

RUSSIA'S FOREIGN POLICY IN ASIA: CONTINUITIES, CHANGES AND CHALLENGES

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This article discusses Russia's changing role in Asia and seeks to explain why foreign policy adjustment in the Kremlin is regarded as important. It argues that following the end of communism and the breakup of the Soviet Union, Russian foreign policy in Asia has been in chaos. Continued political, economic and military crises have left Russia a marginal player in Asia, and thus this article concludes that Russia would be consigned to a marginal role at best over the next decade.

1. INTRODUCTION

This article discusses Russia's changing role in Asia and seeks to explain why foreign policy adjustment in the Kremlin is regarded as important. It argues that following the end of communism and the breakup of the Soviet Union, Russian foreign policy in Asia has been in chaos. Today Russia is militarily weak, systematically in turmoil and economically in decline. Caught between reform and realpolitik, Moscow has become a marginal player in East Asia. The rebuilding of Russian Northeast policy or to correct its confused Asian policy is not always possible. There are different possibilities and constraints. Although part of this article is historical in nature, it basically examines contemporary Russian foreign policy and predicts its future directions.

2. RUSSIA: OBJECTIVES, STRATEGY AND INTERESTS

Historically, the Russians have long sought to exert their influence in the Asia-Pacific region and over the Korean Peninsula in particular. Up to the conclusion of the Russo-Japanese War in 1905, Russia saw the peninsula as an invasion route for the conquest of Japan. From 1905 to Pearl Harbour, it was intensely concerned about containing the Japanese threat to its territorial integrity which emanated from Korea. After the post-World War II division of the peninsula, the Soviet Union saw North Korea as a buffer between itself and US and Japanese power. Soviet concern over developments on the peninsula was compounded by the proximity of the huge Russian naval base at Vladivostok to its frontier with North Korea. Russia, in its pursuit of political and military interests in Korea, thus came to extend military and economic aid to the ideologically sympathetic regime in Pyongyang. The end of the Cold War, however, has reduced the strategic value of North Korea (DPRK) to Russia, and the

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present thrust of Russian domestic and international policies have accorded poorly with the domestic policies and diplomatic posture of the North Korean regime. The expansion of Russian relations with the Republic of Korea (ROK, South Korea) has especially come into conflict with the aspirations of Pyongyang. There are signs of strains in Moscow-Pyongyang relations since Moscow redefined its North Korea policy.

In the late 1980s, Moscow, unable to sustain its position as a competitive super-power, was forced to modify its military budget, which was one of the reasons for the end of the Cold War. Arms reductions have been enormous and encompass a proposed 70 per cent cut in Russian strategic forces. The disintegration of the Soviet Union into fifteen independent republics has been reflected in a substantial Russian withdrawal from East Asia. As a result, the international balance of power has shifted from one of strategic bipolarity dominated by super-power competition to a more diffuse and complex multipolarity. The days are now past when Russia could project considerable power in Asia. Moscow's military presence in East Asia has declined and now, although latent, is largely ineffective.

Two views have influenced Soviet objectives and policies regarding the Korean Peninsula. The old approach prevailed through the 1950s until the Gorbachev period, and the new one, which started with Gorbachev's Vladivostok initiative of July 1986, continues now even after the disintegration of the Soviet Union. The old approach justified a Soviet military presence in North Korea on the basis of:

- the preservation of tensions on the Asia-Pacific rim and in Korea;
- the US military and nuclear presence on the Korean Peninsula; and
- the necessity of military reinforcement in the Soviet Far East as an alternative policy to symmetrical naval opposition to the USA in Asia (Mikheev, 1989).

