Russia in APEC 2011-2013

The Turn Towards Asia Pacific

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Executive Summary

In light of the rising might of China, as well as greater global competition, the Asia-Pacific region (APR) is playing an increasingly important role in world politics and the global economy; at the same time, the U.S. is also showing more interest in the region, which serves as a focal point for the colliding interests of a growing number of players.

Russia announced a move towards integration into the APR economy as a key priority of its foreign policy several years ago. This decision was the logical consequence of the region's growing importance in world politics and the global economy; increased global competition for influence in Asia; and Russia’s need to develop its national economy, especially in Siberia and the Far East. Asia-Pacific countries collectively represent more than half of the world's GDP, 44% of world trade and 40% of world population. The region also accounts for 23% of total Russian trade, and Russia’s primary trading partner in the region, China, is the region’s largest economy.

A key aspect of Russia’s Asian policy was its active participation in the Asia-Pacific Economic Cooperation forum (APEC), which Russia chaired in 2012. During that time, representatives of the Russian government and business community formulated reasonable and specific proposals which were well received by partner economies. Proposals made by the Russian delegation in the areas of regional integration, transport and logistics, food security, and innovative development, met the interests of both Russia and the other members of the forum. According to international consultants, the overall economic impact of technology transfer, harmonization of customs rules and procedures, implementation of automatic identification technologies in transport, and implementation of innovative solutions in the field of food distribution could approach a trillion dollars by 2020, with Russia as the primary beneficiary. This is due to Russia’s opportunity to increasing its exports of grain and other agricultural products to countries where a large percentage of the population is undernourished and to an increase of cargo transit through Russian territory, as well as foreign investment in infrastructure.

As a result of Russia’s successful chairmanship, the region’s economies were favorably impressed, acknowledging that Russia can indeed play a key role in the Asia-Pacific region. In addition, Russian agency representatives learned to achieve results within APEC institutions, and business representatives who made up the membership of the APEC Business Advisory Council
(ABAC) proved their leadership abilities, proposing effective practical initiatives. Among these initiatives are the harmonization of customs rules and procedures, the development of international infrastructure development cooperation in a PPP format, the creation of the Policy Partnership for Food Security and the adoption of comprehensive measures to stimulate the distribution of new technologies. In large part thanks to the efforts of ABAC working groups, Russia learned to better conceive initiatives and accumulated both expertise and work experience within the APEC framework.

However, Russia failed to capitalize on the successes of 2012 in 2013, when its chairmanship initiatives should have been realized. Government agencies have sharply reduced the level of their involvement in the work of APEC, and business representatives completely disregarded the meetings and content of the Business Advisory Council. One reason for this outcome was an immediate reversal of policy priorities at the end of the summit. All key agency representatives who oversaw APEC work were redirected to new priority projects, the expert community was effectively disbanded, and there were changes to the Russian business representatives to APEC. As a result, a long-term positive impact on the Russian economy should not be expected. Moreover, representatives from the region’s key economies were disappointed with Russia’s failure to follow through, which caused considerable damage to its hard-earned “soft power.” From the point of view of regional and global policy, for China this means that Russia is unlikely to become a full-fledged partner in its competition with Washington over influence in Asia. For the United States, it means that Russia is unable to significantly affect U.S. leadership in the region.
Introduction

International relations researchers and practitioners from all over the world point out the simultaneous growth in importance of the APR for global politics and economy and the growth of competition among leading powers in the region. The rise of China challenges U.S. influence in the region, and various U.S. foreign policy initiatives in recent years have been aimed at preserving its leadership in Asia. Russia’s role in the region thus becomes an important factor. Even though Moscow’s capabilities in Asia are far from those of Washington and Beijing, Russian politicians and researchers claim that Russia also tries to engage in great-power politics in the region.¹

Russia’s leaders, starting with Boris Yeltsin, and top foreign affairs specialists often mention the importance of Russia’s Asia or Pacific Strategy, which consists of expanded cooperation with countries of the Asia-Pacific region (APR), or even a complete turn from Europe to Asia. Putin's frustration with the United States, manifested particularly during his second term, has led to strengthened relations with APR countries: first, renewed attempts to build relations with China on the basis of equal partnership; then, a move toward normalizing relations with Japan; and finally, efforts to enhance the role of the Russian Federation on the Korean peninsula. An important factor in Russia’s “turn to Asia” was the need to diversify markets for Russian energy resources in order to reduce dependence on the delivery of strategic oil and gas supplies to and through Europe. In addition, the worsening demographic situation in the Far East and Eastern Siberia, along with rising demographic pressure from China, demanded that the Russian leadership take active measures for the socio-economic development of the region, which would have been impossible without attracting investment and improving trade relations with APR countries. In the Concept of the Foreign Policy of the Russian Federation, published in February 2013, the increased focus on the APR is based on the fact that "global power and development potential is now more dispersed and is shifting to the East, primarily to the Asia-Pacific region," also noting that Russia is interested in "participating actively in APR integration processes, using the possibilities offered by the APR to implement programs meant to boost the Siberian and Far Eastern economy, creating a transparent and equitable security architecture in the APR and cooperation on a collective basis.”²
This report seeks to analyze the Russian turn towards Asia, based specifically on Russia’s participation in APEC in the period from 2011 to 2013. Are Asia and the Asia-Pacific region really important to the Russian leadership? How and to what extent has the framework of APEC been utilized for the promotion of Russian interests in the region? This report is based on confidential expert interviews with representatives of government agencies involved in the organization of Russia’s 2012 APEC chairmanship, employees of corporations whose leaders co-chaired the APEC Business Advisory Council, as well as representatives of the academic community. Given that Russian expertise in APEC is a fairly recent phenomenon, the number of experts in this area is limited; therefore, the interviews were conducted on the basis of strict confidentiality.

