

Turning a Fortress Into a Fortune

By [The Moscow Times](#)

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After returning from the Asia-Pacific Economic Cooperation summit in Vladivostok, foreign guests are still trying to make sense of what they saw there and asking themselves whether Russia will ever be able to develop the Far East.

Journalist David Pilling wrote in the Financial Times last week that Russian authorities are blindly hoping that the \$20 billion they spent on the summit in Vladivostok will be enough to turn the city into a trans-Eurasian hub. Build it and they will come.

But there is little chance of that happening. The miserable state of the region's infrastructure is a big factor that will obstruct its development. In addition, Vladivostok has never been a gateway to the East. It has been better known in history as a fortification for repelling enemy attacks.

This fortress mentality has changed little over time. Even before the APEC summit began, many foreigners complained about the difficulty they had obtaining Russian visas to attend the event. What's more, residents in the Far East are highly cautious about what they view as

a "Chinese invasion" of immigrants taking over the region.

Russia's desire to have a foothold in Asia is easy to understand. Asia offers a real alternative to an economically stagnant Europe. Although the growth rate of the Asia-Pacific region is slowing, it is still impressive compared to the West.

In theory, the Asia-Pacific region offers a perfect opportunity for Russia's economic growth. Asia has a shortage of resources, while Russia possesses some of the largest reserves of natural resources in the world. But a breakthrough hasn't happened. Pilling writes that Russia's trade with Asia is woefully small and that "there's a gap as wide as the Volga between Russian ambition and reality."

Achieving a breakthrough in the Far East is an eternal goal, but there is little understanding as to how Russia can actually accomplish it. The government continues thinking in terms of mega-projects. It plans to allocate 1.8 trillion rubles (\$59 billion) from the federal budget to Vneshekonombank to develop the region. There is no doubt that the money will be spent on important development projects, but this by itself will not result in an economic boom in the region.

Why has Russia's economic relations with Asia stalled? It turns out that the ritual exchange of official pleasantries between Russian leaders and their partners in the Asia-Pacific region have been practically worthless.

Consider China. Beijing seems to be very interested in importing Russian gas, but President Vladimir Putin failed yet again this year to conclude a deal. It seems the two sides have been "nearing the final stage of reaching an agreement" on gas supplies for the last 15 years. Yes, Moscow sells oil to China, but at a price that is barely profitable for Russia.

The pressure methods Russia uses in Europe — such as "If you don't behave yourselves, we'll cut off the flow of gas!" — have failed in Asia. The Asians have much more latitude to repel these crude methods.

Moscow must refine its negotiating skills, abandon its macho approach to partners and accept the fact that it will not dictate the terms of every deal. And it wouldn't hurt if Russian leaders stopped seeing enemies everywhere they turned.

This comment appeared as an editorial in Vedomosti.

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