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Russia's Quiet Partnerships in Southeast Asia

Russia-Malaysia Strategic Partnership through Sabah Case Study

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William Kucera and Eva Pejsova¹

Abstract

Russia's interest in Asia has been on the rise. Since the 2000s, under presidents Vladimir Putin and Dmitry Medvedev, the country has embraced an "Asian" or "Eastern" foreign policy focused on strengthening diplomatic and economic ties with East and Southeast Asia. Considering the shift of the global economic and strategic balance eastwards, a traditionally Europe-oriented Russia has begun to realize its Asian dimension and potential. The main driver of this new strategic orientation has been economic development, followed by an effort to keep an eye on its biggest regional neighbour China and to assert its position as a note-worthy power in the Asia-Pacific.

Over the past decade, we could observe a proliferation of relations between Russia and Southeast Asia on both multilateral and bilateral levels, from economic and people-to people cooperation, to the most sensitive areas of defence and security contacts. The interest is reciprocal. Association of Southeast Asian Nations (ASEAN) members have been seeking to create an inclusive regional architecture that avoids as much as possible the tensions and divisiveness that accompany the rise of China and the relative decline of the US hegemon. Malaysia has encouraged a greater diversity of actors on the regional security scene in order to broaden its strategic hinterland and counterbalance the dominant influence of the United States.

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Introduction

Russia's interest in Asia has been on the rise. Since the 2000s, under presidents Vladimir Putin and Dmitry Medvedev, the country has embraced an "Asian" or "Eastern" foreign policy focused on strengthening diplomatic and economic ties with East and Southeast Asia. Considering the shift of the global economic and strategic balance eastwards, a traditionally Europe-oriented Russia has begun to realize its Asian dimension and potential. The main driver of this new strategic orientation has been economic development, followed by an effort to keep an eye on its biggest regional neighbour China and to assert its position as a note-worthy power in the Asia-Pacific. Over the past decade, we could observe a multiplication of relations between Russia and Southeast Asia on both the multilateral and bilateral levels, from economic and people-to-people cooperation to the more sensitive areas of defence and security contacts. The interest is reciprocal. Association of Southeast Asian Nations (ASEAN) members have been seeking to create an inclusive regional architecture that avoids as much as possible the tensions and divisiveness that accompany the rise of China and the relative decline of the United States (US) hegemon.²

Malaysia has encouraged a greater diversity of actors on the regional security scene in order to expand its strategic hinterland and counterbalance the dominant influence of the US. On March 15, 2010, a "Sister City" agreement was signed between two cities: Vladivostok (the capital of Russia's "Far East") and Kota Kinabalu (the capital of Malaysia's second largest province of Sabah). Considering the rapprochement trend between Russia and Southeast Asia, such a seemingly politically low-profile local project can be seen as an example of emerging geostrategic patterns on the regional security scene. What have been the drivers behind the initiative? Do we observe a random, isolated phenomenon of non-strategic significance or could we situate such a move within the broader Russian strategy for the region?

1. Russian-Southeast Asian Relations

1.1. Is there a Russian Southeast Asia Strategy?

*"Let us turn our faces towards Asia; (...)
the East will help us conquer the West"*
Lenin³

Lenin's idea of "turning to Asia" arose from his disappointment with the non-acceptance of revolutionary ideas in Europe, hoping that Marxism would find better ground in the East.⁴ Less ideological, 21st century Russia's shift towards Asia is driven by a more pragmatic vision – the opportunity of economic development within the rising Asia-Pacific region. Despite official statements on the "Asian" shift in Russian foreign policy and scattered *ad hoc* cooperation, little is known about the concrete contours of such strategy. According to some observers, there is no comprehensive framework for different Asian sub-regions. "*China is Russia's strategic centre of gravity in Asia*", argues Dr Alexey Muraviev, a leading expert on Russia's strategic and defence

² Simon Tay, "The Power of &", *Russia in Global Affairs*, September 24, 2011, <http://eng.globalaffairs.ru/number/The-Power-of--15331>

³ Cited in Peter Hopkirk, *Setting the East Ablaze: Lenin's Dream of an Empire in Asia* (London: John Murray Publishing, 2006), 1 and 102, from memoirs of British secret services. Allegedly Lenin's words expressing the shift of the Comintern strategy after the revolution failed to materialize in Europe. Starting with India, Lenin believed that the oppressed people in colonies in Asia and Africa would be the best populations for the propagation of revolutionary ideologies, and at the same time, that withdrawing colonies from western empires would weaken them economically so that revolution would be inevitable.

⁴ Ibid.

policy.⁵ It is the “China factor” that determines the shape and the intensity of relations with Asian countries. Although we can observe a gradual rapprochement with the region, Alica Kizekova, a researcher specialized in Russia-Asia relations, emphasises that there is no specifically Russian “Southeast Asian” strategy, it is simply part of a broader “Eastern outlook” policy.⁶ It has also been suggested that there are “Chinese” and “American” lobbies engaged in a “battle for Russia” by seeking to influence Moscow’s role in the Asia-Pacific within the context of growing Chinese-American rivalry.⁷

Despite the renewed attention towards Asia, Russia does not appear to have defined the role it wants to play in the region. Among Russian strategic commentators, there have been growing calls for the development of a comprehensive and long-term strategy towards East Asia.⁸ The direction and form that such a strategy takes is seen as among Russia’s key geopolitical tasks of the century, linked to the sustainability of a continued Russian presence in Siberia and the Far East.⁹

Under Putin’s rule, Russia has started re-engaging with Southeast Asian countries with low publicity. 2005 saw Russia and ASEAN sign the Joint Declaration on Progressive and Comprehensive Partnership, engaging to promote political, security, economic and development cooperation under the Framework of the Comprehensive Plan of Action (CPA) from 2005 to 2015. The “Foreign Policy Concept of the Russian Federation”, adopted in 2009 after the entry of President Medvedev into office, explicitly sets the focus on Asia-Pacific as the top priority of Russian foreign policy.¹⁰ Further strengthening and deepening of the partnership was agreed upon in 2010 during the Second Russia-ASEAN Summit, which underlined the need to “work closely together in the evolving regional architecture in the Asia Pacific”, and in which top Russian officials expressed to have “great strategic benefits” for both sides. Relations evolved especially in terms of economic exchanges,¹¹ energy security and infrastructure development, innovation and technology cooperation (sciences, space technologies), “people-to-people” exchanges (tourism, education, culture) and through establishing visa-free or “relaxed visa” relations with most Southeast Asia countries.¹²

D. Medvedev’s regional policy followed Putin’s direction, strengthening bilateral relations with the regional countries notably in arms sales, energy, innovation and people-to-people exchanges. The sale of Russian military equipment¹³ to a number of Southeast Asian countries – most notably to Vietnam and Indonesia, but also to a lesser extent to Myanmar, Thailand and Malaysia – has not occurred unnoticed by regional security observers, wondering about a broader Russian strategy for the region. Most of these sales are based on typical defence contracts and seem to be mainly of a rather random, opportunistic character. Russia would be using its extensive reserves of military hardware as a tool to maintain presence in the region and to relate with Southeast Asian countries for future economic cooperation. The case of Vietnam, who became the

⁵ Alexey Muraviev, interview with author (E. Pejsova), Singapore, December 2011.

⁶ Alica Kizekova, interview with author (E. Pejsova), Singapore, December 2011. Kizekova (Bond’s University, Queensland, Australia) has conducted numerous interviews on the topic with relevant public sector figures and academics within the framework or regional multilateral organizations, especially the CSCAP (Council for Security Cooperation in the Asia Pacific).

