RUSSIA’S RELATIONS WITH SOUTHEAST ASIA

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Abstract

In recent years, Russia has focused on developing its relations with Southeast Asia, particularly in the areas of economic ties and arms sales. This effort is part of its ongoing turn to the East, intended to allow Russia to reduce its dependence on the West, while harnessing the dynamic growth of the Asia-Pacific region as a means to modernize the Russian Far East and ultimately Russia itself. While its relations with the region have been gradually improving, Russia is still not that significant a player in Southeast Asia. Moreover, relationships in the region generally take a backseat to the critical partnership with China. Vietnam and Myanmar continue to be the most important partners, although Russia has made efforts to develop closer ties with Malaysia, Indonesia and, most recently, the Philippines.
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Introduction

To great fanfare, in May 2016 Russia hosted the third Association of Southeast Asian Nations (ASEAN)-Russia Summit at the Black Sea resort of Sochi. Commemorating the 20th anniversary of Russia’s acceptance as an ASEAN dialog partner, this summit was intended to give new impetus to longstanding efforts by Russia and Southeast Asia to forge closer economic and security ties. Defying efforts by the West to isolate Russia, leaders from all 10 ASEAN member states attended the summit. Despite having recently skipped several high-level ASEAN summits, this time President Putin led the Russian delegation himself. He also met separately with the leaders of all 10 ASEAN states. After the summit, Mr. Putin proclaimed that the two sides had reached agreement “on building a strategic partnership over the long term”. Demonstrating that this was not just mere rhetoric, the two sides also announced a raft of new measures during the summit, on topics ranging from security relations to closer political and economic ties.

Russia’s pivot to Asia was first proclaimed in 2010, several years before the United States undertook a similar initiative. The first concrete action to this effect was Russia hosting the Asia-Pacific Economic Cooperation (APEC) summit in Vladivostok in 2012, followed by an acceleration in efforts to increase economic cooperation throughout the Asia-Pacific region. In the aftermath of renewed conflict with the West over Ukraine, Russia sought to accelerate its much discussed “turn to the East” in an effort to avoid isolation and to circumvent Western sanctions. This initiative, which was launched after the 2008 financial crisis, was intended to allow Russia to reduce its dependence on the West, while harnessing the dynamic growth of the Asia-Pacific region as a means for modernizing the Russian Far East and ultimately Russia itself. While Russia has consistently placed the highest priority on increasing its ties with China, it also sought to diversify its relations with other Asia-Pacific countries in order to avoid becoming overly dependent on Beijing. Southeast Asia figured prominently in this effort, as Russia sought to build on its existing relations with countries in the region, especially Vietnam, Indonesia and

1. ASEAN is currently comprised of 10 member states, including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.
Myanmar, to maintain its strategic independence. In a strategic move reminiscent of its recent policy in the Middle East, it also sought to expand relations with countries long considered US allies such as the Philippines, Malaysia and Thailand.

The pivot to Asia came to include three components, a civilizational alliance against Western “universal values”, a geopolitical effort to provide a regional alternative to the US-centered alliance system, and a geoeconomic push to integrate Russia into Asia’s dynamic economy. Given local power dynamics, China has inevitably played the largest role in all of these components and will continue to do so in the future. Nevertheless, the region’s other states have received increased attention from Russia as well. Overall, however, this pivot has proven to be relatively long on rhetoric but rather short on concrete actions, with numerous discussions of Russia needing to engage with a dynamic Asia but few efforts to move beyond limited economic cooperation.

What’s more, while Russian rhetoric frequently highlighted the need to deepen relations with countries other than China, Russian foreign policy towards Asia has remained deeply Sino-centric. To the extent they have taken place, Russian efforts to expand relations beyond China have focused on East Asian countries and on India, with Southeast Asia very much in the bottom tier of Russian priorities in the Asia-Pacific region. At the same time, the region remains a priority, in part for the potential economic benefits of expanded trade but primarily for geopolitical reasons. Increasing Russian influence in Southeast Asia can help Moscow to both balance its increasingly evident junior partner role vis-à-vis China and to stymie US efforts to expand its reach beyond its traditional allies in the region.

Overview of Russian-Southeast Asian Relations

Achieving greater integration with Southeast Asia will not be easy. Russia is starting from a relatively low baseline. While its relations with the region have been gradually improving, the fact remains that Russia is still not that significant a player in Southeast Asia. Moreover, the region is still of secondary priority when compared to Russian efforts to maintain its position in Europe and the former Soviet republics, and to increase its role in the Middle East.

At the regional level, Russia’s relations with Southeast Asia have been dominated by its relations with ASEAN, the region’s principal multilateral economic and security organization, comprised of all ten of the region’s principal states. However, Russia’s relations with ASEAN remain relatively weak. After a sustained campaign to gain greater access to ASEAN regional institutions, Russia’s efforts were finally rewarded when it was admitted to the East Asian Summit in 2011, the last major regional organization of which it had not been a member. Up until then, Russia’s accession had been stalled due to lack of consensus among ASEAN members that membership was warranted given Moscow’s relatively weak economic and security linkages with the region. Yet, even after gaining admission, Moscow has consistently failed to capitalize on its ASEAN membership either to deepen its engagement with the states of Southeast Asia themselves or to increase its involvement in the broader ASEAN-led Asia-Pacific regional integration process.

Nor has Russia been all that significant a factor in the economic domain. While its trade with Southeast Asia in natural resources, energy technology and transportation has been increasing steadily, Russia’s economic relations with ASEAN, overall, remain relatively weak. In 2017, for example, Russia ranked eighth among ASEAN’s major trading partners, with total bilateral trade accounting for just 0.66% of ASEAN’s total trade turnover. Russia has been more successful in increasing its security ties with some of the countries in Southeast Asia. It has succeeded, for example, in establishing a close security relationship with Vietnam, its

long-time Cold War ally. Russia has also been a major supplier of advanced military equipment for the region, especially for Vietnam, Malaysia and Indonesia. In areas other than arms sales, however, Russia’s security relationship with countries in Southeast Asia remains fairly limited. While the states in the region would welcome Russia playing a greater security role, especially in soft-balancing against China and the United States, Russia continues to lack the economic, political and military clout needed to effectively fulfill this role.8

Despite these shortcomings, Russia remains an important political actor in Southeast Asia. For one thing, unlike China, Russia does not pose a security threat to any of the countries in the region. It has no territorial claims in Southeast Asia, and has thus far avoided taking sides in Asia-Pacific regional disputes. It has scrupulously maintained a position of neutrality with respect to the various South China Sea disputes, for example. ASEAN members have also tended to see Russia as a useful counterweight to both China and the United States. Plus, Russia’s views on regional security, including its support for multipolarity and non-intervention and consensus-based decision-making, align well with those of the states in Southeast Asia. Collectively, these factors have allowed Russia to credibly portray itself as both a neutral status quo power in the Asia-Pacific region and a potential honest broker for mediating the region’s many ongoing disputes—characteristics that have made Russia an attractive partner for Southeast Asia despite its weak economic and security footprint.9

Immediately after the Ukraine crisis in 2014, however, Russia’s position in the Asia Pacific began to change in ways that have implications for its relations with Southeast Asia. As the Ukraine crisis unfolded, Russia began to draw ever closer to China in order to avoid political isolation and to obtain vital economic support. In the process, Russia has placed itself increasingly at risk of becoming overly dependent on China. If this should occur, Russia could find itself subjected to pressure from China to align its

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views more closely with those of Beijing on key regional issues such as the South China Sea disputes. This has led some countries in Southeast Asia to be more cautious in their dealings with Russia and to strengthen their ties with other countries to avoid becoming overly dependent on Moscow in critical areas such as arms and energy supplies. Thus, Russia finds itself at a crossroads in its relations with the states of Southeast Asia. If it can avoid becoming overly dependent on Beijing, it will have a greater chance to play a meaningful economic and security role in Southeast Asia. Otherwise, Russia’s partners in the region are more likely to turn to the United States for security, leaving Russia as a secondary player at best.¹⁰