Active participation in APEC has become a clear indicator of the renewal of Russian policy toward Asia. In 2012, Russia chaired the Asia-Pacific Economic Cooperation (APEC) forum, which Russia joined in 1998. APEC unites 21 member economiesiii of the Asia-Pacific region and focuses on issues of liberalization of international trade and investment, minimization of transaction costs of doing business in the region, as well as regional economic and technological cooperation. Throughout the year, representatives of APEC economies hold meetings on various topics, principally in the cities of the chairing country. The agenda and major initiatives are formed at these meetings and are then discussed and adopted by the leaders of the economies participating in the forum. An important element of the APEC forum is its Business Advisory Council (ABAC), to which each country appoints several influential business leaders, which allows them to present their opinions and suggestions to the political leaders of these states. Leading Russian politicians and businesspeople showed a high level of involvement in the production of these initiatives and the promotion of their agendas, which differed strikingly from Russia’s previous more formal participation in the forum.

The significance of the Asia-Pacific region for the Russian Federation cannot be overestimated: from the geopolitical, the socioeconomic and the ecological viewpoint, cooperation with countries of the APR, and in particular with APEC member countries is of vital importance for Russia, representing a variety of opportunities for economic development and greater influence in the international arena. The APEC countries together represent more than half of the world’s GDP, 40% of world population at (2.7 billion people) and account for 44% of global trade.iv
However, trade with APEC countries accounts for only 23% of total Russian trade, and energy remains the primary Russian export. In the opinion of key Russian officials, no more than a quarter of Russia’s potential trade with APEC countries is taking place, despite active trade turnover growth. For instance, China surpassed Germany as Russia's main trading partner in 2010, and trade with both Japan and South Korea is increasing rapidly.

The APR represents not only a high-potential market for Russian goods and services, but also a source of capital and technology necessary for the developing Russia’s high-tech sector and infrastructure. Due to poor infrastructure and management, mainly related to the quality of rail transit infrastructure and customs processes, Russia’s transit potential vis a vis the APR is utilized at a minimum. Realizing the full economic potential of the Russian Federation in the APR requires the promotion of significant multilateral initiatives in the areas of trade and investment liberalization, which in turn require concessions from many players within the region. The APEC arena, as demonstrated in 2012, is highly effective in the promotion of these initiatives.

From a geopolitical viewpoint, Russian leaders have repeatedly noted the importance of the development of the Russian Far East and the integration of that region of the country into mainstream Russian economic processes, not only in terms of development of the mineral resources base, but also as requiring improvement of the region’s infrastructure, ease of access to the region for both passenger and goods transport, the development of the education sector and an overall improvement in quality of life for the local population. Ensuring the integrity of the country in the Far East under both demographic and economic pressures from Russia’s partners in the region does not seem possible without the development of effective multilateral ties, based on mutually shared interests. The multilateral format of APEC specifically, as well as that of other regional forums, allows for the leveling of economic and/or political inequalities within the region.

The socio-cultural ties of Russia within the region also suggest the possibility of dialogue on the potential for regional integration and a huge potential for growth. Students from the APR are second only to students from CIS countries in their representation on campuses of Russian institutions of higher education. China shares first place with Kazakhstan in the number of on-campus students studying in Russia. Malaysia and Vietnam also account for a large number of
students. Active investment in Russian higher education institutions in the Far East, including Far Eastern Federal University, is an important tool for the long-term increase of Russian influence in the region.

Finally, an equally important opportunity for Russia to increase its influence in the region and globally is the theme of “future generations” and its component issues of sustainable development, new energy, resource conservation, and food security. Possessing vast territory in the Far East and Eastern Siberia, with the largest usable water supply in the world, which may be used both for renewable energy development and stable agribusiness, Russia, specifically within the framework of APEC, can become a leader in the area of sustainable development, which will attract investment and create new jobs in the region.
Part I: The Evolution of Russian Policy in the Asia-Pacific Region

Russia has been a member of APEC since 1998. Starting in 1999, the President of the Russian Federation has regularly participated in the annual APEC summits. Policy in this area is based on the official *Concept of Russia’s Participation in the APEC forum*, approved by the President of the Russian Federation in November 2000._vi Representatives of Russian government agencies have been involved in sectoral Ministerial Meetings (on trade, investment, finance, energy, small and medium enterprises, transport, science and technology, fishing, agriculture, etc.) as well as in meetings of specialized bodies of APEC.

Russia gradually increased its level of involvement in APEC and, eventually, began to hold forum events within its territory. Russia was the site of several working group meetings, in particular, on transport (Vladivostok, 2005), on energy efficiency and energy conservation (Moscow, 2005), on energy (Yuzhno-Sakhalinsk, 2006), on industrial science and technology (Vladivostok, 2007), as well as hosting the seminar *Establishing Multilateral Cooperation in Fighting Wild Fires in the Asia-Pacific region* (Khabarovsk, 2010), the symposium *Using Marine Energy Resources of APEC Economies’ Coastal Zones as a Sustainable Source of Green Electric Power in Asia-Pacific* (Vladivostok, 2010), the conference *Transport Control and Monitoring on the Basis of Satellite Navigation Systems in the APEC Region* (Vladivostok, 2011).vii

At the same time, Russia gradually increased the amount of its own initiatives promoted within the APEC framework. For example, at the end of the APEC summit in Korea, Russia initiated the Dialogue on Non-Ferrous Metals.viii Russia also took an active role in establishing the Working Group on Mining, which is still active, as an outcome of the Chilean summit.ix However, overall, Russia held mainly an observer position, showing its presence in the regional association without claiming an active leadership role.