⁷ Павел Салин [Pavel Salin], “Россия и Азия или Россия в Азии?” [Russia and Asia, or Russia within Asia? Prospects for Russian Policy in the Asia-Pacific Region], *Russia in Global Affairs*, August 2, 2011.

⁸ Сергей Караганов [Sergey Karaganov], “Азиатская стратегия” [Russia’s Asian Strategy], *Russia in Global Affairs*, July 2, 2011.

⁹ Dmitri Trenin, “China, Russia ties on sound base”, *China Daily*, June 14, 2011, 9.

¹⁰ Посольство Российской Федерации в Социалистической Республике Вьетнам [Delegation of Soviet Federation to Socialist Republic of Vietnam], *Стенограмма выступления Министра иностранных дел России С.В.Лаврова на Министерском совещании Россия – АСЕАН по вопросу: “Обзор сотрудничества Россия – АСЕАН и его перспектив”* [Statement of Russian Ministry of Foreign Affairs at the Ministerial Meeting on Russia and ASEAN: “Overview of Cooperation between Russia and ASEAN and future prospects”] (Thailand: Phuket, July 22, 2009).

¹¹ In 2007, mutual trade reached 6 billion USD - especially thanks to investment in telecommunication technology and infrastructure in Vietnam, Cambodia, and Indonesia.

¹² “Куда не дотянется трубопровод, или Разочарованные странники” [Wherever the pipeline will be conducted, or disappointed foreign parties], *Новости Риа* [Novosti Ria], July 23, 2008, <http://rian.ru/analytics/20080723/114695842.html>

¹³ Especially aircraft (fixed wing combat aircraft/ fighter jets Mikoyan and Sukhoi) and helicopters, naval equipment (Kilo-class submarines, corvettes) and missiles.

biggest purchaser of Russian defence equipment, is a slight exception in terms of “randomness” – as its purchase of coastal-defence type capabilities clearly suggests its strategic use as deterrence to China in the South China Sea territorial disputes.¹⁴ Indonesia has been predominantly acquiring military aircraft, despite its usual reliance on North Atlantic Treaty Organisation-states providers, as has Myanmar, albeit on a much smaller scale.

One of the most powerful tools of today's Russian diplomacy has been the focus on “soft power”. The promotion of Russian culture and religion in remote parts of the world¹⁵ is, according to A. Muraviev, highly symbolic. To some extent, it substitutes “the red flag” or ideological component of Russian strategy during the Cold War, with, however, a similar message of “we are here to stay”.¹⁶ A. Kizekova confirms the importance of cultural penetration being of symbolic significance, meaning “Russia is back; do count on it”. One example would be the Foundation Ruskiy Mir (Russian World), headed by Vyacheslav Nikonov,¹⁷ who is actively developing its international presence, including in Southeast Asia. The role of cultural and civil society cooperation (education, healthcare, non-government organisations) as part of a broader Russian “soft power” diplomacy is important to highlight, considering the focus of our case study on the Vladivostok-Kota Kinabalu “twinning”.

1.2. Russia and the South China Sea

The South China Sea, with its overlapping maritime territorial claims, potential hydrocarbon reserves and increasing naval build-ups of the littoral countries, is the region's most prominent security hotspot. While Russia does not seem to be at first sight directly involved in the problem, it is far from being totally uninvolved. Its interest is supported by three major factors:

- As other regional commercial powers, or a maritime “user country”, it attaches importance to the safety and security of the regional Sea Lanes of Communication (SLOCs).
- In order to raise its international profile in Southeast Asia, Russia needs to take a position on one of the most prominent regional security hotspots.
- Together with Vietnam, Russia has been jointly exploiting oilfields situated in the contested waters within the Vietnamese Exclusive Economic Zone (EEZ), developing increasingly closer bilateral ties and providing it with strategic defensive naval equipment.

The tradition of cooperation and ideological proximity, coupled with collaboration in highly strategic areas, such as energy and defence, make Vietnam Russia's closest Southeast Asian partner and an access point to the South China Sea. Since the Impeccable incident¹⁸ and the open

¹⁴ Vietnam bought five Project 10412 Svetlyak class patrol boats between 2001 and 2011; as well as two Gepard 3.9 class frigates in 2006; one Gepard (“Cheetah”) class frigate in 2009; some Molnya Projekt 1241.8 (Vypel) missiles in 2007-2008; six Kilo class naval diesel-electric 636 MV Varshav vyanka powered submarines in 2009, 20 Sukhoi Su-30MKK strike fighter in 2009. For this year only, the cumulative amount of contracts dealt between Vietnam and Russia was \$ 4.5 billion (see Benoît de Tréglodé, “La mer de Chine du Sud. Projets d'exploitation et de sécurisation en Chine et au Viêt Nam” [Southern China Sea. Exploitation and securization projects in China and Vietnam], in *Asie du Sud-Est 2012* [Southeast Asia 2012], Jérémy Jammes and Benoît de Tréglodé (eds.) (Paris: Les Indes savantes, 2012), 68-70).

¹⁵ Russian Orthodox churches have been built in Antarctica, South Africa (Johannesburg) with more planned in Vietnam and Cambodia.

¹⁶ A. Muraviev, interview with author (E. Pejsova), Singapore, December 2011.

¹⁷ V. Nikonov is a reputed figure of Russian foreign policy and academia, a member of the State Duma and president of “Polity” and “Unity for Russia” Foundation among others.

¹⁸ The USNS Impeccable-class ocean surveillance vessel was hassled by a PLAN (People's Liberation Army Navy) corvette and fishing trawlers in the Chinese EEZ south of Hainan in March 2009. The incident relates to the fundamental disagreement concerning the right of passage and operation of military vessels in the EEZ of a country: while the US applies the freedom of navigation principle to all ships (including military vessels), China requires prior notification of passage and operation of military vessels within its EEZ and territorial waters. Although some argue the Impeccable is an ocean surveillance ship, the type of research (sea basin mapping, etc.) is usually clearly used for military purposes

proclamation by the US Secretary of State Hillary Clinton on the South China Sea being a “matter of national interest”, the US has been displaying its lasting strategic interest in the region. Russia has been questioning the limits of EEZ rights and US actions in the aftermath of the Impeccable incident, and to what extent should ASEAN tolerate and legitimize the US presence in the region.¹⁹ If Russia wants to maintain its say in the South China Sea affair, it is through its assistance to Vietnam that the most can be achieved for the benefit of both and under the watchful eyes of China.

In line with their historical proximity and tradition of bilateral cooperation, Russia helped to develop eight of Vietnam's oilfields in the South China Sea during the 1980s, transforming Vietnam into an oil exporter. Today, Russian oil companies continue to work with the Vietnamese authorities in oil exploration and drills in the South China Sea, ensuring a form of control over oil-rich reserves in the region. Already in 2006, Gazprom and Petrovietnam agreed to cooperate on general areas related to exploration, development, transportation and utilization of natural gas, oil and other natural resources. A more concrete agreement followed in 2008, providing the basis for joint exploration and exploitation of four blocks in Vietnam operated by a joint operating company Vietgazprom, as well as the establishment of Gazpromviet to perform activities in Russia and third countries.²⁰ In recent years, Russian companies have exhibited a desire to expand overseas.