The Cold War thinking suggests that strategic survival is first of all determined by the level of defence potential, and therefore the Soviet Union, reflecting this strategic thinking, deployed a massive naval force in the Far East and a huge contingent of military personnel in North Korea. On the other hand, the new political philosophy initiated under Mikhail Gorbachev declares the necessity of recognising existing realities, namely that South Korea possesses its own political and economic weight in the Asia-Pacific region and the normalization of relations could benefit both countries. Hence, the Soviet Union/Russia seems to be faced with the choice of either strengthening its military-political position in the North and closing off economic relations with the South in line with the old political thinking, or alternatively playing an active role in the Korean settlement by searching for new strategic priorities and taking into account political realities on the peninsula. Gorbachev's 'Vladivostok initiative' meant a proclamation of new principles regarding the Korean regional conflict. The proposal to discuss on a multinational basis the question of decreasing the military presence in the Far East region, the negotiation of a nuclear-free zone in Korea, and the possibility of Soviet-ROK economic contacts represented real measures of Soviet diplomacy in the spirit of the new ideas (Samoteikin 1987:13). These measures were met with approval in many countries, including the ROK. Gorbachev's meetings with President Roh Tae Woo in June 1989 in San Francisco and then on Cheju Islands were followed by the establishment of diplomatic relations on September 30, 1990, prompting bitter protests by the North Koreans.

Following normalisation, an editorial appeared in the North Korean official press entitled 'Diplomatic Relations Bargained for Dollars', which characterised the Soviet decision as an act of betrayal, accusing the Soviets of having sold the dignity and honour of a socialist state and the interests and faith of its loyal ally for South Korean economic aid. Other sources in the North including North Korea observer Suh stated that they had come to believe that the Soviet Union had joined with the USA to isolate North Korea and perpetuate the division of the peninsula (Suh 1990). Gorbachev's decision to publicly support the ROK's bid for United Nations membership was the ultimate insult to Kim Il Sung, and undoubtedly confirmed Kim's belief that Gorbachev had committed his government to supporting the continued division of the peninsula.

Gorbachev also visited Japan in April 1991, the first visit there by any top Soviet leader. Interestingly, on his way home after this visit, Gorbachev chose to stop off only in Seoul. This seems to suggest that Moscow's Asian policy had begun to tilt from China and North Korea to Japan and South Korea (Terumasa 1991).

Gorbachev's decision to accelerate the development of Soviet-ROK ties can be traced to several causes. (1) South Korea's refusal to provide significant economic aid and investment to the Soviet Union until Moscow normalised diplomatic relations; (2) Moscow's inability to gain significant Japanese aid, and (3) the Soviet Union's increasingly dire economic situation. Four months after normalisation, on 22 January 1991, South Korea agreed to provide the Soviet Union with a financial co-operation package valued at \$3 billion over the next three years, including \$1.5 billion in loans for purchasing Korean consumer products, \$0.5 billion in trade credits for Korean capital goods, and \$1 billion in commercial syndicate loans by Korean banks (Ministry of Finance Bulletin, 1991:10).

South Korean interest in the former Soviet Union seemed to have been primarily political, not economic. The ROK government by the early 1990s wanted to establish relations with Moscow for two reasons: (1) to reduce the security threat posed by North Korea by alienating it from its most important source of military support; and (2) to enhance its international legitimacy, and ultimately to promote Korean national reunification by weakening the DPRK and forcing it to negotiate on the ROK's terms. While the successor states of the Soviet Union also offer a new, potentially significant market for Korean exports and investment, such benefits seem less certain and of less importance.

The South Koreans surprised many observers by their apparently warm feelings toward the Soviet Union. In part, the easy path of Soviet-ROK normalisation may be seen as a reflection of South Korean perceptions of the Soviet Union as a mere secondary threat. In part, it was pride in being courted by a superpower. It also may reflect a belief that Moscow's new policies were helping the cause of South Korean national reunification.

It is in the effort to foster an economic partnership with South Korea that Moscow's new thinking was clearly discernible. Moscow's quest for economic cooperation and Seoul's quest for political leverage have made it possible for both sides to normalise diplomatic relations. Initially, Moscow, however, sought to separate politics and economics in order not to antagonise North Korea and at the same time to play Seoul against Tokyo and sometimes against Pyongyang. But as Seoul gradually attempted to

link these two in its dealings with Moscow, Moscow recognised the importance of establishing political relations with Seoul in furthering Russia's national interest.

