
26. Russia and ASEAN: emerging partnership in the 1990s and the security of South-East Asia

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I. Introduction

The view that South-East Asia has no great importance for Russia is still shared by a number of foreign policy experts in Russia. According to them, the Russian Federation has more attractive partners in the Asia–Pacific area than those forming the Association of South-East Asian Nations (ASEAN).¹ In the words of one such expert, the members of ASEAN ‘always meant and will always mean much less to Russia than China or Japan’.²

Not even the end of the cold war shattered this perception. The Soviet Union used to have negative trade balances with each of the ASEAN states. Trade between the USSR and ASEAN in 1990 amounted to less than \$1 billion.³ Clearly, the ASEAN countries could go on without Russian raw materials, machinery and industrial equipment. Thus, there seemed to be few opportunities for Russia to boost its exports. Cooperation in the form of investment projects seemed problematic because of the precarious economic conditions and lack of legal guarantees in the post-Soviet space.

The conclusion was almost inevitable that ASEAN and its member states lack incentives to develop political relations with Russia, and attitudes on the Russian side are reciprocal. Suggestions by some ASEAN representatives that Russia, together with the United States, China and Japan, could act as a guarantor of stability in South-East Asia aroused little enthusiasm:

One sees no reasons for Russia’s active involvement . . . in the affairs of a subregion where it does not have and will not have in the near future a really solid position. At the same time the risks are too high. For instance, how should the country react if the conflict between China and ASEAN over the Spratly Islands becomes a reality? . . . Diplomatic activity is appropriate only when it is conducted not for the sake of the activity itself but in defence of genuine national interests.⁴

However, by the mid-1990s there were reasons to believe that reality was proving this view wrong.

¹ For the membership of ASEAN, see appendix 1 in this volume.

² Nikolayev, B., ‘Rossiya–ASEAN: psikhologicheskii baryer preodolevayetsya’ [Russia–ASEAN: the psychological barrier is being overcome], *Aziya i Afrika Segodnya*, no. 7 (1993), p. 49.

³ Nikolayev (note 2), p. 49.

⁴ Nikolayev (note 2), p. 51.



Figure 26.1. Map of South-East Asia

Mutual political understanding was gradually improving through Russia's participation in the annual ASEAN Post-Ministerial Conference (PMC), initially as a guest and after 1997 as an official dialogue partner and member of the ASEAN Regional Forum (ARF).⁵ The admission of former allies of the Soviet Union to ASEAN had not resulted in anything like the emotions provoked by the expansion of NATO. On the contrary, there was a feeling in Moscow that it might be easier to talk to an ASEAN which incorporated Laos and Viet Nam and finally Cambodia.

Without becoming key trading partners of Russia, the members of ASEAN contributed to the increase of its trade. Between 1991 and 1995 total trade between Russia and ASEAN went up from \$1082.5 million to \$4440.3 million. There was a fivefold increase in Russian exports to ASEAN countries (from \$530.5 million to \$2751.2 million) and a threefold increase in its imports from

⁵ For the membership of the ARF, see appendix 1 in this volume.

them (from \$551.8 million to \$1689.1 million) over the same period.⁶ In their desire to capture new markets some Russians behaved quite aggressively, to the point that in 1997 in Thailand there was an attempt to initiate anti-dumping procedures against the producers of steel from Russia.⁷

In the mid-1990s dozens of joint ventures established by Russian businessmen with counterparts from the Philippines, Singapore, Thailand, Viet Nam and other ASEAN countries were operating in fields as diverse as fishing and fish processing, maritime and land transport, oil extraction, jewellery, assembly of personal computers and so on. Investors from ASEAN were considering new options in Russia, particularly in logging, pulp and paper production, textiles and the clothing industries, hotels and telecommunications. Russians were eager to participate in the construction of the Bangkok underground system, a trans-regional railway from Thailand to Laos, Viet Nam and China, natural gas pipelines and airports in Malaysia, and electric power stations of various types in Laos, Malaysia, Myanmar, the Philippines and Thailand. Opportunities for doing things together were also discovered in other parts of the globe, including Iran.⁸

The proportion of raw materials and low-value-added products was still high in Russian exports to South-East Asia and imports were largely represented by consumer goods and cheap electronics. The ASEAN partners continued to emphasize that they expected much more from their interaction with Russia—cooperation in the field of scientific research, industrial application of high technologies, and marketing and commercial use of innovative products at home and worldwide. Needless to say, this fitted in well with the intentions of highly qualified Russian scientists, designers and producers. Prospects were especially bright in the areas of space communications, biotechnology, new materials, information technology, microelectronics, lasers and alternative sources of energy. Awareness of these opportunities and practical steps to implement them were facilitated by a 1994 agreement between Singapore Aerospace and the Russian Academy of Sciences to explore ways of commercializing Russian technologies and sophisticated products; the founding of the Russia–ASEAN Working Group on Science and Technology (1997); and scientific exhibitions, seminars and presentations of recent discoveries by Russian researchers in Indonesia and Malaysia (1997–98).⁹

⁶ Kostyunina, G., 'ASEAN i Rossiya: osnovnye napravleniya torgovykh i investitsionnykh svyazey v 90-e gody' [ASEAN and Russia: main trends in development of trade and investment links in the 1990s], *Dal'nii Vostok Rossii: Ekonomika, Investitsii, Konyunktura*, no. 1 (1998), p. 21.