The sale in 2009 of six Kilo-class diesel-powered submarines to Vietnam generated great attention among regional security commentators, in particular with the high cost of the transaction (US\$2 billion for a developing country facing economic difficulty), and considering the low level of experience of the Vietnamese People's Navy in operating such vessels. The sale falls within a larger bilateral armaments supply programme.²¹ As such, Russia has been participating in the naval arms race in the South China Sea and, therefore, indirectly participating in the area dispute and consequently an interlocutor of Malaysia as a claimant party. According to Evgeny Kanaev,²² Russia's contribution to calming tensions in the South China Sea could be through energy supplies to East Asia via a pipeline from Eastern Siberia, due to be completed by 2012, in order to alleviate competition for resources in the region. In addition, future development of the Northern Sea Route could alleviate traffic through the South China Sea and the Malacca Straits.²³ However, the pursuit of arms sales to Vietnam is often criticised as supporting a potential arms race in the region.

Viewed from the outside, the Russia-Vietnam military-strategic ties could indirectly place Russia as an adversary of China in the South China Sea dispute; and it is indeed no secret that the People's Republic of China (PRC) viewed the 2009 Kilo-class submarine sale with suspicion. However, the China-Russia Strategic Cooperative Partnership, signed during the G20 Summit in Cannes (France) in November 2011, marks an additional positive development between the two countries. It is important to note that there has been sustained cooperation in numerous areas of activities, especially economy and energy, but also in the more sensitive areas such as military-to-military exchanges and trainings and security cooperation, conducted within the framework of the Shanghai Cooperation Organisation (SCO).²⁴ Both China and Russia share the principles of territorial integrity and non-intervention into each other's internal affairs, as well as the

(operation of submarines, etc.). The incident sparked off a severe diplomatic conflict between the two countries and is repeatedly used by both parties as an example of “aggressive” behaviour of China and “intrusive” behaviour of the US.

¹⁹ E.A. Канаев [E.A. Kanaev], “Проблема Южно-Китайского моря: новый виток обострения” [Problems of the South China Sea: towards new deteriorations], *North-South-Russia 2010* (Moscow: IMEMO RAN, 2011).

²⁰ Details on Gazprom-Petrovietnam cooperation can be found on the official Gazprom website, see for instance <http://www.gazprom.com/press/news/2009/december/article73092/>

²¹ Since 2000, the Vietnam People's Navy has procured from Russia two Tarantul-class corvettes, ten Svetlyak-class missile patrol boats, and two 2,000-ton Gephard-class frigates ordered in 2006 that entered into service in March 2011. See Carlyle A. Thayer, *Vietnam People's Army: Development and Modernization* (Brunei Darussalam: Sultan Haji Bolkiah Institute of Defence and Strategic Studies, 2009).

²² E. Kanaev is Professor and Head of Southeast Asian Research Programs, Center for Asia-Pacific Studies, Institute of World Economy and International Relations (IMEMO, Moscow).

²³ Evgeny Kanaev, “The South China Sea Issue: Future Trends and Russia's Policy Options”, *IMEMO RAN*, June 27, 2011, http://www.imemo.ru/en/comments/240611_KanaevSCS.pdf

²⁴ China and Russia conducted large-scale joint military exercises under the auspices of the SCO called the “Peace Missions” in 2005, 2007 and 2009.

fundamental priority of economic development. Overall, several close observers of the situation appear to confirm that the real motives behind Russia's involvement in Asia have been economic. The attractiveness of Southeast Asian markets for older Russian weaponry and the maintenance of a strategic presence in the region can be seen as the main drivers behind Russia's involvement in the South China Sea.

1.3. Southeast Asia's perception of Russia

Following Russia's 2002 withdrawal from the Cam Ranh Bay naval base in Vietnam,²⁵ there is no longer a permanent Russian military presence in Southeast Asia. Inasmuch as we see emerging cooperative efforts and might speculate about the growing strategic interest of Russia in the region, with the exception of Vietnam, the effective state of Russian strategic presence is relatively weak. According to observers from regional multilateral forums (Council for Security Cooperation in the Asia Pacific, East Asia Summit, Shanghai Cooperation Organization), Russia is viewed more as an "also-runner" by Southeast Asian member-countries: a party that participates but does not really makes a substantial difference²⁶. Despite part of its territory lying on the Asian continent, Russia has been predominantly considered as a European power, mostly interested in European affairs. In a similar vein, A. Muraviev confirms that "*Russia has been traditionally disregarded as the "lost player" in the region (Southeast Asia)*". According to Evgeny Kanaev, the future success of Russia-ASEAN relations relies on further arms sale, additional energy security cooperation and possibly deepening dialogue and cooperation during the 2012 APEC Summit in Vladivostok. Despite scattered cooperation and superfluous official statements,²⁷ E. Kanaev argues the biggest weakness of Russia seems to be the lack of a concrete comprehensive strategy for Southeast Asia.²⁸

During the Cold War, Russia's interest in Southeast Asia was driven by an ideological struggle against Western and especially American capitalism. Today, its interest is almost exclusively driven by prospects for economic cooperation, but also by a desire to reassure Asian countries of its silent, but nevertheless persisting presence on the map of the World and Asia. In comparison to the former Soviet Union, Russia benefits from a much less "threatening" image and a much lower profile in international relations. Its historical image of an antipode or rather an alternative to the US/Western influence is, however, somehow perpetuated in the mind-sets of many of the regional countries. As such, it represents an attractive option for a number of smaller powers who seek a more balanced power-distribution in the region and which are partially uncomfortable with the sometimes "patronising" attitude of the US. In this sense, Malaysia can be considered as a perfect example.

²⁵ The withdrawal took place partly for financial reasons, but along with the withdrawal from Cuba and the decision to allow US/NATO military transits through Russian and Central Asian territory to Afghanistan in support of Operation Enduring Freedom, it was perceived as a goodwill gesture aimed at the West.

²⁶ Alica Kizekova, interview with author (E. Pejsova), Singapore, December 2011.

²⁷ D. Medvedev's speech at the Russia-ASEAN Summit in Vietnam in 2010, mentioning "intercivilisational and interfaith dialogue" that are considered as "slogans of the day".

²⁸ Evgeny Kanaev, "АСЕАН: итоги кризиса и перспективы сотрудничества с Россией, Тихоокеанская Азия: экономические и политические последствия глобального финансового кризиса" [ASEAN: Results of Crisis and perspectives of partnership with Russia], *Pacific Asia: economic and political effects of the Global Financial Crisis* (Moscow: IMEMO RAN, 2010), www.imemo.ru/ru/publ/2010/10060.pdf

2. Russia-Malaysia Strategic Partnership

2.1. Drivers of strategic interest

Although seemingly less important than Vietnam or Indonesia, Malaysia figures quite prominently on Russia's regional strategic agenda. According to Alexey Muraviev, the main drivers for Russia's strategic interest and cooperation with Malaysia are:²⁹

- The "China factor", its global power status, military strength and growing cultural presence keep increasing its attractiveness to many regional countries. Although bilateral relations between China and Russia improved since the 1990s and their exchanges are frequent and rather deep (also in the framework of the Shanghai Cooperation Organization), both giving priority/playing the card of economic development, the two neighbouring powers continue to regard each other with suspicion.
- Russia needs to build positive relationship with Muslim countries. Malaysia has been one of the central hubs for radical Muslim organisations around the world, providing networking, support and education. Cooperation with Malaysian authorities is part of the Russian effort to isolate Chechnya's Islamist terrorist groups, but is also linked to improving its image with international Muslim opinion following its war with Chechen separatist groups, making Malaysia a valuable strategic partner.
- Strategic position: Malaysia is a littoral state bordering the international straits of Malacca and Singapore, the main chokepoint of a vital artery of global trade channelling roughly 80 % of its volume. Friendly bilateral relations with the littoral states are an undeniably crucial strategic factor for any regional "user" country, including the Russian Federation.
- Military-technological cooperation – in the form of sale of spare parts and MiG sales in the 1990s are still presented as a success story in Russia. Cooperation in defence and security is considered as possibly the "most intimate" interstate relation, inevitably strengthening political ties.
- Cooperation in the space programme – Russia is one of world's space powers with a very active programme and excellent scientific capacities. It cooperates with the Malaysian National Space Agency through extensive capacity building, as well as, the first launch of a Malaysian citizen into space in 2007.³⁰ The agreement was a component of the US\$900 million defence procurement of 2003, approving the purchase of 18 Sukhoi Su-30 MKM fighter jets by the Royal Malaysian Air Force.
- Potential Russian investment in the oil/gas industry, logging/natural resources, tourism.