Russia systematically took a position preventing the reform of APEC into a more organized association. In part, Russia was among the countries which disagreed with the conclusions of the Chilean report (based on outcomes of the Bangkok summit), which proposed clarification of the forum’s agenda, clear implementation of decisions made at the summits, strengthening of the social component in APEC, and improvement of coordination among agencies in order to make APEC a more effective mechanism. Russia also advocated for the preservation of the
fundamental principles of the forum (including consensus and voluntary participation), and only its partial reform.

In trying to identify a political pattern, it seems that Russia, for the most part, supported the least concrete and specific APEC initiatives, those which did not require much effort or the implementation of strictly defined obligations. For instance, in conjunction with the United States, Russia supported the Indonesian initiative on the development of inter-cultural and inter-religious dialogue in order to promote economic development in the region, although even the Minister of Foreign Affairs of Indonesia, the author of the initiative, was unable to outline a direct link between these two phenomena. In this case, Russia refused, to the extent possible, to undertake a voluntary assessment of progress towards the achievement of the Bogor Goals, which was partially due to its limited progress in this direction.

Overall, for a long period of time, Russian initiatives in APEC were not always systematic. They were formulated at the request of the Ministry of Foreign Affairs by various state agencies at different times and lacked systematic continuity from year to year. This was partly due to the lack of a comprehensive strategy on the development of cooperation between Russia and the economies of the Asia-Pacific region. Accordingly, Russia rarely took a proactive stance, speaking more as an "included observer," and only the initiative of individual departments enhanced the work of Russian diplomats in APEC.

A certain haphazardness and lack of common vision with other members of the organization obstructed the promotion of specifically Russian initiatives. One example was Russia's 2006 proposal to “upgrade the counter-terrorism protection of critical energy infrastructure and to establish a relevant APEC Rapid Response Points of Contact Network,” which was noted but not adopted.

The decision to host the APEC summit (and take on the role of Chairman) had been formulated by Russia and approved by the other member economies in 2007, during the summit in Sydney. It was a logical continuation of the gradual increase in Russian participation in the forum. However, the decision was partly provocative, because the President of Russia proposed to hold the summit in Vladivostok, a Russian city on the Pacific coast, which, at the time, was almost devoid of the necessary infrastructure. Thus, the decision to hold the summit in Russia was a
kind of conscious challenge designed to show that Russia is a key player in the region with the necessary resources for this purpose.
Part II: Leadership in APEC

Chairmanship Goals

Although Russia had been participating in the work of the forum since 1998, for a long time it had been inactive in this area, as seen from the above overview. Therefore, the bid for the chairmanship of APEC, which was approved in 2007, as well as the chairmanship itself became, first of all, a test of how well Russia could fit into this role. For the Russian government, the main purpose of the "Russian Year" in APEC was to maintain the activity of the forum at a respectable level following all appropriate traditions and practices of the forum. At the same time, there were also several other considerations:

- It was necessary to show the other member countries that Russia is not only a European, but also an Asia-Pacific power.
- The chairmanship was intended to demonstrate that Russia can negotiate on an equal footing with other major regional powers, not only on political issues, but also on the theme of economic development, which is at the core of APEC.
- On a more practical note, Russia hoped to gain momentum for the development and modernization of Siberia and the Far East of the country due to the inflow of investment and technology from its forum partners.

Organization in the Course of the Chairmanship

In view of the above objectives and main areas of socio-economic development for the country, Russia proposed the following priorities for the forum in 2012:

- Trade and investment liberalization and regional economic integration
- Strengthening food security
- Establishing reliable supply chains
- Intensive cooperation to foster innovative growth

These priorities were a logical continuation of APEC themes from previous years (transport during the Singapore chairmanship, food security during the Japanese and U.S. chairmanships). Trade and investment liberalization and regional economic integration is the leitmotif of virtually
all the long-term work of the APEC forum, and innovative growth reflected the priorities of
national economic development, declared by the Russian President.\textsuperscript{xiii}

In pursuit of these priorities, over a hundred different specific initiatives were put forward, half
of which received the approval of Russia’s APEC partners.

Overall, the Russian chairmanship successfully complemented the more conceptual Japanese
chairmanship and the sometimes overly assertive American chairmanship. Like many other
economies, Russia had begun to prepare the ground for its priorities before the start of its
chairmanship, and during the chairmanship year had formed its tasks, taking into account its
national interests, without pushing them extensively, making its chairmanship demonstratively
consensus-focused. As a result, the chairmanship was not marked by demonstrative divisions (as,
for instance, the participation or non-participation of APEC member economies in the Trans-
Pacific Partnership, which became a focal point of the summit in Honolulu). Instead, it was a
successful demonstration of Russia’s soft power – the ability to achieve desired objectives by
formulating attractive proposals.