⁷ Spiridonov, Y., 'Thailand ulichil v dempinge rossiyskikh proizvoditeley metalloprokata' [Thailand has caught Russian producers of rolled metal dumping], *Segodnya*, 6 Feb. 1997; and Spiridonov, Y., 'Rossiya ne namerena sdavat tailandskiy rynek metalloprokata' [Russia is not inclined to give up the Thai market for rolled metal], *Segodnya*, 12 Mar. 1997.

⁸ Kostyunina (note 6), pp. 21–26.

⁹ Tsuruoka, D., 'Sky's the limit: Malaysian Resources considers satellite venture', *Far Eastern Economic Review*, 23 June 1994, p. 60; Reuters, 'Singapore, Russian Academy sign deal', *Moscow Tribune*, 17 Aug. 1994; Vorobyev, V. Y., 'Tritsatilietye diplomaticheskikh otnoshenii mezhdru Rossiyei i Malayziei' [30 years of diplomatic relations between Russia and Malaysia], *Diplomaticheskii Vestnik*, no. 5 (1997), p. 63; Svistunov, S., 'Rossiyskiye vysokiye tekhnologii prokladivayut marshrut v Yugo-Vostochnuyu Aziyu' [Russian high technologies make their way into South-East Asia], *Finansovye*

Acknowledgement of Russia's economic potential combined with growing political confidence in it found expression in willingness to purchase its sophisticated military equipment. Following Malaysia, which in 1995 bought 18 MiG-29 fighter-interceptors for more than \$500 million, Indonesia, the Philippines and Thailand started to take a serious interest in Russian military aircraft and vessels, helicopters, armoured personnel carriers and so on. In the summer of 1997 another multi-million dollar deal was practically made: the government of Indonesia announced its decision to buy 12 Su-30 fighter aircraft and 8 Mi-17 helicopters.¹⁰

As a general consequence of these changes, Russia's political positions and economic interests in the region were becoming more evenly balanced. During the Soviet era the country had never enjoyed such a balance in South-East Asia (with the exception of the three Indochinese states).

The beginning of direct links between the ASEAN countries and the subjects of the Russian Federation, not just the far eastern provinces but Tatarstan, Bashkortostan and elsewhere, was another new and important shift.

Last but not least, in the 1990s interaction between Russia and members of ASEAN was no longer limited to governmental contacts. Much of the rise in trade should be attributed to the liberalization of external economic relations and the drive of the newly born Russian private sector. With few if any travel restrictions on the Russian side, South-East Asia became accessible to Russian tourists. In 1996 Thailand alone saw no fewer than 60 000 of them.¹¹

There is no need to exaggerate the scope of change or pretend that all change was for the better. The share of the ASEAN countries in Russia's trade in the mid-1990s still amounted to a meagre 3 per cent and the place of Russia in the external economic linkages of the region was equally humble.¹² In post-Soviet Russia the spontaneous degradation of the state resulted in the waning of administrative control not only where it was excessive but also where it was justified. In this 'liberalized' social context it should not come as a surprise that no less than 18 self-appointed Russian intermediaries attempted to 'assist' the sales of MiG aircraft to Malaysia. This frantic 'assistance' complicated the deal

Izvestiya, 16 Oct. 1997; 'V tsentre vnimaniya—nauka i tekhnologii (iz istorii sotrudnichestva Rossii i ASEAN)' [Attention is focused on science and technologies: from the history of cooperation between Russia and ASEAN], *Nezavisimaya Gazeta*, 25 Nov. 1997; Zakharov, S., 'Indonezii interesny rossiyskiye tekhnologii' [Indonesia is interested in Russian technologies], *Nezavisimaya Gazeta*, 24 Jan. 1998; and Zakharov, S., 'Planiruyutsya novye soglasheniya mezhdru Rossiyei i Indoneziyei' [New agreements planned between Russia and Indonesia], *Nezavisimaya Gazeta*, 27 Mar. 1998.

¹⁰ AP, 'Russians launching weapons sale drive in Southeast Asia', *Daily Yomiuri*, 11 Mar. 1995 (in English); Litovkin, V., 'Dorogu indoneziyskim "Su" prolozhili malayziyskiye "MiGi"' [The way for Sus to be sold to Indonesia was prepared by the MiGs sold to Malaysia], *Izvestiya*, 7 Aug. 1997; Bickers, C., 'Bear market: Russia wants to be top arms supplier to Asia', *Far Eastern Economic Review*, 4 Sep. 1997, pp. 25–26; Kosyrev, D., 'V Moskvu priyechzhayet potentsialny pokupatel rossiyskikh istrebiteley' [A potential buyer of Russian fighter planes comes to Moscow], *Nezavisimaya Gazeta*, 10 Sep. 1997; and Korotchenko, I., 'Moskva predlagayet oruzhiye Bangkoku' [Moscow offers weapons to Bangkok], *Nezavisimaya Gazeta*, 24 Oct. 1997. The order was subsequently cancelled by Indonesia and the aircraft were sold to India.

¹¹ Lintner, B. and Belenky, E., 'Pattaya Perestroika: crowds of Russian visitors revitalize one of Thailand's most notorious resorts', *Far Eastern Economic Review*, 26 Mar. 1998, p. 54.

