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## RUSSIA AND REGIONAL ORGANIZATIONS

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**Analysis**

## Russia's Approach to Multilateral Cooperation in the Post-Soviet Space: CSTO, EurAsEC and SCO

By Stephen Aris, Zurich

### Abstract

In the last decade, Russia has developed a more nuanced approach to multilateralism in the post-Soviet space. Having become disillusioned with the CIS, the Russian leadership has focussed on cooperation in specific fields with certain states in CSTO and EurAsEC, while SCO has provided scope for cooperation in tandem with China, another major power in Eurasia. Moscow has successfully managed to keep what it considers strategic areas of cooperation within CSTO and EurAsEC, thus not involving China in these areas, while at the same time benefiting from tying itself to the resources and international standing of China in SCO. This mixed approach has enabled Russia to reassert its place as the leader of multilateralism in parts of the post-Soviet space.

### The Slow-Death of the CIS

The Russian Federation's approach to multilateral cooperation with former Soviet states has changed markedly in the last decade. During the 1990s, Russia promoted the Commonwealth of Independent States (CIS), seeking to position Moscow as the centre of the post-Soviet space. However, during the 1990s a number of member-states became disillusioned with the CIS. Eventually, even Russia came to consider the CIS as an ineffective mechanism for its aims, viewing a number of CIS states as actively disrupting the organization as a response to Russia's dominance. In addition, Moscow considered that it was subsidizing the CIS, without receiving due deference from the other states in return. As a result, since the end of the 1990s the CIS has faded into the periphery. At the most recent CIS summit in Chisinau in October 2009, only seven presidents of the former Soviet states attended, and the Russian authorities only confirmed Medvedev's attendance four days prior to the summit.

### A New Strategy for Multilateralism in the Former Soviet Space: CSTO, EurAsEC and SCO

On coming to power, Putin identified the "near abroad" as a key priority. This trend was intensified during the 2000s, as relations with Europe, the US and certain former Soviet states deteriorated. This reemphasis in foreign policy priorities is illustrated by President Putin's and Medvedev's respective maiden foreign visits. In 2000, in a highly symbolic move, Putin's first overseas visit as president was to the UK, designed to convey Russia's interest in closer ties with Europe. By contrast, Medvedev's first foreign trip was to Astana, in which he emphasized Kazakhstan as a key partner.

Moscow has chosen to pursue a targeted strategy for increasing its influence in the "near abroad", which includes developing multilateral cooperation in a number of smaller regional organizations with those states most inclined to cooperate with Russia. In this way, Moscow considers that if it is bankrolling these organizations, it will be ensured of a high degree of influence over them. The two most notable regional organizations in this regard are the Collective Security Treaty Organization (CSTO) and Eurasian Economic Community (EurAsEC). The CSTO was created by formally institutionalizing the 1992 CIS Collective Security Treaty. Since 2004 EurAsEC has taken on many of the economic functions of the CIS, in particular the development of a Customs Union. In addition to these organizations with origins in the CIS, Russia has become increasingly involved in the Shanghai Cooperation Organization (SCO), which is a regional organization addressing security and economic cooperation in Central Asia. This organization is notable for China's membership and is the only organization in the post-Soviet space within which Russia has chosen to accept joint top-billing with another major external power.

### Collective Security Treaty Organization (CSTO)

The CSTO is made up of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. It focuses on traditional military cooperation, particularly the development of a common counter-terrorism force, military training exercises, the sale of military equipment and as a hub for the coordination of defence policies.

The CSTO has developed against the background of Ukrainian and Georgian interest in joining NATO,

which NATO itself has encouraged. As a result, the spectre of finding NATO on its border looms large in Russian foreign and security calculations. Indeed, Medvedev has stated that the CSTO Collective Operational Reaction Force (CORF) should be “adequate in size, effective, armed with the most modern weapons and must be on par with NATO forces”. This consideration has taken on even greater significance since the brief Russian-Georgian conflict over South Ossetia in 2008. Moscow is concerned that NATO could be successfully pulled into such a dispute by a regime unfavorable to Moscow, such as Saakashvili’s. In this context, the CSTO’s budget for 2009 was increased by 25%, and taking into account that Russia already contributes a disproportionate amount of the budget, it is likely Russia is providing most of these funds.

After a period of relative stagnation, the CSTO reached an agreement to establish CORF in February 2009. The current incarnation of the Force stems from efforts towards forming a Rapid Reaction Force in the mid-2000s. Under this agreement, a force of 16,000 troops is to be formed, with Russia supplying 8,000, Kazakhstan 4,000, Tajikistan, Belarus, Kyrgyzstan and Armenia 1,000 each. This structure reflects Russian dominance of the collective military component, which was also evident in previous “Rubezh” exercises that the countries carried out. In this way, CSTO serves as a mechanism to ingrain Russia as a vital military sponsor for its members. For example, in 2006 Russia reached an agreement with Kyrgyzstan to develop and expand its airbase in Kant, justifying this as a contribution to the CSTO. From Russia’s perspective, should a situation similar to the one of August 2008 arise, conducting military operations under the auspices of the CSTO would provide Russia with greater legitimacy, as well as practical support.