In many ways, this result was possible because the work of the chairmanship actually began prior
to Russia’s formal leadership in APEC. The overall organization and operation of the
chairmanship, as well as the summit itself, was entrusted to the Deputy Prime Minister of Russia,
Igor Shuvalov. On the one hand, this was due to his extensive experience leading in a
multilateral format (Shuvalov was the “sherpa” when Russia, for the first time in its history, took
on the presidency of the Group of Eight in 2006), and, on the other hand, to his respected status
within the government. Virtually all federal agencies, from the Ministries of Economic
Development and Foreign Affairs to the Ministry for Civil Defense, Emergencies and
Elimination of Consequences of Natural Disasters (EMERCOM), appointed high-level
representatives to create multilateral proposals in conjunction with experts in their fields. These
representatives were also tasked with the organization of thematic meetings of ministers, and all
reported directly to Shuvalov. The APEC National Business Center (NBC), formed by APEC
Business Advisory Council members in 2011, was also crucial in building up expertise and
developing initiatives. Broader business and expert communities were attracted to work with
NBC, which became the link between business and government in preparation for APEC.
A key link within this framework was the newly-formed Russian APEC Study Center, which brought together experts in the field of international relations, economics, and the various aspects of the industries discussed in APEC. In the course of the year, a series of meetings on issues relevant to each participating agency were held in Moscow, Kazan, St. Petersburg and Vladivostok.

**Trade Liberalization and Regional Integration**

The adoption of the issue of a “Transparency Mechanism for Regional Free Trade Agreements / Free Trade Agreements” (RTA/FTAs) as an important issue within “next generation” trade and investment can be, in itself, considered a major Russian achievement in the area of trade and investment liberalization and regional integration, and should be seen as a model for future such agreements.\(^{xiv}\)

Work on writing the “best” RTA/FTA within APEC has been an ongoing project, with about 15 model chapters on various topics already composed. The accepted model chapter on transparency corresponds to Russian obligations within the WTO framework, which are more stringent than those characteristic of APEC. The chapter prescribes specific information disclosure requirements, with publication prior to the adoption of agreements, public consultation on accepted contracts, on contract evaluation and revisions, among other things. The fact that Russia, which does not have the same amount of experience in FTA construction as other APEC economies, was nevertheless able to receive approval for this topic is an unquestionable success, which besides clear economic benefits (such as the receipt of further information about concurrent regional trade and liberalization processes) also has a demonstrative effect.

A well-known achievement was the agreement on the list of 54 environmental goods, for which tariffs are to be reduced to no more than 5% by 2015, as well as the commitment to counter "green" protectionism.\(^{xv}\) This theme was key during the American chairmanship of the previous year and was actively discussed during that time. The talks were held in an atmosphere of harsh confrontation between the developed economies, headed by the United States, and the developing economies, headed by China. The former were for the creation of the longest possible list of such goods (including the interest in increasing exports of these products and with a view to further promoting the APEC list of goods within the WTO). The latter insisted on a lack of
time pressure or a stringent quantitative framework for this process. The adoption of the list is an achievement of Russia as chairman, which managed to persuade the parties to reach a compromise, as well as a measure of the ability of APEC to develop practical solutions to relevant problems.

A number of Russian initiatives for the dissemination of best practices for the protection of investment were agreed to as well, in particular on dispute resolution between investors, on the use of investment ombudsmen, etc. Among other things, this demonstrates to APEC partners the improved investment climate within Russia.

**Innovation**

Russia was able to complete successful work on the topic of innovation, where the main message of its chairmanship centered around active cooperation on innovation within APEC and on determining a more practical approach for such cooperation.

The first step towards this goal was the establishment of a dialogue between all the stakeholders in this field from the realms of government, business and science. The Innovative Technological Dialogue (ITD) initiative was aimed at discussing cutting-edge advanced technologies which had not yet reached the commercialization stage. Initially, this idea did not find support from a number of economies (notably the United States and Canada). However, after a pilot event in Kazan on the use of nanotechnology to improve energy efficiency, both the United States and Canada acknowledged the usefulness of the format and agreed to its preservation in the future.

As a result of the ITD, certain recommendations were adopted and set out in an annex to the final declaration of the meeting of APEC Ministers of Foreign Affairs and Trade Ministers.

The Russian proposal to transform the ineffective Working Group on Industrial Science and Technology into the more efficient Policy Partnership on Science, Technology and Innovation (PPSTI) was adopted easily on the premise that innovation is impossible without high-quality education, and the new PPSTI would help to bridge the gap between varying standards of education. Differing standards of education and training and a lack of information sharing between universities in different countries hinder the mobility of students, teachers and researchers, which is inevitable in today's globalized world. In addition, the export of educational services is an increasingly important component of the GDP of many APEC member economies.
Therefore, the adoption of a Russian proposal to form a single educational space in APEC to enable closer ties between universities and research centers in the region was the next logical step. The Russian government, in this regard, hoped to attract more foreign students and to promote its brand of education in the Asia-Pacific region.

Overall, active steps to enhance cooperation in matters of innovative cooperation within APEC can be viewed as the Russian government’s attempt to claim to leadership in this area within the framework of the forum. This is due to the fact that many of the member economies specialize in a specific jurisdiction, developing expertise over their years of leadership within their respective spheres. For instance, Singapore specializes in transport and Japan specializes in structural reform and food security.

**Food Security**

The proposed Russian priority of strengthening food security found a ready response among densely populated APEC countries (the main document adopted on the subject was the Kazan declaration, based on the results of the ministerial meeting held there). With the help of active lobbying efforts by the business community within ABAC, initiatives to liberalize investment in agriculture, the lifting of export restrictions in this area, and the introduction of innovative technologies were all approved, and measures were proposed to reduce post-harvest losses, especially during transport. These initiatives were significant for Russia, especially in terms of increasing its own exports of agricultural goods.

