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Political and Economic Transformations  
in East Asia and the Role of Russia

Abstract

East Asia has been undergoing a new wave of political and economic transformations. The so-called ‘East Asian economic miracle’, which during previous several decades transformed Japan, Southeast Asia and China into a world economic powerhouse, is now facing serious challenges and a question arises what will be the future of East Asia developmental state?

Besides, the previously established view that a network of regional organizations with ASEAN at its core can successfully mitigate political and security antagonisms seems to be outdated today. Trans-Pacific Partnership agreement finalized in October 2016 only adds a new dividing line to the region between those countries who joined it and those who did not. In case of ASEAN this dividing line goes precisely in between member states of one integration grouping.

How does Russia fit into this ambivalent regional landscape trying to turn to East Asia in search of economic dynamism for its underdeveloped regions situated beyond Urals? The proposed paper is analyzing the possible role for Russia in East Asia in times of new political and economic transformations there.

Keywords:

East Asia, Russia, East Asian developmental state, East Asian regionalism, ASEAN, APEC, regional institutions
Introduction

East Asia has been undergoing a new wave of political and economic transformations. The so-called “East Asian economic miracle”, which during previous five decades transformed Japan, Southeast Asia and China into a world economic powerhouse, is now facing serious challenges and a question arises: what will be the future of East Asia developmental state? Moreover, Chinese economic rise, which used to be the engine of not only regional, but also global economic dynamism, does not look uncontested any longer while China tries to shift its economy to consumption-led growth.

Besides, the previously established view that a network of regional organizations with ASEAN at its core can successfully mitigate political and security antagonisms seems to be less relevant today. A rapid reemergence of South China Sea dispute between China, Vietnam, the Philippines, Malaysia, Brunei and Taiwan in 2011 as a major regional security issue proved that ASEAN approach that focuses on management, not solution of such issues is not enough to preserve regional stability. The U.S.-led Trans-Pacific Partnership negotiation process finalized in October 2016 only added a new dividing line to the region between those countries who joined it and those who did not. In case of ASEAN, this dividing line goes precisely in between member states of one regional integration grouping.

How does Russia fit into this ambivalent regional landscape trying to turn to East Asia in search of economic dynamism for its underdeveloped regions situated beyond Urals? What can Russia contribute to the solution of regional most pressing problems? What are the economic options for Russian cooperation with East Asia? Keeping these questions in mind, the proposed paper is analyzing the possible role for Russia in East Asia in times of new political and economic transformations there.

Conceptually the paper looks at three aspects of regional transformations. The first part assesses the challenges to East Asian developmental model. The second part examines the challenges to East Asian regionalism while the third part analyzes Russia’s possibilities to enhance political and economic interaction with the region. The paper will conclude with the summary of convergence and divergence points for Russia and East Asia.
Challenges to East Asian developmental model

Starting from the Japanese economic miracle of 1960s followed by newly industrialized states’ rise in 1980s and later on – Chinese economic rise at the turn of the centuries – East Asian economic development seemed to be an everlasting success story. East Asian economic model with quite strong role of the state functioning as a manager of the economic development, demographic dividend utilized for the build-up of export-oriented industries and access to the American market (and in many cases – to American technologies) made possible an unprecedented economic growth for one of the most populated regions in the world. In 2011, Asian Development Bank published a report titled “Asia 2050: Realizing the Asian Century” paving the way to the debates about Asia’s decisive role in the world economy in the 21st century.\(^1\)

The report stated that, ‘by the middle of this century, Asia could account for half of global output, trade, and investment, while also enjoying widespread affluence’.\(^2\) However, by that time it also became evident that many East Asian countries, particularly China and Southeast Asian industrializing states with the exception of Singapore, were facing a challenge of being stuck in the middle-income trap (see Table 1).

That being said there is no universal solution to this problem yet and each measure proposed above has its own limits. The most problematic for many East Asian countries remains the challenge of spurring the productions of their own innovations. Many East Asian countries beyond the group of Japan and newly industrialized states of the first wave (South Korea, Taiwan, Hong Kong and Singapore) face difficulties with creating environment for continuous production of innovations. As for China, David Shambaugh persuasively argues, China can and will innovate but not comprehensively because of the lack of sufficient social and political conditions.\(^3\) Similarly, for various reasons like the lack of comprehensive social and political modernization, patron-client organization of the societies in question and etc.

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many Southeast Asian states failed to create conditions for the production of own innovations⁴. In addition to this general challenge of the middle-income trap another specific challenge emerged quite recently is the slowdown of the Chinese economy. The demographic transition China is now facing just adds complexity to this challenge.

