

# Russia and APEC: Looking Back, Looking Forward

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In the Foreign Policy Concept of the Russian Federation, the Asia-Pacific vector was attached to "important and ever-increasing significance". In practical terms, it stressed the need to "actively participate in major integration mechanisms of the Asia-Pacific Region, notably the Asia-Pacific Economic Cooperation Forum"<sup>1</sup>.

Russia has been a member of the APEC Forum since 1998, and in 2012 Vladivostok is to host the next summit. Russian authorities hold high expectations about this event regarding it as an important factor to accelerate economic modernization of the Far Eastern Federal District (FEFD)<sup>2</sup>. In this regard, to make a critical assessment of whether and to what extent these hopes are realistic is a timely exercise.

The paper is divided into three parts. Part One provides the retrospect of Russia's participation in the APEC Summits and reviews the degree of success Moscow has been able to make its proposals a reality. Part Two analyzes APEC post-Bogor priorities from Russia's perspective. In Part Three, preparations to the Vladivostok-2012 Summit and its probable outcome for Russia's interests are under examination. In conclusion, future scenarios of Russia's models of integration in Asia-Pacific are offered.

## A Retrospective View

On joining the APEC discussions, Russia preferred to adopt a wait-and-see policy being unaware of what gains it could obtain. The reasons were manifold.

First, a stagnant economy of the Russian Far Eastern territories hampered Moscow's efforts to launch effective and goal-oriented cooperation with the APEC members. The attempts taken by the Federal government to solve the existing problems were more declaratory than substantial. For instance, in 1996 the planned amount of money earmarked for the Federal

target program "Economic and Social Development of the Russian Far East and Transbaikalia for 1996-2005" was 35 trillion rubles while the really assigned sum totaled 12 trillion rubles with only 4.7 trillion allocated to target projects<sup>3</sup>.

Second, Moscow lacked a goal-oriented strategy towards APEC. The Concept of Russia's participation in APEC was adopted retroactively (in 2000), and its articles were more of general rather than detailed character<sup>4</sup>.

Third, and finally, Moscow was initially motivated by political and reputational incentives being eager to confirm its status as an influential actor near its Far Eastern borders. As a result, APEC decision to admit Russia was regarded by experts as "a triumph of political expediency over economic logic"<sup>5</sup>.

In sum, initially Moscow was not ready to get involved in active cooperation within APEC. Later on, however, Russia put forward a number of proposals aimed at having its say in this framework. Among them, the key have been cargo transit from Asia to Europe via Russia's territory and deliveries of raw materials - energy and non-ferrous metals - to APEC economies<sup>6</sup>. It is expedient to separately examine these directions.

**Transit** means cargo transportation via the Trans-Siberian Railway. According to the company Russian Railways, this can offer business circles a number of definite advantages, for example - time and expenses saving due to a reduced number of transshipments, a unified regime of customs procedures, a low level of political risk, operation safety etc.<sup>7</sup>

The reality, however, falls short of these overwhelmingly optimistic assessments. In fact, cargo traffic from East Asia to Europe is still passing via sea routes instead of the Trans-Siberian Railway due to a number of reasons. First of all, high tariffs imposed by Russian Railways and their

<sup>1</sup> The Foreign Policy Concept of the Russian Federation. July 12, 2008. // <http://archive.kremlin.ru/eng/text/docs/2008/07/204750.shtml>

<sup>2</sup> See, for instance: Медведев: АТЭС стимулирует повышение качества жизни на Дальнем Востоке. РИА Новости. 30.06.2011. (Medvedev: APEC Stimulates an Improvement of Living Standards in the Far East. RIA Novosti. 30.06.2011.) // <http://ria.ru/economy/20110630/395489808.html>; Саммит АТЭС увеличит инвестиционную привлекательность Дальнего Востока - Медведев. Интерфакс. 01.07.2011. (APEC Summit Will Increase Investment Attractiveness of the Far East - Medvedev. Inferfax. 01.07.2011.) // <http://www.interfax-russia.ru/FarEast/main.asp?id=242138>

<sup>3</sup> Гончаренко С. Россия и АТЭС. // Мировая экономика и международные отношения. - М., 1998. - № 2. - С. 88-92. - С. 91. (Goncharenko S. Russia and APEC. World Economy and International Relations. - M., 1998. - N. 2. - P. 88-92. - P. 91.)