Russia also held the first meeting of the Policy Partnership for Food Security, which was designed to actively connect business to solving problems in this area.

In addition, commitments to combat illegal, unreported and unregulated fishing were adopted. This issue is considered in Russia to be extremely relevant to the Far East of the country, and persuading regional partners (primarily China, Japan and the Republic of Korea) to address it has not been always easy.

**Transport**

In the area of transport, several Russian initiatives have been supported, such as those to diversify regional transport corridors, the creation of "smart" supply chains using modern satellite and computer systems, including GLONASS, and the improvement of their security by
their integration into a system of comprehensive crisis situation control centers within APEC economies, as well as the introduction of multi-modal terminal facilities.

Without question, the main interest of Russia in this priority area is to encourage its partners to actively use the potential of Russian transport, including the Trans-Siberian Railway and the Northern Sea Route. However, this desire comes up against the fact that the Russian performance in this area is weak. Here, in addition to the transport infrastructure it is necessary to take into account issues of customs clearance formalities and compliance with various standards and norms, among others. It was hoped that collaboration within APEC would become a catalyst for the radical improvement of internal transport and logistics infrastructure.

Among other themes which were not included among the priorities of the chairmanship but nevertheless acquired support from partner countries, was the issue of energy security. Positions favorable to Russia had been reached in regard to the increased share of natural gas within the energy balance of forum economies, the development of nuclear energy as one of several alternative energy sources, and in several other areas.

Thus, it could be said that the Russian agenda ended up being much more focused on trade and economy than a number of other chairmanships. Despite the traditionally strong position of Russia on the subject of security, Russia managed to avoid excessive bias in this area, as evidenced by the outcomes of its chairmanship.

**Informal Outcomes**

Besides results from concrete initiatives which were economically significant for Russia, it was also important to show international partners that Russia is able to conduct meaningful work for the common good. From this point of view, the chairmanship turned out to be quite eventful: institutional reform of APEC was approved (the creation of PPNTI, the initial meetings of the ITA, and the Political Partnership for Food Security), the issue of transparency of the FTAs was approved, and the list of environmental goods was created and approved after several years of inconclusive debate. Thus, it could be argued that Russia achieved several highly significant outcomes in terms of repositioning its role within the APEC forum at the 2012 summit.

Several informal goals were also achieved during the Russian chairmanship:
• An increase in public attention within Russia to APEC and to the APR as a whole, which is important for sustaining a more active Russian policy in the region and for an understanding of the processes taking place there.

• For the first time, it was possible to connect a significant part of the state apparatus associated with international cooperation to the APEC process, as well as to achieve a better understanding of the forum and to awaken interest in its work. It was expected that this momentum should ensure the active participation of a wide range of players, including government officials, business and experts in the forum's activities for years to come. This would be, perhaps, the biggest Russian domestic achievement.

• The summit in Vladivostok gave a powerful positive impetus to the infrastructure development of the city and region, which received a new image of the Eastern “gate” to Russia.

• Russia has begun work on integrating into the trade and investment liberalization processes within the region.

**APEC Business Advisory Council**

The Business Advisory Council became a key tool for the development of Russian initiatives. The ABAC is essential to the work of the forum, serving as the link through which APEC interacts with the business community in the region. The main objective of the ABAC is to present recommendations to APEC leaders annually and to advise APEC officials on business sector concerns and priorities, with the end goal of expanding trade and economic cooperation within the Asia-Pacific region. Each APEC economy appoints up to three senior businesspeople, who meet quarterly, attend sectoral Ministerial and Senior Officials’ Meetings and are actively involved in various working groups. Analogous to APEC, decisions within the ABAC are made solely on the basis of consensus, so the status of ABAC Chairman, while imposing certain organizational costs, also gives formal leadership, allowing the chair to shape the agenda and structure of work during the year.

The Russian business community had not actively participated in the practical work of the forum previously; however, on the eve of the chairmanship year its involvement rapidly increased. Thus, Russian businesspeople in 2011 for the first time began to actively participate in the work of the Business Advisory Council and, based on the American example, established the Russian
APEC National Business Center, which was aimed at involving the national business community in interactions with the countries of the Asia-Pacific region and at promoting Russian business interests within APEC. The Russian representatives to the ABAC and largest national companies formed the membership of this non-commercial partnership, and the structure itself became a major government partner in the development of joint initiatives. As a result, Russia formulated and introduced a range of initiatives within the ABAC framework that received the support of all APEC members, in each of the stated Russian priority areas.