<table>
<thead>
<tr>
<th>Country</th>
<th>1960</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei Darussalam</td>
<td>n/q</td>
<td>36,607.9</td>
</tr>
<tr>
<td>Cambodia</td>
<td>111.3</td>
<td>1,158.7</td>
</tr>
<tr>
<td>China</td>
<td>88.7</td>
<td>7,924.7</td>
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<tr>
<td>Indonesia</td>
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<td>Japan</td>
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<td>32,477.2</td>
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<tr>
<td>Korea, Dem. People’s Rep.</td>
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</tr>
<tr>
<td>Korea, Rep.</td>
<td>155.6</td>
<td>27,221.5</td>
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<tr>
<td>Lao PDR</td>
<td>n/a</td>
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<tr>
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<td>9,766.2</td>
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<tr>
<td>Myanmar</td>
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<td>1,203.5</td>
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<tr>
<td>Philippines</td>
<td>254.4</td>
<td>2,899.4</td>
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<tr>
<td>Russia</td>
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<td>9,057.1</td>
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<tr>
<td>Singapore</td>
<td>427.9</td>
<td>52,888.7</td>
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<tr>
<td>Thailand</td>
<td>100.8</td>
<td>5,816.4</td>
</tr>
<tr>
<td>Vietnam</td>
<td>n/a</td>
<td>2,111.1</td>
</tr>
</tbody>
</table>


Diverging in the economic models with many East Asian countries Russia has something in common with them, especially those facing the middle-income trap challenge: this is the problem of incomplete modernization. This commonality creates a sphere for mutual coordination and some prerequisites for cooperation. However up to nowadays there is no substantial dialogue on these problems, a dialogue, which could have engaged both Russia and East Asia.

Challenges to East Asian regionalism and regional cooperation

For the past two decades the region has witnessed the growth and complication of regional institutions’ network, which as well as so-called ‘soft institutionalism’ became a distinguished feature of East Asian regionalism. This network embraced not only those institutions created in the region during the Cold War period like ASEAN (1967) or Asia-Pacific Economic Cooperation (APEC, 1989), just in its aftermath like ASEAN Regional Forum (ARF, 1994) but also new mechanisms. These new mechanisms are East Asia Summit (2005), China-Japan-South Korea Summit (2008) and new regional economic liberalization initiatives like Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership Initiative (RCEP).

Students of East Asia often referred to ASEAN as the most successful project of regional integration beyond Europe\(^5\). Indeed, by the 2000s not only was it based on a sophisticated institutional structure, comprising – among others – a summit of heads of state known as the ASEAN Summit, a Coordinating Council, Sectoral Ministerial Bodies, a Secretariat, a Committee of Permanent Representatives (ASEAN, 2007), but it also managed to include all ten Southeast Asian states thereby overcoming the traditional dividing lines of the Cold War. The founding members were Indonesia, Malaysia, Thailand, Singapore, and the Philippines; Brunei Darussalam joined the organization in 1984, Vietnam in 1995, Lao PDR and Myanmar in 1997, and Cambodia in 1999. In 1992, the ASEAN free trade area emerged and, in 2007, the political component of the regional institution received further impetus with the approval of the ASEAN Charter. In terms of regional integration, ASEAN recently launched several bold region-building initiatives, which included the

creation of political, security, economic and socio-cultural communities in Southeast Asia by 2015\(^6\) (ASEAN, 2007).

Since the late 1990s, ASEAN began to seek a stronger role in East Asia and in the Pacific, which then prompted the creation not only of the ASEAN+3 format (with China, Japan and South Korea), but also of a series of partnerships with key regional and global powers, such as Australia, Canada, the EU, India, New Zealand, Pakistan, Russia and the US. Such a ‘functional expansion of membership’ aimed at identifying special mechanisms for dealing with issues that required a broader scope than that provided by the Association’s members\(^7\). ASEAN also initiated ambitious macro-regional and inter-regional projects like ASEAN Regional Forum in 1994, the Asia-Europe Summit in 1996 and the East Asian Summit in 2005.

It seemed indeed that ASEAN’s soft approach to institutional design and the emphasis on the conflict management rather than conflict resolution corresponded to the regional situation in the Asia Pacific. At the turn of the century, ASEAN seemed to have managed to accommodate stronger powers like US, China, Japan, India and Russia in the system of regional institutions, which shared ASEAN’s approach to the decision-making. Economically rising China sought to improve relations with its neighbours both bilaterally and multilaterally\(^8\) while the US under George W. Bush’s administration did not attach paramount importance to the multilateral institutions and was more engaged with the processes in the Middle East rather than in the Asia Pacific\(^9\).