Russia’s Relations with ASEAN at the Regional Level

A key part of Russia’s strategy for Southeast Asia has been to engage with the region through ASEAN, its principal economic and security institution. By the early 1990s, ASEAN had positioned itself as the key driving force for regional integration—not just for Southeast Asia, but for the entire Asia Pacific area. Russia recognized therefore that it would need to become fully integrated with ASEAN if it wanted to play a more meaningful role in the Asia-Pacific region.11

To this end, Russia waged a sustained campaign to gain full access to ASEAN’s regional institutions. In 1991, it became a consultative partner to ASEAN. In 1994, it was invited to become a founding member of the ASEAN Regional Forum, which was to become the leading Asia-Pacific forum for security dialog over the next decade. In 1996, Russia became a full-fledged ASEAN dialog partner. In 2004, it signed the Treaty of Amity and Cooperation in Southeast Asia, a treaty emphasizing principles of sovereignty and non-intervention. In 2005, ASEAN and Russia held their first partnership dialog, at which they also agreed on a 10-year action plan to expand their economic and security ties. But it was not until 2011 that Russia finally gained full admission to ASEAN regional security institutions, when it was allowed to join the East Asia Summit (EAS), currently the region’s most important security forum, as well as the Asia-Europe Summit and the ASEAN Defense Ministers Dialog.12

Despite these notable successes, Russia has yet to take full advantage of its membership of ASEAN. Prior to the Ukraine crisis, Russia tended to view ASEAN instrumentally, as a means of obtaining access to the Asia-Pacific’s growing regional integration processes. Having a seat at the table of regional integration was something Moscow was eager to achieve in order to validate its claims to great-power status in the Asia-Pacific area.

But having achieved this, Russia has exhibited little real interest in engaging substantively with ASEAN.13

Russia’s involvement in ASEAN-led regional security forums has been relatively weak. While it has been politically active in ASEAN, its substantive cooperation remains limited. The Kremlin has had some success in engaging with ASEAN collectively to promote greater cooperation on counter-terrorism. For many years, for example, Moscow has been providing grants for Southeast Asian law-enforcement personnel to study at Russian security institutions. Moscow has also made modest progress on increasing dialog with ASEAN, and on countering drug trafficking and the spread of infectious diseases. More substantively, during the 2013 East Asia Summit, Russian representatives put forward a proposal for a comprehensive regional security architecture for the Asia-Pacific area, one that stressed respect for sovereignty, indivisibility of security, consensus-based decision-making, and multilateral security mechanisms across the entire region, while rejecting the notion of alliance politics. This proposal was received favorably by China and Brunei, but was a non-starter for the United States as it would have undermined the primacy of its regional alliance system.

Aside from this, however, the degree of engagement on security between Russia and ASEAN has been limited primarily to dialog on regional political issues and modest efforts to counter non-traditional security challenges such as transnational crime. Even more telling has been the failure of Russia’s president to attend annual meetings of the East Asian Summit. The repetition of this snub “appears to reflect Russian officialdom’s continuing low regard—rhetoric to the contrary notwithstanding—for Southeast Asia.”14

Nor has Russia been all that successful in using ASEAN as a means of deepening its economic engagement with the countries in Southeast Asia. Over the years, Russia and ASEAN have signed a number of agreements intended to enhance economic cooperation. In 2005, they signed the Agreement on Economic and Development Cooperation as well as a 10-year Comprehensive Action Plan to Promote Cooperation, establishing conditions favorable for increased trade and investment. In 2012, the two signed the ASEAN-Russia Trade and Investment Cooperation Roadmap,

identifying five key areas for enhanced cooperation: increased high-level dialogue; ongoing consultations between senior economic officials; sector-specific dialogues; streamlined procedures for cross-border trade and investment, and increased dialogue among the respective business communities.\textsuperscript{15} The two sides have also agreed at various times on a number of other cooperative measures.

Although Russian leaders routinely praise such initiatives, they have failed to fundamentally improve trade and investment, often because Moscow has failed to follow through on its associated commitments. For example, the first 10-year action plan between Russia and ASEAN was deemed a “huge disappointment” because of its meager results.\textsuperscript{16} Although Russian exports to Asia had grown by 2.5 times from 2006 to 2016 while imports had increased threefold, as of 2016 ASEAN’s total trade turnover with Russia was still a mere $13.3 billion, compared with $345 billion for China and $212 billion for the United States. Russia’s lack of developed economic ties has led many observers in Southeast Asia to characterize Russia as an “absent power” in the region.\textsuperscript{17}

In an effort to counter such perceptions, Russia hosted the third Russia-ASEAN Summit in May 2016. During this summit, President Putin finally got to meet with many of the region’s top leaders for the first time. The group reached a number of agreements, including commitments to promote a new security architecture in the Asia-Pacific region, to work together in the political sphere at international forums such as the G20, to cooperate on combating terrorism and drug trafficking, and, most importantly, to boost economic and security ties pursuant to a new 2016-2020 Comprehensive Action Plan. Specifically, this new five-year plan contains a comprehensive roadmap to increase economic and security ties between Russia and ASEAN.\textsuperscript{18}


In addition, the two sides agreed new measures on agriculture and education, while Putin pledged to substantially increase Russian energy exports to ASEAN. Driven by its pressing need to diversify its relations in the Asia-Pacific, Russia has clearly been engaging more proactively with ASEAN, especially since the 2016 Russia-ASEAN Summit. Moreover, these efforts are now beginning to generate tangible results, as demonstrated by new cooperation initiatives to counter the return of extremists from Syria, to combat the spread of infectious diseases, and to increase cross-border investment. Despite such progress, it remains to be seen just how this cooperation at the regional level will move forward. As one Russian analyst admitted, “a commemorative Russia-ASEAN summit in 2016 was more about commemoration than anything else, and the Kremlin’s attempt to push for a free-trade agreement (FTA) between the Eurasian Economic Union (EEU) and ASEAN was basically met with the latter’s benevolent inaction.”

Aside from ASEAN, Russia also engages with the countries in Southeast Asia through other regional and multilateral organizations like APEC, Brazil, Russia, India, China and South Africa (BRICS), the Shanghai Cooperation Organization, and the Council for Security Cooperation in the Asia Pacific (CSCAP). Through its involvement in APEC, for example, Russia has been pursuing greater economic integration between the Russian Far East (RFE) and East Asia more generally, including Southeast Asia. In this way, Moscow has been seeking to leverage the RFE’s abundant natural resources as a means to expand trade with East Asia and to attract investment to promote further development of the RFE. However, ASEAN remains the primary instrument for Russia’s engagement activities with Southeast Asia at the regional level.

Russia’s Bilateral Relations with the States of Southeast Asia

While Russia has taken a less active role in ASEAN, it has been making headway in developing its bilateral relationships with the various states in Southeast Asia. From a security perspective, Russia has sought to portray itself as a force for stability in the region, able to help the states in Southeast Asia to balance their relations with both the United States and China, though this approach has thus far achieved only modest success. Economically, Russia has been looking to leverage its comparative advantages in the areas of energy, armaments, and transportation to make inroads into Southeast Asia’s growing export markets.21

Although Russia seeks better relations with all states in the region, it has placed highest priority on countries that Russian leaders believe can provide the greatest economic returns, particularly in the areas of arms sales and development of cooperation in the energy sphere, such as Vietnam, Malaysia, and Indonesia, which it views as the leading states in Southeast Asia. Security considerations are also important, but distinctly secondary to the economic sphere in Russian calculations. Finally, Russia has sought to make a play for traditional US allies in the region, such as the Philippines and Thailand.