In particular, among the internationally endorsed initiatives of the Russian business community was harmonization of customs rules and procedures, including the integration of a "single window" principle and the use of common standards and codes in automatic identification of goods, as well as integrated GLONASS / GPS satellite systems. According to PWC consultants, the potential economic impact of this measure for the region’s economies should reach nearly $700 billion by 2020, and Russia would be the main beneficiary of such growth. Another significant Russian initiative within ABAC was the proposal for the preparation of lists of infrastructure projects open to international cooperation, including in the format of public-private partnerships. The Russian delegation to the ABAC in 2012 developed and agreed with partners in the Council an effective procedure for the formation of the business wing of the Policy Partnership on Food Security (PPFS), with up to three representatives representing each of the food business economies. As a result, PPFS was formed and held its first meeting in May 2012 in Kazan, chaired by a representative of the Russian business community. Given that two-thirds of undernourished people in the world are located in the Asia-Pacific region, Russia has significant prospects in the export of food products (by some estimates, at least $100 billion by 2020 in the Asia-Pacific region alone). PPFS was intended to play a key role in establishing cooperation between Russian companies and foreign public and private consumers. Finally, the Russian delegation managed to defend the initiative on the adoption of agreed environmental approaches and standards in the construction and development of cities in the Asia-Pacific region based on the concept of “living cities,” as well as the implementation of relevant legislative, fiscal and tariff incentives for the business community. In addition, in 2012 the Russian delegation to the ABAC initiated the adoption of comprehensive measures to promote the diffusion of technologies within APEC, including the establishment of an appropriate legal and regulatory framework, the elimination of existing barriers to investment in high-tech enterprises,
the development of standardized terms and user agreements on the transfer of technology, and providing effective protection of intellectual property rights. The main result of this initiative for Russia would be the attraction of modern technologies and the creation of high-growth points in its turbulent developing regions, including the Russian North Caucasus.

The main challenge in the year of the Russian chairmanship was certainly a lack of knowledge about APEC and a dearth of experience participating in its work. The main disadvantages of Russian initiatives, as noted by partner economies, came down on the one hand, to their lack of integration into the APEC process (some overlap with already existing initiatives or had not taken into account ongoing work) and, on the other hand, the initiatives were often too general, without clearly defined mechanisms or indicators for their implementation. The latter issue is linked to the absence within the outcomes of the summit of any figures or indicators that are to be achieved by a certain year. However, thanks to the rigorous joint efforts of the state apparatus and the business community, as Russia gained the necessary experience in APEC, its quality of work within the forum quickly showed significant improvement, and the chairmanship was generally estimated to be highly effective, despite the fact that its total duration was significantly less than the traditional year (from November to September). When taking over the chairmanship, representatives of the Indonesian state and business communities very highly appreciated Russia's work during the previous year and recognized the need to apply best practices from the Russian chairmanship to their own.
Part III: Outcomes of the Chairmanship for Russia in 2013

Based on the outcomes of the APEC summit in Vladivostok in September 2012, many observers expected that the following year would be a triumphant one for Russia, in which it would reap both the positive results of an effective chairmanship and remain an active participant in the integration processes of the Asia-Pacific region. This was evidenced by the APEC experience acquired by the state apparatus and the huge investments made in the economy of Vladivostok; in May 2012 Russia created a ministry specifically responsible for the development of the Far East. The rhetoric of government officials also pointed in that direction, both before and after the summit. In particular, in Putin’s programmatic article on foreign relations an entire portion is dedicated to the growing importance of APR. When addressing the summit audience in Vladivostok, he called regional integration “Russia’s strategic choice.”

Meanwhile, in order to fully analyze the extent to which Russia has strengthened its position in APEC and how the challenge of Asia-Pacific integration plays an important role in the current Russian political and economic process, it is important to analyze the actual results of the chairmanship a year after its completion. The fact that most economies see the real outcomes of their chairmanships in the subsequent year, when decisions made during the chairmanship are realized, speaks to that effect. This is evidenced by a look at the experience of APEC’s previous chairmanships. For instance, in 2009, Singapore focused on the development of supply chains. At the end of a year of challenging and comprehensive work, a plan of action to address bottlenecks in the supply chain was adopted, and this document became the basis of a separate Supply Chain Connectivity Framework, which continues to function to this day. The choice of supply chains as a focal point very clearly reflects the interests of Singapore as one of the regional economies most integrated into supply chain logistics. Comprehensive work on the elimination of bottlenecks in the supply chain, and the development of transport and logistics systems in general, would ultimately bring significant dividends to the Singaporean economy.
Work on APEC issues during the Singaporean chairmanship was conducted in close cooperation with the business community and clearly reflected the interests of Singaporean companies.

In the year of Japan's chairmanship, discussions focused on the review of the Bogor Goals achieved by developed economies. Several developing economies also joined the achievement review on a voluntary basis. In the development of this theme the APEC Leaders’ Growth Strategy, a document covering and systematizing all areas of the forum, had been prepared and adopted by the members, which had not been done previously. The Japanese year saw little work done of immediate practical value. At the same time, the strategic work undertaken on the analysis of the whole complex of the forum identified a long-term growth direction for both APEC and the whole region. Among the various integration tracks within the Asia-Pacific region, it would have been strategically important for Japan, a key player who had been gradually losing some of its influence, to focus on unity within the region, expressed through a fixed intention to establish a Free Trade Zone in the area. This is partly supported by Japan's own position in relation to the various integration associations in the region; it is simultaneously trying to develop the ASEAN+6 format and in 2012 also suddenly announced the possibility of joining the Trans-Pacific Partnership.