<sup>4</sup> Концепция участия России в Форуме «Азиатско-Тихоокеанское экономическое сотрудничество» (АТЭС). (The Concept of Russia's Participation in the Asia-Pacific Economic Cooperation Forum.) // [http://88.210.42.11/wps/wcm/connect/economylib/mert/resources/9cbd2a80478bb059a6fafa37e8ec847a/sm\\_takdge\\_o\\_kontseptcii\\_uchastiya\\_rossii\\_v\\_forume\\_ates.doc](http://88.210.42.11/wps/wcm/connect/economylib/mert/resources/9cbd2a80478bb059a6fafa37e8ec847a/sm_takdge_o_kontseptcii_uchastiya_rossii_v_forume_ates.doc).

<sup>5</sup> Ravenhill J. APEC and the Construction of Pacific Rim Regionalism. - Cambridge University Press, 2001. - P. 207.

<sup>6</sup> These were put forward at the APEC Business Summit in Bangkok in 2003. See: Speech by Russian President Vladimir Putin at the APEC Business Summit, Bangkok, Thailand, October 19, 2003. // <http://www.ln.mid.ru/B1.nsf/062c2f5f5fa065d4c3256def0051fa1e/086a203bbb52b69e43256dc500558dc7?OpenDocument>

<sup>7</sup> Trans-Siberian Railway. Brief Description of the Corridor. // [http://eng.rzd.ru/isvp/public/rzdeng?STRUCTURE\\_ID=87](http://eng.rzd.ru/isvp/public/rzdeng?STRUCTURE_ID=87)

numerous upward indexations play an important role. Also noteworthy is insufficient coordination between port and railway services, as well as various bureaucratic impediments relating to the execution of cargo documentation and customs procedures. As a result, situations when containers lose several days before allowed to go further are not infrequent.

But the central problem is that Russia lacks a comprehensive system of transport logistics. It seems hardly necessary to say that transit includes not only railways and trains, but an effective management of delivering goods from forwarder to consignee in the "door-to-door" format. But in this respect, much remains to be desired - for example, at present the throughput capacity of South Primorye's ports is enough to handle only one percent of the cargo traffic between Europe and Northeast Asia<sup>8</sup>.

As a result, consignors still prefer using sea lanes instead of the Trans-Siberian Railway. The reasons are twofold, to mention just a few. First, sea shipment is less expensive - according to estimates made by Russian specialists, in 2010 the delivery of a standard container from Asia-Pacific to Europe by sea was about 1500-2000 dollars cheaper than that via Russia's territory<sup>9</sup>. Second, it is safer given that in Russia's realities the cargo can be lost, and the insurance will hardly compensate the partner's dissatisfaction.

Currently, the governing staff of the company Russian Railways is considering possibilities to develop innovative transportation projects, in particular - the program "The Trans-Siberian Railway in 7 Days". It will focus on optimizing cargo deliveries from Asia-Pacific to Europe, creating and upgrading logistic facilities etc<sup>10</sup>. Although this should initially be welcomed, even under the most favorable scenario much time and effort will be required to change the present situation.

**Delivery of raw materials.** The *energy vector* of this cooperation appears to have been successful. This assessment can be substantiated by the following examples.

First and foremost, the construction of the pipeline "East Siberia - Pacific Ocean" is expected to be completed in 2012, two years ahead of the previous schedule<sup>11</sup>. If so, the significance of cooperation with Russia in the priorities of many APEC's energy-hungry economies is likely to

increase.

No less promising development has been the launch of the pipeline between Skovorodino and Daqing which became operational in January 2011. According to Chinese estimates, 15 million metric tons of crude will move from Russia to China annually until 2030<sup>12</sup>. Needless to explain how important it will be to China given that in 2020 its demand for oil is expected to be three times as much as its production<sup>13</sup>.

Energy cooperation gained a fresh momentum in February 2009 after Russia and Japan opened a LNG plant within the Sakhalin II project. In 2010, the plant reached its full annual production capacity of 9.6 million tons<sup>14</sup>. At present, new undertakings are under consideration.