¹² Kostyunina (note 6), p. 21.

probably no less than fierce opposition from the United States.¹³ Another colourful episode took place late in 1994: a delegation representing the 'Republic of South Moluccas'—a non-existent entity which had tried to secede from Indonesia in the 1950s—paid a visit to Moscow, had 'unofficial meetings with important functionaries of the Russian Government and Presidential administration', promised many millions of dollars in investment and eventually established an 'embassy' in a private Moscow flat.¹⁴ Such stories hardly improve the image of the new Russia in South-East Asia. Nor is it improved by the rumours that the omnipresent 'Russian mafia' has successfully penetrated the region, establishing friendships with local criminal syndicates.

Be that as it may, in the 1990s Russia and members of ASEAN have taken more interest in each other than before, discovering in the process that they do have common political interests, that their economies are mutually complementary and that productive cooperation is an option. However, precisely at the moment when relations were about to acquire a distinctly new quality, the East Asian financial crisis of 1997–98 took all parties by surprise. Apart from doing a great deal of harm in Asia and elsewhere, it all but ruined the reputation of the ASEAN 'tigers' in Russia. Especially bad was the impression created by the May 1998 riots in Jakarta. In September 1998 Viktor Chernomyrdin, at that point nominated by President Boris Yeltsin for the position of Prime Minister but rejected by the Duma, warned the deputies that they were provoking a social explosion of the Indonesian type. This parallel did not sound outrageous since Russia was already in the grip of its own crisis. In fact the aftershocks of its financial collapse were rocking East Asia once again, adding to the feeling that Russia is now in the same boat with ASEAN in a somewhat unhappy sense.

Signifying the end of liberal reforms in post-Soviet Russia, the troubles of 1997–98 also mean that a period of high hopes associated with the emerging partnership of Russia and ASEAN is most probably over. Each side is much more introspective than only two years ago. Purchases of Russian weaponry by Indonesia and the Philippines have been indefinitely postponed, as have scores of other promising projects.¹⁵ Ironically, even this may testify to the fact that political stability in South-East Asia, its economic dynamism and the highest possible level of cooperation with the members of ASEAN form part of the long-term national interest of Russia.

¹³ Kosarev, V., 'Rossiya dolzhna zanyat svoje mesto na rynke oruzhiya' [Russia must take its place on the arms market], *Krasnaya Zvezda*, 6 Jan. 1994.

¹⁴ Kazakov, M., 'Posol Yuzhnykh Molukkskikh ostrovov pobil rekord Andrey Gromyko' [The Ambassador of South Moluccas has beaten the record of Andrey Gromyko], *Vechernyaya Moskva*, 2 Dec. 1994.

¹⁵ Titova, Y., 'Indoneziya otmenila zakazy na vse vidy vooruzhenii' [Indonesia cancelled orders for all types of weapons], *Finansovye Izvestiya*, 26 Feb. 1998.

II. Background to the emerging partnership

An unhappy year for Russia in too many senses, 1997 was marked by one important foreign policy success. At the Vancouver summit meeting of the Asia–Pacific Economic Co-operation forum (APEC)¹⁶ in November it was decided to invite Russia to join. While China, Japan and the United States sponsored its membership actively, the ASEAN states reacted in a rather lukewarm way; some, like Singapore, even openly objected.¹⁷ There is a measure of subtle drama in all this, since it was precisely the members of ASEAN, together and separately, who had done much for Russia to gain acknowledgement as a legitimate participant in the process of Asia–Pacific integration.

Why would this prestigious association want to befriend the former superpower which, as Asia watchers often put it, has fallen ‘out of the East Asian power equation’?¹⁸ The reasons must be sought back in the 1980s.

First, there was ASEAN’s interest in the cooperation of the Soviet Union in solving the Cambodia problem. In the latter half of the 1980s a common feeling that a solution was urgent was the basis of lively diplomatic exchanges between the ASEAN capitals and Moscow. In ASEAN’s view, the Soviet Union could contribute to the peace process by convincing Viet Nam to take a more constructive, conciliatory position and eventually withdraw its troops from Cambodia. The Soviets were also expected to serve as mediators between several competing Cambodian factions. The results of two Jakarta Informal Meetings on Cambodia of 1988 and 1989 and later of the Paris Conference in 1991 convinced ASEAN that it was quite possible to deal with the Soviet side. Eventually, fully understanding what it was doing, the Soviet Union contributed not just to peace in Indo-China but to the start of the transformation of ASEAN into an organization embracing the whole of South-East Asia. With the reduction of the Soviet military presence in Asia–Pacific much of the suspicion generated by it had quietly died down. In 1991 the USSR was invited to attend the annual PMC, and in 1992, after the collapse of the Soviet Union, a similar invitation was extended to Russia.

Furthermore, ASEAN was concerned with the geopolitical challenges facing it at the end of the cold war. For many years the situation in Cambodia and around it had been a matter of vital interest to ASEAN and a key factor promoting its solidarity. Now peace was becoming more of a reality and it was necessary to find a new *raison d’être* for the organization. The Cambodian conflict had practically overshadowed all other potential ‘hot spots’ in the region. Among the potentially unstable areas was the South China Sea, where no fewer than six participants had been locked in a prolonged dispute over the possession

¹⁶ For the membership of APEC, see appendix 1 in this volume.

¹⁷ Golovnin, V., ‘Rossiya zakrepyaetsya na Tikhom okeane’ [Russia holds firm on the Pacific Ocean], *Izvestiya*, 27 Nov. 1997.

¹⁸ Yuen Foong Khong, ‘Making bricks without straw in the Asia Pacific?’, *Pacific Review*, vol. 10, no. 2 (1997), p. 290.

of the Spratly Islands and the Paracel Islands. Now there was a good chance that these disputes would become more intense.