In 2011 the United States made the achievement of practical results the key theme of its chairmanship. They widened the scope of their identified priority areas: strengthening regional economic integration and expanding trade, promoting green growth, expanding regulatory cooperation and advancing regulatory convergence. At the same time, the United States offered sufficiently concrete and tangible initiatives in each of these areas. In connection with the proposed specific obligations, the discussions were very challenging on a number of issues, and many member economies were dissatisfied; however, the United States managed to achieve sufficiently satisfactory results. In particular, they promoted trade facilitation of remanufactured products, the introduction of a minimum threshold value for goods not requiring customs duties, and, most importantly, they insisted on a commitment by all APEC economies to reduce tariffs on a range of environmental goods to 5% by 2015. This last obligation de facto carried over into APEC a whole range of issues discussed during the Doha Round of the WTO. This allowed the U.S. to promote its interests related to specific sections of the Doha Round package without ties to other obligations, while in Geneva, developing economies insist on a “package deal.”
American business community has traditionally been very actively involved in the work of APEC, especially in those areas that could bring practical results. Accordingly, the choice of these areas was dictated by the interests of the business community. The results of the U.S. chairmanship were somewhat blurred in terms of achievement of all designated priorities; nevertheless, on certain issues the U.S. was able to achieve admirable practical results. Finally, the transfer of the negotiations on a range of issues from the WTO to APEC could signal strategic change in American policy, due to the ongoing lack of progress in the Doha Round negotiations, with the U.S. trying to translate some questions to other forums, and to develop them within extended free trade agreements.

The main indicator of the long-term impact of the Russian chairmanship in 2012 is continued work on the defined priorities in the coming years. Realizing this, the Russian Ministry of Foreign Affairs and the Office of the President stressed that the main thematic content of the October 2013 APEC summit in Indonesia is a continuation and expansion of the outcomes of the Russian chairmanship. Meanwhile, an in-depth analysis shows that these estimates may be somewhat exaggerated.

The main themes of the 2013 Bali summit center on strong support for the multilateral trading system, including the provision of an open and transparent non-discriminatory environment for trade investment, continued progress towards the Bogor Goals, and strong equitable growth. This will be accomplished through the formation of optimal regulatory and other conditions for business development, primarily for small businesses, as well as for job creation, especially for young people and women.

In trying to find a justification for asserting the continuity of forum issues, representatives of the Russian Foreign Ministry stress that "one of the pillars of sustainable growth is equitable access of all participants in the economic process to material and technological resources. Thus, several dialogue mechanisms established during the Russian chairmanship continue to be quite active: the Policy Partnership on Food Security and the Policy Partnership on Science, Technology and Innovation." It is also expected that an important topic of discussion in Bali will be the issue of energy, especially in light of the availability of safe and environmentally friendly energy. It is notable that for Russia, the theme of energy has traditionally been a significant and relatively "comfortable" one (as it has developed competency and influence in this area), however, it was
deliberately not included in current priorities, taking into account the prospective value of other
topics. Indonesia also supports the strengthening of regional coherence, at the institutional,
physical and intercultural communication levels. Thus, virtually none of the designated Russian
priorities in 2012 will carry over fully into 2013.

It is interesting that Russia itself is not seeking to continue work on previously identified
priorities. Accordingly, during a briefing on the eve of the summit, Valery Sorokin, who served
as a senior official of Russia's APEC team, outlined the following issues of importance: effective
cross-border movement of personnel and equipment for disaster relief, terrorism prevention, the
development of relations between national crisis management centers, counteraction of possible
outbreaks of pandemic diseases, improvement of health systems and cooperation in combating
corruption, illegal trade and other forms of organized crime. Among others, Russia supports the
simplification of border crossing for business, scientific, educational and tourism purposes.
Within this framework, in June 2013 Russia officially joined the APEC Business Travel Card
scheme, which allows a greater number of businesspeople to travel more easily and efficiently
throughout the Asia-Pacific region. xxvii Despite the importance of the above issues, objectively,
they were on the periphery of the 2012 agenda; these new issues do not sustain the 2012
priorities, which were consistent with national development objectives, and toward which most
of Russia’s APEC resources had been previously directed.

Among those initiatives where Indonesia has indeed continued the Russian priorities is the
creation of a long-term infrastructure investment incentive plan. However, the main progress on
this issue is being made de facto without Russian participation, and Russia’s stated willingness to
present its investment projects, especially in transport, seems questionable. At the same time, the
United States has announced plans to create a fund for APEC supply chains in the Asia-Pacific
region, which has, thus far, not been discussed with Russia. xxviii According to a senior official, at
this point, Russia is not planning to discuss its own transportation projects, while it is expected
that the leader of the country will, once again, mention their importance.

A similar situation exists within the Business Advisory Council, where the work on initiatives
formulated and approved by consensus during the Russian chairmanship has actually stopped.
Work on a regional multilateral mechanism for the protection of intellectual property, which was
to become the basis for transfer of modern technologies to developing regions, was also
discontinued. The development of modern approaches to common environmental standards for urban development halted after the presentation of a joint study conducted by the APEC Russian National Business Center and Ernst & Young, with no follow-up in sight. The issue of connectivity of information systems in transport and logistics was on the periphery of proposals of the Business Advisory Council to Transportation Ministers; notably, specific technological solutions relying on Russian GLONASS technology completely disappeared from APEC documents. Finally, in the area of food security, the impact and participation of the Russian business community drastically declined, and virtually no new initiatives were put forward within its established framework.