At the institutional level, China had been consistently improving its relations with all ASEAN member states. In 2002, China and ASEAN agreed on a free trade area and, in 2003, China joined the Treaty of Amity

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\(^7\) Ibid, p. 33.


and Cooperation of Southeast Asia. In fact completing the FTA negotiations with ASEAN at that time China successfully outplayed Japan. Some Chinese strategists perceived China-ASEAN tighter cooperation as a nucleus of East Asian cooperation process which could be potentially accelerated by China-Japan-South Korea cooperation. When in 2011 the US proclaimed its strategic rebalancing to the Asia Pacific the region was actively discussing two projects of further trade liberalization, ASEAN+3 and ASEAN+6, which included China but did not include the US. According to the US ex-Secretary of State Hillary Clinton US pivot to the region had two key aims. The first aim was to ensure security in the Asia Pacific facing old and new threats and secure favourable conditions for US economic recovery after global economic crisis using export and investment opportunities existing in the region.

Economically as the reaction to the regional trade liberalization projects the US spurred a competing project of Trans-Pacific Partnership which the US proposed as far back as 1998 but which was stagnating throughout the first decade of this century. Politically the US made its presence in the region more visible planning the strategic and military rebalance towards the region and accentuating its support for the freedom of navigation in the Asia Pacific and greater transparency in the military sphere. Practically the US rebalance coincided with the growing tensions in the region over disputed territories in the South China Sea and factions between ASEAN and China and between ASEAN member states. The US has also contributed to these factions in its own way. In 2009, US vessel Impeccable entered Chinese exclusive economic zone and thus provoked China to claim South China Sea be an element of Chinese “core interests”. Chinese statement excited a further escalation of tensions between China and the Philippines, China and Vietnam.

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The South China Sea issue became a litmus paper for the regional institutions primarily ASEAN and ASEAN Regional Forum. In 2012, ASEAN faced a serious internal split being unable for the first time in its history to adopt a joint communiqué in Phnom Penh in June 2012. Some ASEAN Member states like Cambodia took pro-Chinese stance while others (the Philippines) – pro-American.

Thus as the result of the recent regional developments the dividing lines emerged both within the region and regional institutions. The region became an arena for competing regional liberalization projects each of which intentionally excluded certain actors. South China Sea issues existing earlier as a local latent conflict just during several years evolved into a formidable regional security problem and made almost all regional players to adopt a tougher attitude to the regional security issues.

As the result of the mentioned recent developments regional institutions have faced several critical challenges. Latent antagonisms between major powers in the region became open. As a consequence the powers which previously were engaged by ASEAN in its structures with the aim to balance each other started to pursue their own policy making ASEAN and its related mechanisms a somewhat secondary means of their interactions. In addition, ASEAN member states themselves started to take sides instead of keeping much praised previously ‘centrality’. As the result ‘soft institutionalism’ seemed to be failing to function properly in the situations it used to be suitable previously.

To cope with these challenges ASEAN had to resort to their usual political means of stressing the role of ‘conflict management’ instead of ‘conflict resolution’. In May 2013, Indonesia proposed the idea of Indo-Pacific Treaty of Amity and Cooperation which should duplicate Treaty of Amity and Cooperation in Southeast Asia but in a broader regional scale. According to Indonesian ex-Minister of Foreign Affairs Marti Natalegawa these treaty should have had three key aims. The treaty was to enhance mutual trust in the region. It was to help the regional players to manage territorial disputes and regional changes in general.

On the one hand, this initiative corresponded to the regional political culture and did not run the risk to face rejection by both small and middle
actors and key regional powers. On the other hand, to make it a really effective instrument of conflict management the parties involved should have prioritized this overarching regional treaty over any other bilateral arrangements and regard the regional solutions to the current problems as the most suitable. As the reality demonstrated this was not possible. Moreover, the expert community stressed one more drawback of current regional structure that is inability to move beyond the system of US-centered alliances towards great power accommodation, which would have taken into account China’s new regional role.

**Challenges to Russia in East Asian regional cooperation**

Striving for a comprehensive involvement in the network of regional institutions in East Asia (APEC, ASEAN dialogue partnership, ASEM and East Asian Summit) Russia was not a proactive participant of them up to its 2012 APEC chairmanship and APEC Summit in Vladivostok. With the Third ASEAN-Russia Summit held in Sochi this year a new impetus to Russia’s relations with the regional multilateral structures is there. But Russia’s further engagement in East Asian multilateralism requires more substance and urges Russia to meet certain challenges both at home and abroad.

Russia traditionally paid much more attention to its bilateral ties with individual East Asian countries (in the 1990s with Japan and later on with China) rather than to multilateral processes in the region. Multilaterally during past 15 years Russia focused mainly on the Shanghai Cooperation Organization, which Russia, China and four Central Asian states established in 2001, and on the Six-Party Talks on the Korean problem (comprised of two Koreas, the USA, Russia, China and Japan), both predominantly security-focused organizations.