Members of ASEAN also worried that in the absence of the 'Soviet threat' there would be no equally strong justification for the continued US presence in South-East Asia. As they saw it, US military withdrawal would result in a regional power vacuum and attempts to fill it with other strong players, especially Japan and China, no longer forming together with the USA an anti-Soviet quasi-alliance. Although during the cold war era members of ASEAN stayed close to this threesome, they had very mixed feelings towards each of the three.

Of all the possible hegemon the United States was seen as the most benign. Its stabilizing role was practically taken for granted. At the same time, however, the region was growing visibly weary of the USA's intention of imposing its own political and humanitarian standards on the rest of the world.

Even respecting Japan as they did for its outstanding economic performance and seeing it as an indispensable source of capital and technologies, the members of ASEAN tended to think that it had not abandoned its old expansionist ambitions and might succumb to them in the absence of external limitations.

China was admired for its unorthodox and productive reforms, international competitiveness and potential for global economic leadership in the 21st century. However, not embraced by the USA and no longer at loggerheads with Russia, China seemed dangerously free to conduct aggressive policies in its southern neighbourhood. The determined modernization of the Chinese Navy and Air Force only supported such suspicions.

To these challenges ASEAN responded with dignified concern—a sign of growing self-confidence after a long period of almost uninterrupted economic growth (the Philippines being the only exception). In the late 1980s, when APEC was still in preparation, ASEAN managed to position itself in such a way that the fate of this project became dependent on its collective approval. Joining the bigger body, ASEAN acquired additional reasons to buttress group solidarity, because only united could these nations talk more or less as equals to their highly developed partners.

With their experience of annual PMCs, the leaders of ASEAN knew how to handle these exchanges. When in the mid-1990s it became clear that a multi-lateral dialogue on security issues in the wider Asia-Pacific area was becoming the order of the day, ASEAN already had enough prestige to take the initiative into its own hands. Capitalizing on the advantage of being the first to make a move, it designed the format of the dialogue according to its own typical style. Participants were to discuss contentious issues in a relaxed, informal way without enforcing any commitments on anyone and patiently waiting until consensus emerged as a result of the gradual smoothing out of differences. These

have been the procedural principles of the ARF since its first meeting, in 1994.¹⁹

By inviting the Russian Federation to the PMCs and later to the ARF sessions, ASEAN was practically encouraging it to comprehend its own regional interests more deeply. Probably the idea was to prevent Russia's being transformed into a passive 'make-weight' to the United States or China—a possibility which did not look entirely unrealistic in the first half of the 1990s. With all of its profound disorganization Russia would have been too heavy a 'make-weight', changing the regional power balance too much in favour of any country to which it attached itself; but it could be expected that, gradually exploring the regional environment, becoming more comfortable with it and behaving more independently, it might in time become more of a counter-balance to the other three Asia-Pacific giants, China, Japan and the USA.

Readiness to pursue this line towards Russia had been growing for some time, nourished by the famous ASEAN pragmatism. In 1985 Mohamed Noordin Sopiee, Director-General of the Institute of Strategic and International Studies of Malaysia and one of the more perceptive analysts of the region, wrote:

By this time, we should be used to the idea that today's friends could be tomorrow's enemies, that today's enemies could be tomorrow's friends, that every enemy is a potential friend and every friend is a potential enemy . . . Perhaps one day we may need not only an American card or a Chinese card or a Japanese card but also a Russian card. We should do little now to foreclose the Soviet option or to restrict our room for maneuver. It is always useful for any maiden to have many suitors.²⁰

Even Sopiee could not foresee that one day ASEAN itself would have to play the role of the enterprising suitor, while the part of the reluctant maiden would go to the weakened Russia.

There are reasons enough to think that in the early 1990s the top makers of Russian foreign policy all but ignored South-East Asia. Their attention was almost exclusively focused on the West, especially the USA. The efforts of Soviet President Mikhail Gorbachev to develop a more vigorous Asian policy had not been completely in vain: there remained some general feeling of the growing importance of Asia-Pacific in world affairs; but Russia's list of most desired Asian friends consisted basically of the 'big' or 'rich guys'—China, Japan and South Korea. Also, as is customary at times of dramatic social change, politicians opted for impressive 'breakthroughs' in this or that bilateral relationship, for drastic growth of trade turnovers and so on. Russia was almost swinging from one 'strategic partnership' to the other, as if hoping that eventually somebody would take care of its entry into the Asia-Pacific community of nations. What became clear in the course of these swings was that Russia's capacities to develop any bilateral linkage it wants to develop are severely

¹⁹ Leifer, M., International Institute for Strategic Studies, *The ASEAN Regional Forum: Extending ASEAN's Model of Regional Security*, Adelphi Paper no. 302 (Oxford University Press: Oxford, 1996).

²⁰ Sopiee, M. N., *The Russian Threat: Between Alarm and Complacency* (Institute of Strategic and International Studies: Kuala Lumpur, 1985), pp. 1, 15.

limited. Even worse, the country from which Russia expected special favours—the United States—stubbornly refused to treat Russia as a Pacific nation.

