



RUSSIA IN INDOCHINA: BACK TO THE FUTURE?



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While announcing its desire to be integrated into the Asia-Pacific Region in the first post-Soviet decade, Russia was moving away from Vietnam, Laos, and Cambodia – the countries with which the U.S.S.R. had had very close and friendly relations. Perhaps, Moscow was expecting larger, moneyed, and technologically more advanced partners to turn up.

What came next was a lesson in pragmatism. As we pulled out of Indochina and sent signals of our desire to do business with prosperous East Asian and Pacific nations, their own businesspeople, diplomats, and military were quickly moving into the cooperation environment we had left behind. By the start of the 21st century, our former three allies in Indochina, and Myanmar, too, had joined ASEAN and flung the doors open for investments from Southeast Asian neighbors, China, Japan, South Korea, and the U.S. Having speeded up their economic growth, they are keeping it up at a pretty high rate.

In Russia's eyes, repairing and advancing relationships with the group of "new" Association members (now known as ASEAN-4) looks neither secondary nor showing little promise. In fact, it is the other way around. There is growing realization, at least by experts, that they are a beachhead to reinforce our stance in the ASEAN



and East Asia as a whole. Memories of the varied Soviet help these countries received at difficult periods of their recent history are still alive. Then, there is understanding between the Kremlin and their current leaders on world and regional politics. There is also demand for Russian technologies, goods, and services because far from all of these four Indochina countries' needs are met under contracts they make with developed countries and the ASEAN founding nations. The socioeconomic gap between the Association's old-timers and newcomers remains a painful problem, and narrowing it is the ASEAN's official priority. By coming back to Indochina and contributing to the solution of this problem on mutually beneficial terms (nothing is done on other terms nowhere today) Russia would help itself, its old friends, and ASEAN.

The impression is that things have started moving that way. Whoever is behind it – people in the high echelons of power, business, or science – realizes for a long time already that formalizing and legalizing a comeback is impossible without a long-term, steadily expanding economic cooperation focused on projects and areas where our contribution is in demand and where we have comparative advantages.

MILITARY TECHNOLOGICAL TIES AND SECURITY

As the current decade is about to end, the Russian Federation's cooperation in military technologies with the ASEAN-4 group is getting an added boost. Sellers and buyers of military hardware are no longer preoccupied with ideological considerations, and are more concerned over price and quality on which Russia holds a trump card. Besides, it is flexible enough in getting payment for its supplies that can be offset by deliveries of traditional local goods, and is writing off old debts for customers ordering new shipments of weapons.

Vietnam is the principal buyer of Russian arms in Indochina. In 2009 and 2010, it signed contracts valued at a total price of around \$5.5 billion with Russia. The contracts are for the delivery of submarines and modern aircraft that the Vietnamese army has never had, and maintenance centers are to open to give them ground service.¹

Broad prospects exist for joint efforts in nontraditional security. The Russian Ministry of Emergency Situations employs skillful professionals and has significant technological assets to cope with natural and manmade disasters. Hit by frequent natural disasters but having no emergency services of their own, the Indochina countries have had many occasions to



"Vietnam: Integration and Development" Forum 2008. On left: Vladimir Mazurin

appreciate the Russians' capabilities. The case of Myanmar in spring 2008 is one recent example. Following a flood that took over 100,000 lives, the Russian Ministry of Emergency Situations delivered large air shipments of humanitarian aid to that country.

Russia backs the idea to establish an ASEAN Center that will coordinate humanitarian efforts for mitigating the aftereffects of natural disasters. It is ready to help the Association members to develop their national emergency services and to supply them with specialized equipment (including aircraft). The Indochina countries may become a priority in this sense for they need this kind of help most.

SCIENCE AND TECHNOLOGY, EDUCATION, AND CULTURE

In science and technology Russia remains an attractive partner for Indochina countries that want to modernize their traditional industries and develop knowledge based production. They are already relying (or are about to do so) on Russian know-how in biotechnology, oceanology, telecommunications, oil and natural gas production on the sea bottom,



space technology, nuclear energy, and elsewhere. Once again, Vietnam is the leader in this area. The Russian-Vietnamese Tropical Center has operated successfully for more than 30 years, and the parties have agreed to keep up its operation until 2017. A joint ophthalmological center opened in Hanoi in 2009.