First, Russia is planning to expand the capacities of the plant by constructing a third train, which will make possible to produce extra of 5 million tons per year. Second, according to the Governor of Sakhalin A. Khoroshavin, another LNG plant may be built before 2020. Third, building an oil refinery on Sakhalin island with the production capacity up to 4 million tons is also being considered<sup>15</sup>.

Additional prospects to expand the delivery of Russian gas to Asia-Pacific economies may appear after launching the Sakhalin-Khabarovsk-Vladivostok gas pipeline with the annual projected transportation capacity of 30 billion cubic meters<sup>16</sup>.

As for the construction of pipeline from Russia to South Korea via the territory of North Korea, which was discussed between Russian and North Korean leadership in August 2011<sup>17</sup>, its prospects seem to be poor. The reason is that Russian business needs strong guarantees which cannot be provided by the current DPRK leadership. Apprehensions about unpredictability of North Korea's policy seem to be shared by Seoul which stresses that Moscow should take all risks and provide LNG deliveries in case supplies through the pipeline are disrupted<sup>18</sup>.

*Dialogue on non-ferrous metals* also gained momentum. In August 2003, the Russian city Bratsk hosted an international conference on non-ferrous metals. It was initiated by the governing staff of Russian companies Norilsk Nickel and RUSAL and attended by top figures of Australian, Indonesia, Canadian, Thai and Taiwan

<sup>8</sup> Транссиб усилят логистикой. 17.12.2007.(Tran-Siberian Railway Will be Strengthened by Logistics. 17.12.2007.) // <http://www.rzd-partner.ru/press/2007/12/17/316738.html>

<sup>9</sup> Шугаев А., Плетнев С. Почему азиатские грузы не идут на Транссиб. Гудок. 16.11.2010. (Shugaev A., Pletnev S. Why Asian Cargoes Ignore the Trans-Siberian Railway. Gudok. 16.11.2010.) // [http://www.gudok.ru/transport/zd/?pub\\_id=380353](http://www.gudok.ru/transport/zd/?pub_id=380353)

<sup>10</sup> Russian Railways: The Transportation and Transit Potential of Russia and International Traffic. 21 September 2011. // <http://ftnnews.com/mice/13870-russian-railways-the-transportation-and-transit-potential-of-russia-and-international-traffic.html>

<sup>11</sup> Second Segment of ESPO Pipeline to Be Launched Dec. 2012 - Energy Ministry. RIA Novosti. 19.03.2011. // <http://en.rian.ru/russia/20110319/163097571.html>

<sup>12</sup> Report: Russia-China Oil Pipeline to Move Millions of Tons in 2011. CNN. 03.01.2011. // [http://articles.cnn.com/2011-01-03/world/china.russia.pipeline\\_1\\_oil-pipeline-russia-and-china-russian-oil?\\_s=PM:WORLD](http://articles.cnn.com/2011-01-03/world/china.russia.pipeline_1_oil-pipeline-russia-and-china-russian-oil?_s=PM:WORLD)

<sup>13</sup> NDRC: Oil Demand in China to Triple over Its Output in 2020. 24 September 2009. // [http://www.linkschina.com/eN/index.php?option=com\\_content&view=article&id=306:-ndrc-oil-demand-in-china-to-triple-over-its-output-in-2020&catid=8:conventional-energy&Itemid=11](http://www.linkschina.com/eN/index.php?option=com_content&view=article&id=306:-ndrc-oil-demand-in-china-to-triple-over-its-output-in-2020&catid=8:conventional-energy&Itemid=11)

