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Russia and APEC 2012: “Imaginary Engagement”

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Kirill Muradov, Research and Education Programs Coordinator at the Higher School of Economics in Moscow, discusses why in 2012 when Russia hosts APEC “There is no strong reason to expect that Russia will seize the opportunity and reinvent itself as a contributing actor in the region. The underlying fact is that Russia remains outside of the real economic integration throughout the Asia-Pacific.”

With the conclusion of the APEC meetings in Honolulu, another yearly cycle is about to draw to a close. Soon all eyes will turn to Russia as the next host, with the 2012 summit scheduled to be held in Vladivostok in early September. Leading APEC will be the most significant multilateral undertaking for Russia since hosting the G-8 back in 2006, and observers are curious to see what a Russian agenda will entail and what goals will be set for APEC throughout 2012. Furthermore, APEC is the first—and only—major Asia-Pacific forum where Russia holds the chair.

Russia appears to be taking a big step towards full-fledged integration into the global economy by securing WTO membership just prior to hosting APEC. With strong support from the United States and the European Union, WTO accession will finally enable Russia to speak the common language of trade liberalization with its Asia-Pacific partners. However, there is evidence to suggest that Russia may be unlikely—or unable—to fully capitalize upon the benefits APEC provides the host economy, this is partly a result of Russia’s weak economic engagement throughout the Asia-Pacific region.

First, Russia is not an intrinsic part of, or is only occasionally included in, the complex international production networks—also known as supply chains—throughout the region. The bulk of Russia’s exports consist of raw materials and energy products exported directly to consumer countries, primarily to China, the United States, Japan and South Korea. Similarly, Russia contributes a relatively low share of intermediate inputs to its imports for re-exportation as finished products. This indicates that, unlike many other APEC economies, Russia does not add value to the wide variety of manufactured goods circulating throughout the region. Furthermore, Russia’s role in supporting these sophisticated supply chains in the form of services trade or investment is also negligible. In other words, Russia is not really a part of the *de facto* regional economic integration of the Asia-Pacific.

Second, Russia is excluded from *de jure* economic integration in the form of trade agreements in the Asia-Pacific region. Although Russia has never explicitly articulated its trade policy, a set of old generation free trade agreements (FTAs) exist with all Commonwealth of Independent States (CIS) members. Outside of the CIS, FTAs are ignored as a trade policy tool. It was only in 2010 that the Russian leadership began to show interest in FTA negotiations with the European Free Trade Area—made up of Iceland, Liechtenstein, Norway and Switzerland. Russia also started FTA negotiations with New Zealand in early 2011. Both of these endeavors are perceived by the Russian government as “pilot negotiating projects.” A feasibility study of a FTA with Vietnam is in progress but the expected outcome is unclear. APEC economies may expect



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announcements of Russia’s intention to negotiate more agreements in 2012, but further opening up of the Russian market to the exporting nations of the Asia-Pacific will prove to be difficult.

Finally, throughout its thirteen years of APEC membership, Russia has not clearly outlined the economic interests it wishes to pursue with its regional APEC partners. Nor has it utilized numerous APEC opportunities to articulate its strategic trade vision. A good empirical indicator of this is the dismal lack of participation and submissions to APEC committees and groups from Russia. Data from APEC reveals Russia’s indifference towards the agenda of important APEC fora including the Committee on Trade and Investment and the Economic Committee. The only forum with substantial Russian input as recorded by the APEC Meeting Documents Database is the Counter Terrorism Task Force which again testifies that Russia’s participation is not driven by economic considerations.

Therefore, Russia will most likely focus on a number of more narrowly defined initiatives to populate the APEC 2012 agenda. Russian President Dmitry Medvedev’s vague remarks in Honolulu suggest that the topics of interest will be energy, transport and food security. Russia apparently sees APEC as an opportunity to assert its role as a premier energy supplier, a transport “bridge” between the Asia-Pacific and Europe, and a competitive food exporter to the region. This self-perception is not new and it partly rests on domestic biased assumptions that the Trans-Siberian Railway and the Northern Sea Route will be feasible alternatives for commercial cargo vessels navigating between the Asia-Pacific and Europe. However, in order to fulfill at least some of these ambitions, there is a requirement for huge investment in the physical infrastructure of Russia’s Far East, the least developed part of the country. Translating these complex and mostly unilateral interests into the APEC language of concerted multilateralism will require a lot of creativity.

Some in the Russian leadership, including Medvedev himself, also tend to see APEC 2012 as a year to internationalize Russia’s modernization agenda. This combination of ad hoc measures to encourage growth of the Russian economy focuses largely on establishing the Skolkovo Innovation Center, a Russian version of Silicon Valley. The Russian government regards this as a priority project, but is reluctant to support it with the necessary economic policy changes. In contrast, APEC puts innovative growth in a wider context of creating policies and regulatory environments that boost cooperation on such issues as standards and conformance, balanced intellectual property protection, and a skilled and adaptable workforce. As a result, Russia runs the risk of being misunderstood by its APEC partners.

From a Russian domestic perspective, the 2012 APEC Summit—already scheduled for September 8-9, 2012 in Vladivostok—has triggered massive construction in the city and the adjacent Russky Island. Vladivostok has been the recipient of significant public investment which has generated some employment opportunities and supposedly provided a growth impetus to the local dysfunctional economy. Official records show that the cost of preparations for the summit will total RUB663 billion (US\$22 billion). However, it is unclear how much of this has actually reached the beneficiaries, since some analysts believe that corruption had already stolen up to one-third of this amount.

In the absence of any real business interests to fuel the agenda for the Asia-Pacific, APEC 2012 may exemplify Russia’s imaginary engagement with the region. Hence, APEC deliverables for next year are likely to draw substantially on the contributions of the previous chairs, Japan and the United States. There is no strong reason to expect that Russia will seize the opportunity and reinvent itself as a contributing actor in the region. The underlying fact is that Russia remains outside of the real economic integration throughout the Asia-Pacific.

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