Enormous and varied experience helps join efforts in science research. While the U.S.S.R. was still around, our scientists conducted large-scale geological exploration, projects in plant selection and environmental protection, and laid the foundations for relevant scientific schools in Vietnam, Laos, and Cambodia. Joint teams carried out research in the history, archaeology and ethnography, literature, and linguistics of these countries. Moscow helped them to start up their national film industries, radio and television, and written languages for small indigenous nations in Indochina. It also assisted them in building medical, technological, and agricultural institutes. Centers for learning the Russian language still operate there.

A large segment of present-day intellectual and professional elite in the four countries studied in the U.S.S.R. and Russia. Over 30,000 Vietnamese and 8,500 Cambodians had their professional training in our higher education institutions. Today, hundreds of students from Cambodia and Myanmar study in Russia. According to Vietnam's Embassy in Moscow, the number of Vietnamese students rose to 5,000 in the 2009/2010 academic year. Dozens of them are given government scholarships. Maybe it is time to increase the academic quotas at Russia's civilian and military higher education institutions for students from Indochina countries?

New opportunities of this kind will open up with the inauguration of a Pacific Science and Learning Center in Vladivostok (after the APEC summit in 2012). In the meantime, exchanges between the Russian Far East and ASEAN countries are maintained by the Center for Training Foreign Specialists at Far Eastern State University. According to Alexander Sokolovsky, the Center's Director, about a hundred Vietnamese, along with students from other Southeast Asian countries, are now studying at the University, the biggest higher education institution in the Russian Far East.

There are good prospects, too, for the export of educational services to countries that are inviting foreign professors to give classes (like Vietnam does).

The costs of developing educational links will yield high returns. Graduates from our universities hold important positions at scientific centers, various industries and government institutions of their countries (up to the top executive level). Fluent in Russian and familiar with our culture, these



individuals are living guarantors of good relations between the Indochina nations and Russia. Hence, it is vital for cooperation in education to grow rather than wane (as it did at the end of last century).

TOURISM

It is common knowledge that an influx of tourists from other countries stimulates business activity in construction and services, agriculture and manufacturing, and intensifies it through new external relations. Vietnam and Cambodia have succeeded, to an extent, in achieving this effect. The example of these new tourist centers is followed by Laos and Myanmar. These developments are a strong signal to us. The more Russians are visiting these countries for pleasure or recreation, the more opportunities are there for bilateral and multilateral relations to expand and grow.

The number of Russian tourists who go to Indochina is increasing. Vietnam alone was visited by over 70,000 Russians in 2008, or 150% more than in 2006.² Since the beginning of 2009 Russian tourists have been allowed visa-free entry to Vietnam, with a stay there for up to 15 days.

According to a report from the Russian Federal Agency for Tourism, Russia and Cambodia are about to sign a two-year program for cooperation in the travel industry. Even though Cambodia hosted just about 17,000 Russians in 2009, their number will certainly grow.³ In fact, traveling to Cambodia, a country of beautiful landscapes and rich cultural heritage, is not expensive. In the meantime, we are contributing to the increase of Cambodia's overall tourist potential: the Russian Federation is involved in efforts to restore the Angkor Vat temples, the country's major attraction.

At the other end, there are very few tourists from Indochina to Russia. The Tourism Forum in Hanoi in January 2009 passed a resolution on Russia–ASEAN consultations in the travel industry. In September 2010, Vladivostok hosted delegates of the Tourism Promotion Organization for Asia-Pacific Cities (TPO). Hopefully, this forum will draw more attention to the Russian Far East and its major city as prospective tourist sights.

FUEL AND ENERGY INDUSTRY

Fast economic growth in Indochina, like in Southeast Asia as a whole, creates energy shortages. The ASEAN-4 countries, alone or all together, cannot



meet these shortages. How does Russia view their problem and its own contribution to its possible solution?