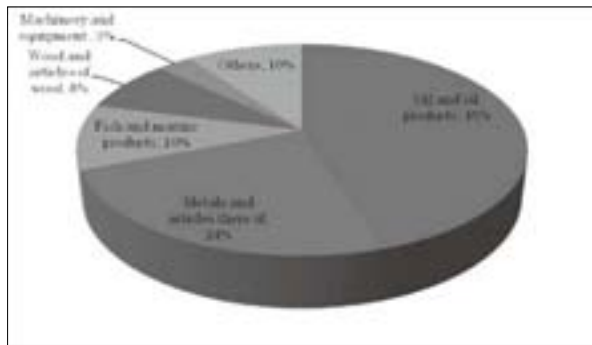
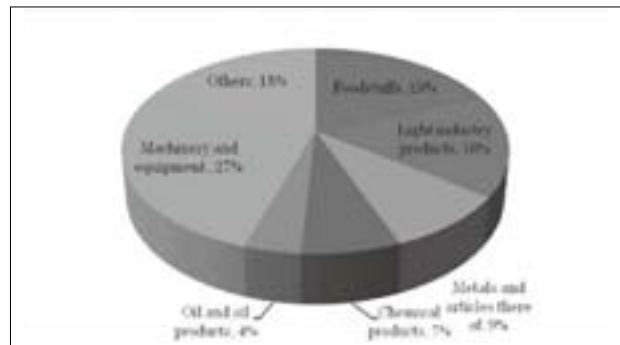
<sup>14</sup> Sakhalin II Project: Key Milestones. // <http://gazprom-sh.nl/sakhalin-2/history/>

<sup>15</sup> See, for instance: Russian Sakhalin Authorities Mull Second LNG Plant by 2020. 27.09.2011. // <http://www.platts.com/RSSFeedDetailedNews/RSSFeed/Oil/7430853>

<sup>16</sup> Vladivostok Pipeline Launched. 9.09.2011. // <http://rt.com/business/news/russia-gas-pipeline-vladivostok-177/>

<sup>17</sup> N.Korea Agrees Gas Pipeline Deal and Return to Nuclear Talks. RIA Novosti. 24.08.2011. // <http://en.rian.ru/world/20110824/166106669.html>

<sup>18</sup> Korea Gas Asks Russia to Take Responsibility for Fuel Supply. The Moscow Times. 27 September 2011. // <http://www.themoscowtimes.com/business/article/korea-gas-asks-russia-to-take-responsibility-for-fuel-supply/444356.html>

**Diagram 1. Commodity Structure of Export from the Far Eastern Federal District and Transbaikalia in 2009, %****Diagram 2. Commodity Structure of Import to the Far Eastern Federal District and Transbaikalia in 2009, %**

**Source:** Data obtained from: Межрегиональная ассоциация экономического взаимодействия субъектов Российской Федерации "Дальний Восток и Забайкалье". (Interregional Association of Economic Integration "Far East and Transbaikalia".) // <http://www.assoc.fareast.ru>; See also: Усольцев В. Тихоокеанская Азия: экономическая интеграция и перспективы России. // *Мировая экономика и международные отношения*. - М., 2011. - № 8. - С. 67-75. - С. 74. (Usol'tsev V. Pacific Asia: Economic Integration and Russia's Prospects. // *World Economy and International Relations*. - М., 2011. - №8. - P. 67-75. - P. 74.)

metallurgy companies<sup>19</sup>. Later on, cooperation between the companies RUSAL and Norilsk Nickel and counterparts from China, Vietnam, Indonesia and Australia markedly increased<sup>20</sup>. Russia's chairmanship in APEC Special Group on Mining Industry and Metallurgy in 2008-2009<sup>21</sup> reinforced this trend.

In sum, among the projects proposed by Russia at APEC summits, only cooperation in raw materials sphere turns out to have been effective and shows a considerable future potential. As for cargo transit via Russia's territory, the obtained results have been far from expected, and future prospects are not too bright.

#### APEC Post-Bogor Priorities: Russia's Perspective

After 2010, an important task for APEC is to reinvigorate its significance in the priorities of its members. The central project aimed at fulfilling this task is to create a Free Trade Area of the Asia-Pacific (FTAAP).

It should be stressed from the outset that Russia doesn't seem to be ready to move towards this goal. As E.Nabiullina, Russian Economic Development Minister put it, "at this point it is too early to talk about a unified free trade zone for the 21-member-countries of APEC, because the forum incorporates very different countries, with greatly varying goals and interests."<sup>22</sup> This

cautiousness is understandable due to the following factors.

First, currently Russia doesn't have free trade regimes with the APEC economies and carrying out negotiations only with two of them - New Zealand and Vietnam. In this light, Moscow's participation in wider cooperative schemes is beyond the realm of the possible.