Russian economic interests in South Korea derive not merely from the existence of complementarity between resource-rich Siberia and manufacturing Korea, but also from expectations that the Russians can learn and gain from South Korean financial, technological, and educational experience and potential. By contrast, South Koreans are more interested in Soviet influence on security and North-South Korean relations, in addition to the possibility of developing alternatives to their traditional markets in the West (Shuja 1995). The meeting of Soviet economic with South Korean political interests led to the normalization of diplomatic relations. As North Korea's utility as a friend and ally of the Soviet Union declined, South Korea's position in Moscow's Asia policy grew rapidly. South Korea's dynamic economy made it a far more attractive trading partner than North Korea.

With the disintegration of the Soviet Union in 1991, we got the new Russian Federation and a new leader, Boris Yeltsin. President Boris Yeltsin's Russia has been struggling to democratise its social and political life and capitalist economy, while coming to terms with its own past. Boris Yeltsin's Russia has been regarded internationally in some respects as the heir of the Soviet Union. For example, it assumed without question the Soviet permanent seat on the UN Security Council. And, like the Soviet Union before it, the new Russia still aspires to be recognised as a global power alongside the United States of America. In this respect Russia has a nuclear arsenal of superpower dimensions and its military industries can still produce advanced weapons systems.

If Russia has ceased to be a power of major regional significance it still exercises residual importance by reason of geography in Northeast Asia. Moreover, it could affect immediate arms balances through sales of advanced weapons systems and affect diplomacy in the region. Some Russians, including the Communist leader Gennadi Zyuganov, may think that it is a question of time before Russia would recover from its domestic turmoil and would regain the status of a global power, not just a regional power as the West maintains. Thus there remains, arguably, a gap in perception between the Russians themselves and Western commentators.

3. MOSCOW'S EAST ASIA POLICY

Moscow under Boris Yeltsin's leadership recognises the importance of continuing political and economic relations with South Korea, China and Japan and adheres to the principle of a nuclear-free zone in Korea. Improvement in Russian-ROK relations continued especially after Boris Yeltsin's November 1992 visit to Seoul and the initialling of a new treaty on basic relations (Zagorsky 1995). Russia is committed to a Korean Peninsula free of nuclear weapons, as reflected in its 1993 military doctrine (Miasnikov 1994). As a result, Russian-South Korean trade has continued to expand steadily, from \$1.2 billion in 1992 to \$1.57 billion in 1993 and \$2.2 billion in 1994. In 1995 trade soared to a record of \$3.3 billion, with Russia recording a \$447 million surplus. The Russian Federation exports mostly raw materials, while South Korea sends electronic goods, textiles and footwear to Russia.

By contrast, Russia-DPRK relations continue to falter. Moscow's decision to put the two nations' bilateral trade on a hard-currency basis, effective since January 1991, has inevitably led to a decline in economic exchanges between them. When in 1991 Moscow required Pyongyang to start paying for oil in hard currency, at world price level, trade plummeted from \$2.4 billion in 1990 to roughly \$500-\$600 million in 1992 (Koh, 1994). In 1993, Russian-North Korean trade dropped to \$130 million and declined another 77.1 per cent in 1994, according to South Korea's National Unification Board, and remained very low in 1995. However, the DPRK's need for closer relations with Moscow is evidenced by its real economic dependence on Russia for oil and military supplies. The Chinese can offer only political aid and limited economic support. Unless Kim Jong Il can develop economic relations with Japan or other Western nations, he will, like his father, Kim Il Sung, have to endure humiliation by Russia in order to gain whatever economic benefits he still can from the Moscow relationship.

There are many uncertainties that will affect Russian-Korean relations in the near future. The evolution of the relationship depends in part on events in Russia, and in part on developments on the Korean Peninsula, such as the economic turmoil in the South and the increasingly desperate famine in the North. The Korean Peninsula will remain important in the foreign policy of any Russian government, whether reformist, moderate, or conservative-nationalist. Russia has important interests in the Korean Peninsula, stemming from its shared border with North Korea, the proximity of major population centres in the Russian Far East, and growing trade relations with South Korea. Instability on the peninsula could threaten the economic interests of Russia.