Malaysia's interest in linking with Russia can be traced back to the 1970s.³¹ During Prime Minister Mahathir Mohamed's nationalistic policy (1981 to 2003), Malaysia shifted from an openly pro-Western policy towards more non-aligned neutrality, seeking out new partnerships and diversifying its sources of economic cooperation to non-Western countries. Concerned over the sustainability of a post-Cold War, unipolar world system dominated by the US, today's Malaysian ruling elite is opting for re-balancing the power distribution of the region by supporting rising non-Western powers. At the present time, Malaysia is one of Russia's main trading partners in Southeast Asia. According to the official records, the total trade turnover between Russia and Malaysia reached US\$1,903 billion in 2007 against US\$1,133 million in 2006, with Russian imports from Malaysia standing at US\$1,462 billion and Russian exports to Malaysia at US\$440,100 million.³²

²⁹ Dr. A. Muraviev, interview with author (E. Pejsova), Singapore, December 2011.

³⁰ In the framework of the Angkasawan Program in 2007, Sheikh Muszaphar Shukor has been the first Malay/ Muslim citizen to sojourn at the International Space Station, transported by the Russian Soyuz TMA-11.

³¹ Under the direction of Prime Minister Tun Abdul Razak (1970-1976).

³² Official figures of the Embassy of the Russian Federation in Malaysia, accessible on-line on http://www.malaysia.mid.ru/relat_e.html Russia's official exports to the country consist in chemical fertilizers and

The cooperation agreement signed between the Russian and Malaysian chambers of commerce in December 2005 also suggests the emergence of new sources of trade. Similarities in outlooks between the two countries' political elites and their respective approaches to democracy are another common point facilitating communication and cooperation between the ruling parties of the two countries.³³ Finally, cooperation and capacity building in various sectors of civil society, especially education and research, have been flourishing; all paving the way for a promising and increasingly closer friendship.

2.2. Defence and security cooperation

Malaysia's traditional defence partners for historical reasons have been the United Kingdom (UK), Australia, and New Zealand. Annual military exercises to ensure continued inter-operability take place with these partners plus Singapore under the Five Powers Defence Arrangements, Southeast Asia's only area defence system.³⁴ During the Cold War, the United States became an important partner in the security and defence fields due to the shared communist threat. In the decades since independence, Malaysia has almost exclusively procured West European and American defence equipment. The Malaysian military is modelled along British Commonwealth lines, and is, therefore, most comfortable working alongside other Commonwealth militaries, followed by NATO countries, which operate under similar procedures and doctrine.

During the Cold War, the Malaysian military focused on an internal security role, due to the presence of communist insurgents (the last of whom only surrendered when they learnt of the Soviet Union's demise) and the ever-present threat of intercommunal violence. In the 1970s and 1980s, as the country became more prosperous and was able to increase defence spending, a conversion in role and modernization programme was initiated for all three services of the military to provide an increasing focus on external defence. Malaysia has not been alone in this regard as most Southeast Asian countries have been upgrading their capabilities. Whether this constitutes an arms race or is simply a function of countries purchasing the types of off-the-shelf platforms that happen to be on offer from Western and Russian vendors is open to debate. Among the strategic considerations thought to be driving the type of platforms Malaysia procures is the apparent desire to keep up with the capabilities possessed by such neighbours as Singapore and Indonesia, as well as China's growing assertiveness over its claims in the South China Sea.

The Russian-made MiG-29 fighter aircraft first entered service with the Royal Malaysian Air Force (RMAF) in 1995. This order for 18 aircraft was followed by an order for another 2 to replace airframes lost in crashes. The MiGs have been plagued by maintenance issues, and, as of 2011, only 12 of the RMAF MiG-29s (2 of which are in the trainer role) are thought to be airworthy. In 2003, an order was placed for 18 Su-30 multi-role combat aircraft and these were delivered in 2007, with the possibility of a further 18 being ordered. The purchase of Russian-built aircraft marked a change in the RMAF's direction, as Malaysia has traditionally procured weapon platforms exclusively from Western Europe and the US. Although the RMAF is satisfied with the capabilities of both aircraft types, there have been problems relating to reliability and performance, which primarily relate to a poor maintenance culture in the former Soviet Union, and appear to reflect on Russian inexperience and lack of commitment to military export customers.³⁵ On a technical and military-to-military level, Russian-Malaysian relations are not warm. Indeed, Malaysia is not alone in this regard as can be seen from India's recent preference for European and American equipment, following decades of Soviet procurement. According to Indian military officers, despite a lower

other chemical products metal products and defence equipment (mainly spare parts for aircraft equipment). Imports from Malaysia are home E&E appliances, palm oil and palm oil products, plastics and cocoa.

³³ "United Russia" and the United Malays National Organisation (UMNO) signed a protocol of bilateral cooperation in April 2005.

³⁴ Peter Ho, "FPDA at Forty: Still Effective and Relevant", *RSIS Commentary No. 179* (Singapore: S. Rajaratnam School of International Studies, 2011).

³⁵ Author's (W. Kucera) sources in the RMAF, September 2011.

price tag, Russian equipment is no longer considered competitive when the whole life cycle is considered.³⁶

The procurement of Russian fighter aircraft required significant adaptation to RMAF procedures and doctrine, and it is thought that both the MiG-29 and Su-30 purchases were the result of politically driven deals instigated by former Prime Minister Mahathir Mohamed. At the elite level, it is thought that relations between personalities such as Mahathir and his Russian counterparts are indeed warm. Associated with the MiG and Sukhoi deals is a lucrative joint-venture maintenance company with a fifty-fifty split in Russian and Malaysian ownership. Although all Malaysian defence procurement is supposed to include an offsets component³⁷ to support Malaysian domestic industry, there is no indication of any substantive offsets associated with either aircraft orders that significantly impact on the development of Malaysia's defence industrial base.³⁸ According to a Rosoboronexport press release, the launch of Malaysian cosmonaut Sheikh Muszaphar Shukor aboard a Soyuz spacecraft in 2007 was the result of an offset relating to the 2003 Su-30MKM export deal.³⁹ Another offset is likely to have been the creation of a bilaterally owned and operated maintenance company in Malaysia.⁴⁰ Other offsets relating to the 2003 deal are supposed to include licensed production in Malaysia of micro-hydro power plants, and, to the original MiG-29 deal, the 1995 establishment of an aerospace education programme at the Scientific University of Malaysia (Universiti Sains Malaysia).⁴¹ As of 2010, outstanding defence offset obligations to Malaysia stood at US\$200 million, and were the key motivations behind the planned development alongside UK-based Blenheim Capital Partners of the Malaysia Defence and Security Technology Park in Sungkai, Perak.⁴²

In Malaysia, as elsewhere in Southeast Asia, the procurement of Russian weapons has been primarily driven by political considerations, such as the possibility of barter deals. Malaysia's order for MiG-29s was reportedly paid for in part with palm oil and consumer goods, boosting bilateral trade figures.⁴³ The 2003 order for 18 Su-30s was concluded during a state visit by Putin to Malaysia prior to Mahathir's retirement, and was reported to be worth some US\$900 million, of which one third was paid for in palm oil.⁴⁴ The Russian defence industry has yet to completely adapt to a full commercial footing, continuing to rely on financial support from the government, and on politically driven exports to developing countries that are a legacy of the Comecon⁴⁵ communist-era international trading system. Traditional users of Russian armaments in Southeast Asia are in some cases phasing out such equipment because of the difficulty in obtaining spare parts and, in the case of small arms, munitions.⁴⁶

³⁶ Commodore (Retd.) Ashok Sawhney, interview with author (W. Kucera), Singapore, February 2010. See also A. Sawhney, "Indian Naval Effectiveness for National Growth", *RSIS Working Paper*, No. 197 (Singapore: S. Rajaratnam School of International Studies, May 2010).