However, Russia’s overwhelming dominance of the CSTO is not universally welcomed by the other members. Certain members are reluctant to commit to a full-scale and permanent common military battalion under Russian control, which has delayed the CORF for several years. Uzbekistan has been particularly sceptical. Tashkent only joined the CSTO in 2005, and only as part of a larger turn towards Moscow following Western criticism over its repression of an uprising in Andijan in 2005. Uzbekistan has not yet ratified the CORF agreement, and shows no inclination to do so. It previously declined to send troops to joint CSTO military exercises, including the recent large-scale exercises “Interaction 2009”. Tashkent voices concerns about Russian dominance of the CSTO, citing

Russian intentions to establish a CSTO base in Osh (southern Kyrgyzstan, close to the Uzbek border), as a threat to Uzbekistan, and also suggesting that the purpose of CORF is to interfere in the internal affairs of other post-Soviet states. Additionally, Belarus initially refused to ratify the CORF, largely because of a political dispute with Moscow, but has now agreed to participate.

Russian dominance of the CSTO is a *fait accompli*. What is more uncertain is how much willingness there is to acquiesce to this amongst the other members. They are increasingly linking their participation with political concessions from Moscow on other issues.

### Eurasian Economic Community (EurAsEC)

EurAsEC was established in 2001 by Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan, having grown out of the failing CIS. In 2005, it simultaneously granted Uzbekistan membership and merged with the Central Asian Cooperation Organization. Uzbekistan subsequently announced a suspension of its membership in late 2008. The development of EurAsEC is, in part, the result of Russian desires to ensure it remains an important economic partner of the Central Asia countries, in the context of growing American and Chinese presence in this region.

In recent years, EurAsEC has taken up the challenge of reinvigorating multilateral economic cooperation in the post-Soviet space, in particular forming a Customs Union. From 1 January 2010, Belarus, Kazakhstan and Russia introduced a single customs tariff to be regulated by a Commission of the Customs Union, and a single customs territory will be formed on 1 July 2010. This is a major success for Russia, binding two of the stronger post-Soviet economies into a Moscow-centred economic zone.

EurAsEC’s concentration on this three-state Customs Union is one of the reasons for Tashkent’s decision to suspend its membership, as it considers the other members were ignored, in spite of EurAsEC claims that it expects them to join at a later date. The narrow focus on three countries is an expression of Moscow’s new pragmatic attitude to multilateralism, whereby it is unwilling to bankroll cooperative mechanisms without receiving something substantive for doing so.

At an extraordinary summit in Moscow in February 2009, EurAsEC members agreed to establish a Joint Anti-Financial Crisis Fund to be administered by the Eurasian Development Bank. Russia is expected to contribute \$7.5 billion of a total \$10 billion. Indeed, the Russian Finance Ministry argues that Russia’s contribution to EurAsEC represents its efforts to combat the fi-

nancial crisis within a global coalition. However, several analysts interpret this contribution as aimed at buying influence in these states. Indeed, at the summit, Russia openly discussed bilateral financial assistance packages with individual members, including a \$2 billion loan to Kyrgyzstan, \$2 billion credit to Belarus and \$500 million to Armenia. This blurring of the lines between Russia's bilateral and multilateral strategy in EurAsEC emphasizes the strong influence Russia wields within the organization.

### **Shanghai Cooperation Organization (SCO)**

The Shanghai mechanism was created in the early 1990's in order to facilitate the settlement of border issues between China, Kazakhstan, Kyrgyzstan and Tajikistan, with the involvement of Russia. From this limited framework, the scope of cooperation grew, firstly into the Shanghai 5 mechanism, and then in 2001 into the Shanghai Cooperation Organization (SCO), with Uzbekistan joining the grouping. The SCO's remit has now been expanded significantly, and covers predominantly non-traditional security, as well as increasing economic, cultural and humanitarian collaboration.

The SCO represents a different phenomenon in Russia's multilateralism in the post-Soviet space. In contrast to CSTO and EurAsEC, the involvement of another large extra-regional actor alters the dynamics significantly. Although its policy towards SCO is influenced by its lack of dominance relative to CSTO and EurAsEC, Moscow has nonetheless embraced the SCO. By pursuing a more collaborative and compromising approach, Russia has achieved some notable successes for its interests.