However, lack of interest in ASEAN at the top levels of the Russian Government turned out to be a blessing in disguise. Contacts with ASEAN became a prerogative of middle-level professional diplomats. Perceiving correctly the reasons behind ASEAN's behaviour as regards Russia, they did their best to establish stronger working contacts with their South-East Asian counterparts. Russian movement towards ASEAN was proceeding smoothly, on a day-to-day basis, without grand summit meetings or impressive 'breakthroughs', but also without discouraging retreats. This was precisely the way ASEAN preferred.

The atmosphere of steadily growing political understanding proved very conducive to all other sorts of interactions. As they started to unfold, it finally occurred to Russia that South-East Asia was that happy place where there might be more demand for Russian know-how than for its raw materials.

Soon after becoming Russian Foreign Minister in January 1996, Yevgeny Primakov indicated that in his vision of the multipolar world there was a special place for ASEAN. Addressing the PMC in Jakarta in 1996, he described the expanding association as the newly emerging centre of influence in world politics. The respectful tone of this assessment pleased some of his listeners but slightly alerted others. Sensitive Singaporeans even seemed to wonder whether this was a sign of Russia preparing somehow to 'play the ASEAN card'. The Ambassador of Singapore in Moscow, Mark Hong, found it appropriate to warn that, in his view, ASEAN is not ready 'to assume the role of a new pole in a multipolar world'.²¹

In 'taking Russia out' to the PMCs, ARF sessions, meetings of ARF working groups on confidence-building measures and so on, ASEAN was not just drawing Russia closer to itself. Represented at these gatherings were practically the same states which were represented in APEC. Even those of them who did not welcome Russia's entry into this club were little by little growing accustomed to the presence of Russian delegates in their circle.

The positions of the United States, Japan and China on Russia's admission to APEC coincided in Vancouver in November 1997. This probably meant that something like a four-sided dialogue on security issues in Asia-Pacific could be started soon, by its very existence improving the regional status of Russia. Without ASEAN and its good services to Russia this would not have been possible.

Why then did some members of ASEAN react to Russia's bid in Vancouver with more restraint than could have been expected? They may have feared the emergence of an informal 'group of four' inside APEC, fearing that such a group might initiate a more frank discussion of regional security issues than the one at the ARF. The USA had already tried to open such discussions within the framework of APEC. ASEAN's attitude may also have been influenced by the

²¹ Hong, M., 'Problemy bloka ASEAN: ego potentsial i perspektivy' [Problems of the ASEAN bloc: its potential and prospects], *Nezavisimaya Gazeta*, 25 Nov. 1997.

regional financial crisis: Russia may have been viewed as a competitor in the struggle for International Monetary Fund (IMF) credits. Some recent pronouncements of Lee Kuan Yew, former Prime Minister of Singapore, are significant. In September 1998 he stated with typical candour: 'Russia is not res-cuable at present'.²² He may have intended to convince the West that Russia is hopeless and that, instead of wasting its money on a dying client, it is better to try to save those who can be saved—the badly but not lethally wounded ASEAN 'tigers'.

III. The impact of the financial crisis on ASEAN

Today Russia's interaction with its ASEAN partners is becoming still more complicated because, along with the individual member states, the association itself is badly affected by the Asian crisis. Among the major problems created and sharpened by the crisis are the following.

The 'excessive pluralism' of the enlarged association. The crisis erupted at the moment when ASEAN was still in the process of absorbing the nations of Indo-China into its structures. In 1997, as the new round of power struggle in Cambodia unfolded, it was decided to postpone its entry. Thus ASEAN entered the period of troubles having failed to achieve one of its more important declared objectives. Moreover, it is not easy for the newcomers—Laos, Viet Nam and especially Myanmar—to adjust to the norms and traditions of behaviour inside the group. Never in its three decades of existence has ASEAN known such a degree of internal heterogeneity in the sense of differences in levels of economic development, types of political regime and official ideologies of its nine member states. Obviously, nothing like a quick smoothing over of differences can be expected and the financial and economic crisis adds to the complexity of this process.

Systemic crisis in Indonesia. Lack of internal cohesion could have been partly compensated if one of the member states had been able to exercise strong leadership. Unfortunately for ASEAN, the greatest damage from the regional turmoil has been incurred by Indonesia, which always aspired to be the 'first among equals' in the association. What started as a series of slumps in the value of the rupiah has developed into an all-embracing, systemic crisis suspiciously similar to the one which broke up the Soviet Union.²³ Far-fetched as this parallel might seem, it cannot be denied that economic hardship and political disorder, labour unrest, assaults on the property and lives of the Indonesian Chinese, and tensions between Jakarta and the provinces dangerously overlap and reinforce each other. Judging by events since the transfer of presidential power from Suharto to Bacharuddin Jusuf Habibie in May 1998, the social forces crying for democracy are still too weak to secure it, while the potential

²² 'Politically incorrect: Lee Kuan Yew lays out his provocative views about the region, the economic crisis and the paramount importance of culture', *Far Eastern Economic Review*, 24 Sep. 1998, p. 11.

²³ For an elaboration of this parallel, see Mitin, S. and Yusin, M., 'Konets indoneziyskogo chuda' [The end of the Indonesian miracle], *Izvestiya*, 11 June 1998.

for a quick switch to 'constructive authoritarianism' is lacking, too. This points to a period of poor governability and, consequently, poor economic performance. The worst-case scenario—the 'balkanization' of Indonesia with refugees pouring into the neighbouring states and disturbing their precarious ethnic balances—is not only discussed by journalists but mentioned publicly by the leaders of other ASEAN countries.²⁴ Even if the nightmare of disintegration is avoided, putting Indonesia back on the road to growth might, on some assessments, take a decade.²⁵ One can only guess what might happen in the meantime to ASEAN deprived of its unofficial but in many ways natural leader.