³⁷ Kogila Balakrishnan, "Evaluating the Role of Offsets in Creating a Sustainable Defence Industrial Base: The Case of Malaysia", *The Journal of Defence and Security* 1, No.1 (2010).

³⁸ Managing director of a company active in provision of maintenance services to RMAF, author (W. Kucera), Kuala Lumpur, September 2011.

³⁹ "Rosoboronexport puts in orbit the first Malaysian cosmonaut", press release, http://www.roe.ru/news/pr_rel/pr_rel_eng/pr_eng_07_10_10a.html; see also Russian Insurance Centre, "The Russian Insurance Centre Provided Insurance Against Risks Related to the Launch of the Soyuz-FG Launch Vehicle with the Soyuz-TMA-11 Space Vehicle", <http://www.rusins.ru/en/print.php?url=http://www.rusins.ru/en/index.php?newid=387>

⁴⁰ See Irkut Corporation, "The first two serially produced Su-30MKM fighters for the Royal Malaysian Air Force has been demonstrated", press release, http://www.irkut.com/en/news/press_release_archives/index.php?id48=252

⁴¹ See Rosoboronexport, "Rosoboronexport at the ITEX-2007 International Exhibition", press release, http://www.roe.ru/news/pr_rel/pr_rel_eng/pr_eng_07_05_17.html

⁴² Amy Wilson, "Blenheim signed up for \$5bn Malaysian offset deal", *The Daily Telegraph*, July 22, 2010.

⁴³ Hari S. Maniam, "Russia and Malaysia Sign Palm-Oil-for-Planes Deal", *Moscow Times*, June 8, 1994.

⁴⁴ Robert H. Donaldson, and Joseph L. Noguee, *The Foreign Policy of Russia: Changing Systems, Enduring Interests* (Armonk, NY: M.E. Sharpe, 2009), 331; Sergei Blagov, "Putin gets down to business in Malaysia", *Asia Times*, August 7, 2003.

⁴⁵ Comecon refers to the Community for Mutual Economic Assistance. Under the Comecon system, goods were exchanged on a basis that ignored market pricing. For developing countries, this option made Soviet weapons much more affordable and partly explains the large quantities of Soviet/Russian armaments to be found in countries such as India or Libya.

⁴⁶ Author's (W. Kucera) sources in the Interior Ministry, Phnom Penh, Cambodia, August 2011.

In the near future, Malaysia will require additional combat aircraft as replacements for several ageing types such as the F-5, MiG-29, and old generation F-18, all of which are currently in service with the RMAF. Although technical preferences for the RMAF likely point towards the F/A-18 Super Hornet, which is in service in Australia and the United States - two of Malaysia's closest military partners - or the Eurofighter Typhoon, which has been shortlisted by India in its own procurement competition, Russian Fourth Generation aircraft such as the Su-30 series are likely to prove competitive based on financial and political considerations.

Following defence cuts enacted by the Conservative/Liberal Democrat coalition in London, the British government and BAE Systems has begun marketing efforts aimed at selling Eurofighter Typhoons to Malaysia, emphasising inter-operability within the framework of the Five Powers Defence Arrangement (FPDA).⁴⁷ The UK Royal Air Force deployed four Typhoons for the annual FPDA Exercise Bersama Lima in October 2011, and two of these remained at RMAF Butterworth for a month before participating in the December 2011 Langkawi International Maritime and Aerospace Exhibition.⁴⁸ During this time three Malaysian pilots were able to conduct familiarisation flights on the aircraft.⁴⁹ Earlier in the year, Malaysian Defence Minister Dato' Seri Dr Ahmad Zahid Hamidi publicly stated that the Eurofighter was most suited for the RMAF's MRCA (multi-role combat aircraft) requirement to replace the current inventory of dated MiG-29s and F-18s, in a decision that is likely to be made ahead of the 11th Malaysia Plan covering 2015-2020.⁵⁰

Among the considerations that would work in favour of Russia in future Malaysian procurement decisions are the fact that legislation such as the UK Bribery Act (UKBA) and US Foreign Corrupt Practices Act (FCPA) involve additional legal risk and political complexity for the parties involved. At the level of strategic considerations, one of the motivations for countries such as Malaysia and Indonesia to diversify suppliers is to mitigate against the risk of sanctions or other forms of supply disruption in times of crisis. According to RMAF Chief of Air Force General Tan Sri Dato' Sri Rodzali bin Daud, there is a requirement in Malaysia for a mixed fleet of fighters to mitigate against supply disruptions caused by international politics in times of hostilities.⁵¹

2.3. Maritime Security

As part of its new "Asian" orientation, Russia has been developing its long neglected Far East. Vladivostok, or the "Lord of the East", is Russia's primary outpost in the Asia Pacific, important with respect to military and energy developments in the region. It is expected that two of Russia's soon-to-be-acquired Mistral-class helicopter carriers will be deployed with the Pacific Fleet, in either Vladivostok or new facilities that will be constructed in the Southern Kuriles.⁵² While it has been suggested that the main rationale is to avoid provoking NATO with a Baltic deployment, these new assets would enable Russia to assert its presence in the Pacific once again, and perhaps revive the naval diplomacy tradition of the Imperial Russian Navy and its successor,

⁴⁷ During his address to the 2011 IISS Shangri-la Dialogue Security Summit in Singapore, UK Defence Secretary Liam Fox spoke of the need to 'modernise' the FPDA, referring to possibilities of joint procurement, financing and development of weapons systems among FPDA partners, along the lines of the US-led multilaterally-financed Joint Strike Fighter programme.