Russia has had the most success in rekindling its strategic relationship with Vietnam, its long-standing Cold War ally, and it has done well to expand its relationship with Myanmar beyond arms sales, to include both greater economic ties and a nascent strategic relationship. It has also made progress in establishing solid security ties with both Malaysia and Indonesia. Russia’s economic ties with the region have also been growing steadily. In 2014, total trade turnover between ASEAN and Russia reached $22.5 billion, a nearly five-fold increase over its 2005 level. Trade has been driven primarily by energy and arms sales, with Indonesia, Malaysia,

Vietnam, and Singapore constituting Russia’s principal trading partners in the region.22

Despite such progress, Russia has not developed a fully-fledged partnership with any of the states of Southeast Asia, not even with Vietnam, with which its relations are largely limited to instrumental ties in particular sectors rather than a close overarching relationship. Development of stronger security ties has been hampered by the substantial decline of Russia’s military power in the Far East since the Cold War, which has rendered it incapable of balancing militarily against either the United States or China in the Asia-Pacific. Economic ties have been hampered by Russia’s lack of competitive product offerings outside its traditional areas of strength, its poor investment climate, and its lack of supporting infrastructure in the Russian Far East, including ports, pipelines and storage facilities. Russia’s play to move the Philippines and Thailand away from their respective partnerships with the West has had limited effect beyond the rhetorical flourishes employed by the president of the Philippines during the short period of time when both he and President Obama were in power. While both countries have sought to diversify their alliances, political elites in Manila have been unwilling to completely jettison their long-standing relations with the United States in the security and economic spheres.

Russia clearly will have to address these shortcomings in order to play a more meaningful role in the region. Most important, however, is that improving ties with Southeast Asia has simply not been a high priority for Russia, which preferred to focus on its relations with the West until the 2014 Ukraine crisis caused a definitive break in relations.23

This section will take a closer look at Russia’s bilateral relations with Vietnam, Myanmar, Malaysia, Indonesia, Thailand, and the Philippines, focusing on the key drivers of strategic relations, economic ties, and military-technical cooperation. It shows the primary focus on Vietnam, with secondary efforts to expand already strong relations with Myanmar, Malaysia, and Indonesia, as well as new efforts to exploit opportunities that have appeared as a result of weakening ties between the United States and Thailand and the Philippines.

Vietnam

Vietnam remains Russia’s principal economic and security partner in the region. The two countries have maintained a strategic partnership since 2001, which was upgraded to a “comprehensive strategic partnership” in 2012. The continuing reservoir of warm feelings held between Russia and Vietnam is a legacy of their historic friendship during the Cold War. As well, Russia and Vietnam have made significant progress in increasing their economic and security ties over the last 15 years.

Russia exchanges high-level visits with Vietnam more frequently than with other Southeast Asian countries. Just in 2017, the Vietnamese President visited Moscow in June, followed by a visit by President Putin to Hanoi for the APEC summit in November. At the June meeting, the two sides signed economic agreements worth an estimated $10 billion, including an agreement for Russian Railroads to be involved in the modernization and construction of railroads in Vietnam. Russian Defense Minister Shoigu also visited Hanoi in January 2018, discussing a three-year plan for defense cooperation that will include regular bilateral port visits and joint exercises.

Since 2000, trade and investment between Vietnam and Russia has increased substantially. Russia’s trade with Vietnam grew from a low of just $200 million in 2000 to $7 billion in 2017. The bulk of the value has come from Vietnamese exports to Russia, which consist primarily of electronics, textiles, and food products. Increased economic ties have also been driven by a raft of high-end agreements related to Russian energy exports to Vietnam. In 2010, Vietnam agreed to purchase its first nuclear power plant from Russia. Moscow promised in turn to provide $8 billion to Hanoi to help finance the transaction. Although this project was abandoned in 2016 due to decreased demand for electricity, rising costs,

and safety concerns, nuclear cooperation between the two continues amid indications that such a deal could be revived in the future.\textsuperscript{27}

Russia and Vietnam also continue to collaborate on various offshore oil and gas projects. In 2010, Vietsovpetro, a Soviet-era joint venture between Zarubezhneft and Petrovietnam (Hanoi’s principal state oil company) was extended through 2030. This venture currently accounts for nearly one-half of Vietnam’s total oil production. Gazprom and Rosneft are also undertaking several oil and gas projects with Petrovietnam on Vietnam’s continental shelf. One such venture, involving Gazprom and Petrovietnam, was set up to develop several offshore oil and gas fields in the South China Sea. While the first two blocks were located outside China’s famous “nine-dashed line”, four additional blocks are within that contested area. This venture raised concerns among Chinese officials, who have questioned Russia’s motives, although it does not appear to have materially affected the relationship. In recent months, the Russian companies Gazprom and Novatek have expressed interest in developing LNG exports to Vietnam. As well, Vietnam has recently begun to invest significantly in the development of oil and gas fields in Russia’s Far East.\textsuperscript{28}

Russia and Vietnam have been deepening their economic ties in other areas also. Most importantly, in May 2015, Vietnam became the first nation to sign a free-trade agreement with the Eurasian Economic Union. Following this, bilateral trade between Vietnam and the EEU increased by more than 30%. Prime Minister Medvedev predicted that this arrangement would boost annual trade between the two nations to $10 billion over the next five years. Tourism is also expanding; 340,000 Russian tourists visited Vietnam in 2015. Despite such efforts, Russia still occupies a relatively low position in Hanoi’s overall trade portfolio. Russia’s trade share in 2016 ($3.9 billion) was just a fraction of the shares held by Hanoi’s


top two trading partners, the United States ($47 billion) and China ($72 billion), and is holding steady as the other two increase. Security ties between Moscow and Hanoi have been even more important to the relationship, as the two have been seeking to forge closer ties in an effort to hedge against China. This relationship is not always smooth. For example, tensions with China have led Vietnam to reject Russian overtures to join the Shanghai Cooperation Organization; at the same time, Vietnam would prefer Russia to take a more active role on its side in its dispute with China over islands in the South China Sea. Arms sales still dominate the security agenda, as Russia continues to serve as Vietnam’s principal weapons supplier. Russian arms sales to Vietnam date back to the Cold War era, when Hanoi was the Soviet Union’s most important ally and arms-trading client in Southeast Asia. After a brief hiatus following the Cold War, Russian arms sales resumed again in the mid-1990s. In the mid-2000s, as tensions between Hanoi and Beijing began to escalate, Russian arms sales to Vietnam increased sharply. Since 2005, Vietnam has purchased over $6 billion in new military equipment from Russia, making it the fourth largest importer of Russian weapons for that period, behind only India, China, and Algeria. Between 2011 and 2016, as Vietnam’s military modernization efforts further intensified, Russian arms sales to Hanoi averaged over $750 million per year, a level comparable to that of China and Algeria. As a consequence, Vietnam has once again become Russia’s largest arms-trading partner in Southeast Asia, responsible for over 10% of Russia’s total arms exports during this period.

Increased arms sales have been driven by Vietnam’s ongoing military modernization program, which got underway in earnest in the mid-2000s following a decade of rapid economic growth. Between 2005 and 2016, defense spending more than tripled, reaching highs of $5 billion in 2016 before stabilizing in 2017. In 2016, Vietnam ranked third among Russia’s arms purchasers, accounting for 16% of Russia’s total revenue for the year.

Vietnam’s modernization effort has been focused primarily on enhancing its coastal defense capabilities as well as its maritime air power and offshore naval forces. This buildup has been driven primarily by continuing tensions with China, especially over the disputed Spratly Island chain in the South China Sea. In response to China’s maritime buildup, Hanoi has been attempting to develop its own A2/AD capability to defend its maritime holdings against further encroachment by China.\(^{32}\) To this end, it has been steadily adding to its inventory fourth-generation combat aircraft, surface warships, submarines, advanced sensors, precision-strike weapons, and coastal defense batteries.

More specifically, since the mid-1990s, Vietnam has been purchasing Russian Sukhoi aircraft in substantial numbers in an effort to modernize its air force. Between 1996 and 2009, Vietnam purchased 12 Su-27S and 12 Su-30MK combat aircraft in separate transactions. These systems came equipped with advanced air-to-air, surface strike, and anti-ship cruise missiles. They also represented a considerable upgrade over Vietnam’s existing fleet of Soviet-era MiG-21s and Su-22s. Later, in two separate transactions in 2010 and 2013, the air force purchased an additional 24 Su-30MKs. The final four aircraft were delivered in 2016. The addition of 48 modern fourth-generation aircraft has transformed the Vietnamese air force into a potent regional force, capable of defending its airspace against encroachment and engaging in precision strikes against both ground-based and maritime targets.