Russia like China is committed to a Korean Peninsula free of nuclear weapons, and is interested in limiting the proliferation of nuclear weapons, as noted earlier. Much of the population of Primorskii is concentrated within a few hundred kilometres of the Russian-DPRK border. Any use of nuclear weapons on the Korean Peninsula would contaminate significant areas of the Russian Far East. In addition, any serious conflict – nuclear or conventional – could produce a stream of refugees across Russia's borders and it could exacerbate differences between Moscow and Beijing over how to resolve the crisis, and thus could jeopardise Russia's amicable ties with East Asia's dominant power.

Moscow's foreign policy establishment, therefore, is in agreement on the need to prevent North Korea from developing or utilising nuclear weapons (Shuja 1997). It is evident that the Yeltsin government had made clear its opposition to North Korea's possession of nuclear weapons (Denisov 1995). On this nuclear issue, Russia for the most part has co-operated with the United States and South Korea, because the presence of nuclear weapons on the peninsula threatens the Russian Far East. During Russian Defense Minister Pavel Grachev's May 1995 visit to South Korea the two countries signed a memorandum of understanding providing for the exchange of military exports and personnel, sharing military intelligence, and the South Korean purchase of Russian military equipment. South Korea's Defense Minister, Lee Yang Ho, urged Russia to play a more active role in setting the North Korean nuclear issue.

Although Moscow in recent years appears to have wished to make its policies in the East more dynamic, its initiatives generally did not evoke a strong response in the region, mainly because the Russian initiatives and interests were perceived by the

region as being directed more towards the USA and the West, rather than towards Asia (Losyukov 1995).

Even the more pragmatic new foreign policy doctrine which Russia adopted in early 1993 retained some of these ideological and idealistic postulates. Referring to common democratic values shared with the USA, the doctrine, for example, called for a strategic partnership with Washington in the Asia-Pacific region. At the same time the document called the lack of democratic reform in China an impediment to closer co-operation with Beijing.

Forced by the bitter realities of its declining international weight, and with growing domestic dissatisfaction over the results of its economic policies, Moscow declared in late 1993 its intention to correct the pro-US and pro-European tilt in its foreign policy and launched a more active diplomacy in Asia. President Boris Yeltsin visited South Korea and Japan, and met in Moscow with the leaders of China and India. Russia has become much more interested in ASEAN countries, especially in view of their role in the evolving security arrangements in the region. Russia has lost its influence in North Korea and is being ignored by the West as a major player in Asia. Today, Russia is militarily weak, systematically in turmoil, and economically in decline. Depending more on the behaviour of others than on its own wishes, Russia's options appear to be limited for the foreseeable future. Indeed post-Soviet Russia, to Kremlin observers, has become more an object of regional security politics, not an actor in its own right (Blank & Rubinstein 1997). *Its now weak position is giving it little room to manoeuvre in Asia.*

It may, however, be dangerous to discard Russia as a 'has-been' in Asia. Its location, nuclear capability, resources, manpower and defence potential warrant careful attention. A certain strengthening of Moscow's ties with Asian countries and Russia's new Asian policy, therefore, seem to be imminent.

The main directions and principles of Russia's new foreign policy in the region were stated by then Foreign Minister Andrei Kozyrev in his speech to the Chinese Association of People's Diplomacy on 27 January 1994. According to Kozyrev, Russia's first priority is an active development of business relations with member countries of this economically fastest growing region in the world. As the minister indicated, one-third of the total Russian foreign trade is already with Asia-Pacific states. Secondly, Russia's Asia-Pacific policy is to be based on the understanding that Moscow does not regard its contradictions with any regional country as irreconcilable, and it will work consistently in favour of having stable and balanced relations with them all. Thirdly, the possibility of a major military conflict in the region is now greatly diminished, thus reducing the importance of military factors in international relations. However, because of still remaining challenges to regional security, Kozyrev argued that there has been a need to respond to them on a collective co-ordinated basis.

Elaborating further on the problem of regional security, Kozyrev spoke in favour of creating stage-by-stage a collective or co-operative security system, a so-called 'security community' open to every regional country to join. It might be built up by starting with relatively simple forms of co-operation (exchange of information, adoption of confidence-building measures, etc.) and proceeding further to more complex ones (such as joint resolution of conflict situations). For these purposes,

Russia proposed to establish an Asia-Pacific centre for conflict prevention as well as an Asia-Pacific research institute on security problems.