The Russian leadership considers SCO to be an important element in its security policy, because it sees its own security as directly affected by the spread of terrorism, extremism, organized crime and illegal narcotics trafficking from Central Asia to Russia. Additionally Moscow also has an interest in supporting the prevailing regimes in the Central Asian countries. SCO is focussed on non-military solutions to regional security, and its agenda of tackling the "three evils" (terrorism, extremism, separatism), creating the SCO Regional Anti-Terrorist Structure and developing programmes against narcotics smuggling thus serve Moscow's priorities for the region well.

In addition, the Russian leadership has identified clear economic objectives for SCO. For example, at the 2006 SCO annual summit, Vladimir Putin proposed the creation of an SCO Energy Club. However, Russian ambitions for economic cooperation within

SCO are limited to certain sectors and predominately to large-scale infrastructure projects; it has sought to restrict any movement towards customs coordination. Instead, it appears that Russia prefers to develop micro-level economic coordination within the Eurasian Economic Community (EurAsEC), thus excluding China. Moscow fears that, given China's superior economic capacity, Russia would be relegated to the status of an irrelevant player in economic cooperation in the region.

SCO is also considered a valuable tool for asserting Russia's place in international affairs, building on rhetorical solidarity on diplomatic affairs within the Russian-Chinese relationship, based on "non-intervention in sovereign states' affairs" and advocating "a multipolar world". Indeed, the role of SCO as an alternative vision of international affairs has been further cultivated by Russia and China, by arranging the first BRIC summit (BRIC refers to Brazil, Russia, India and China). This acronym, drawn from a Goldman Sacks Report, has become popularized in reference to these states as rapidly growing economies, which will likely become global powers in the coming decades) to follow on from the completion of the SCO Annual Summit in 2009. In addition, SCO also points to the fact that Iran, India and Pakistan are official observer-states and thus SCO represents a substantial political voice within the international community.

### **A Web of Regional Organizations**

Russia is involved in three regional organizations in the post-Soviet space with similar memberships and focus. However, in spite of the evident overlaps in function, the Russian regime considers each useful in fulfilling a distinct element of its multilateral agenda. As a result, Russia continues to invest resources and political will into each of them. Although this may not be the most effective strategy, the current formula enables Moscow to achieve certain aims without sacrificing interests it holds dear. CSTO and SCO both seek to enhance regional security, but there is a divergence in their approaches and aims in this regard. CSTO is focussed on more traditional military coordination, while SCO is aimed at harmonizing approaches to non-traditional security challenges. EurAsEC and SCO both seek to foster economic coordination, but EurAsEC is focussed on micro-level customs coordination, while SCO is currently centred on large-scale projects and energy cooperation.

This split in functions allows Russia to keep certain "strategic" areas of multilateral coordination with-

in frameworks it has strong control over. Moscow is wary of SCO developing into a format within which it will, over time, lose influence in Central Asia to China. Therefore, it promotes CSTO and EurAsEC as a way of safeguarding its influential position in these states' military and economic trade policy. This dual-track system enables Russia to cooperate with China in a regional framework with greater resources and international clout, but also to fall back on alternatives for areas it considers sensitive.

### Conclusion

Bilateral ties still remain the most important aspect of Russia's relations with the post-Soviet space, but multilateral cooperation has become an increasingly significant component. Over the last decade, Russia has identified those former Soviet states that are willing to cooperate with Russia multilaterally within a format considered favorable by Moscow. With the creation of the CSTO and EurAsEC, Russia has developed a narrower CIS that is relatively more successful, and over which Russia has a predominant influence. The development of the CORF and a Customs Union represent significant achievements, although tempered by limited participation in both. Meanwhile, Russia's active involvement in SCO suggests at least a willingness to acquiesce

its desire for sole predominance, in favour of greater cooperation within the region. Therefore, Russia has developed a more limited but nuanced approach to multilateral cooperation in the post-Soviet space. The existing web of regional architecture is bloated and from some perspectives inefficient, but it has enabled Russia to reassert its influence over targeted sections of the post-Soviet space, while at the same time safeguarding itself from over-committing financially to this aim.

On 5-6th April, protests in Kyrgyzstan forced the prevailing President, Kurmanbek Bakiyev, to flee the capital, Bishkek, and led to the formation of a temporary government of opposition leaders, headed by Roza Otunbayeva. The role of the CSTO, EurAsEC and SCO in the Kyrgyz crisis appears to be minimal, with each standing back, declaring it an internal Kyrgyz affair and offering their support for the earliest peaceful resolution of the situation. In addition, the CSTO has been involved in meetings with the UN and OCSE about brokering a solution to the political instability.

Whichever way the crisis plays out, it is unlikely to alter Bishkek's commitment to CSTO, EurAsEC or SCO. Indeed, the temporary government has already publicly reassured the CSTO about the status of its Kant airbase in Kyrgyzstan.

### About the Author

Stephen Aris is a Senior Researcher at the Centre for Security Studies, ETH Zurich. He is currently working on a book manuscript on the Shanghai Cooperation Organization.