So far, our direct energy supplies to the whole of East Asia, not to say Southeast Asia, are scant – in the case of oil, it only meets 3% of the region's needs. According to forecasts extending to 2020, though, this percentage may rise to 30%.⁴ In the long run, this would give the Indochina countries a greater access to Russian petroleum products. This scenario will only play out upon completion of the Sakhalin projects to produce liquefied natural gas and once an oil pipeline from East Siberia to the Pacific coast is completed.

Today, too, Russia can expand and diversify its presence of Indochina's energy markets by relying on its potential in production and technologies, its experience, and the situation on the regional market. Vietnam and Myanmar, both producers of oil and gas, want to step up production, and build infrastructure to store, transport, and process hydrocarbons. Cambodia and Laos, where oil and gas reserves have been discovered, need the know-how to develop them and to use other sources of energy. It would be mutually beneficial as well to establish national fuel and energy industries and build segments of an integrated energy system (for example, pipelines and power transmission lines) for ASEAN-4 in each country.⁵ Whatever comes out of it, the parties' desire to reach a consensus in their energy policy is recorded in the ASEAN-Russia Comprehensive Program of Action to Promote Cooperation 2005-2015.

Currently, Russian oil and gas companies are pumping hydrocarbons from Vietnam's continental shelf jointly with PetroVietnam Corporation. Agreements have been signed between Russia and Vietnam on oil and gas field development in the Russian Federation and other countries (such as, for example, Vietnam's neighbors in Indochina). Russian specialists working in Vietnam build new and modernize old electric power plants. In all, Russia has helped, over the past fifty years, to build dozens of hydroelectric and thermal power plants having a total capacity of more than 4,000 MW and supplying nearly 80% of the country's power needs.⁶

Things are more difficult for Russia in Myanmar – its oil and gas fields are already developed by Total of France and the American Unical. A consortium set up in the country has built and now operates a gas pipeline running from the Yandan underwater gas fields in Myanmar to Thai territory. Unlike Russian companies, China is making persistent attempts to join in.

In Laos, hydroelectric power generation can become a vital area of cooperation along with oil exploration. Thai investors, however, dominate here. More than 60% of the electric power generated in Laos is exported to



Irina Samarina, a member of the Russian linguistic expedition in Vietnam, with Gelao girls in traditional dress

Thailand for between 15% and 20% of the republic's annual foreign currency revenue.⁷ Projects undertaken with a share of Vietnamese and Russian capital look rather humble in comparison.

In Cambodia, electric power is generated predominantly by diesel power plants burning imported fuel. The Russian Diesel company supplies equipment for diesel power plants in several Cambodian cities. Growing prices of fuel compel Cambodia, just as they do Laos, to develop the hydroelectric power industry. Two hydroelectric power plants have been built with Chinese financial and technical assistance, and there are plans to build several more.

Turning to nontraditional (at least, by Southeast Asian standards) energy sources, Russia is ready, in compliance with the ASEAN's wish, to expand cooperation in nuclear power generation and safe handling of radioactive materials.⁸ Rosatom Corporation helps develop laws and regulations



related this field, and train specialists in design, construction, and operation of nuclear reactors. Russian supplies of technologies and equipment do not break our obligations under the Treaty on the Southeast Asia Nuclear Weapons-Free Zone.

In July 2009, a memorandum was signed on the construction of the first two nuclear power plants in Vietnam, each having a capacity of 4,000 MW, at a cost of \$10 billion to \$15 billion.⁹ A joint center for nuclear research had already been created in Vietnam.

Similar agreements were signed with Myanmar in 2002 and 2007. Russia undertook to install and start up the generating equipment of a research nuclear reactor of 10 MW thermal power capacity and to deliver nuclear fuel (uranium 235 enriched to less than 20%) and spares. The center is to have activation analysis and medical isotopes laboratories, a nuclear silicon alloying unit, etc.¹⁰ Russia's agreements with Myanmar are still on paper only, probably not just because of holdups at either side, but due to outside political pressure as well. If such pressure is the real reason, it is yet another reminder of the bitter the fight for Indochina's markets.

TRANSPORTATION

Geographic distances between Russia and its Indochina partners is a serious barrier to sustainable business cooperation between them. Initiating regular traffic by sea through Russia's Far Eastern ports by Russian carriers is a way to stimulate commercial and economic relations between them. Today, though, commercial routes in this area are mostly operated by Japanese and South Korean companies.

