Chapter 3:

Siberia’s Economic and Strategic Importance in the Global Scenario
The role that Siberia has played in the world has always centered on its location and resource potential. Siberia is often referred to as the 'Treasure Chest' of natural resources. It is a potent tool for Russia, its claim to become a 'resource superpower'. Russia has regained considerable clout in the geopolitics of the contemporary world, and it can be inferred that Siberia is going to be the cynosure of all social scientist’s eyes. At a time where 'Energy Security' is critical for global powers, Russia too is thinking hard about its immeasurable reserves of under utilized energy resources it holds in its belly called Siberia. The fact is demonstrated by the recent G8 Summit it hosted in St. Petersburg. Siberia could be a critical factor in the resolution of world’s most complex problems.

The exploitation of its riches is one of the most important conditions for the increased effectiveness of Russia’s economy. According to Malov et al (2004), Siberia holds just under 80 percent of Russia's oil resources, over 60 percent of its coal, similar amounts of precious metals and diamonds, and a little over 50 percent of the nation's timber resources.

Table 3. Siberia's Share of Resources

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<th>% of Russia's total</th>
<th>Territorial share</th>
<th>Population share</th>
<th>Oil extraction share</th>
<th>Gas extraction share</th>
<th>Coal reserves share</th>
<th>Timber resources share</th>
<th>Water resources share</th>
<th>Hydraulic power potential share</th>
<th>Electricity output share</th>
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<tr>
<td>Territory</td>
<td>45%</td>
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http://www.fplib.org/partners/siberia/eco_bus/fl_1.html#other
According to Microsoft Encarta 2000, Russia is the world's second largest oil producer. Figures cited by the Frankfurter Allgemeine Zeitung on May 22, 2002 show that 12% world's known oil reserves are in Russia. Three-quarters of Russia's hard-currency receipts come from the sale of petroleum products abroad.

According to Oil and Gas Journal (December 2004 issue), most of Russia's 60 billion barrels of proven oil reserves are located in Western Siberia, between the Ural Mountains and the Central Siberian Plateau. The ample endowment of this region made the Soviet Union a major world oil producer in the 1980s, reaching production of 12.5 million barrels per day (bbl/d) in 1988. Roughly 25% of Russia's oil reserves and 6% of its gas reserves are on Sakhalin Island in the far eastern region of the country, just north of Japan (Gelb, 2006).

The Siberian regions produce 30 percent of Russia's GDP. Siberia holds important energy resources, including 80 percent of Russia's proven natural gas reserves (or 30 percent of the global share), 75 percent of its oil (4 percent of global reserves), and 90 percent (19 percent) of its coal. These regions generate more than 30 percent of all electric power in Russia. As the source of most of Russia's oil and natural gas, Siberia plays a major role in the country's modern but struggling market economy. The development of such Siberian resources can either result as threat or appear as a promise to the world (Cornelius and Story, 2007).

Siberia is in many respects what geographer David Hooson would call Russia's "effective national territory," or its economic heartland- the region that produces a surplus relative to the size of its population and that essentially supports the rest of the country. In an article in the Geographical Journal in 1962 and then subsequently in a monograph titled The New Soviet Heartland, Hooson argued that the heartland extends from Middle Volga to lake Baikal: "The fundamental fact is that the repository for most of the accessible resources of energy and raw materials upon which growth of Soviet industrial, military and political power in the world ultimately depends. This situation itself might justify the use of the word 'heartland' taking heart to be the vital generating part of a system, in this case the Soviet State. However, the recent record of this zone as an unusually powerful magnet for urban industrial population indicates that these resources are increasingly
being used to build up the zone itself as well as the long dominant regions to its west. It is not only that the rates of city growth have been faster here over the last two decades than anywhere else in the country.”

In the communist times, Siberia was identified as the Union’s Economic ‘heartland’ whose exploration and development played a vital role in underpinning the Russian economy. Sir Halford Mackinder, one of the founders of geo-political doctrine called the Siberian region the “True geographical Pivot of History.” After World War II the theory of the American Nicholas Spikeman was added to the geo-political doctrines of Mackender & Karl Hausoffer, the Nazi ideologist of the Lebenstraum. According to Spikeman, he who controls the “Rim-Land”, that is, the zone surrounding the “heartland” the continental & communist heart rules Eurasia and he who rules Eurasia holds the fate of the world in his hands (this theory inspired the establishment of all the western alliances concluded in the post-war period, from NATO to CENTO and SEATO) (Sengupta, 2007).

The Far East and Siberia of the Russian federation share border with five countries- China, North Korea, Japan, and the US. These countries are going to play a crucial role in shaping the future agenda of development in that region. Norwegian navigator F. Nansen, predicted that Siberia is the land of the future. A century since the prediction, Siberia still remains a swathe of landmass with abundant resources and emaciated demography both east and west of Lake Baikal. Territorial bickering with neighbors Japan and China has jeopardized the prospects of regional cooperation for development of the region throughout the Soviet years. The two parallel rail links- The Trans Siberian railway built by the Tsar in the early 20th century and the Baikal Amur Railway built by the Soviets through the 1970s are the only surface connects for common masses to the region, with the mainland Russia. The Far East and Siberia of the Russian federation share border with five countries- China, North Korea, Japan, and the US.

These countries are going to play a crucial role in shaping the future agenda of development in that region.
Changing Geopolitical Equations Affect Siberia's Development

Rise of Asia

The most striking change is the economic power shift facilitated by the twin forces of globalisation and liberalisation. According to a speech by Kumar Mangalam Birla (delivered at the India Today Conclave held in New Delhi on 25 and 26 February 2005), over the past 30 years, the pattern of global GDP is seen shifting in the favour of Asian economies and away from North America and Europe. The share of OECD (Organisation for Economic Cooperation and Development) Europe has declined by 5 per cent, and that of the US and Japan by 1 per cent each. The consuming power of this part of the world also increased incrementally. Nearly one-fourth of the world fuel demand now originates in non-Japan Asia, compared to just one-tenth in mid-seventies.

According to a report released by Moscow based investment bank Brunswick UBS, titled Russia: One Foot in Europe, One in Asia, "The important point for Russia is that the economies to its eastern borders are likely to become bigger than its western neighbours in the next couple of decades. Since each of them is a big importer- and expected to become more so- of many and semi-processed materials that form the backbone of Russia's exports, Russia is looking at a huge ready market just beyond its border" (Chan, 2005).

Investment bank, Goldman Sachs in its 'Dreaming with the BRICs' report predicts that China will be the largest economy of the world by 2041. The average GDP growth of China over the past 23 years has been a phenomenal 9.5 per cent. Russia is predicted to experience the highest GDP per capita by 2050 among the four largest developing economies. From 2002-2006, Russia's GDP has almost trebled, from $345bn in 2002 to $984bn in dollar terms (partly due to economic growth, but also because the value of the rouble has soared). The economy is now growing at almost 7% per year - up from less than 5% four years ago (Madslien 2007). According to 2007 estimates, China's gross domestic product is $1.1 trillion (Wortzel 2003. The future growth rate for China's gross domestic product is expected to be between 7 percent and 9 percent, according to the Economist Intelligence Unit (Wortzel 2003). The overlapping interests of China and

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27 BRIC is the acronym for the world's 4 largest and fastest growing economies - Brazil, Russia, India and China
Russia in central Asia has led to a strategy of 'cooperation and competing' at the same time. The driving force behind the new strategic partnership between Russia and China has been the uni-polar international system that resulted from the collapse of the Soviet Union in 1991. The post Soviet "colored revolutions" that were sweeping through Eurasia - caused concern in both Moscow and Beijing, as each perceived US motives in the region as potentially threatening their spheres of influence. Both countries find it in their strategic interests to improve relations with Central Asian nations. A critical development occurred in April 1996 when a multilateral Shanghai Cooperation Organisation (SCO), was founded in by China and Russia in conjunction with some Central Asian republics on Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan the basis of, among other goals, an anti-terror objective. Its prototype is the Shanghai Five mechanism. SCO was intended to bolster security and the fight against terrorism along the border between China and the former Soviet states. Russian president described the formation of SCO as a battle against the "three evils of terrorism, separatism, and extremism" facing the region.

SCO covers a vast area from the Russian Arctic to the central Asian deserts bordering Afghanistan and Iran. The total territory of SCO member states exceeds 30 million square kilometers (61% territory of Eurasia) and population totals 1489 billion- one forth of the world's populations. SCO countries hold least a fifth of global oil and gas reserves, plus huge uranium resources. Full members gain access to untapped energy sources and opportunity to engage in joint projects and infrastructure development, and increasing the flow of investment and trade to a market of over 1.5 billion people. The result of such developments has been that in the last decade, China has taken a more active role in international system, marking a transformation in its foreign policy (Gudrun 2006). It has expanded bilateral relationships, joined regional and economic organizations and intensified its participation in multilateral organizations. For China, the SCO has developed into one of a number of important regional alliances aimed at securing its borders, fostering trade and, in the case of central Asia, gaining access to valuable raw

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28 Rose Revolution in 2003 in Georgia, Orange Revolution in 2004 in Ukraine and Tulip in 2005 in Kyrgyzstan which have all protested against their respective governments because they were seen as corrupt and authoritarian. The protestors advocated 'western ideas' of democracy and liberalisation

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materials. As a co-founder, China anticipated this organization to be a platform where broad cooperation among all countries and regional organizations can be sought. China has shown keen interest in obtaining energy resources from former Soviet Republics of Central Asia, as a strategy of developing other sources of supply besides Russia, like Iran and Kazakhstan for oil. Collaboration in the economic agenda has deepened, primarily owing to Chinese leaders using the guidelines of “do good to our neighbors” (yulin, weishan, yilin weiban) and “maintain friendly relations with our neighbors, make them feel secure and help to make them rich” (mulin, anlin, fulin) (Bates and Huang 2006).