One of the key reasons for this situation was the actual dismantling of the broad inter-agency team responsible for organizing the work of APEC in 2012. Primarily this was due to the fact that APEC ceased to be a priority for the First Deputy Prime Minister, whom the country's leaders had charged with overseeing the organization of the summit. Teams of key ministries involved in APEC were also disbanded. The reason for this has been the inability of the Russian state apparatus to implement several large-scale projects simultaneously; a change in priorities has meant that the best specialists were diverted to other areas. As such, a key Deputy Minister of Economic Development, who oversaw APEC involvement, was transferred to the Eurasian Economic Committee - a priority integration structure for Russia. Gennady Ovechko, who served for several years as a senior Russia official in APEC, became the number two man at the Russian Embassy in Tokyo. Much of the expert community assembled by Shuvalov to provide analytical support for APEC was shifted in 2013 to supporting Russia's chairmanship in the G20. Finally, the former Minister of Economic Development, Elvira Nabiullina, who was responsible for a significant part of the substantive content of the chairmanship in the forum in 2012, finished her work for APEC in her new role as Assistant to the President of the Russian Federation and in the summer of 2013 assumed the post of Chairman of the Central Bank, distancing herself from work in the area of economic integration in the Asia-Pacific region. Many less senior employees of key ministries and departments directly responsible for the substantive content of the chairmanship received new assignments mainly unrelated to APEC as a result of their successful work within it.
International meetings of APEC during the course of 2013 both along state and business lines were held with virtually no Russian involvement. In some cases, when Russia could not disengage (for example, when APEC activities were held in Russia), the level of participation was deliberately lowered. For example, in 2012 Russia had been the initiator of the *APEC Symposium on Promoting Human Security in APEC: Development of E-health Systems as a Tool for Management in the Health Area of APEC’s Economies*, which was held in August 2013 in Krasnoyarsk. However, the international meeting was opened not by a minister or even a deputy minister but by the Deputy Director of the Department of International Cooperation.xxix Russian representatives to the ABAC did not take part in any board meetings until the date of the 2013 summit. An illustrative episode took place in the last days before the summit: a briefing which in 2012 had been held by the deputy prime minister was in 2013 held by a senior official, a public servant not above the level of a department director in the Ministry of Foreign Affairs. Additionally, the key website of the analytical center formed to support Russia’s chairmanship of APEC has not been updated for over a year, since the 2012 summit in Vladivostok.xxx As a result, the outcomes of APEC’s work in 2013 have almost no hint of Russian involvement during the preceding year, and after just one year the final outcomes of Russia’s active participation in 2012 are vague at best.
Conclusion

Russia’s “turn to Asia” is superficial at best. APEC activation was a temporary phenomenon rather than a systemic transformation in national policy. Despite the fact that regional integration is objectively of major importance to Russia’s economic development, the country is not actively involved in it and cannot claim a significant position in Asia. Russia’s successful APEC 2012 chairmanship was the result of a one-time effort, which has since petered out.

A key factor in the success of the Russian chairmanship was the focus not only on the promotion of national interests in a multilateral format, but also on "teamwork" - the development of initiatives in the common interest of all member economies of the forum. This was primarily due to the fact that one of the informal purposes of the chairmanship was to prove to other regional leaders that Russia is deeply involved in regional development, can easily navigate key regional issues and can rightly be considered one of the key powers in the region, not only in a political-military, but also in an economic sense. Therefore, a broad range of Russian initiatives included many projects that were cultivated within APEC for a long time, but were never implemented.

Many of the achievements of the Russian chairmanship were successfully integrated into the forum, were preserved during the Indonesian chairmanship in 2013 and are likely to remain important directions within the forum in the future. However, paradoxically, this is primarily true of those initiatives associated more with common regional interests than with Russian interests. Russia has managed to ensure their discussion and adoption by consensus in an effective and relatively conflict-free manner, despite initial disagreements among member economies. Meanwhile, those initiatives which are more important for Russia than for other APEC members were largely ignored by other participants and have either undergone significant changes or been almost completely abandoned.

The logic of Russian political management is often referred to as “manual steering” because priority projects demand personal attention of the top leadership and the tasking of the strongest teams within the government. As soon as the APEC chairmanship was over, the interagency team which was in charge of APEC-related initiatives was diverted to other projects such as the ECE and the G20. As a result, the continuing challenges of APEC were, once again, forgotten in Russia. Work during the past year within the framework of the Business Advisory Council was also a complete failure, which can be attributed to a reduction of interest from the Russian
leadership and changes to the composition of the Russian business representatives within this body.

Overall, it can be said that the Russian state apparatus reacted to the chairmanship of APEC as it would to the Olympic Games or the FIFA World Cup: success while in an international leadership role brings with it new posts; however, following the whirlwind triumph, institutions are disbanded, because in the foreseeable future, a similar challenge will not arise before the country. As a result, Russia's soft power, hard-won in 2012, and its international authority, obtained based on the results of the APEC chairmanship, were damaged, since the inconsistency of Russia's position caused distinct disappointment among its international partners.
Endnotes

1 Russia Beyond the Headlines. Russia’s foreign policy: Balancing at the backdrop of U.S.-China rivalry. http://rbth.ru/international/2013/05/03/observing_theFight_of_titans_25699.html
2 MID России. Концепция внешней политики Российской Федерации. http://www.mid.ru/bpo_4.nsf/0/6D84DDEDED8F7DA644257B160051BF7F
3 The term “economy” is used in lieu of “country,” as APEC also includes Hong Kong and Taiwan as full-fledged members.
7 Russia in APEC. http://www.apec2012.ru/docs/about/apec_russia.html
11 Besides Russia, Thailand, Brunei, Indonesia, Vietnam, China, the Philippines and Papua New Guinea also refused the Japanese proposal to evaluate the effectiveness of progress towards the Bogor Goals.
14 The “next generation” issue is an important theme in the area of trade and investment which is not included in the WTO agenda.
15 Goods, the manufacture of which makes a positive impact on the attainment of goals within the spheres of “green” growth and sustainable development.
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