Building more roads in Indochina itself and improving their quality, as also that of transportation services, is a further high priority. Inadequate local road networks are an evident sign of economic underdevelopment. Relying on its experience in building major infrastructure projects of varying scale, Russia could help Indochina to modernize highways, railroads, and ports, build underground railroads, and so on. Special interest (so far theoretical rather than practical) arises over the possibility of surface infrastructure elements being built to extend as far as the countries' borders with China to connect Southeast Asia across China's territory to the Russian Far Eastern region. In particular, a joint project was seriously discussed with Myanmar back in 1995 to 1997 to build a railroad running from Yangon across the country's northern areas toward the Chinese border. The fact that the railroad is still on



paper only is no reason for arguments that projects encouraging cooperation in the Russia-Indochina-China format are impossible to carry off in principle.

TRADE

The Russian Federation's trade with the ASEAN-4 countries is conducted with Vietnam, above all. In 2009, trade between them rose 20% from a year before, to almost \$2 billion. This is not much in comparison with trade between Vietnam and the U.S. (seven times that), but still significantly larger than Russia's trade with Vietnam's neighbors in Indochina. Over the last decade, Russia's trade with Laos has never risen above \$10 million. In the latter half of the decade, Russia's trade with Cambodia has fallen below \$6 million a year.¹¹ Direct trade with Myanmar is valued at just \$300,000 or less a year. Still, some of our products, such as paper, cement, metals, and mineral fertilizers, reach Myanmar through other countries.¹²

The structure of Russia's trade with its Indochina partners has remained practically the same over the last few years. Russia mostly exports rolled metals, pulp, paper, chemical products, power plants equipment, trucks, aircraft spares, fertilizers, and building materials. High-tech products take a tiny share of Russian deliveries. Its principal imports are footwear and garments, seafood, tropical agricultural products, and woodwork.

The vast Russian market, though, is attractive for Indochina countries, and Russia's unique Eurasian position gives them a chance to enter Europe's product markets. In turn, direct shipments to Indochina bypassing intermediaries could eventually expand the list of Russian exports.

The Russian Federation's economic relations with ASEAN-4 could be scaled up by a free trade area set up, for a start, with Vietnam. That country's leaders have repeatedly spoken in support of this undertaking. Significantly, a consensus was recorded officially "to give greater consideration to the possibility of an agreement on a free trade area between Russia and Vietnam being signed" during the visit of Nông Đức Mạnh, Secretary General of the Central Committee of the Communist Party of Vietnam, to Moscow in July 2010.¹³

There are other projects as well to promote trade with the countries of the region. Alexander Karchava, Russia's Ambassador to Malaysia until recently, suggests setting up a consortium of Russian importers (and possibly exporters, too) operating on Southeast Asian markets. This measure could facilitate lending by Russian banks, as the agreements on cooperation



between banks Russia signed with Indonesia and Vietnam could apply to other members of the Association as well.

As bilateral trade is intensified, the scientific, technological, and investment components of economic relations are to be reinforced. Russians are to get integrated technologically into the joint industries of ASEAN countries and their industrial cooperation programs by setting up joint ventures. Small and medium-size business most developed in the ASEAN-4 group is cautious about uneasy partnership with powerful Western corporations because of differences in size. Even though Russian companies cannot do without government support, they can match up to their opposite numbers' expectations. Characteristically, the ASEAN Economic Community conception places a special emphasis on encouraging small and medium-size business.

FINANCE

Major steps have been taken to clear away obstacles in Russia's relations with ASEAN-4 countries. Debts they owe to it on loans made by the U.S.S.R. have been written off. Since the international classification puts Russia's partners in the category of the least developed economies and they have special relations with it, Russia wrote off 70% of the debt owed to it by Vietnam in 2000 and Laos in 2003. The balances were restructured and their repayment was put off for 33 years at a cut rate. Vietnam will have to pay off \$1.7 billion and Laos, \$380 million by delivering goods, in rubles, or by reinvestment.¹⁴ Cambodian debt repayment has been settled on still more favorable terms. Russia thinks that favorable debt repayment terms will allow these countries to give more focus to their socioeconomic development programs.