In 2005, China pledged nearly US$ 1 billion worth of loans to the Central Asian states (Huang 2006). China has nevertheless used the extra political ballast provided by the SCO to sweep aside long-standing suspicions on both sides and drive a tripling of trade between central Asia and China since 2002.

Russia on the other hand wants to augment its longstanding ties with the Central Asian regimes, which will also continue to provide a counterbalance to any Chinese-centered order in the region (Huang 2006). The NATO expansion had already made Russia’s western borders vulnerable, its security critically depended on a "strategic depth" that can be provided by the ‘near abroad’. In the east, China is casting an ominous shadow over the neighboring and sparsely populated Russian territories. In any case it could not afford to have a vulnerable southern and eastern border, across which the destabilising forces threaten Russia's territorial and social cohesion. Russia realises that the threats have to be countered by close co-operation with its Central Asian neighbours (Patnaik 2007). It perceives SCO to be a vehicle to enhance its international standing. Putin highlighted the need to build SCO's cooperation with observer states, including India, Pakistan, Iran and Mongolia. “With an open approach toward dialogues, the SCO is ready to work together with other countries and organizations to promote peace, stability and development” Putin stressed.

According to the Schiller Institute, the tense relationship between China and the Soviet Union since the 1960s also contributed to a situation, in which the development of the energy resources of eastern Russia received relatively little attention. Thus it came about, that up to today, no pipeline connections exist from the territory of Russia to the East
Asian countries. East Siberia is a bridge head to connect two countries of North East Asia- North and South Koreas. South Korea is emerging as a competitor to China and Japan in the region. Primorski Krai exports fish and South Korea has plans to invest in the marine culture there. There were about 14000 Russian workers assembling furniture in South Korea in 2004. Much of this was sold back to Russia. South Korea’s strategy in Siberia and Far East has been to hire workers inside Russia and supporting resettlement of Koreans from Central Asia. It also provides nearly 10,000 jobs in textiles and packing for otherwise unemployed women. North Korea could fill in the gap for source of labour for the labour deficient Siberia and Far East regions of Russia. In 2000, North Korea contracted to send construction agricultural and other workers (Tannenbuam 2001).

In the hope that North Korea would reconstruct the Trans- Korean railroad. Both Trans-Korean lines were completely cut by the 1950-53 Korean War and due to political situations the railway traffic over the border to China greatly diminished. With the result north Korean railway system badly suffered. The initial agreement of June 2000 between North and South Korea, it was decided by both the sides to rehabilitate the old Kyongi railway line and a 20 km stretch of railway must be built from Munsan in South Korea, through the demilitarized zone to Pondong-ni in North Korea. The South Koreans have already completely rebuilt the line from Seoul to Munsan and the connecting lines are to be modernised on the North Korean side. The Russians would work together with North Korea to restore the long interrupted Kyongyon line which via Vladivostok makes the connections with the Trans-Siberian railway (Tannenbuam 2001).

Russia has already started to link it to the Trans- Siberian south of Vladivostok. Russia is planning to supply cheaper energy produced at Bureia hydropower in the Amurskaia oblast, through a high voltage electric circuit to Russian Far East (Primorski Krai) bordering North Korean territory. In the light of increasing international pressure about its nuclear energy programs, South Korea has an option of importing alternative energy from Russia (Tannenbuam 2001).

The creation of an 'Iron Silk Road' was envisaged which would result from joining the new Trans-Korea rail-road (TKR) from South Korea to North Korea, to the Trans-Siberian rail-road (TSR) and thereby creating a continuous connection to Europe. The debates on East Siberian pipeline and alternative ways of connecting Trans- Siberian and
Trans- Korean railroads. Therefore, East Siberia and the Far East together act as "Eastern Gates to dynamically develop all these markets (Tannenbaum 2001).

Map 29. Planned North-South Korea Rail connection

Addressing the APEC Summit in Bangkok in October 2003, Putin announced that Russia was prepared to contribute to a new energy and transportation configuration in the Asia-Pacific. He urged foreign businesses to invest in oil and gas industry in Siberia (Sevast’ianov, 2005).

Relations between Russia and Europe

Currently, Europe imports approximately 50 percent of its energy over the dangerous routes through the Bosphorus and English Channel. By 2020, Europe will be importing 70 percent of its energy from sources beyond Europe (Bhadarakumar 2008). Russian resentment over the loss of influence in Eastern Europe has complicated its relationship with the EU. In the west, the EU is consolidating its economic and political sphere of influence. Europe is Russia’s largest energy buyer. At present European Union countries purchase 68% of Russia’s oil exports (Chan 2005). Russia supplies nearly a quarter of Europe’s gas consumption, mainly on the basis of Siberian gas.

Their relationship is likely to be based on the same buyer-supplier relationship, as Europe is a prosperous industrial region with growing energy needs. However their relationship hasn’t been calm especially because Russia is feeling encircled with EU and NATO’s expansion to its borders. Sustained criticism of Russia’s human rights records has increased the divide. The loss of use of Baltic and Black Sea ports has further affected Russia’s energy exports to Europe.

The lowest point in the relations with the western countries came in 2004 with the annulment of the tender results of 1993 under an agreement for the development of the Sakhalin-3 oil and gas project led by the consortium of ExxonMobil and Chevron Texaco as well as Rosneft. European market has relatively less of an impact on the development of Siberian region since markets are distant and the regions in Siberia cannot take the advantage of economic growth in Europe.
Geographical proximity, historical ties and strategic and economic reasons have led Russia to shape their policy towards the Black Sea region. Physically, the Black Sea region is defined by its six littoral states—Bulgaria, Romania, Ukraine, Russia, Georgia, and Turkey. Geographically, it is the region where Russia and the Middle Eastern territory intersect with the European Union. Strategically speaking, the Black Sea region forms the crossroads of European, Eurasian and Middle Eastern security spaces. Three NATO Allies, Turkey, Romania, and Bulgaria and two European Union members (Romania and Bulgaria) surround the Black Sea. Culturally, the region is a rich mélange of Islamic and Christian traditions. Since the end of a bipolar world, signaled by the end of the Soviet Union, the importance of Eurasian region, specifically the Black Sea region, has remerged due to strategic and economic imperatives.

Before the 1990s, energy transfer in the region was Soviet Union’s prerogative. After the disintegration and formation of new offspring of Russia, the republics began on a high note, leaving Russia feeling distanced. Russia had historically, focused its resources to develop Siberia, and had ignored west of Urals. Now these newly developed countries are eager to exploit their own economic endowments and have become Russia’s competitors. According to FSU Oil and Gas Monitor (December 2005), as with oil, Russia faces potential competition for Asian gas markets from Kazakhstan, which, with China, is working on a feasibility study for building a pipeline from the former to the latter to ship Kazakh gas to China. Given the proximity of natural gas producers Turkmenistan and Uzbekistan to Kazakhstan, it is possible that their gas also would go to China via that route. With the Caspian Sea resources proving to be attractive alternative to the West, Russia is experiencing unease over its own immeasurable reserves of under utilized energy resources of Siberia. It feels these resources could be appealing to its Asian, energy guzzling neighbor, China. It is natural that in the Energy bazaar, as buyers diversified, the suppliers also wish to extend their market.
Since the Russia-Ukraine face-off in January, 2006, energy security has become a key question. Russia is afraid of losing its buyers, a fact demonstrated by the Group of 8-Summit meeting which it hosted in summer of 2006 in St. Petersburg on "Global Energy Security".

The wider Black Sea region dominates the entire Euro-Asian energy corridor from trans-Ukrainian oil and gas pipelines running to the markets in Europe's north to the Baku-Tbilisi-Ceyhan (BTC) pipeline running to the Mediterranean. Projects like the Odessa-Brody pipeline, the Burgas-Alexandroupolis pipeline and the Nabucco pipeline signal the end of Russia's monopoly over energy resources. The Black Sea is Russia's only direct link to the Balkan and the Mediterranean region. The loss of use of its Baltic and Black Sea ports has affected Russia's energy exports to Europe (Bhadrakumar 2008).

Russia has been making a concerted effort that a large volume of Euro-Asian trade passes through its territory. Poising itself to become the "transit superpower", it has been making major in investments to upgrade its domestic transport infrastructure and is rapidly developing its ports along the Caspian Sea Coast. The port of Olya in the Astrakhan Region is operational and a railway track has been built to link it with Russia's well developed rail network that connects its Black Sea and Caspian Sea port.

Resources of wider Black Sea region are undoubtedly capable of providing the obvious satiation to this energy hunger given the untapped potential of its extensive resources.

China, an emerging global economic power, not only works with Russia to counter U.S. influence in the Caspian Sea area, but seeks to develop and import more off the region. Increasingly Sino-Russian foreign policy is being aligned to defend each other's interests. Recently, through the Shanghai Cooperation Organization (SCO)\(^2\), China has shown solidarity with Russia's cause in its conflict with Georgia and Russia's de facto control over two major Black Sea ports.

China prefers to purchase its oil from Russia because even though the shipping route is twice as long as the route from the Middle East, the cost of Russian crude oil is still below the market price of OPEC (Wolfe 2004). Although dependence on Russia's oil will continue in the near term, China is keen to develop its own bandwidth to source oil from a different route to diminish Russia's control in the long-term. It has expressed interest in

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\(^2\) The SCO comprises China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.
developing the Baku-Tbilisi-Kars (BTK) Railway, which would allow them access to Europe faster than the existing trans-Siberian route. The BTK will link Baku in Azerbaijan with Kars in eastern Turkey via Tbilisi in Georgia; the railway is scheduled to be completed in 2009-2010 and will mainly transport oil.