### Recommended Reading

Elena Wilson Rowe and Stina Torjesen (eds.), *The multilateral dimension in Russian foreign policy*, London; New York: Routledge, 2009.

Stephen Aris, "Tackling the three evils: Shanghai Cooperation Organisation (SCO) – A regional response to non-traditional security challenges or an anti-Western bloc?", *Europe-Asia Studies* 61, no. 5, 2009.



## Table

### Membership of Russian-Influenced Regional Organizations in the Post-Soviet Space

|              | CIS                | CSTO | EurAsEC                                | SCO |
|--------------|--------------------|------|--|-----|
| Armenia      | X                  | X    | X                                      |     |
| Azerbaijan   | X                  |      |  |     |
| Belarus      | X                  | X    | X                                      |     |
| Georgia      | (withdrew 2008)    |      |  |     |
| Kazakhstan   | X                  | X    | X                                      | X   |
| Kyrgyzstan   | X                  | X    | X                                      | X   |
| Moldova      | X                  |      |  |     |
| Russia       | X                  | X    | X                                      | X   |
| Tajikistan   | X                  | X    | X                                      | X   |
| Turkmenistan | (associate member) |      |  |     |
| Ukraine      | X                  |      |  |     |
| Uzbekistan   | X                  | X    | X<br>(have suspended their membership) | X   |
| China        |                    |      |  | X   |

Compiled by Stephen Aris

## Map

### Shanghai Cooperation Organization: Members and Observers



Source: CSS Analyses in Security Policy No. 66, December 2009 (Center for Security Studies, ETH Zurich)

## Analysis

Russia's Relations with the EU and NATO: towards a "Strategic Partnership"?<sup>1</sup>

By Derek Averre, Birmingham

## Abstract

Relations between NATO/EU and Russia have recovered following the Georgia conflict in August 2008. However, this has not led to a paradigm shift in relations. Moscow continues to advocate revisions to aspects of European security governance and has put forward proposals for a legally-binding European Security Treaty; Washington and Brussels have little appetite for such far-reaching change and affirm that NATO and the EU, founded on common values, should endure. This article examines ways in which the West might engage a Russia, which is seeking a greater say in European and global affairs, and sponsor an external environment which helps its modernization programme.

Following its invasion of Georgia in August 2008 and subsequent recognition of the independence of South Ossetia and Abkhazia, Russia's relations with the West—and indeed the future of the European security order—reached a crossroads. A decade of disappointments—NATO's 1999 intervention in the Former Republic of Yugoslavia (and the subsequent recognition of Kosovan independence by many Western powers), the Alliance's further enlargement, unresolved conflicts on Europe's periphery, the stagnation of arms control regimes, energy disputes and continuing perceived attempts to isolate Russia—has prompted Moscow to revisit, and in some cases try to revise, post-Cold War security arrangements.

This presents NATO and the EU with the perennial dilemma: how to engage Russia? Should efforts be directed towards a "transactional" relationship, defining interests and seeking compromises, thereby undermining many of the underlying assumptions of the West's policy towards Russia over the last two decades? Or, given that NATO and the EU constitute a "community of values, should they continue to seek a genuine "strategic partnership" with Russia based on common values?

In the wake of the Georgia conflict there appears to have been a return to "business as usual" between Moscow and the West. But Russia's leaders continue to restate some of the fundamental ideas—first brought to international attention by then president Putin's speech at the Munich security conference in February 2007—that have emerged in Russian foreign policy thinking over recent years: that the West's political and economic failures necessitate the reformulation of global governance on the basis of collective leadership; that contrary to the supposed triumph of the liberal democratic order, the sovereign "Westphalian" state is

re-emerging as the basic unit of a "multipolar" international order; and that, with NATO's promise to admit Georgia and Ukraine provoking the South Ossetia crisis and the OSCE enfeebled, the "patchy" architecture of European security governance requires a thorough overhaul, with the basic principles and "rules of the game" legitimized anew to create genuine equal and "indivisible" security.

President Obama's pressing of the "reset" button in US-Russia relations was part of an overall rethink of US foreign policy. Moscow has been courted as a "great power" and the return to the strategic arms control table—with the added bonus of a review of US missile defence plans in Europe—has boosted its image as a major global player. While Obama has reiterated US support for the sovereignty of Ukraine and Georgia, the issue of their NATO membership has been downplayed. Expectations are being set high in Moscow; the Medvedev administration has responded with a more constructive approach. Thus, while insisting on the UN-mandated process with the key involvement of the IAEA, Moscow has accepted that Iran has questions to answer about its nuclear programme and Medvedev has pointedly not excluded the prospect of sanctions. Moscow is broadly supportive of US involvement in Afghanistan and has signed up to an agreement to allow the transit of US military cargoes through Russia to Afghan territory. These positive developments have been reinforced by the establishment of a bilateral US-Russia presidential commission, chaired by Hillary Clinton and Russian foreign minister Sergei Lavrov, with working groups dealing with a wide range of issues.