Over the last decade, Russia has also been supplying the Vietnamese navy with a variety of sophisticated naval combat systems. In the process, Russia has helped Vietnam transform its navy from a relatively ineffective coastal defense force into a modern green-water force. Specifically, over the last decade, Vietnam has purchased six Gepard-class frigates, six Tarantul-class corvettes (license-produced in Vietnam) and six Svetlyak-class patrol vessels.\(^{33}\) Collectively, these have added considerable range and striking power to Hanoi’s surface fleet. In addition, in 2009, Vietnam purchased six Kilo-class (Project 636) diesel-electric submarines in a transaction valued at $2 billion, with delivery completed in 2017. These vessels all come equipped with advanced torpedoes and Klub (SS-N-27/30) anti-ship and land-attack cruise missiles. Having six Kilo-class submarines will enable Vietnam to maintain a forward presence in nearby maritime areas. They


also markedly enhance its anti-access capability, especially since China’s fleet still lacks a robust anti-submarine warfare capability.\textsuperscript{34} Russia has also been helping to build up Vietnam’s air and coastal defense capabilities, delivering S-300 air defense systems and Bastion-P coastal defense batteries, the latter armed with powerful Yakhont (SS-N-26) anti-ship cruise missiles. Finally, Russia has recently increased its level of technology support to Vietnam by granting it the right to license-produce several Russian systems, including Tarantul-class corvettes, Irkut unmanned aerial vehicles (UAVs), and Kh-35 Uran anti-ship missiles.\textsuperscript{35}

Russia’s dominant position in Vietnam’s lucrative arms market has been questioned by the United States, which recently eliminated longstanding restrictions on arms transfers to Vietnam. Vietnam’s ambassador to the Russian Federation stated, however, that, despite the lifting of the US arms embargo, Russia was “still [Vietnam’s] priority partner in this sector.” The two sides recently agreed to the sale of 64 T-90 main battle tanks, and are in advanced discussions on the sale of Yak-130 training aircraft for the Vietnamese Air Force. Discussions are also under way about the possibility of Vietnam buying S-400 air defense systems and MiG-35 aircraft to replace its retired MiG-21 planes.\textsuperscript{36}

In 2014, Russia and Vietnam signed an agreement allowing the Russian Navy and Air Force to use Vietnam’s Cam Ranh Bay naval base on a preferential basis. Cam Ranh Bay was a major Soviet naval base during the Cold War. While most nations are allowed only one visit per year, Russian warships may enter the base at will, subject only to advance notice. Russia has also been allowed to station tanker aircraft at Cam Ranh Bay, which it uses to refuel Russian strategic bombers flying long-range patrols in the Western Pacific. In January 2015, Russia flew several provocative missions near Japan and Guam, prompting Washington to formally request that Hanoi discontinue allowing such refueling missions. Hanoi has so far declined to do so. Despite such developments and even with some Russian experts advocating the establishment of a permanent...

\textsuperscript{34} The Military Balance 2016, p. 212; P. Schwartz, Russia’s Contribution to China’s Surface Warfare Capabilities, Lanham: Rowman & Littlefield, p. 40.
Russian naval base, there is little to indicate that Russia will be granted additional basing rights at Cam Ranh Bay.\(^37\)

### Myanmar

Although Russia and Myanmar have had a long-standing relationship in arms sales, broader interactions were limited for a long time by the insular nature of the Myanmar military dictatorship and the narrow focus of Russia’s Asia policy on its traditional partners as China, India, and Vietnam. The opening of Myanmar to the outside world more or less coincided with Russia’s effort to expand its outreach in Asia beyond its traditional partners. The effort began with visits by Sergey Lavrov in January 2013 and Sergey Shoigu in March 2013, the first high-level Russian officials to visit Myanmar since 1971. Lavrov’s goals for the visit included preparing for a possible state visit to Russia by Myanmar’s president and broadening economic relations, including pushing forward an agreement for Rosatom to build a nuclear research reactor in Myanmar. Shoigu was looking to expand arms sales in the aftermath of the lifting of international sanctions on Myanmar. Since then, bilateral visits by senior military officials have become a regular occurrence, with the most recent visit by Sergey Shoigu to Naypyidaw in January 2018.\(^38\)

Economic cooperation has been expanding gradually over the last five years. At the time of Lavrov’s initial visit in 2013, Russian economic projects in Myanmar consisted of oil and gas exploration, construction of a metal factory, and development of a subway in Naypyidaw. Subsequently, additional oil exploration deals were signed and bilateral trade was expected to reach $500 million in 2017, up from $130 million in 2015. In recent years, Russia has also expanded natural gas exploration and agreed to help Myanmar build a natural disaster crisis management center.\(^39\)


Despite the efforts by both sides to develop relations, the road has not always been smooth. The attacks by Myanmar’s military on Rohingya Muslims in 2017 put Moscow in a difficult position. At first, Russian foreign policy officials emphasized the extremist ties of Rohingya armed rebel groups and accordingly expressed support for the Myanmar government’s actions. However, Muslim political and religious leaders in Russia, including most notably Chechen leader Ramzan Kadyrov, vocally condemned Moscow’s position. As a result, Russian leaders moderated their position, and, while remaining much more supportive of Myanmar than Western leaders, President Putin called for a mutual end to violence and subsequent negotiations. The Myanmar government has expressed appreciation for Russia’s relatively pro-Myanmar position and reciprocated by advancing military and defense industrial cooperation.40

Russia has a long history of arms sales to Myanmar, primarily helicopters, combat aircraft, and surface-to-air missile systems. The relationship began with the sale of 12 Mi-17-1V transport helicopters in the mid-1990s. Two additional deals in 2009-10 included 10 modernized second-hand Mi-35P combat helicopters, delivered in 2010-15, and 12 Mi-2 light helicopters, delivered in 2010-11. Some of these helicopters have been used in attacks on insurgents, including the campaign against the Rohingya in 2017. Subsequently, the domestic situation calmed down, enabling Russia (together with China) to veto a UN Security Council resolution censuring the Myanmar government on its reprisals against the Rohingya. Later Russia was one of only 10 countries to vote against a General Assembly resolution calling on the Myanmar government to give citizenship to the Rohingya.41

Myanmar has also made several purchases of Russian combat aircraft, starting with a $130 million deal for 10 MiG-29 fighter planes, delivered in 2001-2002. The deal included 30 R-27 and 60 R-73 air-to-air missiles for the aircraft. Another 20 MiG-29 aircraft were purchased in 2009 for $570 million and delivered in 2011-14. These included four MiG-29UB

two-seater training aircraft and six MiG-29S with improved flight-control systems. The deal also included 80 R-27 and 150 R-73 air-to-air missiles for the aircraft. Russia has also been supplying engines for Myanmar’s non-Russian combat aircraft, specifically the RD-33 turbofan engine for 16 JF-17 aircraft purchased from Pakistan. Finally, in 2015 Myanmar purchased 12 Yak-130 training aircraft, six of which were delivered by 2017 and the rest due to be delivered in 2018.42

In early 2018, Myanmar ordered six Su-30SM combat aircraft. With the possibility of more orders of this jet coming later, it stands to become the “main fighter jet of the Myanmar Air Force.”43 The aircraft are expected to help the Myanmar military in their internal conflicts, while placing its airforce on a higher level than those of neighboring Bangladesh and Thailand. There’s some speculation that the deal was signed as a result of Russian support for Myanmar in the UN Security Council on the Rohingya issue.44