China and seven other Central Asian states announced in November 2007 a plan to build a modern version of the ancient Silk Road, which will include a network of highways, airports, rail lines and seaports to connect China with Western Europe (Bocioca 2007).

**New Equations with Central Asia:**

On the Western side, Siberia opens Russia’s doors to parts of Central Asia, viz. Kazakhstan, Mongolia and China. In the case of Central Asia, the links have been weakened in the Post-soviet era. However still the trade between Western Siberia and Western Kazakhstan regions account for 60 per cent of the total trade turnover between the two countries (Antonenko, 2003). The Greater Altai initiative foresees potential of reviving economic and cultural link that existed in the Soviet era. The region includes 4 countries- Russia (Altai Krai and Altai Republic of Siberia), Kazakhstan (East Kazakhstan Oblast), Mongolia (Bayan-Olgii and Kordos) and China (The Altai prefecture of XUAR). Altai republic and Chita Oblast border China. These two along with Tuva, Irkutsk oblast and Buryatia border Mongolia. Altai Republic, Omsk oblast and Novosibirsk oblast border Kazakhstan. According to Antonenko, Putin looks at Siberia as a locomotive for regional integration. The influence of western Siberia regions on Russia’s policy vis-a-vis Central Asia is based on a combination of economic and traditional inter-community ties across the border. Siberia is a tri-junction where Russia’s economic linkages with Europe, North East Asia and Greater Altaic region converge.

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31 The Greater Altai, a pioneering project of transborder regional cooperation, has been discussed since 1998. On the Russian side it is the Altai Territory and the Republic of Altai that are involved in these plans, on the Kazakh side, the East Kazakhstan Region, on the Mongolian, the Bayan-Ulegi and Kobdo aimaks, on the Chinese, the Altai District of the Xinjiang-Uighur Autonomous Region (XUAR).
A meeting in 1997 of the Siberian Accord\textsuperscript{32}, Altai Krai’s administration proposed creation of an international business center called Siberia-central Asia, which received full support of the inter-regional association. At the 2000 meeting of the Accord, a highway between Russia, China and Mongolia via Siberia was discussed. Governor of Altai Krai, Alexander Surikov stated that the immigration of Russian speaking minorities of former Soviet republics should be encouraged. The Greater Altai initiative foresees a multi-lateral integration project to cover the whole area around the Altai Mountains, harmonization of relevant local legislations of the four bordering regions on a multilateral basis. Ecological and environmental schemes have already led to extensive co-operation among them (Antonenko, 2003). Mongolia is keen that authorities in Altai Republic become involved in the reprocessing of Mongolian silver and metallic core deposits. In particular, the Siberian Accord is now revising its plan to set up an association for cross border cooperation between Mongolia and all Siberian regions with a view to make regional interaction more effective (Barabnov, 2003).

During his visit to Siberia in 2006, Putin participated in a meeting on Social and Economic Development in Siberian Federal District on April 26, in his concluding remarks he said: “We must not forget that this region is crossed by international transcontinental corridors. This enables Siberia to act not just as one of the links in the transport chain connecting European Russian to the Far East but also gives it the real possibility of playing a much greater part as a bridge linking Europe – via- Russia to the Asia Pacific Region. We must not forget that Asia pacific region is probably the fastest growing region in the world and this will create huge opportunities for Russia to open up new markets and make use of its national advantages.

\textsuperscript{32} Siberian accord is making a contribution to building relationships with neighboring states mostly in the area of economics and trade, seeking access for Siberian goods to foreign markets, improvements of trade relations, creation of favorable conditions for foreign investment and development of tourism.
Energy Interests in Siberia

Table 4. Oil and Gas

The crude oil and natural gas resources of Siberia have acquired a new significance with the end of the Cold War and economic rise of Asia

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<td>Oil and gas condensate (million tons)</td>
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The situation has dramatically changed. The break up of the Soviet Union has made the Russian planners to realise that Russia will have to become more self sufficient by trying to re-develop the vast potential resources of the Siberian region with the help of various projects. Energy production and distribution infrastructure plays a central role in the development of Siberia. Today 78% of the crude oil production of Russia (approximately 300 million tons per year) and 87% (approximately 500 billion cubic meter. per year) of the natural gas production of Russia is based in Western Siberia. Kazakhstan was a key element of the Soviet-era power grid. At present, the Siberian power-supply network is separate from the one in European Russia. The integration of the Siberian power network into the Russian power industry is a key aspect Putin’s plan of regional development. Siberian hydropower plants and thermal power plants burning Kuzbass coal can export electricity to Europe, which is notorious for its much higher energy prices, and to South-East Asia.
The Russian energy market is dominated by the Unified Energy System. Unified Energy Systems, a group of energy companies which dominated the energy market was privatized in 2008. While production and sale will be opened up to competition, transmission and distribution remain under state control.

For this reason, in his opening remarks at a Conference on Socio-Economic Development in Siberia on November 17, 2000 in Novosibirsk, Putin warned against also prevent parochial energy policies and justified such decisions: "I understand that regional leaders and Unified Energy Systems are facing serious problems in their work, but we can only solve the energy problems of Russia, the Far East and the Central Region by attracting large-scale investment into the power-industry infrastructure, fuel production and processing and construction of transport networks. A reasonable tariffs policy is the only way to accomplish this objective."

Unified Energy Systems, of Russia plans to spend $8.2 billion to build four giant hydropower complexes on the Aldan, Uchur and Timpton rivers in eastern Siberia to help meet China's annual demand for 40 billion kilowatt-hours of power.

However, the remoteness of many of Siberia's oil and gas deposits makes access and transport expensive. As a consequence, Russia's most lucrative potential resources are largely untapped. According to the World Socialist Website, the Far Eastern oil fields where the Russian government has estimated it could earn more than $100 billion in profit. Their development, however, will require $55 billion of investment over the next two decades, especially in Eastern Siberia and the offshore fields around Sakhalin Island (Chan 2005). According to the International Energy Agency- On the whole, Russia will need as much as $500 billion as investment by 2020 to maintain and develop its entire energy industry infrastructure.

The main emphasis today lays on tapping the huge crude oil and natural gas reserves in Siberia and the Russian Far East including Sakhalin, as well as on the great projects for the construction of pipelines to Western Europe and East Asia.

Eastern Siberia and the Russian Far East dispose off gigantic natural gas and oil resources. However, until now these resources are only very marginally developed. Putin acknowledged the fact "This is all the more important as we know that Eastern Siberia's reserves are underestimated. If we don't take the pipeline into this region we will never
be able to open up its true potential – everything will just remain on paper.” This circumstance was connected with harsh climatic and geological conditions, as well as the great distances and the lack of infrastructure in those regions and aggravated by the fact that overwhelming majority of population of Russia and the former Soviet Union were concentrated in the far distant Western regions.

The major question Russia is facing is what should be the direction of oil and gas - Europe or Asia? If diverted to Asia then whether to Japan or China? The hunger for oil, particularly in the West, is fueling a rush of exploration and pipeline construction plans that reach some of Siberia's last untouched corners.

The Russian and Chinese governments, as well as international energy companies such as Shell, ExxonMobil, and British Petroleum (BP), are actively pursuing potential gas and LNG (Liquefied Natural Gas) exports to China from fields in Western and Eastern Siberia and from Russia's Sakhalin Island.

In the Cold War period, Japan was strongly bound to the Western alliance and the United States; a significant dependence upon Russian energy supplies was unthinkable, as also in the case of South Korea.

Brookings Institute's reports on Caspian Basin and Asian markets also noted that other Asian countries such as Japan have seriously explored the possibilities of importing gas from Sakhalin Island. Putin's policies also favor Japan than China, when it comes to Asia (Lounev 2008). Consultant Robert Smith of the East-West Center in Hawaii stated that there is a high likelihood that LNG will be shipped from Sakhalin fields to Japan in the near future (Smith et al, 2004).

China, in its future energy systems will import an estimated 120 billion cu.m. of natural gas per year by 2020. Evidently Russia could supply a great part of this in the coming decades. Pipeline natural gas shipments to northern China are also part of the long-term plans for the full development of Sakhalin gas reserves. Russian companies are also becoming increasingly active in East Siberian oil and gas development projects directed at the Chinese market.

To ensure that it has a voice in promoting export projects to its own market, the Chinese government—through the state-owned China National Petroleum Corporation—is also pursuing equity positions in East Siberian fields. Putin’s policy is also guided towards
strengthening oil companies in the Siberian region. "If we want to develop the resources of Eastern Siberia we must also help the oil companies, together with Transneft, to carry out their large-scale projects of connecting their pipeline systems to the main pipeline that Transneft will build."

The Russian natural gas firm Gazprom foresees the construction of at least four major gas pipelines to East Asia in the coming period which would connect the Tomsk region in the North-West Siberia to Northern China, Irkutsk region in the South Central region of Siberia across Mongolia to Central China, From Yakutia in North-East Siberia along the Eastern coastal rail line of China to Shanghai and From Sakhalin island to Japan. China and North Korea are building their own pipeline projects.

China's pipeline from Chinese border through North Korea to South Korea is supposed to be the continuation of a projected gas pipeline from the Kovyktinsk natural gas fields near Irkutsk to China. The later Russian-Chinese pipeline is scheduled to go into operation in 2008. On September 9, 2001. China and Russia also signed an agreement to build a 2400 km pipeline between Irkutsk and North West China to transport 20-30 million tons of crude oil to China.