Even if the term was not used explicitly, there has also been a "reset" in relations between Russia and Europe. Six rounds of talks about the new EU-Russia agreement (to replace the 1994 Partnership and Cooperation

1 This paper is adapted from a longer article submitted in April 2010 for an edited volume on "The EU, US and global governance" commissioned by the Transatlantic Security Forum.

Agreement) have been held and a positive assessment made by Moscow. The most recent summit elicited encouraging talk of a “partnership for modernization” and the launch of a framework for talks on crisis management. Relations with many of the major European powers appear to have been smoothed over. There has also been movement in relations with NATO; the constructive tone adopted by the new Secretary General, Fogh Rasmussen, elicited a positive reaction by NATO to Russia’s CFE proposals, the revitalization of talks on military-military cooperation and the launch of a joint review of common security challenges in the NATO-Russia Council (NRC).

So is the idea of a “united Europe from the Atlantic to the Pacific” back on the agenda? More likely we are witnessing a new realism on the part of the major European powers, sobered by the Georgia conflict, constrained by the global economic crisis and more concerned about security developments further afield. To what extent Washington is prepared to countenance shared decision-making with Russia remains to be seen. Obama will be under pressure to sustain the values agenda and continue to support democratic sovereign governments in Ukraine and Georgia, in the face of perceived pressure from Moscow. Europe’s keen interest in trade and energy deals is bound to keep relations on an even keel, but a more coherent EU strategy is unlikely in the near future in view of the deep reservations in the new member states of central Europe.

Key to the relationship is the shared neighborhood. Although the EU mission in Georgia has been welcomed by Russia as a guarantee against further attacks by Saakashvili, Moscow has placed limits on its mandate and refused Brussels a role in the separatist territories. The termination of the UN and OSCE missions was insisted on by Moscow, due to their refusal to recognise the independence of South Ossetia and Abkhazia. There is continuing concern over US military aid to Tbilisi. The deterioration of Russia’s relations with Ukraine, which spilled over from disputes over energy and trade issues into the security realm, was halted with the election of a new president, Viktor Yanukovich, but much remains to be done to cement a lasting relationship, which guarantees Ukraine’s full sovereignty.

Moscow’s concerns over NATO’s continuing support for Ukraine and Georgia, and the Alliance’s intention to acquire functions in energy security and cyber-defence, have meant that there has been no ground-breaking shift. Moscow has criticized NATO for ignoring the crisis in South Ossetia and called for a return to the spirit of the Rome Declaration, which accompanied

the establishment of the NRC. The Russia-NATO relationship may well not survive a third rebuff after the failure of the Founding Act and Permanent Joint Council of 1997 and the limited success of the NRC since 2002.

Is there the political will to overcome the stereotyped thinking and institutional inertia that has characterized relations between Europe and Russia? Will it take a crisis of greater proportions than Georgia before the key issues of European security are tackled? This can not be taken for granted; the then Secretary-General of the Council of the EU and High Representative for EU Common Foreign and Security Policy, Javier Solana (unsurprisingly), German Chancellor, Angela Merkel and French President, Nicolas Sarkozy have all emphasized the durability of the current institutional order in Europe. In a recent article, the EU’s former external relations commissioner, Chris Patten argued that, while the EU will never become a “superpower”, it needs to act on its own doorstep without waiting for the US. In other words, we are now firmly in a post-Atlanticist era where Europe needs to take on more responsibility for regional security governance.

Authoritative Russian commentators are, at best, ambivalent about the prospects for deeper engagement and, at worst, are much more negative than the governing elite. They foresee no substantive progress, with NATO’s pledge of accession for Ukraine and Georgia still in place; they perceive the EU’s Eastern Partnership as part of Europe’s “geopolitical” project. The position of even moderate commentators appears to be hardening. Pro-Europeans characterise EU-Russia relations as being in a “political and intellectual cul-de-sac” and describe how disappointment with Europe has marginalized progressive forces in Russia.

Nevertheless, the Medvedev administration, recognizing Russia’s isolation and reliance on patchy regional organizations in an unstable post-Soviet space, has opted for mitigating these security deficiencies via engagement with the leading powers. In other words, Moscow seeks inclusion in European security governance. The centerpiece of its response is Medvedev’s proposals for a European Security Treaty (EST), details of which have been submitted to the heads of NATO and the EU. The Treaty covers, first, the fundamental principles of relations between states – sovereignty, territorial integrity, non-interference in internal affairs and the principle of no security at the expense of others; second, arms control, confidence and security-building measures; third, the principles of conflict settlement in accordance with principles of the UN Charter; and fourth, cooperation between states on new threats and challenges.