Myanmar’s purchases of Russian surface-to-air missiles began in 2000, with the purchase of 2,000 Igla-1 portable SAM systems for use in MADV air-defense systems produced in Myanmar. Deliveries on this order were made between 2004 and 2014. In 2004, Myanmar purchased 38 Tunguska mobile air-defense systems and 600 9M311 (SA-19) missiles for use with those systems. Deliveries on this order were completed in 2007. In 2008, Myanmar bought a Pechora-2M SAM system armed with 50 V-601 (SA-3B) missiles. These were delivered in 2012. Finally, Myanmar also bought 100 D-30 122mm towed guns in 2005.45

Since the two countries signed a military cooperation agreement in 2016, Myanmar has expressed interest in additional weapons purchases, including rifles, T-72 and T-90 tanks, and TOS-1A multiple rocket launcher systems that fire fuel-air explosives with a range of six kilometers. There have also been discussions on sales of Mi-17V5 helicopters.46

Military cooperation extends beyond arms sales. Officers from Myanmar have long studied in Russian military academies. The two

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countries signed a defense cooperation agreement in 2016, allowing for more intelligence-sharing, more frequent ship visits, and collaboration in peacekeeping. Sergey Shoygu’s January 2018 visit to Myanmar resulted in agreements on Russian use of Myanmar’s ports for refueling and repairs of visiting warships, and on Russian assistance in instructing the Myanmar army in counter-UAV warfare. Russian ships have been visiting Myanmar’s ports regularly since 2013, but will now be allowed to visit without advance agreement, simply by notifying Myanmar several days in advance.47

Malaysia

Since the Cold War, Malaysia has figured prominently in Russia’s overall strategy for Southeast Asia. Russia’s strategic ties with Malaysia increased substantially during the regime of Mahathir Mohamed, which lasted from 1981 to 2003. During the Mahathir era, the two countries forged close political ties as their respective leaders saw eye to eye on various regional issues, including upholding the principle of non-interference in internal affairs of other countries and maintaining the principle of non-alignment vis-à-vis Western powers. Malaysia also believed in the importance of Russia becoming more active politically in the region, since both countries shared an interest in hedging and balancing US and Chinese power in order to maintain their freedom of action in the region. They also shared a desire to promote East Asian regionalism as a means of increasing their respective influence in the Asia-Pacific area.48

What’s more, Malaysia was instrumental in paving the way for Russia’s accession into the various ASEAN-led regional organizations. Malaysian leaders believed that Russia’s participation would give greater weight to ASEAN, of which Malaysia was a founding member, thereby helping the organization to maintain its authoritative position in the Asia-Pacific integration processes. As a result, Malaysia played an instrumental role in helping Russia to gain admission to the various ASEAN regional organizations. The gains achieved during Mahathir’s rule were largely sustained under subsequent regimes, and Mahathir’s return to power in 2018 suggests more continuity in Malaysia’s Russia policy. Despite these positive developments, Russia remains a secondary player in Malaysia’s

foreign policy calculus, as Malaysia continues to place higher priority on its relations with the United States and China.49

Security relations between the two countries were seriously tested in 2014, with the downing of Malaysian Airlines flight MH-17 over Ukraine. Moscow’s refusal to acknowledge any involvement by Ukrainian separatists threatened the relationship, though Malaysian Prime Minister Najib Rezak used his ties to the Russian government to secure an agreement with separatist forces in eastern Ukraine to allow access to the site. Subsequently, the two countries sought to move beyond the incident, as indicated by renewed interest in cooperation expressed by their respective leaders at the May 2016 Russia-ASEAN Summit. Statements by officials from Malaysia’s new government casting doubt on Russian responsibility for the incident provide another indication that Malaysia wants to prevent the incident from hampering bilateral relations. Final resolution of the issue is likely to require a further gesture on the part of Russia, however, if only to assuage popular opinion.50

Russia and Malaysia have made significant progress in improving their economic relations in recent years. Between 2003 and 2014, total trade turnover between the two countries increased from $425 million to $2.8 billion. After a decline in value in 2015 due to the devaluation of the Russian ruble, turnover grew again, reaching $2.2 billion in 2016 and remaining stable at that level in 2017. Oil, gas and petrochemicals dominate the trade agenda, accounting for nearly 81% of Russia’s total export trade with Malaysia in 2015. Electronics, machinery, palm oil, and rubber from Malaysia made up the bulk of Russia’s imports from Malaysia that year. Russia and Malaysia have also cooperated on various space-related ventures. In 2000 and 2006, Russia launched Malaysian remote sensing and communication satellites into orbit. Then, in 2007, a Malaysian astronaut participated in a Russian manned space launch to the international space station.51

The two countries have also been seeking to increase cross-border investment in recent years. In 2006, Petronas, Malaysia’s main oil corporation, purchased a $1.1 billion equity stake in Rosneft, one of Russia’s largest oil companies. More recently, Russia’s Rosatom is reportedly in discussions with Malaysia regarding a potential civilian nuclear energy agreement, although such talks are still preliminary. Russia and Malaysia have also established joint ventures in areas such as biotechnology, vaccine, and fertilizer production. Overall, however, cross-border investment between the two countries has not been all that significant.\(^5^2\)

Russia and Malaysia are taking steps to boost economic ties. Several high-level discussions held on the sidelines of major international forums have resulted in a number of new agreements. These discussions include a meeting between President Putin and Prime Minister Datuk Seri Najib Razak in May 2016 on the sidelines of the Russia-ASEAN summit in Sochi, as well as bilateral visits in 2016 by Russian Federation Council Chair Valentina Matvienko to Kuala Lumpur and Dewan Negara president Datuk S.A. Vigneswaran to Moscow.\(^5^3\)

In 2015, the two countries established a Joint Malaysia-Russia Commission for Economic, Scientific, Technical and Cultural Cooperation in an effort to increase trade and investment. They are also now in discussions to establish a free-trade agreement to link Malaysia with the Russian-led Eurasian Economic Union. Despite these measures, economic ties between Russia and Malaysia remain weak. In 2014, Russia’s share of Malaysia’s trade ($2.8 billion) was just a fraction of that held by the United States ($43.4 billion) and China ($102 billion).\(^5^4\)

Malaysia has been a significant arms client for Russia as well. Between 1991 and 2015, it purchased over $1.8 billion in military equipment from Russia. Arms sales were especially prominent during the

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\(^5^2\) Russia’s Relations with Southeast Asia, Dmitry Gorenburg and Paul Schwartz

\(^5^3\) Malaysia and Russia: Revving Up a Distant Relationship, J. Saravanamuttu, op. cit., p. 185.


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53. S. Lavrov, “Celebrating 50 Years of Russia, Malaysia Relations”, op. cit.

reign of Prime Minister Mahathir. During that period, Malaysia made several major arms purchases. Since then, however, additional sales have been relatively small and sporadic.

Russia is a long-time supplier of advanced combat aircraft for Malaysia. In fact, Malaysia has been purchasing aircraft from Russia since 1994, when it bought an entire squadron of 18 MiG-29 aircraft for $600 million. This made Malaysia one of the first previously Western-aligned countries to purchase weapon systems from Russia once the Cold War had ended. In 2003, Malaysia purchased 18 additional combat aircraft from Russia—this time, the more advanced Su-30MK multirole fighter, for $900 million. Excluding combat aircraft, however, Russia has not been a major player in the Malaysian arms market. In 2004, Russia transferred 12 Mi-17 helicopters to Malaysia. Moscow has also sold a few Igla man-portable air-defense systems to Malaysia while resupplying it with air-to-air missiles and upgrades for its existing Russian combat aircraft.

Moscow has hoped to drive additional arms sales in the near future, though, since Malaysia is in the process of converting its military from a counter-insurgency force to one better suited for modern conventional operations. It has also undertaken a multi-year program to further modernize its armed forces. Between 2005 and 2014, Malaysia’s defense budget grew by nearly 50%. Military priorities include the increased ability to patrol its long coastline, to protect maritime traffic in the Malacca Straits, and to defend its interests in the South China Sea against potential Chinese aggression.