The main security threats and risks to Russia in the Asia-Pacific are seen by Moscow in the following trends:

- ethnic conflict and tension in Russia's border areas, especially in Central Asia, as well as within Russia itself,
 - potential nuclear conflict on the Korean Peninsula,
 - tension with Japan over the unresolved territorial dispute and fishing issues,
 - military growth of China,
 - isolation from the economic integrational processes in the Asia-Pacific region,
- and
- a destabilising increase in the number of foreign migrants in the Russian Far East.

4. POLICY ADJUSTMENTS

These challenges dictate the following priorities in Russia's policies in the Asia-Pacific region:

- a military reform and adjustment to new regional security realities,
- an active diplomacy in Central Asia in order to retain the region in its sphere of influence,
- a resolution of the dispute with Japan and full normalisation of relations with Tokyo,
- a continuation of dynamic but reasonable relations with China,
- a more constructive role in the settlement of the Korean problem,
- an accommodation of Russia's regions and ethnic autonomies, and
- implementation of economic reforms in the Russian Far East with a view to enabling that region to take an active part in Asia-Pacific economic integration.

The Russian military presence in the Asia-Pacific region has been reduced from 390,000 to 290,000 (Zagorsky 1994). The withdrawal of military personnel from Afghanistan and Mongolia has been completed. Changes on the Russian-Chinese border in terms of military presence are of a most radical nature.

An additional event of less military importance took place at the end of 1993 on the southern Kurile Islands on the eve of Yeltsin's visit to Japan. The territory claimed by Japan was practically demilitarised (except for border troops) as a step in implementing Yeltsin's five-stage plan to improve relations with Japan. However, the unresolved issue of the four Kurile Islands remains the stumbling block in Russia's relations with Japan. The chances of Russia returning them to Tokyo are becoming even slimmer. In fact, a certain toughening of Moscow's approach to the problem is noticeable. Given the political instability in Russia, it is very unlikely that President Yeltsin or his successor would risk returning the islands and thereby provoking a serious backlash from the influential Russian nationalists.

Confidence building measures have been agreed between the Armed Forces across their borders, resulting in the withdrawal of troops along their border. Russia in 1997 agreed to sell China two squadrons of the advanced SU-27 aircraft, airborne radar,

submarines, Sovremenny destroyer, etc.. It is assumed that the Russian motivation is commercial rather than strategic.

With the end of the Cold War and the US-Soviet confrontation, there is an obvious decline in Western support for Tokyo's claims to the islands. The possibility of facing a powerful China in the next century should also soften Tokyo's approach to its dispute with Russia. In the short term, however, Russia is going to be the loser. Trade with Japan has fallen to half of its 1989 volume, and Japanese investors are becoming more reluctant to invest in Russia. Moscow's hopes of joining the Asian-Pacific Economic Cooperation (APEC) will remain unrealistic until Tokyo is more forthcoming on its attitude to Russia. Russo-Japanese relations are also strained by a dispute over Japanese fishing in the area of the Kurile Islands.

Contrasting with the uneasy relations with Tokyo are Russia's booming trade and economic ties with China. It appears that Russia has been more yielding in its relations with China. In 1992 the volume of Sino-Russian trade increased by 50 per cent, and in 1993 by another 30 per cent, reaching US\$7.68 billion. Chinese investors outnumber other foreign investors in the Russian Far East (Larin 1994:45). In 1994, China ranked first among the Russian military-industrial complex's foreign clients. In July 1994 the Chinese State Council officially allotted \$5 billion for the acquisition of Russian military equipment. The purchases included SU-35 fighters, anti-aircraft missile complexes, in-flight aircraft-to-aircraft refuelling technology etc. (Larin 1994). There are perhaps thousands of redundant Russian specialists from the former Soviet military-industrial complex assisting in the technological upgrading of China's own weapons establishment. China by early 1997 became a leading buyer of Russian machinery and equipment, as well as of Russia's weaponry (Shuja 1998).