Erosion of the 'ASEAN style' in diplomacy. Even in the better days, bilateral relations between Malaysia and Singapore, Singapore and Indonesia, and Indonesia and Malaysia, not to speak of Thailand and its Indochinese neighbours, were not completely free of latent uneasiness. It is therefore no wonder that the twists of the 1997–98 crisis have been reflected in growing tensions between the ASEAN member states. Domestic developments in most of them have been a matter of profound concern to the others, prompting high-level, 'un-ASEAN-like' clashes of opinion. The leaders of Thailand, Indonesia and the Philippines almost protested against the dismissal and arrest of former Malaysian Deputy Prime Minister Anwar Ibrahim in September 1998.²⁶ The anti-Chinese riots that have rocked Indonesia are provoking bitter reaction throughout the region. Responding to these, Habibie reportedly stated in an interview that the 'real racists' are Singaporeans. This was instantly and fervently denied. At about the same time Malaysian Prime Minister Mohamad Mahathir publicly claimed that the state of inter-ethnic relations in his country is considerably better than in Indonesia.²⁷ At the 1998 PMC, Thai Foreign Minister Surin Pitsuwan, reflecting his country's concern about illegal immigrants flooding in from Myanmar, proposed 'that members be allowed to discuss each other's domestic affairs if these have an impact outside their own borders'.²⁸ His only support came from his Philippine colleague, Domingo Siazon: all other participants objected strongly. However, the principle of non-interference in each other's internal matters is no longer sacrosanct among the ASEAN members. What is this but a symptom of the erosion of that delicate style in diplomacy which ASEAN has been trying so hard to inculcate in the ARF?

Challenges to the mentality behind the 'ASEAN style'. In 1995 Michael Leifer observed that 'ASEAN has achieved its regional standing through the ability to

²⁴ Richardson, M., 'Jakarta jars its neighbors: nearby countries, fearing a rush of refugees, are publicly worrying about Indonesian unrest', *International Herald Tribune*, 9 Dec. 1998; and 'Relax—a little: Goh says paternalism has its limitations', *Far Eastern Economic Review*, 24 Dec. 1998, p. 15.

²⁵ Pereira, D., "'8 years" to return to normalcy', *Straits Times*, 9 June 1998.

²⁶ Richardson, M., 'Habibie cancels visit to Kuala Lumpur: action deepens regional split over Malaysia's detention of Anwar', *International Herald Tribune*, 7 Oct. 1998.

²⁷ Richardson, M., 'Singapore quickly denies an assertion of "racism": Indonesia President's remark touches a nerve', *International Herald Tribune*, 12 Feb. 1999.

²⁸ Chanda, N. and Islam, S., 'In the bunker: Southeast Asian foreign ministers are discomfited by a new take on an old principle', *Far Eastern Economic Review*, 6 Aug. 1998, p. 24; and Kosyrev, D., 'Manilskaya kantata prozvuchala v minore' [Manila cantata was sung in a minor key], *Nezavisimaya Gazeta*, 4 Aug. 1998.

manage problems rather than solving them . . . Indeed, ASEAN is not directly about problem-solving, but about creating the milieu in which they either do not arise or can be readily managed'.²⁹ Four years later, at a time when problems are engulfing ASEAN, this approach and the philosophy behind it are hardly justified. Circumstances demand approaches that can be called, in managerial–bureaucratic jargon, proactive. The very titles of the documents adopted in December 1998 at the sixth ASEAN summit meeting in Viet Nam, the 'Hanoi Plan of Action' and 'Statement on Bold Measures', suggest keen awareness of the need for this drastic change. However, moves that would have been considered 'bold' by pre-crisis standards (such as the acceleration of ASEAN Free Trade Area arrangements or initiatives to enhance the ASEAN investment climate) may be a long way from what is actually needed.

Disagreements over crisis strategy. Scepticism about the results of the 1998 Hanoi summit meeting is largely based on the fact that real consensus on a coordinated anti-crisis strategy has not been found. Roughly speaking, intra-ASEAN debates centre on the questions whether the crisis was prompted by the excesses of the market or lack of fundamental market freedoms, and whether the priority now is still more openness and a 'dive' into a liberalized global economy or greater caution and moves to check the negative aspects of globalization. Among those opting for 'bolder liberal solutions' are the governments of Brunei, Indonesia (probably with some reservations), the Philippines, Singapore and IMF-assisted Thailand. Firmly on the side of a 'guided liberal economy' are Malaysia, with its currency controls introduced in September 1998, and Viet Nam, supported by Laos and Myanmar.³⁰ Irrespective of who is right and who is wrong in this debate and who ultimately wins, the obvious loser for the time being is ASEAN, unable to speak with a single voice.

All in all, an organization burdened with problems of this kind and number cannot be expected to operate smoothly and avoid damage to its international prestige. The Hanoi Plan of Action mentions the need to 'strengthen ASEAN's role as the primary driving force in the ARF'. It is tempting to ask how realistic this goal is in the present circumstances.³¹ Last but not least, ASEAN's ability to manipulate the regional balance of forces has also visibly diminished.