These missions have led Malaysia to focus on upgrading its maritime forces as well as its air/sea lift capability, air surveillance, and air combat capability. To this end, it wants to procure better warships, maritime patrol planes, anti-submarine warfare systems, and airborne early warning systems. Malaysia is also currently seeking to replace its aging fleet of Russian MiG-29s with more modern aircraft. The country plans to purchase or lease up to 18 additional combat aircraft in the near future, although it is not yet clear whether it will obtain them from Russia. Other likely candidates include the United States (F/A-18), France (Rafale), and Sweden (Gripen), with the Su-30 and the Super Hornet emerging as the favorites. For a time, Russian defense industry officials believed that they

were close to sealing the deal, but financial difficulties in Malaysia have resulted in the postponement of any decisions. As Russia and Malaysia recently signed a contract to continue maintenance of the MiG-29s through 2020, and signed a memorandum for potential modernizing of the aircraft, it appears increasingly likely that the purchase of new aircraft is off the table for the foreseeable future.57 By default, this means that Russia will continue to hold a prominent position in Malaysia’s combat aircraft market for the near term.

Recently, Russia has been pushing to increase its arms sales to Malaysia in areas other than combat aircraft, using enticements such as technology transfer and licensed production to induce additional sales. For one, Russia continues to promote the sale of various naval platforms to Malaysia. For example, representatives from Russian Technologies, a Russian defense firm, recently visited Malaysia to discuss potential sales of guns, offshore patrol vessels, and frigates. Russia has also been promoting the sale of submarines and maritime patrol aircraft.58 So far, though, no significant new sales have been announced.

**Indonesia**

Due to its high economic growth rate, its important geographic position, and its informal position as the leading power in Southeast Asia, Indonesia has long been seen as a potential strategic partner for Moscow in the region. Since the end of the Cold War, Russia has made steady progress in expanding its footprint in Indonesia, a nation that was once firmly ensconced in the Western camp.59

After the United States imposed an arms embargo on Indonesia in 1991, Russia seized the opportunity to establish itself as an important alternative weapons supplier for the country, signing its first arms deal in 2001. Since then, Russia has transferred more than $1.1 billion in

military equipment to Indonesia, with additional arms sales in the pipeline. Arms sales helped pave the way for increased cooperation in other areas, including energy and mining. Jakarta’s displeasure over Western-led efforts to liberate East Timor in 1999 gave fresh impetus to the Russian-Indonesian relationship. In 2003, the two signed a Treaty on Principles of Friendly and Partnership Relations, thereby codifying their expanding relationship. In 2007, President Putin’s visit to Indonesia, accompanied by the signing of several agreements in areas of strategic importance, represented a new milestone in their bilateral relationship. While Russia remains only one of several Indonesian partners, it has clearly taken on increased weight in Jakarta’s strategic calculations.

Economic relations between the two countries have been developing slowly since the Cold War, however, although there are signs that they may now be gathering fresh momentum. In 2016, total trade turnover between the two countries reached $2.6 billion, a new high. Oil, gas and petrochemicals accounted for 64% of Russian exports to Indonesia in 2015, while rubber and foodstuffs made up the bulk of Russian imports. The two countries have also been actively pursuing a number of joint energy projects in recent years, including a Russian lease to develop an offshore oil field in the Java Sea. More recently, Russia’s Inter RAO has been discussing a project to build a 1.8 gigawatt power plant in Indonesia for $2.8 billion. Even more impressively, in November 2017, Rosneft and Pertamina, an Indonesian energy company, signed a major new agreement, valued at $15 billion, to develop a new oil refinery and petrochemical complex in East Java. Once completed, the facility is expected to become a major regional hub for distribution of Siberian oil throughout Southeast Asia. The two are also discussing possible collaboration to develop both traditional and floating nuclear power stations for Indonesia.

Russia and Indonesia have also been increasing their economic cooperation in other areas. Russian aircraft maker Sukhoi has recently been making inroads into Indonesia’s growing aviation market. In 2011, PT Sky Aviation, an Indonesian airline, purchased 12 Sukhoi Superjet-100s for $380 million. With its short takeoff requirements, the SSJ-100 is ideally suited to serve Indonesia, a country comprising thousands of islands, with airports often having very short runways. Indonesia is also reportedly considering purchasing MS-21 aircraft for the civilian market and Be-200 amphibious aircraft for its military.63

Russian companies are also pursuing a variety of infrastructure projects in Indonesia. In March 2016, Russian Railways was reportedly engaged to build a new 183 km railroad system in East Kalimantan, with the project expanded to 575 km in 2017. In 2016, it was announced that Russian aluminum giant RUSAL had agreed to invest $3 billion to build a new aluminum plant in West Kalimantan. This announcement followed reports that Russian mining oligarch Oleg Deripaska had pressured Indonesia to retain a ban on exports of bauxite and nickel ore in return for the proposed Russian investment, as the ban would help drive up prices for Russian domestic mineral exports.64

Security relations between Russia and Indonesia have increased steadily since the Cold War. After the United States imposed an arms embargo against the country in 1991, Russia seized the opportunity to re-establish its security ties with Indonesia, initially through arms sales and then by expanding the relationship into other areas. In fact, security ties have appeared to be taking on greater weight in recent years, especially since President Joko Widodo took office in 2014. In 2015, Moscow and Jakarta signed a new defense cooperation agreement, reported to include “technology transfer; joint production; education, training, and exchange of student officers, as well as the establishment of maintenance services for defense system primary tools in Indonesia.”65

Still, arms sales continue to lie at the center of the bilateral security relationship. Indonesia has been purchasing arms in significant quantities in recent years in an effort to modernize its military. In addition to providing internal security, Indonesia’s armed forces are focused on patrolling its vast maritime regions and on protecting its sprawling island chain from encroachment by potential adversaries from both the air and the sea. Even so, its armed forces have declined over the last two decades, due to years of underinvestment. To rectify this, Jakarta recently embarked on a long-term military modernization effort intended to develop what it terms a “Minimum Effective Force” by 2024. Expanding its navy to build an effective coastal defense force is a key component of this effort. Although Indonesia purchases military equipment from a variety of countries, Russia has been playing an increasingly important role in the Indonesian arms market in recent years. As mentioned above, between 2001 and 2015 Jakarta purchased over $1.1 billion worth of military equipment from Russia.66 Still, Russia by no means holds a dominant position in the country’s arms market.

The Indonesian air force has been purchasing Russian Sukhoi aircraft in substantial numbers since 2003, when it received its first four Su-27/Su-30 aircraft (two of each). Six additional Sukhoi Su-30MK aircraft were purchased in 2009, and another six in 2012. These are capable fourth-generation systems, equipped with advanced air-to-air and, in the case of the Su-30, air-to-surface missiles as well. The air force is relatively evenly split between US aircraft (mostly older F-5s/F-18s) and Russian aircraft—though Indonesia has recently been tilting more towards Russia, partly because its sales come with fewer strings attached. At one time, Indonesia’s air force had planned to purchase up to 40 Su-27/Su-30 aircraft. Instead, it recently decided to buy more advanced systems, starting with 11 Russian Su-35 combat aircraft, which will serve as its newest frontline aircraft. An option for an additional five aircraft is also part of the contract, and Russia appears to be providing financing for the transaction as part of a $3 billion loan arrangement for purchase of Russian weapons. The contract was signed in February 2018, with delivery of the first two aircraft due by October 2018. The Su-35 is Russia’s most advanced fourth-generation combat aircraft, and its powerful sensors and weapon systems and long range will help Indonesia better patrol its extended maritime regions. In

December 2015, the air force also announced plans to purchase additional Kh-31 anti-ship missiles for its existing fleet of Russian aircraft.67

By contrast, the Indonesian navy has received little from Russia in recent years. In 2012, Russia lost out to South Korea in an attempt to sell it three Kilo-class (Project 636) submarines. Instead, the navy opted to purchase Korean Project 209/1400 submarines, a German design, for $1.1 billion. Recently, however, defense officials have announced their intention to buy additional submarines, and they have stated that Russia is one of the most likely candidates to supply them. Still, no decision has been made yet, and reports indicate that an agreement has been reached to complete the Su-35 aircraft deal before making any agreements on submarines. In 2011, the navy purchased 10 Yakhont (SS-N-26) anti-ship cruise missiles from Russia for its existing Dutch frigates. The Yakhont is an advanced supersonic anti-ship cruise missile (ASCM), and it will provide the navy with increased striking power against surface warships. Russia has been making a concerted effort to woo Indonesia in this market, including through ship visits. Most recently, this involved visits to Jakarta by the Varyag cruiser in May 2017 and by the Admiral Panteleyev destroyer in December 2017.68

The Indonesian army has also purchased weapons from Russia in recent years, including a significant number of armored fighting vehicles, such as the BTR-80 and the BMP-3. Since 2008, the army has purchased a handful of Mi-17 transport helicopters and Mi-35P combat helicopters from Russia.