There are several factors favouring close relations between Moscow and Beijing. Both Russia and China are now in a transitional period and are inward looking. They are mainly focused on domestic issues and the solution of immediate economic and political problems. Moscow and Beijing have accumulated a bitter experience of long and destructive confrontation. They are careful, therefore, not to reanimate past hostilities. They need each other as a 'home front' in case their relations with the West deteriorate. Russia and China share common interests in preventing separatism in their countries, especially the rise of nationalist movements among divided ethnic groups on the Sino-Russian border. In addition, China's close ties to Russia, from Beijing's viewpoint, serve Beijing's diplomatic interests by signalling Washington that it has alternatives should the Sino-American relationship sour.

Russian foreign policy reached a turning point in 1996 when Boris Yeltsin defeated his communist rival, Gennadi Zyuganov, in the presidential election. His re-election demonstrated that democracy triumphed. Although the elections revolved around domestic economic and social issues, the results do have foreign policy implications. Yeltsin's original foreign policy team, including Kozyrev and Defence Minister Pavel Grachev, were replaced. The appointment of Yevgeny Primakov and General Alexander Lebed as Foreign Minister and National Security Adviser respectively in 1996 heralds a more professional foreign policy. However, General Lebed was removed from this key position, following accusations that he was planning to seize power with the help of the Russian military and Chechen rebels. And Mr Primakov continued to lead the Russian Foreign Ministry until late August 1998 when he became

the new Prime Minister of Russia. Divisions within Yeltsin's administration appear to complicate the task of co-ordinating foreign policy, despite Primakov's assurance that Russian foreign policy would be effectively co-ordinated under the aegis of his ministry. By the end of 1995, a consensus did emerge among the Kremlin's foreign policy experts that "Russia's status as a respected great power must be restored (Ziegler, 1996).

5. CURRENT SITUATIONS/TRENDS

Russia's position in Asia overall is circumscribed by its weak economy and endemic political and social crises. The situation in Russia today creates two main fears: economic and political (Goldman 1997). The economy collapsed, the rouble devalued and thousands of Russians started to withdraw their money from banks. Inflation has risen; imported goods are disappearing from the shops, and the prices of those that remain are rising; people are starting to hoard; worried foreign investors are pulling out; while international financial organisations grow increasingly reluctant to lend Russia more money (Frank 1998). So great has been the failure of economic reform that many Russians look back to the stagnation and decline of the last years of communism as being happy times.

The danger is that the successor to President Yeltsin could discontinue reform policy and would only offer false hope. And with Russia still possessing a vast nuclear arsenal, we should all be concerned that it does not fall into such hands. That is why Russia's economic prosperity is of concern to all of us. The West has an interest in promoting democracy and market economics in Russia. But it would be wrong to assume that it is in the West's power to bring this about, certainly not through economic assistance alone. In the end, it will be Russians who bring its period of misery to a close. And since late 1997, Yeltsin has been attempting to define a set of concepts, what is usually called the 'Russian idea', for the nation itself. Caught between reform and realpolitik, Russia under the consistently ill Yeltsin is an economic mess.

Considerable doubt has been expressed over the ability of the current Russian government to make and implement effective policy primarily because of corruption, ineffectiveness of management and a lack of a stable political structure. The process of transition has been beset primarily by difficulties because the real problem has been the weakness of the state which has been unable to consolidate the systems and structures that would ensure both governability and the smooth transition to a market democracy. Furthermore, the efforts of the President to control personnel appointments through the Council for Personnel Policy and the Civil Service Administration could be seen as an effort to create a household bureaucracy. If that is indeed his intention, however, the likelihood of success is extremely low, with political power being far too fragmented for such an outcome. The evidence appears not to be strong enough to suggest a policy process which is dominated by such relationships.

The reforms of Russia and Eastern Europe depended too much on the West for aid, with the illusion that if they moved closer to the West, they could obtain foreign aid. Therefore, Yeltsin, Gorbachev and the other leaders travelled around, begging for aid

from the United States, Japan and South Korea. The IMF has provided considerable sums in assistance to Russia, very much as a result of American encouragement. The calculations are more political than economic; the aim is to ensure the continuation of democracy rather than to achieve reform and progress in the Russian economy. However, it was a mistake for countries to rely on foreign aid for economic development. Most countries began to grow rapidly in economy only after they were independent of foreign aid. China, for example, after the incident at Tiananmen Square on 4th June, 1989, enjoyed continuing growth even though many aids and credits were frozen.