Medvedev's proposals have been dubbed "Helsinki-2" by Russian officials, but in fact they focus almost exclusively on the political-military issues, which formed much of the agenda in the 1990s. Whether they can be turned into a "Helsinki-plus", with principles—including humanitarian ones—updated and reaffirmed to reflect evolving conceptions of security in Europe is open to some doubt. Moscow's aim appears to be to freeze the post-South Ossetia status quo; its state-centric agenda of sovereignty/self-determination, rules on intervention and the use of force appear mainly designed to prevent a repeat of Kosovo and ensure a voice, and a veto, for Moscow in regional security conflicts. The institutional architecture envisaged by Moscow to implement the treaty proposals—a massively complex undertaking—is unclear. Many of the principles identified by Medvedev are subject to such contestation that agreement would be difficult to achieve.

In both the EU and NATO, there appears to be little appetite for Medvedev's proposals. A treaty that would stop any further enlargement of NATO, even if this is not immediately in prospect, would be unacceptable in Washington; a joint article by Merkel and Sarkozy has affirmed that NATO and the EU, as alliances founded on common values, should take on increased importance in the current context of global crises.

A juridical agreement is therefore unrealistic. However, a coherent strategy for engagement with Russia might consist of the following. First, focusing on the main areas of disagreement and dealing with them within specific formats, such as the CFE Treaty process and the NRC. Second, focusing on the more constructive aspects of Russian foreign policy and using them to draw Russia into dialogue on wider aspects of security. Third, taking seriously Russia's potential as a "force for good" in tackling global security challenges, making it part of the solution rather than part of the problem; the principle of "joint ownership", with incremental progress on shared decision-making, should wherever possible underpin engagement.

Russia's domestic vulnerabilities are a key factor in its external relations: the geopolitical challenges faced by Russia are more than matched by the challenges of modernization. In the recent period, Medvedev has consistently focused on modernization – the development of an innovative economy as "part of a culture based on

humanistic values" and a functioning political system. The need for an effective foreign policy as a resource to underpin modernization is explicitly acknowledged. He faces problems with his modernization agenda; a technocratic, top-down approach, which may neglect broader social and political reform; the corporatist fusion of power and business; and doubts over whether there would be elite and popular support for radical change.

Nevertheless the present leadership is at least trying to construct a narrative of renewal and modernization. A more equitable external framework, sponsored by the US and the EU, with European institutions conceived on an inclusive basis, would impact—albeit gradually—on Russia's domestic politics, and on economic and social relations. The "partnership for modernization" proposed at the recent EU-Russia summit is an encouraging idea; it may well reduce Moscow's emphasis on differing developmental models and mitigate its political pathologies and structural economic weaknesses.

The potential gains of a concerted and coherent attempt on all policy fronts are considerable. Europe's institutional framework requires recalibration, but Moscow is not committed to its wholesale dissolution. There are substantial shared interests in global economic and security issues. With the EU, there is still a Russian narrative of "everything but institutions" which, despite inevitable—and in fact normal—conflicts of interests in trade, may assist materially in Russia's modernization. A changing NATO, with more political direction from its member-states, might indeed share a platform for cooperative security with Moscow, with substantive dialogue on the principles governing sovereignty and self-determination, conflict resolution and the use of force. They should be backed up with constructive negotiations on "soft" security issues between Moscow and the EU, which should bring the Eastern Partnership closer to the EU-Russia common spaces agenda.

This complex and resource-sapping agenda demands the involvement of key decision-makers on both sides, exercising the kind of political will and flexibility that was present at the end of the Cold War, but has been only sporadically in evidence since. Lavrov has expressed "cautious optimism", but this comes with a warning: after the failures of the first two post-Cold war decades, we can not allow ourselves yet another false start.

#### *About the Author*

Derek Averre is the Director and a Senior Lecturer at the Centre for Russian and East European Studies, University of Birmingham. His research focuses on Russia's foreign and security policy, especially in relation to the EU and NATO.

**Analysis**

## Russia's Policy towards the Countries of South-East Asia and ASEAN: Positive Developments, But an Uncertain future?

By Vyacheslav Amirov and Evgeny Kanaev, Moscow

### Abstract

Recent trends in Russia's policy towards Southeast Asia provide ample evidence to suggest that Moscow is extending its influence in the region. However, recent and expected developments in South-East Asia do not provide Russia with valid grounds for optimism about further developing its relationships with either individual Southeast Asian states or ASEAN.

### The Emergence of the "Russian Factor" in South-East Asia

At the beginning of the 21<sup>st</sup> century the "Russian factor" has risen to prominence within the strategic landscape of Southeast Asia. This article examines the results of and prospects for Russia's policy in the region, in terms of both bilateral relationships and interaction with the leading regional organization in South-East Asia, the Association of South-East Asian Nations (ASEAN).