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Thailand

Russia is currently enjoying an unprecedented period of good relations with Thailand. Until recently, Russia’s security relations with Thailand were relatively limited, primarily because Thailand has been a longstanding US ally in the region. But since May 2014, the Thai military takeover has been harshly criticized by the United States, which has also imposed restrictions on future arms sales to the country. As a result, the Thai government has been seeking recognition and legitimacy elsewhere, including Russia, providing Moscow with an opportunity to expand both its economic and its security ties with Thailand. Since then, Russian Prime Minister Dmitry Medvedev has met three times with his Thai counterpart, Prayut Chan-o-cha, including an April 2015 state visit to Thailand, the first one by a Russian PM in more than 25 years. This was reciprocated with a return visit by Prayut Chan-o-cha to Moscow in May 2016. Other high-level visits followed, including two visits by the Thai Defense Minister to Russia in 2016 and a visit by the Russian Ground Forces Commander in Chief in March 2017. As a result of these contacts, the two sides went from exploring agreements to jointly combat terrorism, exchange intelligence, and train military personnel, to signing an intergovernmental agreement on military cooperation in September 2017.

Economic ties between the two countries have been much stronger in recent years. In 2014, bilateral trade reached $4.3 billion, though it shrank to $1.7 billion in 2016 as a result of the devaluation of the Russian ruble. Russian exports have consisted mainly of oil, fertilizer, and steel products, which collectively account for around 78% of its total exports to Thailand. It has imported a wide variety of raw materials and manufactured products from Thailand. The two countries are now eager to boost trade beyond its existing bounds. Thailand hopes to increase the sale of food products to Russia, and to increase the number of Russian tourists visiting the country. It recently sought to encourage Russian medical tourism. Russian Technologies, a leading Russian conglomerate, has bought at least 80,000 tons of rubber from Thailand for use in tire manufacturing.


For its part, Russia has been seeking to expand the range of its exports to Thailand beyond its traditional offerings, with some success. The Thai government has procured two SSJ-100 aircraft for VIP transport and is negotiating the sale of an additional three commercial airliners from Sukhoi. More orders are expected. Russian truck maker Kamaz is poised to begin selling lorries into the Thai market. In June 2017, Rosneft concluded a 20-year agreement with the Thai company RTT for oil deliveries and joint exploration projects. Despite these positive trends, Russia remains a relatively small player in the Thai economy. In 2013, it was only the 18th largest source of Thailand’s imports, while Thailand’s total trade turnover with China ($65.5 billion) dwarfed that with Russia ($4.3 billion). In dollar terms, turnover has declined even further since then, though in large part this was due to Russia’s currency devaluation rather than a net decline in trade.71

Russia is also attempting to increase its position in Thailand’s lucrative arms market, traditionally dominated by the United States. In Thailand, as in many countries in the region, strong economic growth has been fueling larger defense budgets. The government’s modernization program has been driven by rapid increases in defense spending, which grew from $2 billion in 2005 to $5.7 billion in 2014 to $6.5 billion in 2017. Although Thailand is predominantly a land-based power, it has considerable maritime interests, including offshore oil and gas reserves and coastal defense requirements. Thailand’s increased defense budget has enabled it to purchase substantial amounts of foreign military equipment in recent years. As a result, Thailand now boasts one of the largest and best-equipped militaries in the region. The United States has long been the principal arms supplier for the Thai military, although most other major Western powers, including France, Germany, UK, Sweden, and Israel, have also made inroads into the Thai arms market. However, the 2014 military coup led to a downgrading of its arms-trading relations with the United States, so Bangkok has recently been exploring alternative sources, including Russia.72

In 2008, the Thai military purchased three Mi-17 heavy-lift helicopters from Russia, and two more Mi-17s in 2014. Another four helicopters were transferred to Thailand in 2017. The purchase of an additional set of Mi-17 helicopters was negotiated in early 2017, with a contract for the first two signed in September of that year. In 2008, Russia sold 36 Igla man-portable air-defense systems to Thailand. However, these constitute the only arms transfers of any significance between the two states in recent years. Russia recently lost out to China in bids to supply conventional submarines and tanks for the Thai military, leading to concerns in Russia that the Thai government had chosen China over Russia as its primary partner for its rearmament efforts.

Nevertheless, Russia is planning to step up its efforts to compete for the Thai arms market. The main focus, as spelled out in the military cooperation agreement signed in September 2017, is on negotiating the purchase of artillery, armored vehicles, planes, ships and air-defense systems. Russian defense industry officials have noted that Thailand has expressed interest in Be-200 amphibious aircraft and diesel submarines. Russian officials have recently offered Ka-52 and Mi-35M helicopters for a tender announced by Thailand for the purchase of attack helicopters. They have also announced that they intend to compete in all future tenders announced by the Thai military.

Philippines

Russian relations with the Philippines have been developing quite quickly over the last two years. Until 2016, bilateral relations were practically nonexistent beyond a limited amount of trade and tourism. The situation began to change rapidly with the election of Rodrigo Duterte as president of the Philippines. Duterte’s efforts to reduce his country’s dependence on

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the United States was spurred in large part by resentment at American criticism of extra-judicial killings and other human rights abuses that have taken place as part of Duterte’s anti-drug campaign. After a statement by Duterte in September 2016 that he would be open to purchasing weapons from China and Russia, Moscow moved quickly to develop a relationship.75 What followed was a whirlwind of high-level meetings, public statements of support, ship visits, and proposals for increased tourism and trade in energy and agriculture, which collectively indicated that the relationship was now a priority for both sides.

Dmitry Medvedev had already met with Duterte during the ASEAN summit in early September 2016. In November, Duterte and Putin met for the first time on the sidelines of the APEC summit in Lima. One month later, the Philippines Foreign Affairs Secretary and Defense Secretary visited Moscow and held talks with their counterparts. In February 2017, Nikolay Patrushev visited Manila and signed agreements for Russia to train presidential guards for Duterte and to provide access to intelligence databases to help the Philippines fight armed groups operating in the southern parts of the country. Defense Minister Lorenzana returned to Moscow for the annual international security conference in April 2017 and held talks with Shoigu. Duterte’s visit to Moscow in May 2017 served as the culmination of this burst of diplomacy, even though it had to be cut short due to a domestic terrorism crisis in Mindanao that emerged while Duterte was abroad. The two countries signed a number of pacts during this visit, on issues ranging from trade and culture to cooperation in intelligence-sharing and defense. The defense agreement provided for increased port calls, visits and exchanges, along with joint observation of training exercises, but lacked provisions for defense industrial cooperation or joint training. In the fall of 2017, the two held additional meetings, including a discussion between Duterte and Putin on the sidelines of the APEC summit in Vietnam in November and a visit by Russian Defense Minister Shoigu to Manila the month before, which resulted in the signing of a military-technical cooperation agreement.76

