

## Russia's Progress in Southeast Asia: Modest but Steady

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### Abstract

In recent years, relations between Russia and the Association of Southeast Asian Nations (ASEAN) have seen positive trends, but no qualitative shift to a new level of cooperation. Nevertheless, Moscow's increasing economic and diplomatic reorientation towards Asia, coupled with a confluence between their priorities in regional politics and security, have the potential to make Russia–ASEAN cooperation more versatile and multidimensional.

An earlier article that appeared in the *Russian Analytical Digest* in April 2010<sup>1</sup> pointed to the fact that while relations between Russia and the Association of Southeast Asian Nations (ASEAN) were developing in a generally positive way, they lacked the kind of dynamism that was typical of ASEAN's interactions with some other dialogue partners, notably in the economic realm. In the four years since then, the relationship has continued to develop along more or less the same lines—in the sense that improvements are evident, but they remain rather modest. According to preliminary assessments, in 2013 Russia's total trade with ASEAN came close to \$20 billion. This is a record high, but is just one-fourth of ASEAN's trade with India and less than one-seventh of its trade with South Korea, not to speak of other, more economically powerful extra-regional partners. There has been more arms transfers from Russia to Southeast Asian nations, more cooperation in the energy sector, a certain amount of growth in investment flows in both directions, plans and agreements to implement multi-billion joint projects (such as a 2000MW nuclear power station in Ninh Thuan, Vietnam, and an almost 200km railroad in East Kalimantan, Indonesia). Yet, there is nothing that might testify to an overall qualitative shift in the Russia–ASEAN relationship. This is indirectly confirmed by the fact there has not yet been a follow up to the 2<sup>nd</sup> Russia–ASEAN Summit (Hanoi, 2010), even though ASEAN has now developed a habit of holding such top level meetings with its dialogue partners annually.

On the whole then, there is a feeling that Russia, while making step-by-step headway in Southeast Asia, is not fully meeting ASEAN's expectations about the relationship. If this is true, then why is it so? And, since officially Moscow continues to express its interest in stronger ties with ASEAN, is it realistic to expect serious change in the near future?

### Impediments to Economic Cooperation

In fairness to Russia, whatever progress it is making in its economic relations with Southeast Asian countries is made against heavy odds. Unlike China or India, Russia has no diasporas in the region to rely on as agents to expand its trade relationship with Southeast Asian states. Unlike the United States, Japan or South Korea, it has no capacity to penetrate the regional markets by the means available to transnational corporations (with a few exceptions in the energy sector). Although Russia's economy has come a long way since the early post-Soviet years, it is not in a position to export huge amounts of competitive consumer goods (like China) or branded hi-tech products (like the US, Japan, South Korea or EU), and may not be in a position to do so soon enough. Since becoming a WTO member in 2012, Russia needs to continue to be quite circumspect in switching to free trade regimes with partners other than the members of its Customs Union: Belarus and Kazakhstan.

A major impediment to livelier direct trade is the poor state of Russia's infrastructure in its Far Eastern region, which is geographically closest to Southeast Asia. Ports and storage facilities on Russia's Pacific coast need to be sufficiently enlarged and modernized, just like systems for monitoring cargo transportation. Direct international air-flights linking Russian cities with Southeast Asian ones are still too few. Underdeveloped relations between the banking communities of Russia and ASEAN are another problem that has to be solved in order to boost trade and investment.

Although the internet provides new sources of data to businessmen on both sides, it is hardly sufficient to fill the information deficit in terms of knowledge about one another and overcome the misunderstandings that continue to prevent Russia and ASEAN from doing more business together. Although no longer strangers to Southeast Asia, Russian entrepreneurs are yet to accumulate the critical mass of field-experience that will make them feel reasonably comfortable and able to function easily in the region. As for their Southeast Asian counterparts, especially in the traditionally anti-communist ASEAN countries, they still need to move

1 Vyacheslav Amirov & Evgeny Kanaev, "Russia's Policy towards the Countries of South-East Asia and ASEAN: Positive Developments, But an Uncertain future?", *Russian Analytical Digest* 76 (2010) // <<http://www.css.ethz.ch/publications/pdfs/RAD-76.pdf>>

beyond the outdated Cold War stereotypes about Russia—a task that is not so simple at a time when the Western media is presenting Russia as a hopelessly criminalized and bureaucratized place.

Any single factor from those mentioned above would be enough to make Russia–ASEAN interactions difficult. What then can be said of their cumulative effect? Remarkably, however, interactions continue to grow. Does this mean that there is potential for greater progress and a significant improvement in the relationship?