### Achievements and Problems

The region of Southeast Asia has never been a high priority in Russian foreign policy. For example, even during the period of Soviet-Vietnamese rapprochement (late 1970s–mid 1980s), Moscow was driven more by an "anti-China factor" than an intention to establish itself as an influential regional actor. As a result, by the end of the 1980s relations between the USSR and the non-communist states of Southeast Asia remained underdeveloped, while ties between Moscow and Hanoi were also rapidly weakening. In the initial period following the collapse of the Soviet Union, relations did not dramatically improve. During the 1990s, Russia's policy towards Southeast Asia was reactive rather than proactive, mainly owing to economic difficulties and a lack of continuity in approach.

However, in the first decade of the 21<sup>st</sup> century, Russia's profile in Southeast Asia has improved considerably. This improving trend is clearly demonstrated in five significant areas:

Firstly, Russia has carved out a niche for itself in the Southeast Asian arms market. At the present time, the number and volume of arms deals between Russia and several Southeast Asian countries are impressive, even by world standards. Notable examples include the \$1.2 billion contract signed by the leaders of Russia and Indonesia, during a visit by President Putin to Jakarta in November 2007, and negotiations between Moscow and Hanoi about Russian assistance in devel-

oping Vietnam's Naval Forces and coastal infrastructure, with a \$1.8 billion deal expected to be signed. There has also been a notable increase in the number of states to whom Russia sells arms. For example, in October 2008 Russia sold several Mi-171 helicopters to Thailand, which represented the first military trade deal between the two states. Also, Russia and Brunei are considering the possibility to conclude an agreement on military cooperation, with prospective arms sales discussed during a meeting between President Medvedev and the Sultan and Prime Minister of Brunei Hassanal Bolkiah in October 2009. In addition to individual deals, Southeast Asian countries' repeatedly express interest in purchasing arms and military technologies from Russia during regular military equipment exhibitions, the most high-profile of which are Defense and Security, Langkawi International Maritime and Aerospace Exhibition (Malaysia) and IndoDefence (Indonesia).

Secondly, Moscow's energy strategy in Southeast Asia has expanded and is proving relatively successful. At the present time, Russian companies are not only participating in a number of oil and gas exploration projects with their traditional partners, but are also assisting Indonesia, Vietnam, Cambodia, Laos, Thailand and the Philippines to build necessary energy infrastructure. In this context, a promising new area of cooperation is the peaceful use of atomic energy between Russia and Indonesia, Vietnam, Myanmar.

Thirdly, significant progress has been made in terms of collaborative projects using and developing innovative technologies. The spheres worth mentioning in this regard are informational technologies (Russia and Malaysia), the production of a vaccine against bird flu (Russia and Indonesia, Vietnam, Thailand) and space research (Russia and Indonesia, Malaysia).

Fourthly, people-to-people contacts between Russians and South-East Asians are on the rise. Since 2006, visa-free or a "relaxed-visa" regimes have been

set up between Russia and most of the Southeast Asian countries.

Fifthly, in addition to improved bilateral relations with the countries of South-East Asia, Russia has vastly expanded the institutional basis of its relations with ASEAN as an organization. Russia acceded to the ASEAN Treaty of Amity and Cooperation and signed a number of declarations aimed at strengthening ties with ASEAN in various fields. The zenith of Russia-ASEAN rapprochement was holding a top-level Summit (December 2005), at which a “Comprehensive Program of Action to Promote Cooperation between the Association of Southeast Asian Nations and the Russian Federation 2005–2015” was adopted.

Against this background, Russia’s policy towards Southeast Asia during the 2000s can be interpreted as coherent and fruitful. However, many problems in Russia’s relations with South-East Asia still exist, which warrant serious consideration. In particular three challenges are key:

Firstly, the level of economic cooperation between ASEAN and Russia remains much lower than that between ASEAN and other major powers. In 2008, ASEAN’s trade with Russia totaled approximately \$11 billion, while the figures for ASEAN’s trade with China and the US were \$231 billion and \$178 billion respectively. The reasons for this are manifold. Traditionally, key segments of business in Southeast Asia have been occupied by Japanese and American companies. At the current time, Chinese and Indian companies are also targeting South-East Asian markets. As a result, Russia has not been able, and is unlikely, to establish a niche for itself in the existing production activities and technological chains. Furthermore, Russian businessmen do not have person-to-person contacts with the heads of local administrations, which complicates obtaining licenses. To compound the problem, the ties between the financial institutions of Russia and the countries of Southeast Asia are rather weak, and as a result cash transactions between Russia and South-East Asian countries are difficult, if not problematic. Last but not least, Russia lacks the so-called “advertising drive” to impact on the South-East Asian market – as a rule, Russian companies do not invest much time or resources into organizing exhibitions, advertising campaigns etc.