Second, Russia's trade composition with the APEC members has been demonstrating unwelcome trends, as seen from statistical data in 1998-2009. On the export side, the share of hydrocarbons and its derivatives increased from 4.7 % to 53.8 % respectively, while that of machinery and transport equipment fell from 12.8% to 3.6% respectively. Regarding Russia's import, the share of manufactured goods rose from 65.7% to 87.4 % respectively<sup>23</sup>. Owing to the decline of many industrial sectors in the Russian Federation, these trends are likely to continue.

No less relevant information can be provided by trade structure of the Far Eastern Federal District and Transbaikalia, the predominant part of which is conducted with the APEC economies.

Under these circumstances, in the long-term perspective it will hardly be in Russia's interests to open its economy to more competitive partners.

In practical terms, FTAAP is supposed to be premised on "ongoing regional undertakings, such as ASEAN+3,

<sup>19</sup> В рамках АТЭС будет создана структура, контролирующая оборот цветных металлов. Вести-Иркутск. 01.09.2003. (Within APEC, a Structure Supervising Non-Ferrous Metals Turnover Will Be Established. Vesti-Irkutsk. 01.09.2003.) // <http://vesti.irk.ru/ekonomika/2003/09/01/6176/>

<sup>20</sup> «Норильский никель» будет поставлять медь во Вьетнам. 03.09.2008. (Norilsk Nickel Will Deliver Copper to Vietnam. 03.09.2008.) <http://www.investordaily.ru/news/stock/BIZNES-Norilskii-nikel-budet-postavljat-med-vo-Vetnam/>; «Российский Алюминий» пошел во Вьетнам. 18.05.2007. (RUSAL Has Gone to Vietnam. 18.05.2007.) // <http://www.vietnews.ru/novosti/60-1-r---.html>; Русал собирается покупать завод в Китае. 28.08.2007. (RUSAL Is Planning to Buy a Plant in China. 28.08.2009.) // <http://www.rzd-partner.ru/news/2007/08/28/310099.html>; РУСАЛ договорился о строительстве глиноземного завода в Индонезии. Росбалт. 06.09.2007. (RUSAL And Its Partners Have Agreed on Building an Aluminous Plant in Indonesia. Rosbalt. 06.09.2007.) // <http://www.rosbalt.ru/2007/09/06/411567.html>; «Норильский никель» вышел на австралийские рудники. Коммерсант 21.11.2006. (Norilsk Nickel Has Reached Australian Mines. Kommersant. 21.11.2006.) // <http://www.kommersant.ru/doc.aspx?DocsID=723433>

<sup>21</sup> Россия провела в АТЭС первое заседание Спецгруппы по горнодобывающей промышленности и металлургии. 6 июня 2008. (Russia Has Held the First Session of APEC Special Group on Mining Industry and Metallurgy. 6 June 2008.) // [http://metal4u.ru/news/by\\_id/730](http://metal4u.ru/news/by_id/730)

<sup>22</sup> Too Early to Talk About Asia-Pacific Free Trade Zone: Russia. The Brunei Times. 23. 05. 2011. // <http://www.bt.com.bn/business-asia/2011/05/23/too-early-talk-about-asia-pacific-free-trade-zone-russia>

<sup>23</sup> Data obtained from: *United Nations International Merchandize Trade Statistics* for respective years. // <http://comtrade.un.org/pb/first.aspx>

ASEAN+6, and the Trans-Pacific Partnership, among others"<sup>24</sup>. From Russia's perspective, the Trans-Pacific Partnership (TPP) and the East Asia Summit (former ASEAN+6) need examining.

The **TPP** project is aimed at substantially reducing barriers to trade and investment among its members which must be ready for an early and comprehensive liberalization. At present, it runs counter to Russia's trade priorities given its aforementioned slow tempo of building free trade regimes and the established trade structure.