Looking into the future, to revitalise Russia's economy and make it prosperous, the following probably will have to be done:

1. Increase political stability. Political stability helps establish the authority of the government, so that the government's power could be utilised to readjust the dislocation of economic order.

2. Abandon dependence on the West. A people's dependence on their own effort is the only way to obtain affluent life. Russia has vast territory, abundant resources, a relatively small population, a large number of trained technicians and intellectuals and people of high quality. After the reform of its industrial foundation, Russia could before long go into normal operation of national economy. The Russian is born intrepid and yearns for national greatness. Russia now is in chaos, but it has broken off the heavy burden of its Republics and East Germany.

3. Continuation of reform and to build a competitive infrastructure. Yeltsin is viewed generally by the West as the guarantor of market economics and democracy, yet Russia under Yeltsin is an economic mess. The failure to build a competitive infrastructure had devastating consequences for the reform effort. It also affected the operational practices and behaviour of Russian business institutions, which were more likely to view themselves as above the law and the public interest. In China, for example, the rapid growth of new business created a more competitive environment and a more acceptable code of behaviour. This generated the higher level of output and lower level of inflation that a competitive environment brings. Without such initiative, Russia's economic situation would continue to be at a very critical stage. To be sure, Russia's economic recovery and reform must ultimately rest on its own efforts.

During the recent Russian meltdown, Boris Yeltsin fired his longtime Prime Minister Viktor Chernomyrdin, dismissed his entire Cabinet and appointed Yevgeny Primakov as the new Prime Minister. Mr Primakov declared that his government under Boris Yeltsin would stabilize the economic situation and Russia would not abandon market style economic reforms, and underlined the stability of foreign policy, consistency in reforms and the lack of any alternative to market oriented policies. Mr Primakov is seen as a technocrat not ideologically linked to any political faction. He has been criticised in the West for taking a less liberal line on foreign relations. He was named Foreign Minister in January 1996 and has been praised by most of Russia's political factions for doing a good job. Although seen as a competent administrator, his field of expertise is foreign relations, not economic policy. Yet his power is growing because of Yeltsin's illness.

To talk of economic resurgence in the near future is to ignore current realities. The export branches of the economy -- oil and gas and natural resources -- are productive

and known reserves are massive. However, this is the only sector of the economy that is subjected to any order. Industrial and electronic operations are destroyed, with no investment forthcoming or likely because of the crippled Federal budget.

Should Moscow's leaders resolve their pressing domestic problems such as repairing its horribly damaged economy, stabilizing its politics, reconstructing its administration, curbing the activities of the Mafia and reducing government corruption and arbitrariness, improving the welfare of its people, recreating efficient armed forces and designing coherent policies for Asia, Russia could expand its influence in Asia in general and on the Korean Peninsula in particular. Russia needs time to put its house in order. The sudden decline in South Korea's economy in late 1997 has further complicated Russia's relations with Seoul. Russia can be expected to remain in a state of political and economic turmoil for the near future.

6. CONCLUSION

Although Primakov could assume that economic growth may be achieved in the near or medium future, Russia does not seem poised to record the growth rates experienced by China. Even if economic growth in European Russia takes off, the Russian Far East will probably be left behind. And since influence in Asia will increasingly depend on economic strength, Russia would be consigned to a marginal role at best over the next decade.

Concerning Moscow's efforts to become a major player in Asia, this article has identified priorities in the Kremlin's policies in the Asia-Pacific region. These include a military reform and adjustment to new regional security realities; an active diplomacy in Central Asia in order to retain the region in its sphere of influence; a resolution of the dispute with Japan and possibly full normalisation of relations with Tokyo; a continuation of dynamic but reasonable relations with China; a more constructive role in the settlement of the Korean problem; an accommodation of Russia's regions and ethnic autonomies, and implementation of economic reforms in the Russian Far East with a view to enabling that region to take an active part in Asia-Pacific economic integration. These policies should be directed towards fostering an active development of Russia's business relations with this important region.

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