⁴⁸ Greg Waldron, "Malaysia's fighter contest intensifies ahead of LIMA air show", *Flight International*, <http://www.flightglobal.com/news/articles/in-focus-malaysias-fighter-contest-intensifies-ahead-of-lima-air-show-365079/>

⁴⁹ Leslie Andres, Bendahara, Alang and David, Adrian, "Typhoon package is the best deal", *New Straits Times*, December 8, 2011, <http://www.nst.com.my/top-news/typhoon-package-is-the-best-deal-1.16438>

⁵⁰ Greg Waldron, "Malaysia defence chief prefers Eurofighter", *Flight International*, July 26, 2011, <http://www.flightglobal.com/news/articles/malaysia-defence-chief-prefers-eurofighter-359886/> and "Fighter jet manufacturers scramble at LIMA for multi-billion ringgit deal", *The Star (Malaysia)*, December 8, 2011, <http://thestar.com.my/news/story.asp?file=/2011/12/8/nation/10052214&sec=nation>

⁵¹ Greg Waldron, "Malaysian air force chief outlines priorities", *Flight International*, December 6, 2011, <http://www.flightglobal.com/news/articles/in-focus-malaysian-air-force-chief-outlines-priorities-365580/>

⁵² "Russia must be ready to host Mistral ships in Pacific-expert", *RIA Novosti*, February 10, 2011, http://en.rian.ru/military_news/20110210/162540590.html

the Soviet Navy. Mistral-class vessels lack any sophisticated defensive systems and are therefore oriented towards Humanitarian Assistance and Disaster Relief (HADR) and amphibious deployments, rather than conventional sea battle. The Russian navy has only briefly deployed helicopter carriers with an anti-submarine warfare (ASW) capability, and traditionally has a short-range amphibious warfare capacity based on defensive needs. According to Lieutenant Commander Patrick Baker of the US Naval Postgraduate School, Russia selected the Mistral before defining a mission for it.⁵³ They may, therefore, be seen as a “soft” asset rather than an offensive weapon. Considering the interest of Russia in a greater role in the Asia-Pacific security environment, Vladivostok is being transformed into a major modern naval base, with the Pacific fleet operating in the entire Western Pacific. According to Professor Leszek Buszynski of the International University of Japan, there is no threat in Northeast Asia that a Mistral-class vessel is capable of countering, and, therefore, a Pacific Fleet deployment is aimed at reviving a Russian naval presence in the Kurile Islands as well as the ASEAN region.⁵⁴

Malaysia's Sepanggar Bay Container Terminal (SBCT) on the outskirts of Kota Kinabalu hosts a major facility of the Royal Malaysian Navy (RMN) as well as an oil terminal. The Sepanggar Naval Base is one of Malaysia's most strategically located naval bases, hosting not only the RMN's new submarines, but also ready to accommodate large foreign naval vessels, including aircraft carriers – during exchanges and capacity-building exercises with allied and friendly navies (for example with FPDA partners or the US Navy). Operational since 2009, it is East Malaysia's largest naval base covering the strategically important South China Sea and Sulu Sea, and the main sea lanes linking China and Northeast Asia with Europe, Africa, and the Middle East. Considering recent developments in the South China Sea, such as the 2011 incidents involving China and Vietnam as well as China and the Philippines, and unresolved sovereignty claims involving almost all regional actors, including Malaysia, a modern, sophisticated and strong naval presence in Sabah is considered to be of the utmost strategic importance to Malaysian defence planners.

At present, two new Scorpene-class diesel-electric attack submarines, acquired from the French military shipyard DCNS, are stationed at Teluk Sepanggar, along with around two hundred French naval personnel servicing the submarines and providing training to RMN personnel. According to Yang Di-Pertuan Agung (Malaysian Monarch) Mizan Zainal Abidin, the acquisition is supposed to “enable (...) to develop a more credible and capable military force in the region”, and is presented as the Government's “biggest commitment to safeguard the sovereignty of Malaysian waters”.⁵⁵ The acquisition by the RMN of this type of submarine can in the long term be used to deter infringements on Malaysian sovereignty in the South China Sea in the event of an escalation of tensions. Theoretically, it could also play a role in the territorial defence of Sabah, much of which is still claimed by the Philippines, although bilateral ties are positive in the economic and security spheres.⁵⁶ In any case, this type of naval technology is not destined to “fight against piracy and smuggling”, as the local authorities in Sabah present it.⁵⁷ Albeit the RMN is still in the process of learning to operate such equipment, considering the interest of both countries in securing the fragile regional maritime environment, we can expect to witness more naval cooperation between Russia and Malaysia involving the aforementioned bases. Malaysia's acquisition of the Scorpene forms part of a regional trend that over the next two decades will involve a substantial increase in the number of submarines being operated by regional navies, including Singapore, Indonesia, Vietnam, Australia, China, and Japan.

⁵³ Patrick Baker, “Russian Acquisition of the French Mistral Amphibious Assault Warships” (presentation, Brookings Institution, Washington, DC, June 27, 2011).

⁵⁴ Buszynski Leszek, “Russia's Mistral purchases”, *East Asia Forum*, July 20, 2011, <http://www.eastasiaforum.org/2011/07/20/russia-s-mistral-purchases/>

⁵⁵ King Mizan Zainal Abidin, welcome speech in the occasion of the acquisition, September 2009, <http://www.defpro.com/daily/details/393/>

⁵⁶ The Philippines claim a part of Sabah to be not part of the original lease granted by the Sultanate of Sulu to the British North Borneo Company.

⁵⁷ Datuk Ilyas Ibrahim (Mayor of Kota Kinabalu), interview with author (E. Pejsova) at the time of purchase, September 2011.

3. Case Study: Kota Kinabalu and Vladivostok become Sister Cities

While official bilateral agreements reflect the general mood of rapprochement, more subtle forms of cooperation flourish on private and local levels, completing diplomatic relationships the “soft power” way. Programmes like city “twinings” establish partnerships between two cities sharing a certain number of common features usually focusing on low-profile, non-strategic issues such as capacity-building, infrastructure development, cultural, educational and civil society exchanges. A “Memorandum of Friendship” is a non-binding agreement with little legal value and, as such, difficult to be challenged by central governments. At the same time, keeping a low political profile allows the building of friendly ties, exploitable over the long-term.

Vladivostok is at the centre of Russia's economic and strategic presence in the Asia-Pacific. Given China's rapid economic expansion and Russia's interest in more actively participating in the Asia-Pacific region, the city's prospects are likely to improve. As the host of the next 24th APEC Summit in 2012, the city has been undergoing major reconstruction and infrastructure development. As Russia's gateway to the Pacific and the southernmost port on Russia's eastern seaboard, Vladivostok lies in close proximity to the dynamic Northeast Asian economies of China, South Korea and Japan. Economic activity in Vladivostok is largely based on maritime-oriented activities that include shipping, fishing, and hosting the Russian Navy's Pacific Fleet. This harbour holds a strategically important position at the crossroads of international shipping corridors, and has a well-developed cargo-handling infrastructure.

Sabah is a semi-autonomous state within the Malaysian federal system, distinct from the Malayan peninsula, as a result of the 1963 Malaysia Agreement. Formerly the British Crown Colony of North Borneo, Sabah's population is mainly Christian, with a long-established Chinese business community and almost exclusively Western-educated local elite maintaining good relations with the Western powers. Sabah is historically, religiously, culturally and demographically very distinct from West Malaysia. Its openly pluralistic and tolerant religious and ethnic environment, with a geostrategic position at the centre of maritime Southeast Asia and openness to the West, makes it an easily accessible and attractive partner for international cooperation.

There is a potential for cooperation between Russia's Far East and Malaysian Sabah:

- Energy resources could be of interest to Russian oil and gas companies. Gazprom has been developing new markets, positioning itself as an ideal “bridge” between Asia and Russia. Besides scattered projects, however, there has been very little cooperation between the Russian and Malaysian oil and gas sectors so far.
- Port industry, shipping and naval bases are an important source of economic activity for both, raising the potential for capacity building and greater cooperation.
- Tourism is the most promising and most developed sector so far. Thanks to scheduled air connections from Moscow and Vladivostok to Kota Kinabalu via Seoul, Hong Kong and Singapore, Sabah is becoming a popular holiday destination for European Russia as well as Siberia and the Far East.⁵⁸

⁵⁸ Travel time between Vladivostok and Kota Kinabalu, including transit, is currently around 10 hours. Kota Kinabalu is therefore one of the most easily accessible tropical destinations from the Russian Far East, whose citizens do not require visas to enter Malaysia for short stays.

