya Korsunskaya, “Putin China Visit to Bring $5.5 Billion in Deals,” Reuters, October 9, 2009; and Eric Ng, “CIC in US$666 m Russia Venture with Nobel Oil,” *South China Morning Post*, October 16, 2009.
The Chinese are pressing for discounts from world prices because of the remoteness of the border region. They argue that the Russian commodities should be cheap because of their abundance—and because without China as a near and ready buyer, the vast reserve in eastern Siberia would be far less valuable. The Russians, on the other hand, argue that without their commodities, buyers in northeast China would have to pay much higher prices to suppliers from farther away.  

Similarly, China appears to be pursuing competitive unilateral interests—for example, through plans for a trans-Asian railway. For a long time Moscow has championed the idea of a Trans-Siberian railway link to a projected Trans-Korean railway (TSR-TKR) as a vital aspect of policy toward both Korean states. This railway, if it were built, would have important consequences for the development of Asiatic Russia, especially Primorskii Krai (the easternmost province of the RFE). The TSR-TKR also reflects the rivalry among the four major powers of Northeast Asia for influence over developments in Korea, where each has vital interests. Putin stated in 2002 that if Russia did not build a railway linking the two Koreas and thus Asia to Europe, “our beloved neighbor, China,” would do so—a sarcastic and telling reference to the oft-cited competition between these two states for influence in Pyongyang and Seoul.  

Russia is also floating a grand plan for overland freight service along the Trans-Siberian railway from China to Europe, which would be made possible by the completion of the Eastern Siberia-Pacific Ocean oil pipeline freeing additional railway capacity. However, China currently has no plans to work with Russia on a high-speed railway in the RFE. At the same time, China has launched a global offensive to build low-cost high-speed railways, including to Russia, in an effort to undercut Japanese and potential Russian competitors. Officials are not shy about saying that the completion of these projects will “heighten China’s political influence in the importing countries.” Railroad investments will not only increase the size of the market for Chinese products but also improve the image of Chinese brands. Such projects help underscore why officials such as Xi Jinping maintain that Russia is a vital market for China’s “going global” business strategy. Perhaps this understanding of the potential consequences of the present trend explains why a recent article in the Russian Ministry of Foreign Affairs’ journal *International Affairs* stated that the economic development of other Asia-Pacific countries threatens Russia by promoting unbridled geopolitical competition for influence.  

**Conclusion**

The foregoing analysis shows just how strong and coordinated the Chinese economic offensive is and how poorly Russia has adapted to the challenges of developing the RFE. Though China’s rise is unconnected to trends in Russian governance, the poor performance of the Russian

---


government and economy, especially in the RFE, are deeply connected to it. Indeed, the nature of the Russian state and its ensuing policies are the fundamental cause of this looming geoeconomic, if not geopolitical, disaster for the country. It may, in fact, be impossible to reclaim the RFE for modernization under any regime due to its geographical characteristics. But Moscow’s policies have engendered a situation where the region’s natural resources are regarded as the trump card for future development and where such development is seen by many as a civilizational mission, especially if Russia wants to play a meaningful role in Asia. To the extent that the RFE continues to decline and policy continues to fail, the realization of such a role becomes increasingly unlikely. Other spectators, however, will well understand that in the RFE, as elsewhere, nature abhors a vacuum. And they will step in to fill it.

88 Hill and Gaddy, The Siberian Curse.
NBR Board of Directors

John V. Rindlaub
(Chairman)
Chief Executive Officer
Pacific Northwest Region
Wells Fargo

George F. Russell Jr.
(Chairman Emeritus)
Chairman Emeritus
Russell Investments

David K.Y. Tang
(Treasurer)
Partner
K&L Gates LLP

Karan Bhatia
Vice President & Senior Counsel
International Law & Policy
General Electric

Stephen E. Biegun
Vice President
International Corporate Affairs
Ford Motor Company

James R. Blackwell
President
Asia Pacific Exploration and Production
Chevron Corporation

Dennis Blair
Director of National Intelligence
Office of the Director of National Intelligence (Ret.)

Charles W. Brady
Chairman Emeritus
INVECSO PLC

William M. Castell
Chairman
WelCome Trust

Maria Livanos Cattau
Secretary General (Ret.)
International Chamber of Commerce

William M. Colton
Vice President
Corporate Strategic Planning
Exxon Mobil Corporation

Richard J. Ellings
President
NBR

R. Michael Gadbach
Distinguished Visiting Fellow
Institute of International Economic Law,
Georgetown University Law Center

Matthew Hayes
Vice President and CFO
Museum of Flight

Shephard W. Hill
President
Boeing International
The Boeing Company

NBR Board of Advisors

Michael Armacost
Stanford University

Nicholas Eberstadt
American Enterprise Institute

Donald Emmerson
Stanford University

Thomas B. Fargo
NBR

Aaron Friedberg
Princeton University

Robert Gilpin
Princeton University

Lee Hamilton
The Woodrow Wilson International Center for Scholars (Ret.)

Stephen Hanson
University of Washington

Harry Harding
University of Virginia

Donald Hellmann
University of Washington

Robert J. Herbold
The Herbold Group, LLC

Carla A. Hills
Hills & Company

David Lampton
Johns Hopkins University

Nicholas Lardy
Peterson Institute for International Economics

Richard Lawless
Richard Lawless and Associates

Chae-Jin Lee
Claremont McKenna College

Kenneth Lieberthal
University of Michigan

Jack Matlock, Jr.
Princeton University

William McCahill, Jr.
J.L. McGregor and Company

Rajan Menon
Lehigh University

Mary Minnick
Lion Capital

Leo Hindery Jr.
Managing Partner
InterMedia Partners

Clark S. Kimlin
President and Chief Executive Officer
Corning Cable Systems
Corning Incorporated

Pamela S. Passman
Corporate Vice President
Global Corporate Affairs
Microsoft Corporation

Kenneth B. Pyle
Founding President
NBR
Professor
University of Washington

John M. Shalikashvili
Chairman
Joint Chiefs of Staff (Ret.)

Arnold F. Wellman
Corporate Vice President
Public Affairs
UPS

Honorary Directors
Lawrence W. Clarkison
Herbert J. Ellison
Thomas E. Fisher
Joachim Kempen

Sam Nunn
Nuclear Threat Initiative

William A. Owens
AEA Holdings Asia

Stanley Palmer
Marvin & Palmer Associates, Inc.

Dwight Perkins
Harvard University

Thomas Pickering
The Boeing Company (Ret.)

Stanley Roth
The Boeing Company

Robert Scalapino
University of California, Berkeley

Mark Schulz
Ford Motor Company (Ret.)

Sheldon Simon
Arizona State University

Ashley Tellis
Carnegie Endowment for International Peace

John White
Harvard University