### Reasons for Optimism

Expectations that the trend towards closer cooperation with ASEAN will continue are based on Russia's increasing diplomatic and economic reorientation towards East Asia as a whole. Russia's intent to become an integral part of this new center of global growth was evident—both in a symbolic and a purely practical sense—as the country prepared itself for the APEC Summit of 2012 in Vladivostok. This saw the development of a set of large-scale urban infrastructure projects in the city and its immediate vicinity, and the construction of the Eastern Siberia–Pacific Ocean oil pipelines (ESPO, its combined length approximating 5000 km) and the natural gas transmission system Sakhalin–Khabarovsk–Vladivostok (with the prospect of expanding it southwards, in the direction of ROK). These efforts left little doubt that Vladimir Putin, along with some of his closest allies in the Russian government and business community, are determined to bring about change in the Russian Far East and develop much more dynamic interactions with Asia.

Russia's choice to prioritize issues such as food security, reliable logistics and innovative growth during its APEC Chairmanship definitely struck a chord with many other APEC members, including those from ASEAN. The preparation and adoption, during 2012, of such documents as the *Kazan Declaration on APEC Food Security* or the *APEC List of Environmental Goods* demonstrated Russia's greater awareness of its Asian partners' developmental needs, as well as an ability to bring these partners together to reach a consensus on issues on which previously there was none. This is yet another sign that Russia's capacity to play a bigger role in the region is growing.

Before and after the APEC Summit, various groups of Russian non-governmental experts and academics expressed their opinions on the short and long-term challenges faced by the country in Asia. Such publicly circulated reports as those by the Valdai Discussion Club and the Russian International Affairs Council were focused on the urgent need to develop the Rus-

sian Far East and to strengthen connectivity with Russia's East Asian neighbors.<sup>2</sup>

While there is some truth to the claim that a significant part of the Russian ruling elite remains stubbornly Eurocentric, the President of Russia has clearly expressed a different vision of the country's future. Addressing the Federal Assembly in late 2013, President Putin described the megaproject to modernize Russian Siberian and Far Eastern territories through greater cooperation with the dynamic East Asian economies as a top national priority “for the whole of the 21<sup>st</sup> century.”

Even before this was said, the creation of the Ministry for the Development of the Russian Far East (in May 2012) expanded the institutional base for Russia's eastward reorientation. Under Aleksandr Galushka—a 38-year old entrepreneur and technocrat appointed in 2013 as the head of this body—the ministry has been developing a comprehensive set of measures to improve the business climate in the Asian part of Russia. The aim is to transform the region into an attractive destination for domestic and foreign investment and an area of advanced growth. Since the ministry's experts are in favor of diversifying Russia's economic links with East Asia, there is a good chance that new opportunities for Russia–ASEAN trade and investment cooperation may emerge in the process of this megaproject's implementation.

Meanwhile, there are signs that in ASEAN, a demand for what Russia can offer is increasing somewhat. Owing to environmental distress and the depletion of land and water resources, food security has come to the forefront of ASEAN's priorities. For ASEAN, the implementation of large-scale infrastructure, transportation and energy projects is a major objective, as outlined in the *Master Plan on ASEAN Connectivity*. Since Southeast Asia is

2 For details, see: Karaganov S., Barabanov O., Bordachev N., “Toward Great Ocean, or the New Globalization of Russia”, *Valdai Discussion Club Analytical Report* / Ed. by Karaganov S.—Moscow, July 2012. // <[http://vid-1.rian.ru/ig/valdai/Toward\\_great\\_ocean\\_eng.pdf](http://vid-1.rian.ru/ig/valdai/Toward_great_ocean_eng.pdf)>; Karaganov S., Makarov I., Barabanov O., Bordachev T., Kanaev E., Larin V., Ryzhkov V., “Toward the Great Ocean-2, or Russia's Breakthrough to Asia”, *Valdai Discussion Club Report* / Ed. by Karaganov S.—Moscow, February 2014. // <[http://vid-1.rian.ru/ig/valdai/Twd\\_Great\\_Ocean\\_2\\_Eng.pdf](http://vid-1.rian.ru/ig/valdai/Twd_Great_Ocean_2_Eng.pdf)>; Sumsky V., Kanaev E., Koldunova E., *Russia's Interests in the Context of Asia-Pacific Region Security and Development* / Ed. by Ivanov I.—Moscow: Izdatelstvo Prospect, 2012. // <<http://russiancouncil.ru/common/upload/triacapren.pdf>>; Sumsky V.V., Kanaev E.A., Koldunova E.V., Zavadsky M.S., Zinovyeva E.S., Iontsev V.A., Kireeva A.A., Likhachev V.L., Lukonin S.A., Menzhulin G.V., Novikov A.V., Prokhorova Yu.A., Sevastyanov S.V., Stapan N.V., *Russia's Guiding Landmarks in the Asia-Pacific after the APEC Summit in Vladivostok* / Ed. by Ivanov I.S.—Moscow: Spetskniga, 2013. // <[http://russiancouncil.ru/common/upload/AsiaPacific2\\_En.pdf](http://russiancouncil.ru/common/upload/AsiaPacific2_En.pdf)>