3.1. Official background

The signature of Sister City partnership between Vladivostok and Kota Kinabalu arose during the Mayors' Round-table Discussion of the 4th Tourism Promotion Organisation for Asia Pacific cities (TPO)⁵⁹, to which both cities are parties, during the General Assembly held in Kota Kinabalu from 27-30 September 2009. The Memorandum of Friendship was signed by the Mayor of Vladivostok, Mr. Igor S. Pushkaryov, and the then-Mayor of Kota Kinabalu, Datuk Ilyas B. Ibrahim, during the Sister City Signing Ceremony held on March 15, 2010.⁶⁰ It concluded a four-day visit of a Delegation from Kota Kinabalu to Vladivostok, led by the initiator of the project in person, Datuk Masidi Manjun, and included approximately thirty participants from the City Hall, the Sabah Tourism Board, hoteliers and tour operators.

Datuk Masidi Manjun (left), Sabah Minister of Tourism, Culture and Environment and Datuk Ilyas B. Ibrahim (right), Mayor of Kota Kinabalu, in front of Vladivostok City Hall, Russia, on March 15, 2010 (Photo courtesy of Dk I. Ibrahim).



⁵⁹ The Tourism Promotion Organisation for Asia Pacific cities (TPO) has 50 city members and 17 Industry Members. More detail information accessible at <http://www.aptpo.org/>

⁶⁰ Officially, the programme enables Sister Cities to cooperate areas such as tourism, business, culture, educational, scientific and other exchanges and staff training. Both cities engage to provide information to their citizens about the history, culture and life in their counterpart cities through various cultural events and to inform each other about the structure and activities undertaken by their respective local governments.

Although Kota Kinabalu achieved city status in 2000 and Vladivostok's history can be traced to as far back as the 1850s, Pushkaryov expressed confidence that bilateral ties between both cities would be improved with business and cultural exchanges, benefiting Vladivostok.⁶¹ According to the Mayor in charge of the project, Datuk Ibrahim, cities that are to be accepted for the partnership are selected based on various criteria – mostly similarities in terms of size, population and geographical features. An important element is, however, also the level of development and other international contacts of the respective partners, in order to allow a fruitful cooperation and exchange of best practices, for the benefit of both.

“Kota Kinabalu has been solicited by many cities from all around the World, even from Europe. But we need a partner that can benefit us. Vladivostok is a very old city and we have similar problems – such as handling the port infrastructure within the city. (...) Also, their approach to education is inspiring, there are a lot of experiences that we can share.”⁶²

The then-Kota Kinabalu Mayor, Datuk Ibrahim, was most impressed by the “Ocean” International Summer Camp in Vladivostok, and the local approach to education, focused on practical training, survival techniques, environmental protection, and has been actively pursuing possibilities for student exchanges. The International Summer Camp not only attracted attention as a possible destination for children from Sabah, but also seems to be an inspiration for Sabah and its natural parks and reserves to develop similar initiatives.

Education exchanges seem to be also attractive for the Kota Kinabalu City Hall Deputy Director General Joannes Solidau, the main coordinator of the twinning, as well as research cooperation.

“University education in Russia is reputed for high standards⁶³, taught in English, and Sabah is in need of qualified medical personnel...and Vladivostok has been renowned for its excellent medical school”.⁶⁴

Although so far there have been no student exchanges, due to the very early stages of cooperation and lack of finances on both sides, it is very likely that such educational exchanges will be one of the most flourishing fields of cooperation at the official level.⁶⁵

3.2. Behind the scenes - striving for greater security benefits to Sabah

The Sabahan elite is aware of the State's attractiveness as a tourist destination, as well as of its potential due to its strategic geographical position. Through international initiatives of this type, it clearly displays its intentions to attract foreign investment and ensure a more prosperous and stable course that is insulated as much as possible from Federal politics. The initial idea for the partnership came from a personal endeavour of the Minister of Environment, Tourism and Development Dr. Masidi Manjun, who “felt there was an opportunity for cooperation”.⁶⁶

⁶¹ I. Pushkaryov (assistant of the Mayor of Vladivostok), e-interview with author (E. Pejsova), September 2011.

⁶² Datuk Ilyas Ibrahim, interview with author (E. Pejsova), Kota Kinabalu, September 6, 2011.

⁶³ A number of Sabahan students currently choose to pursue their medical studies in Russia. Kursk State Medical University hosts 150 such students and 80 have already graduated.

⁶⁴ Joannes Solidau, interview with author (E. Pejsova), Kota Kinabalu, September 5, 2011.

⁶⁵ Alan James (Universiti Malaysia Sabah [UMS], international exchanges division, member of the delegation to Vladivostok), interview with author (E. Pejsova), Kota Kinabalu, September 7, 2011.

⁶⁶ Datuk Masidi Manjun (Minister of Tourism, Culture and Environment), interview with author (E. Pejsova), September 6, 2011.

"As a student, I had the opportunity to travel to the Soviet Union at the time and around the Eastern bloc. I like and respect the country very much – the society, the culture...and their approach to international relations".⁶⁷

A former member of Socialist Youth organisation during the 1980s, he developed sympathies for the socialist block, as well as connections through his voyages and participation in international youth camps during that period. He visited Vladivostok in his own personal capacity before the official partnership and proposed that the "twinning" was an appropriate way of bringing Sabah closer to a growing new player in the Asian geostrategic landscape.

"We do not believe in the sustainability of the U.S. dominance in the region. The world needs more to be balanced. Only a real multipolar world can bring balance. Malaysia has always encouraged the growth China and Russia as alternative regional hegemons to counterbalance the American presence".⁶⁸

According to Datuk Manjun, the rapprochement between Sabah and Russia's "Far East" falls perfectly within Malaysia's strategy to relate with new Asian powers in order to counterbalance the dominant US presence in the region. Although an initiative originating purely at the local level, it has generated an immediate positive response and support from Kuala Lumpur. Aware of the growing potential for economic cooperation and strategic influence of Russia in the Asia Pacific, Sabah wants to establish friendly relations at an early stage.

"Sabah is fragile and surrounded by instability – trans-border organised crime, piracy, smuggling – both from Indonesia and the Philippines. We cannot handle everything by ourselves; we need good naval and coast guard capabilities to safeguard our borders".⁶⁹

Sabah's location between the Southern Philippines and Indonesian Kalimantan makes it vulnerable to external threats. Transboundary organised crime, including the smuggling of goods, narcotics, small arms and human trafficking, as well as piracy, are everyday realities in Sabah's Eastern frontier towns of Tawau and Sandakan. Tensions are further provoked by the activity of regional insurgent and terrorist groups such as the Philippine-based Moro Islamic Liberation Front and Jemaah Islamiyah in Indonesia. Security threats to Sabah are posed also by the outward projection of instability within its regional neighbours, in particular the Philippines and Indonesia. Parts of Sabah's territory are still disputed with Indonesia (Sipadan and Ligitan islands and the "Ambalat dispute")⁷⁰ and the Philippines, adding to a climate of constant vulnerability and pressuring to increase security and defence arrangements and develop its economy.⁷¹

⁶⁷ Ibid.