Russia is in the process of building a 136 mile (219 km) pipeline across the Tatar Strait from Sakhalin Island to De-Kastri on the Russian mainland. From De-Kastri it will be loaded onto tankers for transport to East Asian markets, namely Japan, South Korea, and China. The Kovyktinsk fields near Irkutsk have proven or probable reserves of 1.4-3 billion cu.m. of natural gas, while the Chayadinsk natural gas fields in the Sakha republic possesses about 1 million cu.m. The Sakhalin offshore natural gas fields have proven or probable reserves of approx. 1.8 billion cu.m. These amounts surely represent only a fraction of actually existing resources in East Siberia and Russian Far East.

Another emerging alternative to China and Japan is the farther friend, India. Russia and India have established a reliable legal framework. It developed and consolidated during Russian President Vladimir Putin's visits to India (in 2000, 2002 and 2004) and India's Prime minister Atal Bihari Vajpayee's trips to Russia (2000 and 2003).

Although presently, the bilateral trade between the two countries at present is about $5 Billion, it is said to double in the next 2 years. The energy partnership between Russia and India benefits both countries, President Vladimir Putin and the Indian counterpart,
signed the Joint declaration during his December 2004 visit to New Delhi “Russia is a major exporter of oil and gas and India is emerging as a large consumer.

Both the Sides affirmed their desire to cooperate in development of new oil and gas fields and the means of their transportation” Putin affirmed that as India’s tried and tested partner of long standing, Russia is ready to contribute to the energy stability of the growing Indian economy and its fuel and energy sector.

He added that Russian companies can offer advanced technologies to increase oil yields, reanimate old fields and develop deposits with difficult-to-mine reserves.

Russia’s Zarubezhneft, Stroitransgaz, Neftgazexport and Tymenneftgeofizika have some Indian experience and are willing to help the country to develop its oil and gas. Zarubezhneft, for one has signed a contact with the state-owned Oil and Natural Gas Company (ONGC) to drill for oil in Assam and to supply spare parts for well work-over equipment. United Heavy Machineries (OMZ) has been supplying mobile drilling units for ONGC since December 2003.

The value of the order is $13.6 million. ONGC is considering developing the Kovyktata gas and condensate deposit in Eastern Siberia. Russia Petroleum holds the development licence. ONGC’s subsidiary ONGC Videsh Ltd has a 20% stake in the Sakhalin-1 project. India also plans to invest in Sakhalin-3, estimated at 4.6 billion barrels of oil and 770 billion. Besides energy, Russia and India are closely cooperating in the areas of Nuclear Power, Civil Aircraft, Military-Technical cooperation, Coal Industry and Banking and Siberia is set to be the centerpiece of such trade enhancing settlements.

Russia perceives India as a friendly power in comparison to its other neighbours, the eastern neighbour Japan and the populated neighbour China.

Both these powers have a history of bittersweet diplomatic relations with Russia, the details of which are detailed below.
EU’s Energy Interests in Siberia

Map 30. Proposed Far East Pipelines

Over 60 per cent of Russia’s oil and gas exports are sold to the EU which depends on Russia for up to 80 per cent of their oil and gas needs. Germany is currently the biggest export for Russian gas, receiving 37 per cent of its total gas supply from Russia (Kulikova 2005). The pipeline network of Russian federation built in the Soviet times serves primarily the objective of distributing West Siberian oil and natural gas in the Western part of the country and exporting them to Europe which has multiple connections to the Russian pipeline network. The planned export routes to US, Japan and China are still a few years away so European exports are the most attractive option for Russian Oil Company for the time being.

The Nord Stream gas pipeline (before October 2006, known as North European gas pipeline) will be the new export route for transporting Russian gas to Europe. Russian gas monopoly Gazprom and German companies BASF and EON agreed on the construction of a pipeline that will cross the Baltic Sea, bypassing the Baltic countries and Poland. The

Source: Energy Information Administration Russia Country Analysis Brief.
Nord Stream pipeline, led by the Russian state-controlled Gazprom, is scheduled to become operational in 2010. However, Russia has been battling difficulties of transit through former Soviet republics and Soviet bloc countries.

Map 31. Route of the Nord Stream pipeline linking Vyborg in Russia with Greifswald, Germany

In contemporary times, situations are hardly rosy for Russia as an energy supplier. Most countries in the world prefer to buy oil and gas from the Gulf countries.

To clearly demarcate the divide, Russia recently rejected an invitation to join Organization of the Petroleum Exporting Countries (OPEC), preferring to sell its oil and gas at market price.

After the Ukraine gas-supply cut-off, Russia is perceived as a 'bully' supplier. United State's Vice-President Dick Cheney reprimanded Russia for increased state control in the sector. European Union (EU) has accused Russia of pushing its own state-owned and natural gas 'Godzilla', Gazprom, in the global energy arena to help it gain leverage.

Gazprom aims to consolidate its operations as it sets its sights on companies across the world in a bid to gain cost efficiency. Much to the chagrin of Britain, the Russian giant expressed an interest this year in buying Centrica, their country's largest natural gas distributor (Matthews and Nemtsova, 2006).

With the rise of newly industrializing heavyweights like India and China, one presumes that Russia would have to do little to attract customers.

The two economic engines are guzzling conventional energy resources like coal and oil. Siberia's resources are undoubtedly capable of providing the obvious satiation to their hunger.

Japan, as the largest Asian consumer of oil and natural gas, has long been interested in the energy resources of the East of the Soviet Union.
Map 32. Existing Planned and Proposed pipelines between Russia and Europe

Map 33. Primary Russian Oil and Gas Pipelines to Europe

Baltic Pipeline System (BPS) carries crude oil from Russia’s West Siberian and Tyumen-Pechora oil provinces westward to the newly completed port of Primorsk on the Russian Gulf of Finland (Gelb 2006).

Map 34. Selected Russian Crude Oil export Pipelines

Developing Renewable Resource Potential of Siberia

Presidential Aide Vladislav Surkov’s speech to United Russia activists showed the government is prepared to sacrifice everything to become an energy superpower (Gibson, 2007). If Russia aims to become a ‘energy super-power’, then it has to rethink its long-standing policy of ‘development at any cost’. The enormous social and economic costs that it has faced in the past should act as a motivator to discontinue the paranoid control over conventional energy resources. Siberia has not only huge reserves of fossil fuels but also enormous renewable energy resources and options to develop geothermal, wind, ocean and biomass energy. The share of renewable energy resources (excluding hydro) in electricity generation worldwide is about 10%, but Russia’s share is less than 1% (Kargheiv, 2007). Low prices of conventional energy resources (coal, petroleum, gas etc.) further depress the development of new sustainable technology in renewable energies. No stringent legal framework exists in the regard. The lack of official data available on renewable energy investments in Russia show the neglect that this issue faces within Moscow’s policy making circles. Although, plans are commissioned for developing ‘clean energy resources’ like geothermal plants in Kamchatka, several wind farms and micro hydro power stations, Siberia is nowhere near developing its huge potentials. The Alternate Energy Institute warns that ‘Water will likely become one of the most fought-over resources in the coming decades’. In this regard, Siberia which holds six out of twelve longest rivers in the world and Lake Baikal, (which holds quarter of world’s fresh water) has little to scurry about. There is no other region in Russia, comparable with Siberia in potential and efficiency of utilization of hydraulic power resources. Presently Russia may find alternative forms of energy either expensive in comparison to fossil fuels or unsuitable for large-scale energy production. Even the adoption of technologies which rely on coal, combined with technologies like carbon capture, carbon storage, and zero-emission technology could provide its citizens with environmentally acceptable energy and better quality of life.
Nuclear Power

Siberia has long been Russia’s answer while deciding its nuclear designs in the global scenario. Russia’s first commercial nuclear heating and power plant is situated in Tomsk. Nuclear Power Plant 2 (AES-2), which was twice as powerful, was commissioned between 1961 and 1965 and still supplies heat and power to the cities of Seversk and Tomsk. Sublimation, radiochemical, metallurgical chemical, and other plants were gradually added to the separation plant. The entire complex received the official name of Siberian Chemical Complex in 1967. Russia holds about 4 percent of the world's known uranium deposits, producing some 2,900 tons of uranium in 2002. Siberia holds the largest uranium reserves for Russia. Russia's largest operating uranium-enrichment plant is located at Novouralsk near Yekaterinburg.

Nuclear power occupies a special place in Russian President Vladimir Putin's national energy strategy, which was unveiled in December 2005. Besides this the Russian ministry of atomic energy (Minatom) has drawn up a comprehensive plan for the development of nuclear power, according to this the relative share of this energy source in the total energy generation of the nation will increase dramatically over the coming 20 years.

In 2007, Russia’s Federal Atomic Energy Agency Rosatom announced a political-level decision to create an international uranium enrichment centre in the south-eastern Siberian city of Angarsk during a seminar attended by members if the International Atomic Energy Agency (IAEA), the UN’s nuclear watch dog (Ponomereva, 2007).