New channels are created to finance trade and investment programs. One of them is the Vietnam-Russian Bank (with an authorized capital of \$0.4 billion). The bank effects settlements in hard currency and, in the interest of businesses in both countries, in rubles and dongs.¹⁵ A similar agreement was signed between the Russian Central Bank and State Bank of Vietnam. Joint banks established with Vietnam that has the strongest financial system in ASEAN-4 can handle transactions in Laos, Cambodia, and Myanmar (even though these countries, too, may set up similar banks).

Until now Russia's contribution made annually since 2007 to the Dialogue Partnership Financial Fund with ASEAN (and raised to \$750,000 in 2009) is



only a fraction of what is contributed to similar foundations by China, Japan, and the Republic of Korea.

Russia is also far behind its competitors in the size and intensity of direct investments in the region. Even in Vietnam where the Russian Federation increased its total capital investment to \$2 billion in 2008 and 2009, it is not among the ten biggest investors. It is still not late for the Russian authorities and private companies to acknowledge the obvious facts. Labor is cheaper in the ASEAN-4 countries, and natural resources are richer than in Southeast Asia's newly industrialized countries. These resources are virtually untapped in their peripheral areas. The national capital there, including state capital, is still not strong, and eager to cooperate with foreign partners, who have so far been shunning industries offering long payoff periods and low returns on capital invested. The conclusions are obvious enough.

To sum up, opportunities for expanding cooperation between Russia and ASEAN-4 countries are there. For major headways to be made, Russia has to put in consistent efforts and big investments, not to speak of developing a well-considered program to reinforce our positions. Time is right to undertake feasibility studies, and then proceed to complete joint projects covering the four Indochina countries. And don't be embarrassed by our competitors' countermoves. This factor will always be there – and the better we will do, the stronger it will be. ■

NOTES:

1. See: Đằng sau họ́p đà̄ng mua bán vũ khí – www.bbc.co.uk/vietnamese/vietnam/2010/02/100203_vietnam_russia_arms.shtml.
2. See: Vietnam Statistical Yearbook 2007, Hanoi, 2008, p. 478; russiatourism.ru – 01.12.2009.
3. See: news.turizm.ru/cambodia/15217.html.
4. See: Joint Declaration of the Heads of State/Government of the member Countries of the Association of Southeast Asian Nations and the Head of State of the Russian Federation on Progressive and Comprehensive Partnership, Kuala Lumpur, December 13, 2005, *Tikhookeanskoye obozreniye* 2004-2005 (Pacific Review), Moscow, 2006, p. 75.
5. Gazprom company is showing interest in having a part in the construction of a Trans-ASEAN gas pipeline.
6. See: Ye.V. Kobelev, A.S. Voronin, "A Colorful History of Friendship and Partnership. Sixty Years of the Establishment of Diplomatic Relations between the U.S.S.R./Russia and DRV," *Far Eastern Affairs*, # 1, 2010, p. 15.



7. See: catalog.fmb.ru/laos10.shtml.
8. See: ITAR-TASS, # 34, 2007.
9. See: A. Biryukov, "Vietnam Is Waiting for Russian Power Engineers" www.gzt.ru/topnews/economics/277717.html –16.12.2009.
10. It was reported in the Western press that foundations for a reactor had been laid near Magway in central Myanmar and that around 300 Burmese had received training in Russia to work on the project under construction.
See: www.pircenter.org/data/publications/vb11-2002.html.
11. See: P. Goncharov, "Russia Is Ready for Broad Cooperation with Laos on the World Stage," RIAN, June 22, 2003; www.embrusscambodia.mid.ru/otnosh.html; www.russiainvest.ru/rus/countries/cambodia.shtml.
12. See: www.pircenter.org/data/publications/vb11-2002.html.
13. See: news.kremlin.ru/ref_notes/646.
14. See: Asian Development Bank, Country Economic Review 2000 – Socialist Republic of Vietnam, Hanoi, November 2000, p. 24.
15. See: www.finam.ru/analysis/newsitem445EB/default.asp – December 16, 2009.