IV. The importance of Russian relations with Viet Nam

Judging by the present shape of ASEAN and its members on the one hand and Russia on the other, it is unlikely that they will be able to move through the crisis without some losses for their relationships. It is vital, however, to limit the scope of these losses and continue cooperation. One way to achieve this is to give priority to partnerships which are most likely to bear fruit at this diffi-

²⁹ Leifer, M., 'The issue is Asean', *Far Eastern Economic Review*, 30 Nov. 1995, p. 34.

³⁰ Richardson, M., 'Southeast Asia fears damage to its influence: leaders at ASEAN summit call for rebuilding unity amid region's economic woes', *International Herald Tribune*, 16 Dec. 1998; Torode, G., 'Asean: call for unity fails to dispel sense of crisis', *South China Morning Post*, 17 Dec. 1998; and Mohamad, M., 'Malaysia: bouncing back', *Far Eastern Economic Review*, 11 Feb. 1999, p. 31.

³¹ 'Hanoi Plan of Action', URL <http://www.aseansec.org/summit/6th/prg_hpoa.htm>, p. 18.

cult time. In that sense ASEAN and Russia do have some unused potential—namely, ties between Russia and Viet Nam.

It is no secret that from the end of the 1980s up to the mid-1990s, relations between the Soviet Union/Russia and Viet Nam were at an all-time low. Much of the blame for that should be placed on the former. Bound to join the world of civilized nations overnight, the new Russia did not worry too much about its sharply decreasing share in the former client's trade, which finally contracted to just 1 per cent.³² This decrease, however, was the product not just of Russia's passivity but also of the enterprising spirit displayed by the Vietnamese. They virtually taught Russia a lesson in adaptability to the market by discovering new trade partners in Asia-Pacific and Western Europe. By the mid-1990s Viet Nam, not abandoning its communist beliefs but suppressing inflation, enjoying an investment boom and joining ASEAN, was leaving Russia behind on the way to the market economy and integration into the world community.

Repaying its Soviet-period debts by shipments of goods, Viet Nam regularly sent signals that it had not lost its goodwill towards Russia and was ready to resume business contacts in earnest. In a sense, even ASEAN made it known that it sees some value in the Vietnamese experience of dealing with its former 'big brother' when it nominated Viet Nam to coordinate its dialogue with Russia. These 'wake-up calls' plus lack of achievement on other fronts finally prompted Russia to conclude that its relationship with Viet Nam should be revived before it was too late. Supporters of this referred to the example of Vietsovpetro, a joint venture established in 1981, producing up to 95 per cent of Vietnamese oil and contributing millions of dollars to the Russian federal budget. They also pointed out that no less than three-quarters of the armaments and equipment of the Vietnamese People's Army are Soviet-made and in need of urgent repair or replacement. The existence of tens of thousands of Vietnamese educated in the USSR plus approximately 1 million Russian-speakers living in Viet Nam was also presented as a valuable asset.³³

High-level contacts between the two countries have been quite frequent. In November 1997 Viktor Chernomyrdin, then Russian Prime Minister, went to Hanoi. In May 1998 Vietnamese Foreign Minister Nguen Mahn Cam held talks in Moscow, in August President Tran Duc Luong paid a visit to the Russian Federation, and in October Russian Defence Minister Marshal Igor Sergeyev visited Viet Nam. These meetings produced agreements on Russia's participation in the construction of the first oil refinery in Viet Nam, as well as on massive shipments of arms and modernization of the Russian military equip-

³² Keenan, F., 'Don't ring us: Vietnam can't count on old friends for help', *Far Eastern Economic Review*, 6 Aug. 1998, p. 69.

³³ Blagov, S., 'Rossiya i Vietnam sobirayutsya aktivizirovat ekonomicheskiye otnosheniya' [Russia and Viet Nam intend to activate economic relations], *Finansovye Izvestiya*, 18 Nov. 1997; and Vinogradov, B., 'Rossiya snova vidit vo Vietname svoego soyuznika, i etomu ne meshayut ideologicheskiye dogmy' [Russia again views Viet Nam as its ally and ideological dogmas are no obstacle], *Izvestiya*, 6 Jan. 1998.

ment already in the possession of the Vietnamese Army. Other projects were also discussed.³⁴

In spite of the inevitable difficulties which Viet Nam is encountering in the process of transforming its economy, it continues to grow. So far it has suffered much less from the Asian crisis than some of the founder members of ASEAN. This is one more important argument for rebuilding Russian–Vietnamese ties. If successful, this will allow Russia to avoid a serious slow-down in its relationship with ASEAN. It may even prompt some other countries of South-East Asia to try to catch up with Viet Nam as far as partnership with Russia is concerned.

V. The South China Sea paradox and Russia's national interests

The need to arrest the conflict potential of the South China Sea was one of the factors pushing ASEAN towards the formation of the ARF.

Much like the Cambodian conflict in the 1980s, the Asian crisis initially drew the attention of regional elites away from the South China Sea and its problems. Then, prior to the 1998 ASEAN summit meeting in Hanoi, came the news that China was expanding, allegedly with military purposes, the construction operations which it had started around 1995 on the Mischief Reef.³⁵ The latter, geographically belonging to the Spratly archipelago, is viewed by the Philippines as part of its national territory. These recent developments impel both the participants in the dispute and interested observers to think more about the situation, acquiring in the process a better sense of what can and should be done to preserve peace.