Siberia as a Strategic Transit Route

For centuries Siberian continent separated with its expanse Europe and the Far East and made partners to pave round about ways from one to another. And now Siberian territory turns out the key to the development of economic communications with countries of Asian-Pacific region. Siberia provides the most direct and fastest way to connect the main economic and productive parts of the world- Japan, Europe, United States, Middle East oil fields with Southern Asia, the new frontier of development.
Historically, Trans Siberian has been the backbone line in Eastern and, in particular, in Western Siberia, has, for today, no reserves either of passing, or of transport capability (Bandman, Malov and Esikova, 2004). As far as Siberia itself is concerned, its foreign economic connections were complicated by new circumstances after the USSR disintegration. That is, the first, inevitable cargoes pass over the territories of the new sovereign states, with whom political and economic relations with are not finally settled yet. And the second, re-orientation to the seaports, which as Russia, as Siberia might make use of beyond control of the neighboring countries - the former USSR republics. From a geopolitical perspective with the centre of global economic activity gradually shifting to Asia, the new routes would be effective for trade with Europe. Russia has declared its policy to endeavor to become a bridge between East and West by planning massive programmes of infrastructural transport development. Russia has been making a concerted effort that a large volume of Euro-Asian trade passes through its territory. It has been making major investments to upgrade its domestic transport infrastructure and is rapidly developing its ports along the Caspian Sea Coast. The new port of Olya in the Astrakhan Region is now operational and a railway track has been built to link it with Russia’s well developed rail network that connects its Black Sea and Caspian Sea ports. The backbone of such continent-linking project will now be the East-West axis of 10,000 km long Trans-Siberian rail road. Russia plans it to transform it into a communication corridor between Europe and Far East, linking it with a road with gas lines, pipe lines and communication lines etc. Five corridors have been projected to fulfill the dream of new Eurasian land bridge. The first will be the Northern corridor from Europe, via Trans-Siberian rail road to China, North and South Korea and Japan. The second one, Transport Corridor (TRACECA) Europe-Caucasus-Asia Corridor from Eastern Europe via the Black and the Caspian Seas to Central-Asia. The Central Corridor will run from Southern-Europe via Turkey, Iran and Central-Asia to China. The Southern Corridor will run from Southern-Europe to Iran, as above, but reaches China via Pakistan, India and South-East Asia. A North-South rail-ship corridor which goes from Northern Europe to Russia, crosses The Caspian Sea to Iran and via Iran's Southern ports across the Arabian Sea to India is also envisaged. All these five corridors with their numerous branches form
a 'Unified Network', providing the foundation for the development of a gigantic economic area of about 4 billion human beings.

Map 36. The Five Main Corridors of the Eurasian Land Bridge

Source: EIR's 1997 special report, "The Eurasian Land Bridge: The 'New Silk Road' - Locomotive for Worldwide Economic Development"
Over the last few years in the areas of these five main corridors numerous large scale transport, energy and water projects have been launched and numerous additional ones are planned. A positive turning point in the realization of the Eurasian development corridors occurred when Russia's president Vladimir Putin said in his speech at Conference on Socio-Economic Development in Siberia in 2000: "We can specify more than one reason that people in the Asia-Pacific area should choose transportation routes over Russia. These routes are shorter, and not a little safer than the roundabout way by
sea, as, for example, from Yokohama to Rotterdam. You can transport containers with the Trans-Siberian road to Europe, and they arrive in less than half the time... Perhaps a journey across Siberia would remind many people of the mind boggling natural wealth of Russia. Siberia has unimaginable natural resources and Russia has only just begun to really make use of them. We invite our friends from the Asia-Pacific region, to actively participate with us in this undertaking. Just now Russian firms are thinking about new markets for their products, while mining companies are seeking new methods for exploiting the mineral resources more effectively. One proof of this is the elaboration of extensive projects, such as, for example the creation of an energy bridge between Russia and Japan via Sakhalin, and the construction of natural gas pipelines from the Tomsk region to the West China, and from Irkutsk to East China and beyond to North and South Korea (Tannenbaum, 2001)"

Map 37. China’s West East Pipeline Project and Planned Links into Russia

Source: EIR’s 1997 special report, “The Eurasian Land Bridge: The 'New Silk Road'--Locomotive for Worldwide Economic Development"
Map 38. Future Bridge Planned between Japan and Eurasia

Source: John Sigemon, EIRNS, 2000
The transportation ministers of Russia, Iran and India signed an historic agreement on September, 12, 2000, for the development of a highly efficient North-South transportation corridor which will raise economic co-operations among these three nations to a new level. Freight from India to Russia for example will first be transported from the Western ports of India by ship to the Iranian port of Bandar-E-Abbas and thereafter via rail road lines already completed in 1995 to Bandar-E-Anzali on the Caspian Sea. From Bandar-E-Anzali the ship route goes to the great port of Astra Khan and then by rail road or truck to the destination points in Russia or further on to Europe. This corridor is, not least of all, interesting for transport between Northern Europe and India to as an alternative to the usual sea route: thereby the long detour through the Suez Canal is eliminated shortening transportation times considerably. Transport costs could be reduced by 20%-25% or more. The economic development in the regions along the transport routes increases the over all benefits of the corridor many times over. Incidentally, this North-South transport route itself is not new, but coincides with the traditional 'Tea Road' from India.

The Eurasian transport union (EATU) was founded in May 2001, the Russian transport ministry with the agreement of 40 European and Asian nations, in order to promote the development of North-South corridor and other Eurasian transport corridors through Russia. Like Persia in the time of Old Silk Road, Iran has grasped its strategic location at the crossroads of Eurasian infrastructure corridors both in the East-West and the North-South direction. Iran is the natural hub for land transport between Europe and Asia, across Turkey, The Caucasus, Central Asia and the Indian Sub-Continent, while at the same time, offering an efficient gateway for Russia and Central Asia by way of the Iranian port cities, to the Persian Gulf and the Arabian Sea. Russian Railways is one of Russia's largest companies and the monopoly owner of most of the country's rail infrastructure. To fulfill its strategy of making a land bridge between Europe and Asia, Russian Railways cooperates closely with countries as far apart as Germany and Finland, Iran and India, North and South Korea and China. Putin's visit to the Middle East in 2006 displays Russia's increasing efforts to promote its business interests with the region. In
what was Russia' biggest-ever delegation to Saudi Arabia, Qatar and Jordan, Putin's entourage included CEOs and other senior executives from most of the country's energy majors, as well as from Russian Railways, which will participate in a tender to build a railway line between Mecca and Medina and other infrastructure projects, probably in conjunction with Italy's railway company and Finmeccanica. Russia's car industry is also interested in cooperation with Jordan.

During President Vladimir Putin's visit to the Siberian Federal district, in 2001 on his way from Tomsk to Omsk, he met with the heads of a number of federal agencies and the governors of regions crossed by the Trans-Siberian Railway to discuss government policies in regulating prices for services provided by natural monopolies as well as the future development of Siberia's transport infrastructure. Putin stressed the need to create favourable economic conditions for companies and individuals, saying that efficient price regulation policies are a key prerequisite for economic revival of the Russian Far East and Siberia. The primary task is to provide for efficient development of natural monopolies while making sure the prices of their services remain affordable, Mr Putin said. He proposed a single agency should be set up to administer all related issues.” Back in Kremlin, in his opening Remarks at a Meeting with the Cabinet Members on March 1, 2004 at the Kremlin acknowledged the mile-stones: “I would like to thank all those who were involved in carrying out major projects in Siberia and Far East, such as building the road between Chita and Khabarovsk. In 1903, Russia built the Trans-Siberian Railway, and now, a century later, we have completed the first motorway linking the west and east of the country. This is a big event in our country's life, but we must not forget that our work does not stop here and that we still have a lot to do to bring this road up to world standards. I think that the Government’s plans in this respect and other plans for developing the infrastructure in the Far East should be our priority.”

**China’s Interest in Siberia**

In July 2000, President Putin reaffirmed the importance of China, calling it one of the main priorities of Russian foreign policy and declaring that the developing strategic partnership "will become one of the most important factors in maintaining global stability
and world peace." But only since 9/11 and the arrival of American troops have the two stepped up efforts to build relations in many areas and develop an oil pipeline into more than just a plan. The two sides started to formulate mid and long-term cooperation plans in investment, energy, nuclear power, science and technology and aerospace.

In 2005, the long standing border disputes between the two countries were settled in agreements. Joint military exercises were carried out in the same year. In 2006, President Hu Jintao and President Putin attended the First High-level China-Russia Economic Forum and a series of cultural tie-ups events that marked the "Year of Russia in China" and "Year of China in Russia". During the landmark year, the two sides signed agreements on investment protection and held two large-scale investment promotion meetings. According to Chinese news service, XinguaNet (China’s news agency) in November 2007, Wen Jiabao, Chinese premier before his visit to Russia mentioned that “China-Russia relations are now both at their best in history and at the most important historical stage”

Policymakers in Moscow and Beijing like to note the economic complementarities underlying economic cooperation between their two countries. China considers Russia a source of raw materials for its economic development, and Russia needs China’s consumer goods, food and labor. Both the countries are in an economically complementary relationship and have shown keen interest for greater trade and commerce participation between them. In the recent times, bilateral trade between both the neighbours has grown rapidly. Wen Jiabao, the Chinese premier in 2007 said that investment by Chinese companies will help push forward trade and economic cooperation between the two countries. According to Chinaelections.org, in 2007 China has set a target of boosting investment in Russia to a total of US$12 billion by 2020. Trade volume between China and Russia is expected to reach US$80 billion by 2020.

Russia due to the geographical proximity finds it irresistible to trade with China. Newsweek International on May 2005, reports that in Novosibirsk in Siberia, everything from the electric sockets to the beds and furniture are from China it goes on to declare that “Siberia is becoming Chinese."
70 per cent of Siberia's trade was with neighbor China in 1991 and 1992. As such the Joint ventures between the two countries have increased since the 1990s. Border trade expanded with the designation of ZPES (Zona Prigranichnoi Ekonomicheskogo Sotrudnicestva), an economic and free trade zone in Siberia.