a seismic-prone region, responding to natural disasters and emergencies remains another serious problem. In terms of resources, technologies and experience Russia is quite capable of satisfying its ASEAN partners' needs in these regards.

A typical sign of the times is the intensification in people-to-people contacts. On the one hand, there are thousands of new students from Vietnam, Malaysia, Myanmar and other ASEAN countries attending universities in Russia. And not just in Moscow, but across the whole of the country. On the other hand, more and more Russian tourists are becoming addicted to South-east Asian sunshine and coastal resorts: last year, there were more than a million visitors from Russia to Thailand alone. In Phuket and Denpasar, Russian-speaking guides, advertisements, tourist brochures and other publications in Russian are no longer viewed as something extraordinary and exotic.

Thus, little by little, the Russia–ASEAN relationship is acquiring new depth, and becoming more versatile and multidimensional. However, the future of the relationship is dependent not just on the goodwill of Russian and ASEAN partners themselves, but on the wider strategic dynamics of the East Asian region to which they commonly belong.

### Security and Geopolitics

In the realm of security and geopolitics, contemporary Russia–ASEAN relations are evolving according to the influence of three interdependent trends. First, East Asia is not just becoming the center of global economic growth, but is also becoming the center of many geopolitical contradictions and many unresolved problems between the global powers. Second, Russia, as one of these powers, is trying to raise its profile in the region. Third, ASEAN as an established and respected regional actor is seeking to find ways to increase its status through developing collective responses to global threats and challenges<sup>3</sup>. All three trends serve to reinforce mutual interests between Russia and ASEAN.

For both Russia and ASEAN, the key objective is to prevent the unfolding of strategic scenarios that could

undermine regional peace and, by implication, continued economic growth. Both Russia and ASEAN intend to achieve this through the creation of a regional security system with ASEAN at its center. Russia participates in all ASEAN-led multilateral dialogue platforms dealing with security issues: ASEAN Regional Forum (ARF), ASEAN Defense Ministers Meeting Plus Eight (ADMM+8) and the East Asia Summit (EAS). The latter is noted as being an especially important component of the emerging security architecture in East Asia by the latest Russian Foreign Policy Concept.<sup>4</sup> In October 2013, the 8<sup>th</sup> EAS meeting endorsed a Russian initiative about establishing a framework of principles on strengthening security and developing cooperation in the Asia-Pacific Region. This represents another important step towards the consolidation of mutual understanding between Russia and ASEAN.

What is needed to add more substance to this synergy in diplomatic and security matters is a higher level of economic exchanges, especially as ASEAN has traditionally understood security in broad terms and has been ever mindful of its economic dimension. Recently, Russia and Vietnam started negotiations on the establishment of a Free Trade Area (FTA) (with Russia's partners in the Customs Union, Belarus and Kazakhstan, also involved in the process). If successful, this will pave the way to a Russia–ASEAN FTA. With this in place, nothing will formally prevent Russia from joining the latest ASEAN-led project—namely, *Regional Comprehensive Economic Partnership* (RCEP).

This project has been partly conceived to demonstrate that ASEAN is capable of engaging with global powers in productive cooperation. Consequently, the presence of Russia, as such a power, in RCEP will add value to both the project itself and the Russia–ASEAN partnership. To translate this into reality, what is required more than anything else is a sufficiently large increase in the volumes of trade and investments between Russia and ASEAN.

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3 *Bali Declaration on ASEAN Community in a Global Community of Nations. "Bali Concord III"*. // <[http://www.preventionweb.net/files/23664\\_baliconcordiii28readyforsignature29.pdf](http://www.preventionweb.net/files/23664_baliconcordiii28readyforsignature29.pdf)>

4 *Concept of the Foreign Policy of the Russian Federation*. Approved by President of the Russian Federation V. Putin on 12 February 2013. // <[http://www.mid.ru/brp\\_4.nsf/0/76389FEC168189ED44257B2E0039B16D](http://www.mid.ru/brp_4.nsf/0/76389FEC168189ED44257B2E0039B16D)>