As for other East Asian regional institutions Russia became a part of the majority of them by 2010. In 1994, Russia joined ASEAN Regional Forum, in 1996, became ASEAN dialogue partner and, in 1997, a member of APEC. The year 2010 indicated next milestone for Russia’s relations with the regional institutions: Russia simultaneously joined ASEM and EAS. However despite expectations of Russia’s greater regional role in
East Asian multilateral structures after 2010 Russian presence there remained largely symbolic.

A reason for Russia’s weak involvement in East Asian regional cooperation was that Russia did not fit very well into East Asian regionalism, which by and large defined the specifics of regional cooperation. In the 1980-90s, the region witnessed a rise of de facto economic integration through the diffusion of production networks and preferential trade agreements, neither of which Russia was a part. Thus Russian leadership saw an easier way to become involved in the regional cooperation officially joining the regional institutions, another element of East Asian regionalism. As a result Russia’s political involvement in the regional multilateral processes became more visible but economic underpinnings of Russia’s presence in the region remained weak. This made a number of regional actors, primarily ASEAN countries, pointing out continuously to this drawback in its relations with Russia.

2012 APEC Summit in Vladivostok was Russia’s first major step to bridge the gap between its political and economic performance in the region. In Vladivostok Russia proved its ability to be a game-changer for the regional economic cooperation agenda proposing new approaches to it at times when APEC seemed to suffer from a “loss of steam”. Russia’s APEC priorities stressed the idea of increasing regional connectivity through lower barriers not only to trade but also to physical and business infrastructures. This idea resonated well among following APEC chairs, namely Indonesia, China and the Philippines.

Just after the APEC Summit in Vladivostok Russian leadership started to talk about Russia’s eastward turn. This discourse became even

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stronger after 2014 Ukrainian crisis and cold spell in Russia’s relations with the US and the European Union. However, the practical results of Russia’s turn to Asia provoked a debate in Russia and abroad.\textsuperscript{16}

ASEAN-Russia Summit in Sochi in 2016 was to strengthen another element of Russia’s relations with the regional multilateral institutions. In contrast with the previous ASEAN-Russia Summits, which took place in ASEAN countries (the first one in Kuala Lumpur in 2005 and the second one in Hanoi in 2010) this time Russia invited the leaders of ASEAN to Russia thus assuming the leadership in the process. Summit adopted Sochi Declaration and the Comprehensive plan of action to promote cooperation between ASEAN and Russia till 2020. Russia also proposed an idea of economic partnership between ASEAN, the SCO and Eurasian Economic Union, Russia-led Eurasian integration project. Another recent initiative in the field is Eastern Economic Forum, a yearly meeting of businessmen from Russia and East Asian countries, which started to take place on the Russian Far East in Vladivostok since 2015 with the aim to attract more attention to this part of Russia form East Asian business.

Notwithstanding all these developments, Russia is facing several structural challenges for its expanding stance in regional multilateralism.

Russia still has much of its homework to be done. Some measures are already there: territories of advanced development in the Russian Far East and special business and visa-free regime for Vladivostok are to make these underdeveloped Russian territories more attractive for domestic and foreign investors. However Russia still has a long way to go to bring the Far Eastern business climate and economic conditions to the level comparable with Russia’s regional counterparts.

Internationally Russia has to find a way to reconcile its Eurasian integration project with Chinese vision of region’s further development embodied in the ‘One Belt, One Road” project. Moreover Russia needs to find a way of better coordination with China in regional institutions, where China enjoys a stronger economic position, without assaulting other counterparts, like ASEAN member states. A far greater challenge, however, for Russia’s role in regional cooperation in East Asia is a US-
dominated security system of hubs and spokes and its economic liberalization project (Trans-Pacific Partnership Agreement), which leaves many regional actors, Russia included, outside and devalues already established regional trade liberalization structures as APEC.

All that said Russia’s task now is to find truly creative answers to these challenges without wasting much time.

Conclusion

East Asia is currently facing a number of challenges. Some of them arise from the internal regional dynamics, economic and political shifts in the regional developments while others derive from the changes which international system is going through. The most pressing regional problems include a search for new economic dynamism when East Asian developmental model may lose its competitive advantages and an urgent need to adjust regional institutions to the solutions of security and power balance issues the region is facing now.

Though Russia may seem not very relevant for helping East Asia with these problems, in fact, it has quite a lot to propose to the region. It also faces the problem of incomplete modernization, as many regional actors do, and is ready to look for the common solutions of this problem as the debates at 2012 APEC Summit and 2016 ASEAN-Russia Third Summit demonstrated. As for the regional institutions, it also wishes to play a constructive role there.

However, being a country with a very complex geopolitical position Russia cannot fully concentrate on its relations with the Asia Pacific so far. It also faces domestic constraints having to solve the problem of developmental gap between its European and Asian part. This makes Russia’s regional position ambivalent.