Suifenhe, a border trade city, in the Heilongjiang province in China is the largest city that trades with Russia. The city's trade with Russia reached $470 million in May 2001, which is a 44.11 per cent increase from the previous year. Its import items include pulp, timber, petrochemical raw materials, and potassium chloride and high tech products. A major impetus to the trade is the Suifenhe Transportation Corridor runs from Vladivostok, Nokhodka and Vostony ports in the Russian Far East, through the border city of Suifenhe to Harbin, the administration centre of Heilongjiang province and links up with Trans Siberian Railway at Chita. In January 2004, Heihe, Chinese authorities declared the entire city a free trade area, allowing Russians to enter and stay without visas for 30 days, to drive their own cars, and to buy real estate. In the first three weeks, the number of Russians visiting jumped by 50 percent, and three Russians bought apartments, Zhang Junpeng, director of the city's trade bureau, told Agence France-Presse (Brooke 2004).

Primoriskii Kray in Russian Far East which neighbors China's Heilongjiang province and Jilin provinces trades with China for food. China ranks first in the number of registered foreign companies in Primoriskii Kray. The establishment of China Trade centre in the southern city of Ussurisk reflects China's commitment in trade with Russia (Alexaseev 2001). Some analysts feel that China has in reality invested very little in the Russian Far East, with the exception of short-term trade ventures and the service sector.

Projects like the Baltic Pearl residential complex, Chinese Trade Center in Moscow and intensive timber processing in Tomsk are operational with Chinese investment in Russia. At the second High level China- Russia Economic Forum in November 2007, China has further officially invited Russian businessmen to take full advantage of the opportunities provided by the Beijing Olympics, Shanghai World Expo and Sochi Winter Olympics.

Energy is the most critical area for Sino-Russian cooperation. Bilateral initiatives are driven by Beijing's aggressive effort to secure reliable access to energy supplies to fuel its booming economy. China is the world's second largest oil consumer, after the United
States. According to official estimates of China, by 2020, the country's energy consumption is expected to top 3 billion tons of standard coal, with its GDP quadrupled and energy use doubled. As the world's second-largest importer of oil (nearly 130 million barrels in 2005), China naturally looks to the Russian Far East as a source for imports. Beijing also has been also seeking ways to raise the level of gas as a percentage of total energy consumption to 8-10% by 2010, doubling current figures (Marquart and Jensen, 2006). Russia's resources are undoubtedly capable of providing the obvious satiation to this energy hunger. Russia provides 8% of China's energy needs, and was expected to ship nearly 15 million tons of oil to China in 2007, according to available 2006 data.

The two countries have been engaged in discussions for expanding energy cooperation on a number of fronts. Chinese Oil Company, Chinese National Petroleum Corporation (CNPC) recently won the bid run by Rosneft, the state oil company, for two fields in eastern Siberia, not far from the Chinese border. After years of deliberation, Moscow has signaled a go-ahead for a Siberia-China pipeline to carry Russian oil exports direct to China. The Russian government recently approved the new route bypassing Lake Baikal which came under flak for environmental and heritage concerns owing to possibility of oil seepage. Such a pipeline would be an offshoot of the East Siberia-Pacific Ocean (ESPO) pipeline. Putin is optimistic about the massive planned pipeline. "This project is unprecedented in scale even for our country. It is important for the country in general and for the regions of Siberia and the Far East. The construction work must go ahead. I agree with Leonid Vasilyevich Potapov [President of Buryatia], with our colleagues and with Nikolai Pavlovich Laverov [Vice President of Russian Academy of Sciences] that this work must not be stopped. The construction work should continue and, what's more, it should proceed according to the previously agreed timetable. This project's implementation will create completely new infrastructure opportunities for developing Eastern Siberia."

CNPC will finance and build this 69 kilometer cross-border pipeline, to tap into a new Russian export system being built from east Siberia to the Pacific Ocean. Russia's state energy utility, Gazprom announced in March 2006 that it will sign a memorandum with China National Petroleum Corp (CNPC) agreeing to build gas pipelines to China's Xinjiang region (China Daily report, 2007). Many of these remain a mere plan on paper.
Cole (2003) concluded that Sino-Russian cooperation on energy has been more talks than action. The two governments have been holding regular discussions on jointly developing the East Siberia petroleum reserves, estimated to be 11.5 billion tons since September 2001. In fact in 2002, Chinese President, Jiang Zemin and his Russian counterpart, Vladimir Putin issued a post summit statement that specifically emphasized the need for energy projects to work on schedule and that both the nations should coordinate and work in tandem with each other.

Other projects talk of potential. Like the one operated by East Siberian Oil at Yurubchenskoye is currently exporting crude oil to China by a combination of road and rail. Quantities are small but East Siberian Oil claims that if fully developed, the field could have a production capacity of 400,000 bbl per day. Another plan is to import crude oil from the southern region of South Siberia through a pipeline. Russia suggested constructing a pipeline to Beijing via Mongolia, but China insisted on taking it through the Diaqing oil field during the Prime Minister Zhu Rongji's visit to Russia (Chosun Ilbo, September 10, 2001). This way China will be able to extend Russian exports via Dalian port to Korea and protect its own interests.

It can be clearly seen that Russia, in addition to its energy commitments, has been increasing its arms exports to China. Russia's arms trade to China is an important factor in the cooperation between the two countries. All-in all, in 2006-2007, the two-way investment between the two countries has exceeded US$1.6 billion and the trade scenario between the two countries is going to define their relationship in the future.

**China: A Perceived Demographic Threat**

Skeptics feel that "Russia's relationship with China is tactically cooperative but strategically mutually suspicious. Contrary to Moscow's stance on China which sees China as a probable partner, officials in the Russian Far East consider Chinese a threat to the integrity of their region. For example, the combined population of China's three northeast provinces (Heilongjiang, Jilin and Liaoning) which border Russia is about 100 million. Siberia and Far East have vast lands but a population of only 30 million. Some of the unemployed in the north east Chinese provinces have moved to Siberia/ Far East to
find work. The mass migration of Chinese (either legally or illegally, about 60,000 Chinese violate the immigration law and thousands of them are deported annually) makes Russia uncomfortable. China is perceived as an eventual security threat by Russia.

According to Global Integrity Report on Russia (2007 Assessment), Professor Fyodor Shelov-Kovedayev of the Higher School of Economics opines: “Sooner or later China will need control over Russia’s resources.” Boris Reznik, a deputy of the State Duma (lower house of parliament) from the Far Eastern Khabarovsk territory clarifies the situation: “China does not yet pose a direct threat to us, but its creeping expansion is a reality. As reported by Izvestija on May 20, 1994, The Russian Far East is practically unsettled by anyone: before 1995 there were about 7 million residents in 13 Federation subjects.

About 1.2 million have left over the past decade. More and more Chinese are coming to these areas. They settle, take over the food and clothes markets, and open restaurants. There are more Chinese traders than Russians. Armed threats are not the only way: if we do not pay more attention to developing the Russian Far East, the Chinese will settle there forever.”

This view is not limited to academics or fringe groups, as evidenced by former Russian Defense Minister Rodionov’s accidental remark in 1996 that China was a ‘potential threat’ to Russia (Person, 2001). The former Vice Prime Minister Shakharai had estimated that the Chinese population of Siberian Russian Far East could reach 75 per cent in 2010. There are concerns that Russia might not be able to retain Siberia/Russian Far East in the future. The political and social conditions have been worsening in the region and citizens are leaving for greener pastures. As reported by the Far Eastern Economic Review on August 10, 2000, The Russian President Putin emphasized the challenge: “If we do not take concrete action to develop the Far East, People of the region may speak Chinese, Japanese or Korean within a few decades”

Russia’s nationalist Rodina party leader, Dmitry Rogozin, called for new laws "to restore Russia’s control over its borders" and suggested that “Russians should be encouraged to move to border areas, to counter the Chinese threat to Mother Russia.” (Person, 2001)
Historically speaking, traders from China have played an important role in the economy of the neighboring Russian areas. In the Russian Far East, by 1881 there were more than 15,000 of these merchants in the Priamur region which constituted more than 13 percent of the population. Chinese traders shipped tea, flour, and soy beans to the Russian Far East. Every year, from 1911 to 1917, China exported twenty million pounds of soy and 37 million pounds of grains (more than 64% of total grain production) via Vladivostok (Stephan 1994). Russia began shipping seaweed to China, a new export for the region. Once the trans-Siberian railroad became operational, Russians and Chinese cooperated in an unusual form of transit trade. Due to poor rail connections in China, products from southern China were shipped by sea to ports in the Russian Far East and then by rail to the Chinese border, from where they were exported to Northeastern China. Chinese labour often occupied demographic lacunae caused by the losses of men in WW-I/Russian civil war and devastation of economy/infrastructure by offering their services as labour especially in Western Siberia.

Chinese in Western Siberia represented a very particular socio-demographic and ethnical phenomenon, remarkably distinctive from other similar, Russian Far East or worldwide, immigrant communities. Actually all persons of Chinese origin were accused of being 'outside' (Japan's) collaborators, and they were assassinated or, at best, forwarded to concentration camps. Just a few survived. They were mostly contract workers on war-related projects and seasonal workers. Many of them had started out as contract labourers for the Tsarist government, taking part in heavy war-defence works in European Russia in 1914-1917. Others were recruited by various firms for large construction projects, mainly railway building. These included projects in Murmansk in the far north, on the Trans-Siberian Railway and branch lines from it, such as the Kundulinsk line. Yet others were brought in to work in mines, lumber-camps, stone-breaking yards, and so forth. Only a very few started out with 'shuttle' border trade and an even smaller number were smugglers. A great proportion of them were entirely taken up with the problems of their own survival, while others were directly drawn into the internal Russian military conflicts caused by the revolutionary events of 1917 and the deep crisis in the country. These Chinese migrants were mostly people from the lower social layers. They voluntarily entered the international brigades of the 3rd and 5th Red Armies, which were active at the
time on the Eastern front. They revealed themselves to be brave fighters, which caused them to be much detested by their opponents (Boyko, 2001).