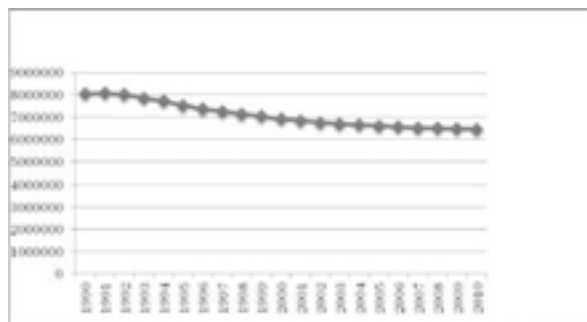
As for the **East Asia Summit**, it is worth stressing that since this dialogue platform was inception its agenda has undergone a profound paradigm shift with the current priorities focusing on politico-security issues. And given that the conflict potential in relations between the US and China may increase - for instance, as a result of Washington's policy towards Taiwan or the South China Sea issue, to mention just a few - future contradictions between the two states appear likely. In this light, moving towards FTAAP within the framework of the East Asia Summit may be problematic - for all EAS members including Russia.

In other words, the possibility of Russia's participation in TPP and FTAAP doesn't appear real. At the same time, however, further development of FTAAP will be encouraged at the APEC Summit in Honolulu. Consequently, Russia will have to ensure continuity between the agendas of Honolulu and Vladivostok summits. If so, the maximum that can be expected from Russia is only verbal support.

### Vladivostok-2012: Looking Forward and Beyond

Russia's proposal to host the APEC Summit in Vladivostok was submitted in November 2006. In terms of infrastructure development, the city didn't meet the requirements necessary for holding high-level summits<sup>25</sup>. Nevertheless, preparations started and went ahead. The Federal government has allocated more than 660 billion rubles<sup>26</sup>, legislative bodies have created favorable conditions to the implementation of numerous projects, top-level inspections have been in overabundance and the infrastructure is being built in nearly the clock-round regime. Major works include reconstruction of the Vladivostok airport, improvement of public amenities infrastructure, construction of highways, port facilities, hotels, the bridge to the Russkiy Island, objects for Far Eastern Federal University and many others.

**Diagram 3. The Far Eastern Federal District, Population Size, 1991-2010 (Data on January 1st)**



Source: Russian Federation. Federal State Statistics Service. // <http://www.gks.ru/dbscripts/Cbsd/DBInet.cgi>

If these trends continue, Vladivostok will build all the planned infrastructure objects, and its guests are sure to be impressed at the degree of Russian hospitality. But the outcome of the summit for Russia's long-term interests is likely to be modest due to the following reasons.

First and foremost, since the beginning of the 1990s the main presumable beneficiary of the Vladivostok Summit - the Far Eastern Federal District - has been facing a serious demographic problem. In 1991, its population accounted for 8044.7 thousand of people, while in 2010 it fell to 6440.3 thousand<sup>27</sup>. What aggravates the situation is that the predominant part of those eager to leave FEFD are highly qualified specialists of a childbearing age.

The Federal government is trying to solve this problem by both stimulating an inflow of compatriots from the former Soviet republics and inviting labor migrants. But so far, the results have been modest if not disappointing as due to difficulties while settling down not many people come to live in the Russian Far East. This is not surprising given shortcomings of both respective Federal program and the way local authorities are implementing it<sup>28</sup>. As for labor migrants, their influx is discernable but they are mostly people with a low level of educational and professional background<sup>29</sup>.

Second, the transport infrastructure in FEFD remains in a poor condition. For instance, the density of railways (the scale of estimation - 10 thousand kilometers) and highways with hard surfacing is 3.6 and 5.6 times fewer than corresponding figures in other parts of the country. Airports are poorly equipped with civil and transport aircraft facing the level of obsolescence above 80%<sup>30</sup>. The

<sup>24</sup> APEC Leaders Declaration: "The Yokohama Vision - Bogor and Beyond". Yokohama, Japan. November 13, 2010. // <http://www.whitehouse.gov/the-press-office/2010/11/13/apec-leaders-declaration-yokohama-vision-bogor-and-beyond>

<sup>25</sup> Что и за какие деньги будут строить к саммиту АТЭС-2012 во Владивостоке. Владивосток, 2 марта 2007. (What and on What Money Will Be Built for the APEC Summit-2012 in Vladivostok. 2 March 2007.) // <http://vostokmedia.com/old/news.details.php?id=&id=83365>