The Spratly Islands or certain parts of them are claimed by Brunei, China, Malaysia, the Philippines, Taiwan and Viet Nam, and the Paracel Islands are a matter of dispute between China and Viet Nam. Since 1995, when Viet Nam joined ASEAN, there has been a growing sense that the confrontation in the South China Sea is no longer between six different parties, but basically

³⁴ Vinogradov, B., 'V Khanoye Chernomyrdina zhdat ustali, no videt rady' [In Hanoi they are tired of waiting for Chernomyrdin, but glad to see him], *Izvestiya*, 25 Nov. 1997; Smirnov, A., 'Moskva i Khanoi snova uchatsya trgovat' [Moscow and Hanoi learn how to trade again], *Segodnya*, 25 Nov. 1997; Vinogradov, B., 'Vietnam zazyvaet rossiyskiy biznes' [Viet Nam invites Russian business in], *Izvestiya*, 15 May 1998; Mikheyev, V., 'Stary drug luchshe novykh dvukh' [An old friend is better than two new ones], *Izvestiya*, 26 Aug. 1998; Kosyrev, D. and Aleksin, V., 'Proryv na rynek Vietnam stal realnostyu' [Breaking into the Vietnamese market has become a reality], *Nezavisimaya Gazeta*, 28 Aug. 1998; and Korotchenko, I., 'Diplomatiya marshala Sergeyeva: visit ministra oborony RF vo Vietnam i Kitay pozvolit Moskvu ukrepit pozitsii v Azii' [Marshal Sergeyev's diplomacy: the visit of the Russian Federation's Defence Minister to Viet Nam and China will allow Moscow to strengthen its positions in Asia], *Nezavisimoye Voennoye Obozreniye*, no. 41 (30 Oct.–5 Nov. 1998).

³⁵ Tasker, R., 'A line in the sand: Manila tries to halt China's advance into the Spratlys, blowing up markers and detaining Chinese fishermen. But its diplomatic and military weakness doesn't bode well for the attempt', *Far Eastern Economic Review*, 6 Apr. 1995, pp. 14–16; and Tiglaio, R., Sherry, A., Thayer, N. and Vatikiotis, M., 'Tis the season: the typhoon season has ended, and China is again building up its presence on a disputed reef in the South China Sea. This time, a weakened ASEAN is doing little about it', *Far Eastern Economic Review*, 24 Dec. 1998, pp. 18–20.

between China and ASEAN. All these territorial claims and counter-claims are largely a result of a conviction that this area is enormously rich in oil and gas.

Although experts know a great deal about the dispute, not all grasp what might be termed the South China Sea paradox. The essence of the paradox is as follows. The economic progress of the East Asian nations has resulted in their increased interdependence. Generally speaking this helps to prevent conflicts between them. However, rapid economic growth increases demand for energy, creating the preconditions for a struggle for resources. This may at some point escalate into open armed clashes and ruin the prosperity of the region. Thus, the economic dynamism of the nations involved in territorial disputes in the area of the South China Sea in some ways helps to reduce tensions but is also quite likely to sharpen them. The possibility cannot be ruled out of several military clashes coinciding in time and overlapping in space. If this happens, events could get completely out of hand. This is especially dangerous since the shipping routes by which oil from the Persian Gulf is transported to China, Japan and the United States go through the South China Sea. Any outbreak of hostilities which disorganized or blocked this passage would seriously harm the world economy.

Are these problems as far away from Russia as some people tend to think? In its present shape Russia is not too actively involved in South China Sea issues. Should it not, however, acknowledge that an interruption to freedom of navigation and chaos on the international maritime routes of East Asia are completely against its interests? It only has to be remembered that since the collapse of the Soviet Union, which resulted in the loss of important facilities on the Baltic Sea and the Black Sea, the development of its far eastern ports is an imperative for Russia. Through Vietsovpetro Russians are participating in the extraction of oil in the region, with the operation concentrated on the sea-shelf. Other Russian–Vietnamese joint ventures of similar type are now being created. A peaceful political environment is essential for their commercial success.

VI. Conclusions

How should Russia respond to these challenges? First and foremost, it should avoid adding to the existing problems. For instance, it should not do anything to provoke tensions between China and Viet Nam, each of which, in its own way, is Russia's valuable partner. Tempting as it might be to trade in arms with both of them, their requests should be scrutinized and satisfied in a very careful way. Neither should Russia abuse its access to the naval base in Cam Ranh, prolonged by Viet Nam until the year 2004 (no doubt for reasons of its own and after receiving approval from its ASEAN allies).

Confidence-building measures and attempts to practise preventive diplomacy encouraged by the ARF are undoubtedly useful, and Russia should by all means participate in such initiatives.

Political stability and economic dynamism in South-East Asia are in the national interest of the Russian Federation. However, in view of the South China Sea paradox it is obvious that the thrust of the South-East Asian nations towards economic prosperity does not always add to political stability and can even severely damage what stability there already is. Helping to achieve harmony between these two objectives should be a matter of special care for all the interested parties, including Russia. The imperative is to avoid situations in which any of the potential participants in the conflict might have a feeling of being cornered economically and forced by circumstances to ruin the political status quo.

Leaving the present crisis aside, in the foreseeable future the nations of South-East Asia will have to address two crucially important problems. One is to provide energy supplies for their growing economies. The other is to secure their competitiveness through greater access to high technology. Anyone contributing to the solution of these problems is contributing to reducing tensions and improving security in this part of the world. Characteristically, the development of energy resources and high technology are those areas where Russia and members of ASEAN were starting to concentrate their joint efforts before the crisis. It is important to preserve and develop this basis of cooperation for the common good of the emerging partners.