It is known that brutal punishments of Chinese prisoners of war from the Red Army were carried out by Kolchak's troops. In the winter of 1918, for example, at the station of Tyumen, two hundred people had their clothes removed and were then sent off naked to a distant prison camp. Only forty of them survived. However there was a perception that the Chinese will not assimilate smoothly. According to Boyko (2001), who studied the Chinese migrants in West Siberia, a phenomenon to politically ‘Bolshevise’ the Chinese workers had started. The presence of large numbers of Chinese migrants in Russia forced the Russian powers and the leaders of the Chinese communities to form governmental institutions to resolve problems that arose. Nevertheless, at the beginning of the 1920s, rather stable, though small, Chinese colonies had formed in many cities and other settlements of Western Siberia. For example, in the Altai and neighbouring areas, Chinese communities numbering between 20-100 people, were living in Rubtsovsk, Slavgorod, Biisk, and Barnaul.7

With the start of the New Economic Policy (NEP) in Russia in the 1920s, the number of Chinese in Western Siberia rose significantly, some of these people coming from other parts of Russia and as well as from China. In fact, the Chinese were some of the first in the country to make use of this comparatively liberal economic regime. They opened stalls selling clothing, jewelry and accessories, and set up workshops of various kinds. But soon, they were subjected to heavy taxation, and most of them had to return to hiring themselves out in heavy manual laboring jobs, or else they were forced to battle for work on the local labour market (Boyko 2001).

The pattern of demographic exchange has changed over these years dramatically. China is sourcing research and development work or ‘local brains’ from Russia especially Siberia. For example, Akademgorodok, a Soviet-era suburb of Novosibirsk in Siberia houses 52 scientific institutes and some 18,000 scientists. Newsweek reports that Novosibirsk councilor Aleksandr Lyulko said that 80 percent of Akademgorodok's income is derived from China (Matthews and Nemtsova, 2006).

As an implication of the perceived demographic threat, Russia has been reluctant to pursue closer economic cooperation with China because it is apprehensive of falling

147
deeper into the economic influence of China (Woo-jun 1999). For example, the progress of Tumen River Area Development Programme (TRADP) has been slow as the government of Primorskii Kray\textsuperscript{33} fears about the adverse effects of a massive influx of Chinese labour that will be associated with this project (Boyko, 2001).\textsuperscript{34}

Russia and China: External Affairs Alignment

As XinguaNet reports, One of the turning points occurred on July 1, 2005, when a meeting between Putin and his Chinese counterpart Hu Jintao led to a joint statement that rejected attempts by any country to gain a "monopoly in world affairs" and to "impose models of social development" on other countries. This statement was clearly directed at the United States and came after Moscow and Beijing reached agreement that they did not desire increased US influence in Central Asia. Although subsequently each of the joint statements released explicitly states that the cooperation is not directed against any third party, it is apparent that the partnership attempts to balance U.S. hegemony.

Russia and China have tried to closely align diplomatic stances. Russia supports China's policy toward Taiwan, voicing criticisms regarding Taiwanese President Chen Shui-bian's move to "cease" the activities of the National Unification Council. Beijing, remains quiet about Russia's activities in Chechnya. Moreover, both countries have been reluctant to take concrete action against Iran and its controversial nuclear-research program.

Russia also supports China on the issue of Tibet, firmly believing that Tibet is and should remain a part of China.

Japan's Interests in Siberia

Russia's far-eastern neighbor, member of G8, one of the leading economic powers of the world - are among priorities of Russian foreign policy. Japan, as the largest Asian consumer up to now of oil and natural gas has long been interested in the energy

\textsuperscript{33} Since Russia has a federal structure, states can take their own stances on issues within the constitutional framework.

\textsuperscript{34} Joseph Grieco has found that "relative disparities" in capabilities may lead a state to resist economic cooperation for fear of strengthening a stronger partner.
resources of East Siberia.

Historically Japan and Russia have brooded for a small chain of islands. For Russia, these islands provide a protective coverage for Sakhalin, the Sea of Okhostsk and Kamchatka peninsula. In a notorious memorandum supposedly sent by General Tanaka to his emperor on July 25, 1927 which stated in particular that in order to conquer the world, Japan must conquer Asia & Europe; in order to conquer Europe & Asia, Japan must conquer China, and in order to conquer China, Japan must first conquer Manchuria and Mongolia (Sansone 1980). In neighboring Japan, bruised sensitivities over the continuing Russian occupation of the Kuril Islands have limited what should be the natural Japanese interest in Siberia. The Kurile Island conflict is a dispute between Russia and Japan over the sovereignty of islands currently under Russian administration. The disputed islands are:

1. Kunashiri Island
2. Etorofu Island
3. Habomai Islands
4. Shikotan Island

They are called "Northern Territories" or "Southern Chishima" by Japan. The dispute results from an ambiguity over the Treaty of San Francisco. Under Article 2c), Japan renounces all right, title and claim to the Kurile Islands, and to that portion of Sakhalin and the islands adjacent to it over which Japan acquired sovereignty as a consequence of the Treaty of Portsmouth of 5 September 1905. The dispute is whether four of the islands currently under Russian administration were acquired by the Treaty of Portsmouth or were under Japanese control prior to this treaty. Russia had never ruled these islands before 1945. For Japan it is a question of national pride to regain possession of their northern territory.

In the cold war period, however Japan was strongly bound to the Western alliance and the United States, a significant dependence upon Russian energy supplies was unthinkable, as also in the case of South Korea. The buyers in the pacific are preparing to tap the off shore gas and oil fields of Russia's Sakhalin islands in the sea of Okhotsk whose
proximity to Japan and other markets in the Pacific makes such a project especially attractive. There are seven projects for the exploitation of natural gas and oil around the Sakhalin Island. For the coming 20 years almost $25-45 billion may be invested in the transport and production infrastructure of the island. In 2002 large scale projects will begin for the development of harbors and other transport facilities on Sakhalin. The Energy Bridge between Sakhalin and Japan is under construction. Electric power will be generated in giant gas powered plants near the natural gas sources in Sakhalin and transported to Japan via under sea cables. Giving a real boost to the Trans-Asiatic pipeline network (an overall length approx. would be 42,500 km or 26,000 miles, equal to earth's circumference) (Tannenbuam, 2001).

Japanese-Russian trade amounts to more than $ 4 billion a year. $ 3 billion in Japanese investment helped create the coal mining city of Neryungri. Sakhalin constitutes a geographical bridge between the mainland and Japan - Hokkaido lies merely 40 km distant from the southern tip of Sakhalin. Hokkaido is already connected with Honshu (the largest island of Japan), by the 54 km Seikan Tunnel (the longest underwater tunnel in the world). The Japanese, according to Russian sources, are carrying out technical studies of a future connection From Hokkaido to Sakhalin, which would consist of twenty 2 km spans. A lobbying organization already exists in Japan, made up of engineers, businessmen and bankers. Japan being the second largest economy of the world would be connected directly to the network of Euro Asiatic corridors and would be an event of enormous economic and strategic consequence (Tannenbuam, 2001).

This lineup would greatly enhance Japan's role in the development of Siberia and Russia's Far East, as well as East, South and Central Asia. At his speech at a Ceremony laying the First Stone of the Toyota Motor Corporation Car Plant in 2005 in Leningrad region, Russian president Putin commented on role of Japan in building Siberia "I am sure that there are excellent prospects for Russian-Japanese business cooperation, especially in investment, trade, innovative technology, the energy sector and joint development of Siberia and the Far East. It is very important, and I want to stress it one more time, that the political dialogue between our two countries is constantly developing and is opening up broad new opportunities for partnership."
In Moscow the first 'Russian-Japanese Forum' took place where 240 Japanese top managers and industrial experts of the famous Keidanren (is the powerful umbrella organisations of the industrial associations) participated on May 29-30, 2001. The Keidanren delegation traveled throughout Russia in various groups, to identify new projects for Japanese investments for the first time in 18 years with unusual plenipotentiary powers given by the Japanese foreign ministry to make agreements with the Russians. The basic theme for them was the further development of Eurasian transport and energy corridors (Tannenbaum, 2001).

President Putin in September 2000 during his visit to Japan had made the above invitation in his speech to a group of Japanese businessmen where he quoted - "I will change Russia. Come and visit us, you will see with your own eyes how Russia is changing." As a result of active dialogue that has taken place at various levels during recent years, between Japan and Russia .Signed on by Japanese premier Koizumi and Putin on 10 January 2003, the Japan-Russia Action Plan provides a major direction toward building a creative partnership. Japan deems it critical to cooperate with Russia for the development and transportation of energy resources in East Siberia and the Far Eastern regions, and in particular the construction of an oil pipeline to the Pacific coast of the Russian Federation. Both the nations welcomed the smooth implementation of the Sakhalin oil gas project (Sakhalin-1 and Sakhalin-2). The two consortia were estimated to spend a combined $21 billion U.S. dollars on the two projects which almost doubled to $37 billion as of September 2006, triggering Russian governmental opposition. This will include an estimated $1 billion (US) to upgrade the island's infrastructure: roads, bridges, waste management sites, airports, railways, communications systems, and ports. Sakhalin Energy will build two 800 km pipelines running from the northeast of the island to Prigorodnoye (Prigorodnoe) in Aniva Bay at the southern end. The consortium will also

\[35\] In 1996, two large consortia signed contracts to explore for oil and gas off the northeast coast of the island, Sakhalin-I and Sakhalin-II. The Sakhalin I project, managed by Exxon Nefigas Limited (ENL), completed a production-sharing agreement (PSA) between the Sakhalin I consortium, the Russian Federation, and the Sakhalin government. The second consortium, Sakhalin Energy Investment Company Ltd. (Sakhalin Energy) is managing the Sakhalin II project. They completed the first ever production-sharing agreement (PSA) with the Russian Federation.
build, at Prigorodnoye, the first ever liquefied natural gas (LNG) plant to be built in Russia.