Secondly, Russia and ASEAN have encountered serious difficulties in implementing the aforementioned “Program 2005–2015”. Up until now, very few of the program’s aims have been realized. The root cause is the “political” nature of both Russia’s and ASEAN’s

motivation for raising their relationship to a qualitatively new level. Moscow is eager to confirm its status as an influential actor in Asia-Pacific, while ASEAN is busy developing a new system of “strategic checks and balances” *vis-à-vis* its dialogue partners, which include Russia. Against this background, the development of Russia-ASEAN economic cooperation has not been significant. In 2004, before the top-level summit, Russian-ASEAN trade was only \$4.5 billion, which to a considerable extent has predetermined a lack of further progress in economic cooperation in the following years. Owing to this lack of economic development in relations, a second top-level Russia-ASEAN summit has yet to be convened.

Thirdly, Russia’s newly developed position in the Southeast Asian arms market is facing mounting pressure. Russia’s role in the market as a supplier of both aircraft and their associated components is threatened by China’s recent development of fighter aircraft, namely the J-10, J-11 and FC-1, which are cheaper analogues of the Russian Su-27/30 and MiG-29.

Taking these factors into account, it is possible to summarize Russia’s policy in Southeast Asia as producing results that have been mostly positive, but nonetheless leaves a lot of work to be done in order for Moscow to secure its position as an influential power in the region.

## Challenges Ahead

The future of Russia’s policy in Southeast Asia should be viewed through the prism of the developments that are taking place in the region and influencing the policies of both individual countries and ASEAN as a multilateral organization. Four developments are particularly significant:

Firstly, in the wake of the global financial crisis, the Southeast Asian countries have adopted anti-crisis strategies, of which the most vital component is expanding their exports. However, Russia does not represent a promising export market for Southeast Asian exports.

Secondly, a pressing challenge for ASEAN in the upcoming years is to build the ASEAN Community (of which there are three pillars: Political-Security, Economic, Socio-Cultural), with the aim set out to complete this by 2015. The most problematic pillar is expected to be the ASEAN Economic Community. To a large extent, its successful development depends on increased cooperation with ASEAN’s dialogue partners. Taking this into account, ASEAN is making every effort to urge China and Japan to fund and implement devel-

opment projects in Indochina. In addition, ASEAN is seeking to raise their level of trade and investment cooperation with other states outside the region. This is vividly exemplified by ASEAN's plans to increase trade with South Korea to \$150 million by 2015. The figures expected for ASEAN-Russia trade pale into insignificance in comparison.

Thirdly, the focus of ASEAN is and will probably remain centered upon issues more pressing than developing relations with Russia. Current trends suggest that ASEAN's image as the "locomotive" of multilateral dialogue platforms in East Asia is slowly but steadily declining. Increasingly, the center of gravity for significant decision-making about East Asian integration has shifted from ASEAN to top-level summits between China, Japan and South Korea. Equally noteworthy is ASEAN's growing dependence on its "northern partners" within the ASEAN Plus Three framework (ASEAN plus China, Japan and South Korea). This was recently illustrated by the creation of a \$120 billion emergency currency pool in ASEAN Plus Three, in which ASEAN only contributed 20% and China, Japan and South Korea provided the other 80%. This problem is further exacerbated by glaring contradictions between the participants of the ASEAN Plus Six negotiations, which comprise ASEAN, China, Japan, South Korea, India, Australia and New Zealand. At the present time, Russia is not expected to be included in either the ASEAN Plus Three or ASEAN Plus Six dialogue platforms. Moscow only participates in the "Trans-Pacific" multilateral dialogue mechanisms, namely, APEC and ASEAN Regional Forum. For ASEAN, the former seems to have lost its significance as a means of strengthening its member-states' econom-

ic competitiveness. The latter has repeatedly proved unable to solve the main problems of Southeast Asia, and it is overly optimistic to assume that ASEAN still holds it in high regard.

Fourthly, in the foreseeable future, Southeast Asia will likely become the site of competition for influence between China and the USA, a factor which further curtails both ASEAN's and Russia's freedom of maneuver.

Taking these four factors into account, it appears that Russia's position in Southeast Asia is facing some serious challenges, and future developments will almost certainly lead to Russia falling further down ASEAN's hierarchy of priorities.

### Conclusion

A careful analysis of Russia's policy in Southeast Asia and its prospects for the near future reveals a highly ambiguous picture. On the one hand, Russia has improved its position significantly compared to its role in the region ten or twenty years ago. At the present time, Russia has considerably expanded its base for cooperation with both the individual countries of Southeast Asia and ASEAN, and relations are developing into many new promising spheres. On the other hand, the situation in the region does not appear to be developing in a direction favorable to Russian interests. To compound the problem, the development of a clear and consistent approach from Moscow towards South-East Asia appears to be hampered by an ongoing process of specifying what exactly Russia's interests in the region are and what benefits it is seeking to reap as the result of its efforts.

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## About the Russian Analytical Digest

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