In addition to these official meetings, Russia has taken the opportunity to pursue naval diplomacy with the Philippines. Ships from the Russian Pacific Fleet visited Manila on three occasions during the course of 2017. On the first occasion, Russian officials present during the official greeting were surprised by Duterte’s statement that Russian ships were welcome in Philippine ports at any time. Some Russian media took this statement as an invitation for unlimited access for refueling and repairs. Russia has repeatedly made statements of support for Duterte’s efforts to combat armed rebels in the south, and donated trucks, Kalashnikov assault rifles, and ammunition to help in that effort. The assault-rifle transfer in particular was seen as a calculated dig at the United States, which had earlier blocked the sale of assault rifles to the Philippines because of human rights concerns.77

While bilateral defense cooperation is just getting under way, some tangible progress has already been made. A high-level delegation from the Philippine army observed the Zapad-2017 military exercises in Russia in September 2017. In October 2017, the Philippines purchased RPG-7V grenade launchers from Russia. Although not large, this contract was seen as having great symbolic value by virtue of being the first arms sales contract ever between the two countries. Both sides have expressed interest in other arms deals, including for Mi-17 helicopters, patrol craft, armored vehicles, artillery systems, and even diesel submarines. However, none of these discussions has yet moved beyond expressions of interest. Furthermore, major purchases of Russian arms by the Philippines face a number of constraints, including incompatibility with existing American equipment and resistance from the Western-oriented and trained military leadership in Manila.78

Beyond the security and defense relationship, bilateral economic ties remain limited. Trade volumes in 2016 totaled approximately $440 million, including Russian exports worth $145.8 million and Philippine imports worth $294.2 million. There are discussions about

Russian investment in railroad construction in the Philippines, and the two countries have been negotiating the initiation of direct flights in order to boost tourism.79

Conclusion and Regional Implications

Southeast Asia remains an area characterized by deep underlying contradictions. Most states in the region continue to have unresolved territorial disputes with one another or with neighboring countries. The various disputes involving China over certain island chains in the South China Sea remain the most pressing of these problems. Thus far, however, the states involved have managed to avoid open confrontation, by focusing instead on engaging with China and enhancing regional cooperation. This has allowed the states of Southeast Asia to uphold their longstanding tradition of non-alignment and to maintain an “equidistant” position with respect to China, the United States, and the other states in the Asia-Pacific area.

Recently, however, Southeast Asia’s ability to maintain this balance has been seriously undermined by two opposing trends: China’s increasingly assertive behavior in the South China Sea, and the US pivot to Asia in response. Over the last several years, China has taken a number of provocative measures, which have sharply increased tensions in the region. These include deployment of an oil rig in waters claimed by Vietnam, buildup of new bases on partially submerged reefs in the disputed Spratly Islands, and encroachment by Chinese vessels in other disputed regions such as James Shoal (Malaysia), Scarborough Reef (Philippines), and the Natuna Islands (Indonesia). China has also rejected an international court ruling in favor of the Philippines, further raising fears that it will act unilaterally and potentially with force to enforce its claims.

The US pivot to Asia was undertaken partly in response to China’s increasingly aggressive behavior in the South China Sea. While intended to reassure US allies and other threatened states in the region, the US pivot has also led to increased competition between the United States and China. As this competition has intensified, a serious split has begun to emerge within ASEAN between those states favoring China and those most inclined to support the United States.80 This split has undermined ASEAN’s ability to effectively mitigate the region’s ongoing disputes with

Beijing. With ASEAN’s ability to deliver security now diminished, those states most involved in the South China Sea disputes have begun reassessing their relations with China. Some states, such as Vietnam and the Philippines, began to lean more heavily on Washington for security, although they continued to engage with China. Others, such as Malaysia and Indonesia, took more of a “wait and see” approach, maintaining and, in some cases, increasing their engagement with China to avoid confrontation while at the same time building up their militaries and increasing their ties with the United States. Changes in political leadership in the United States and in some regional states such as the Philippines have scrambled regional security relations once again. Some long-standing US allies such as Thailand and the Philippines have begun to hedge their bets by developing closer relations with China.

These trends all have implications for Russia’s involvement in Southeast Asia, since Moscow has long sought to maintain good relations with both China and Southeast Asia. The Kremlin’s ability to maintain and expand relations depends and will continue to depend on maintaining stability in the region, and on the hopes that the region can avoid serious conflict and/or increased competition with China. Such a conflict would force Russia to have to choose between China and the other countries involved in such conflicts. The likelihood is that Russia would choose China if push came to shove, to the detriment of its relations with Southeast Asian states, which would look increasingly to Washington for security.

In order to maintain this precarious balance, Moscow has been keen to reduce tensions and preserve regional stability. However, Russia’s power in this regard remains limited. The region knows that, if Beijing elects to press ahead with its aggressive conduct in the South China Sea, Moscow lacks the hard power necessary to stop it. As a result, they are not willing to bank on Russia as a strategic alternative to China. Traditionally, most Southeast Asian states have looked to the United States as the only country powerful enough to provide that alternative. However, uncertainty about American foreign policy under President Trump has limited the extent to which key Southeast Asian states such as Vietnam and Indonesia have been able to shift toward the United States. As a result, Southeast Asian states are increasingly engaging in a bandwagoning strategy with China in the hope of avoiding a confrontation.

Recent developments involving China’s maritime territorial disputes in the South China Sea have highlighted these concerns, as Chinese

assertiveness has placed Russia in a difficult position. Moscow has increasingly been forced to side with China, its most important ally in the region, to the detriment of its relations with Southeast Asia. By holding bilateral naval exercises in the South China Sea and supporting China’s position that its maritime territorial disputes should be solved bilaterally without assistance from outside states, Russia has moved closer towards China’s position. This shift has created concerns in Vietnam and Indonesia about Russia’s reliability and effectiveness as a regional counterweight.

Russia has exploited tensions between the United States and its Southeast Asian allies over human rights abuses and economic ties to build closer relations with Thailand, the Philippines, and Myanmar, while continuing to maintain its long-standing partnerships with Vietnam, Indonesia, and (to a lesser extent) with Malaysia. However, Russian foreign policy in the region remains in large part dependent on Chinese actions. If Beijing refrains from further aggravating the situation in the South China Sea, Russia will have much greater room to maneuver in Southeast Asia.

Moreover, despite Moscow’s increased interest in Southeast Asia and steady progress in expanding its ties with countries in the region, it remains an area of secondary importance for Russian foreign policy. For Russia, the key regions remain its near abroad, Europe, and, increasingly, the Middle East. Moscow’s trade relations with Southeast Asia, although stronger than they were a decade ago, remain relatively limited, while its security relations are only really strong with Vietnam and, to a lesser extent, Myanmar. While the arms trade remains at the heart of relations with a number of countries, these relations are contingent and vulnerable to shifts toward Western equipment whenever sufficient funding is available, as demonstrated by Malaysia’s preference for Western aircraft for the MRCA acquisition, which was only thwarted by a lack of funding.

At the regional level, the Kremlin will continue to do just enough to maintain its role in regional politics through regional organizations such as APEC and ASEAN. Thus, Moscow can be expected to continue engaging in ASEAN regional dialogues and to participate in ASEAN efforts to combat terrorism and transnational crime. However, Moscow’s recognition of ASEAN’s limited ability to act collectively, and its preference for bilateral relations will continue to predominate in its overall relations with the region because its key goals there, including increasing arms sales and

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promoting economic ties, are best served through bilateral means rather than regional ties.

At the bilateral level, Moscow will try to play to its economic strengths—oil and gas exploration, nuclear energy, transportation, and most importantly arms sales—to carve out a niche for itself in the region’s growing economies, while seeking to buy both raw materials and manufactured goods, especially electronics and other items it can no longer buy from the West. Russia will also encourage investment from the region inside Russia itself. Bilateral relations will continue to be hindered by the superficial nature of Russia’s engagement in the region, as demonstrated by the lack of a focused and sustained Russian effort to build a presence in the region and to develop the institutional knowledge needed to better navigate local markets, political strictures and cultural norms. Bilateral economic ties will also suffer from Russia’s lack of competitive products outside of its traditional areas of strength.
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