The oil and gas is also bound for East Asian markets. In addition, Sakhalin-III-through-VI is in various early stages of development. They decided to continue efforts for the further development in exchanges in the area of science and technology. Both countries are especially keen for the steady realization of the International Thermonuclear Experimental Reactor (ITER) Plan and simultaneously cooperating for Denuclearization (cooperating in the implementation of projects related to the dismantling of decommissioned nuclear-powered submarines of the Russian Pacific Fleet). They deemed Intra-regional cooperation to be important and decided to continue efforts to expand trade, economic and human exchange between Siberia and the Far Eastern regions of Russia and the prefectures in Japan. Shortly after the decision on the plan, the provincial assembly of Sakhalin, which administers the disputed islands of southern Kurils, unanimously adopted a resolution criticizing a joint declaration issued which also sought a resolution of their dispute over the islands Russia's Interfax news agency said. According to these critics, the resolution said the "action plan" announced by Putin and Koizumi at their Moscow summit earlier this month runs counter to the world order built around the 1951 San Francisco Peace Treaty in which Japan abandoned its territorial claims. On people-to-people contact front, Cultural and human exchanges ("Japan Culture Festival in Russia 2003", Youth exchanges) were envisaged. Within last few years the Russian-Japanese relations have been characterized by growing intensiveness of the political dialogue, opening of new frontiers of cooperation, such as contacts between defense and law-enforcement agencies, proximity of approaches to dealing with urgent international and regional issues.

Development and strengthening of cooperation between the two countries on the international arena - is a significant factor behind the improvement of bilateral relations, strengthening the stability and security in Asia-Pacific region and the world. According to the web portal, Embassy Avenue, as a result of the efforts undertaken by both sides during last few years, bilateral relations reached an unprecedented hitherto level of their development. The Russian-Japanese summit, which took place January 10th, 2003 in Moscow, gave new momentum to the development of Russian-Japanese relations,
became a starting-point of an entirely new stage on the way to strengthening friendship, neighborhood and cooperation between both nations.

During the Moscow summit the leaders of Russia and Japan adopted the "Action Plan", which determines the main spheres of development of the cooperation between the two countries: strengthening the political dialogue, peace-treaty talks, economic and foreign trade cooperation, development of contacts between defense and law-enforcement agencies, cultural and humanitarian exchanges. Nowadays, both sides are actively working on the details of the provisions of the Plan. The joint events, that were implemented after the Russian-Japanese summit, including opening in the St. Petersburg of the "Festival of Japanese culture in Russia-2003" and opening in October this year of the "Festival of Russian culture in Japan", devoted to 300-year anniversary of Saint-Petersburg, exchange of visits by the heads of defense agencies of Russia and Japan, participation of a Japanese ship in a wide-scale drills of Russian Pacific Fleet in the Far-East region, exchange of views on development of economic and foreign trade cooperation, as well as other exchanges and contacts demonstrate a good beginning of the implementation of the "Action Plan" and confirm the validity of the main spheres of development of the bilateral cooperation, determined by the leaders of two countries. These matters were in particular discussed during the meeting of the President of Russian Federation and the Prime-minister of Japan in Saint Petersburg in May 2006.

Absence of a peace treaty between the two countries does not mean that Russia and Japan can not develop cooperation, as it used to be in the soviet era. Russian-Japanese Action Plan, adopted during the January 2001 summit represents a "Road map". An activity aimed at widening the Russian-Japanese contacts in the region south Kuril Islands and development of mutually beneficial joint economic activity on the islands can also become an important factor in accumulating positive developments in bilateral relations.

The Joint declaration of 1956 still contains a major potential from the point of view of searching for compromise on the island issue. The sides are actively consulting and cooperating on the wide range of international issues, which have global and regional

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36 On October 19, 1956, the Joint Declaration was signed by the USSR and Japan, formally ending the state of war, establishing diplomatic relations and resolving most of the outstanding issues between the two countries. A formal peace treaty however was not concluded. It was postponed for an indefinite time until the resolution of an outstanding territorial dispute.
dimensions. Among them - fight against international terrorism and joint search of answers to the global challenges, disarmament issues, including strengthening the multilateral frameworks aimed at nonproliferation of Weapons of Mass Destruction (WMD) and implementation of the G-8 concept of global partnership in the sphere of utilization of nuclear weapons; situation on Korean peninsular with a view to solving it by political and diplomatic means, and many others. In 1998, the first joint Russo-Japanese search-and-rescue (SAR) naval exercises were held in the Vladivostok area (Sevast’ianov, 2005).

Another breakthrough happened in September 2000 when Maritime Self-Defense Force ships (the first ever foreign Navy ships in the post Soviet era) visited the Kamchatka Peninsula. Finally, in August 2003 the Japanese Navy took part in a strategic exercise held in Russian Far East waters. The situation in the economic and trade relations have been gradually changing for the better. The bilateral trade volume has slightly increased (it amounted to 551,2 billion yen in 2002, and reached 236.7 billion yen during April-June period this year- 43% increase), the implementation of major energy-related projects in Sakhalin has started, among the business circles of both countries appear signs of increasing mutual interest to develop business cooperation, including investment sphere (Japanese investments in Russia amount to $638 million- 6th position among major investors into Russian economy). Nevertheless the current situation in the bilateral economic relations cannot satisfy both sides, requires additional major efforts to ensure maximum engagement of our potential. Such possibilities exist for example in such spheres as trade and investment, cooperation in transport and tourism, implementation of concrete business projects (Sevast’ianov, 2005)

In April 2008, Vladimir Putin met with Japanese Prime Minister Yasuo Fukuda and Russian party welcomed further cooperation with regards to the participation of Japanese companies in the development of Siberia and the Far East. Vladimir Putin and Yasuo Fukuda expressed their desire to simplify the visa regime between their countries. The parties agreed to intensify mutual contacts in international affairs and to continue to actively develop exchanges between youth and academics from both countries. In connection with this they stressed the need to make progress in simplifying the procedures governing travel between their countries.
US’s Interest in Siberia

Alaska was sold to the US in 1860s by Alexander II for a meager sum of $7.5 million; it curtailed Russian naval influence and fishing rights in that region. The US has never lost sight of resources located in Siberia and adjoining areas of the Far East. In the United States, also a neighbor across the narrow Bering Strait to Alaska, Siberia's vast rich natural resources, including undetermined oil, natural gas and timber reserves has provoked more interest than genuine investment, although American oil companies like Texaco, Exxon and Amoco are among those prospecting for oil. Siberia's pull has intrigued some but has not been strong enough for most young American entrepreneurs. In the APEC (Asia Pacific forum for Economic Cooperation) the US attitude has been warming towards regional cooperation, an imperative of the changing times since the Cold War period (Dash, 2008).

At the 2006, G-8 Summit, both nations issued a joint statement. The United States and the Russian Federation believe that strengthening their cooperation in civil nuclear energy is in the strategic interests of both our countries. It will serve as an additional assurance of access for other nations to economical and environmentally safe peaceful nuclear energy. The United States and the Russian Federation are working together to meet the challenges posed by the combination of proliferation of weapons of mass destruction and international terrorism. However the environment of suspicion has not died down. Russian apprehensions also centre on possible joint US-Japan attempts to elbow Russia out of the Far eastern and pacific strategic space and economically from Siberia. In the Caspian Sea region, the US is trying to bypass Russia to build oil pipelines from Baku in Azerbaijan via Tbilisi in Georgia to Ceyhan and Irzhurum in Turkey. This has further caused Russia to be suspicious of US motives especially in Sakhalin, which is deemed to be developed by international cooperation.
Possibility of Siberia as an International Trading Zone

Serious discussions are going on regarding which resources can be mobilized on a global scale. The possibility of Siberia’s pool of resources, combined with comparatively cheap resources and skilled labour force, absence of any ecological restriction in the territory are an alluring possibility to numerous transnational corporations and political figures of the western, developed world. Considering the fact that Siberia is a ‘heavy burden in the neck of Russia’s budget’, Hill and Gaddy (2001) have estimated that Siberia’s upkeep results in a cumulative loss of 35-50% of Russia’s growth over a 15 year period assuming an average of 3% annually), it has all the reasons to being offloaded to third parties who can manage the resources more efficiently than Russia or ‘till the sunnier days’.

The examples of successful trade in raw materials are demonstrated by prosperous countries like Norway, Canada, and Australia. Investments have been a problem for Siberia but never Canada or China (Voskresenski, 2008).

Dash (2008) poses a pertinent question in this context of being ‘closer home’ -“If Japan across the Sea of Okhotsk can be prosperous, why not Russia’s Khabarovsky Krai?”

Siberia’s resources are strategic resources, and academic discussions are on about the west acting as a custodian to protect Siberia’s resources interest in case the situations worsen.

Hill and Gaddy (2001), suggest that should a security problem arise with Russia and China, Russia should rely on rapid action forces special security guarantee treaties with China and the US and make Siberia a world heritage under UN auspices.

The future of Russia and the world cannot ignore Siberia’s important role. Banking on the resource strengths, the region if developed optimally could help in solving energy problem of the world. The region possesses close geographical proximity to the economically and strategically important countries. Developmental barriers in the region are being solved by augmenting the region’s energy resource utilization. Furthermore, Siberia’s locational strengths are being developed as a transport and trade corridor.

Geographical proximity, historical ties and strategic and economic reasons (predominantly energy interests) have led Russia to shape their policy towards the stakeholder interests while putting Russia’s ownership in the forefront.