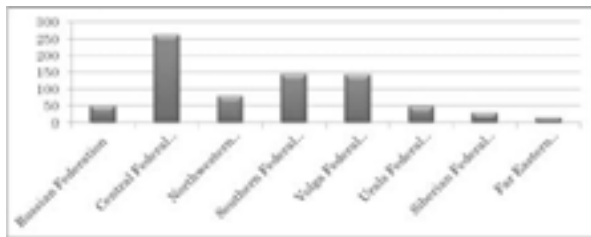
<sup>26</sup> Губернатор Приморского края С.Дарькин: «К 2025 году мы увеличим ВРП в 2,7 раза». Интерфакс. 22.12.2010. (The Governor of Primorye S.Dar'kin: "By 2025, We Will Have Increased the Gross Regional Product 2,7-Fold". Interfax. 22.12.2010. // <http://www.interfax-russia.ru/FarEast/exclusives.asp?id=199774&p=2>

<sup>27</sup> Российская Федерация. Федеральная служба государственной статистики. Численность постоянного населения по возрасту на 1 января, человек. Дальневосточный Федеральный округ. Все население. На 1 января. (Russian Federation. Federal State Statistics Service. Overall Population Size. Far Eastern Federal District. Data on 1 January.) // <http://www.gks.ru/dbscripts/Cbsd/DBInet.cgi>

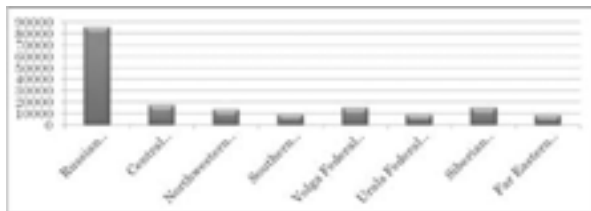
<sup>28</sup> For details see: Виноградова Ю. Горькие пряники. Во Владивостоке прошел форум по переселению соотечественников. Независимая Газета. 26.11.2010. (Vinogradova Y. Unattractive Incentives. Vladivostok Hosted a Forum to Move Compatriots to New Places of Residence.) *Nezavisimaya Gazeta*. 26.11.2010.) // [http://www.ng.ru/regions/2010-11-26/5\\_we.html](http://www.ng.ru/regions/2010-11-26/5_we.html)

<sup>29</sup> Недорогие гости. 21 мая 2009. (Unwelcome Guests. 21 May 2009.) // <http://russiannews.ru/second/23898/>

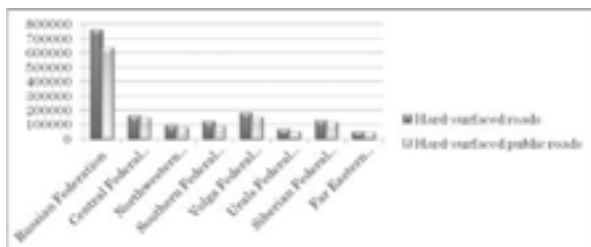
**Diagram 4. FEFD and Other Federal Districts: Operating Length of Railways (the End of 2008, Thousand km.)**



**Diagram 5. FEFD and Other Federal Districts: Railway Density (the End of 2008, km per 1000 Square km of Territory)**



**Diagram 6. FEFD and Other Federal Districts: Length of Motor Roads (the End of 2008, km)**



**Source:** Транспорт в России. - М., 2009. - С. 78-80, 90-92. (Transport in Russia. - М., 2009. - P.78-80, 90-92.) // [http://www.gks.ru/wps/wcm/connect/rosstat/rosstatsite/main/publishing/catalog/statisticCollections/doc\\_1136983505312](http://www.gks.ru/wps/wcm/connect/rosstat/rosstatsite/main/publishing/catalog/statisticCollections/doc_1136983505312)

latter point is especially important given that air transport remains the non-alternative means to connect many areas of FEFD with other Russian territories.

Third, grave image problems of FEFD are also conspicuous. Bureaucratic impediments to business activity are widely known. A high level of corruption - for example, embezzlement of funds earmarked for the Vladivostok Summit<sup>31</sup> - is another case in point.

But the most important problem is a narrow spectrum of opportunities for innovative development. According to

G.Lazarev, rector of Vladivostok State University of Economy and Service, the root cause lies in lack of qualified specialists capable of implementing results of innovative research<sup>32</sup>. To rectify this situation, a great deal of time and effort will be required. But in case migration trends continue, which is likely, a vicious circle is imminent.

Apart from the above-mentioned, worthy of note is a gap between the way Russia's national interests are interpreted by the Federal and FEFD authorities. In the former's view, these interests are best served by strengthening the Euro-Atlantic vector of Russia's foreign policy; and as for the Far Eastern areas, they are just a distant, sparsely populated and economically expensive periphery. The latter link Russia's interests with their own needs which are not always taken into account. Among the residents of FEFD, all this results in a crisis of confidence to the Federal government and further stimulates migration sentiments<sup>33</sup>.

In sum, it is fair to conclude that Vladivostok-2012 can hardly become a panacea against current problems of FEFD - the more so since many of them have grown for years. The essential precondition for their solution is not in the APEC Summit but completely in Russia's own efforts.

## Conclusion

In 2010, in the Ease of Doing Business Index Russia occupied 123<sup>rd</sup> place, which is below all other APEC economies except the Philippines<sup>34</sup>. In 2012, Vladivostok, as well as FEFD, will be put in the international spotlight, and attention of Asia-Pacific economies will be attracted to opportunities of doing business in Russia. Under these circumstances, a higher level of integration between Russia and the APEC members is inevitable. But what *kind* of integration will it be? Several options can be outlined.

First is a "*transport*" model. Russia will succeed in creating favorable conditions to foreign business in cargo transportation from East Asia to Europe. The Tran-Siberian Railway will be overloaded with cargo and its turnover will be constantly increasing. Under current trends, this scenario seems unlikely. At best, it can happen in a distant future if a tremendous amount of work has been done.

Second is an "*innovative*" model. The Far Eastern Federal District will follow the path of innovative development and its areas will become clusters of technological innovations. Large-scale state and private-sector investments will be made by the APEC economies with their business circles regarding Russia's Far Eastern

<sup>30</sup> Попов А. Распутать транспортный узел. Эксперт. 22 октября 2007. (Popov A. To Untie the Transport Knot. Expert. 22 October 2007.) // <http://www.expert.ru/printissues/expert/2007/39/transport/>

<sup>31</sup> See, for instance: Как в Приморье разворовываются деньги для саммита АТЭС. Вести Регион. 04.02.2011. (How the Money Earmarked for the APEC Summit Is Being Stolen in Primorye. Vesti Region. 04.02.2011.) // <http://vestiregion.ru/2011/02/04/kak-v-primore-razvorovyvayutsya-dengi-dlya-sammita-ates/>

<sup>32</sup> В Приморье нет кадров, способных правильно оценить роль инноваций. Ежедневные новости Владивостока. 10 февраля 2010. (Primorye Lacks Manpower Capable to Correctly Assess the Role of Innovations. Vladivostok Daily News. 10 February 2010.) // <http://novostivl.ru/msg/10238.htm>

<sup>33</sup> This point is elaborated in: Ларин В.Л. Восточные районы России в «треугольнике» Россия - Китай - США. // Треугольник Россия - Китай - США в АТР: факторы неопределенности / Отв. ред. В.Б.Амиров, В.В.Михеев. - М., 2009. - С. 58-65. (Larin V. Russia's Eastern Regions in the "Triangular" Russia - China - US. // The Triangular Russia - China - US in Asia-Pacific: Factors of Uncertainty/ Ed. by V.Amirov, V.Mikheev. - М., 2009. - P. 58-65.)

<sup>34</sup> Economy Rankings. // <http://www.doingbusiness.org/rankings>

territories as areas of golden opportunities. At present, there is little evidence that this scenario will materialize.

Third is a "*raw materials*" model. It means an increase in delivery of Russian resources, mostly energy, to the APEC economies. Prevailing trends strongly suggest that so far Russia has been and is opting to follow this path.

Consequently, this scenario appears the most likely.

With all this in view, Russia has to realize that APEC doesn't create *solutions* to the existing problems. What it creates is *conditions* for these problems to be solved. At present, whether and to what extent these conditions will be properly used remains an open-ended question.