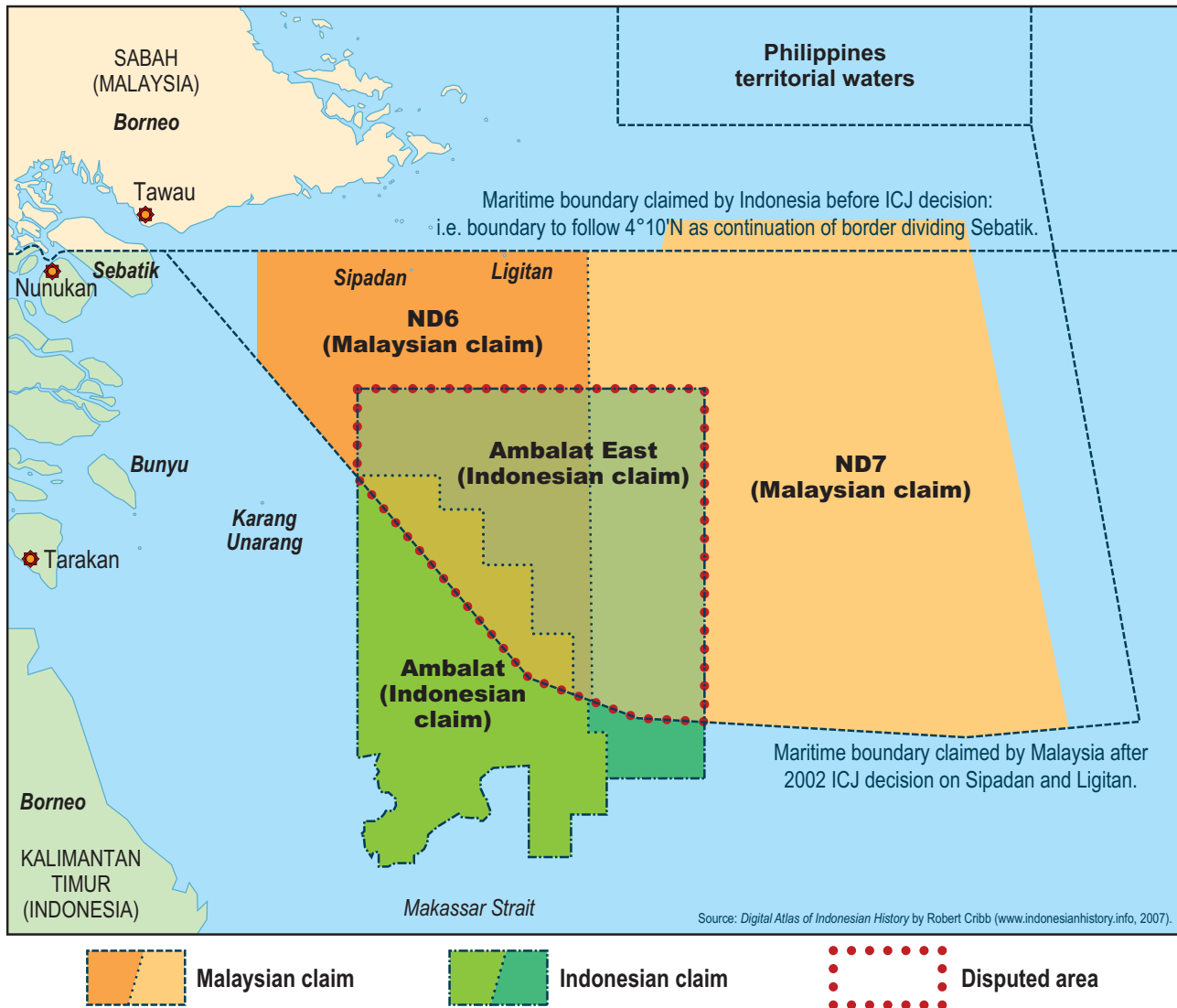
⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ The Ambalat dispute over a block of seabed and continental shelf in the Celebes Sea believed to be rich in crude oil between Malaysia and Indonesia has been ongoing since 1979. Although in 2001, the International Court of Justice (ICJ) resolved the dispute over the Sipadan and Ligitan islands in the area, it did not tackle the issue of delimitation of territorial sea and continental shelf, making the dispute unresolved to this day.

⁷¹ Few if any significant military powers maintain any interest in committing to the defence of Malaysian Borneo. By contrast, the Philippines is a treaty ally of the United States, while Indonesia due to its strategic significance, abundant natural resources, large consumer market and increasing appetite for imports of defence equipment, maintains good relations with all major military powers actively involved in the region. Since the late 1980s the Malaysian Armed Forces have undergone a conversion in role from a primary focus on internal security (counterinsurgency and civil unrest) to a more conventional territorial defence that has seen the procurement of advanced fighter aircraft, radar and surveillance systems, main battle tanks and artillery, as well as surface and subsurface naval platforms.

East coast of Malaysia (Sabah)'s territory disputed with Indonesia



If the Sabahan political elite is able to successfully gain additional concessions from Kuala Lumpur in return for maintaining support to the ruling Barisan Nasional (National Front) coalition, the potential for additional investment in infrastructure could translate into lucrative contracts for foreign companies with existing relationships in the state. Such opportunities are more likely to exist for companies hailing from other middle-income economies such as China, South Korea, Turkey, Brazil, Mexico, and members of the former communist bloc that offer a more competitive cost base than the European, Japanese or North American firms that have been the traditional beneficiaries of such developments in Malaysia, as a legacy of Cold War relationship maintenance. Sabahan and other Southeast Asian elites are today more likely to favour commercial relations with countries that are perceived not to have direct political designs on their region, and Russia, alongside other middle-income economies, is more likely to fall into this category.⁷²

⁷² Confirmed by conversations between the authors and local elites in Malaysia and other Southeast Asian countries on a number of occasions.

3.3. Tourism, Sabah's most valued resource

Tourism is the main and certainly most promising sector of cooperation in the immediate term, and the promotion of tourism appears to have been the most attractive motive behind the initiative. Sabah's tropical climate, beaches and natural reserves are great attractions to foreign tourists, including Russians. The targeted group is high-end tourism, with Sabah hoteliers being conscious about the financial potential of the Russian upper class.⁷³ Direct flights started to operate between Seoul and Kota Kinabalu in 2009, having a significant impact on the inflow of Russian tourists to Sabah. According to the statistics of the Sabah Tourism Board, the number of Russian arrivals increased from 1,655 persons in 2009 to 2,342 in 2010, and reaching 997 persons within solely the period of January to April 2011. The suspension of the line over the summer period (April to November), highlights the exclusive focus on winter Russian high tourist season.⁷⁴

According to the observations of the delegation of the Sabah Tourism Board at the main Russian tourism fair organised in Vladivostok in 2010, DALTOUR, *"90% of the visitors at the booth did not know where Sabah and Malaysia was. The remaining 10% knew where Malaysia was, but were not aware that Sabah was a part of Malaysia"*.⁷⁵ The main obstacle for relating with the Russian tourist market seems to be the language barrier, as, to the surprise of the Sabahan delegation; almost none of the Russian tourists spoke English. This opens the opportunities for closer cooperation with local Russian travel agents and operators, both in Russia and in Sabah, and to push forward awareness-raising campaigns on the region and yearly participation in similar fairs, since *"the market is there"*.⁷⁶ Another obstacle is awareness of Sabah and its overall character.

There have been on-going rumours about a purchase of a substantial parcel of land on the northern peninsula of Kudat, as well as, general Russian interest in land purchases in East Malaysia.⁷⁷ The idea has been to develop an integrated *"village-resort"*, adapted to the Russian *clientèle* in terms of language and selection of products. The only Russian permanently living in Sabah, in charge of Russian-speaking tourists arriving to the region, confirmed there have been preliminary negotiations concerning such a project, involving an unnamed potential Russian client.⁷⁸ However to date there has been no signs of progress. The fact that the Russian client who expressed interest in the concept has temporarily withdrawn from the investment since he has been temporarily *"busy with the preparations for the APEC Summit"*,⁷⁹ suggests it might be an important figure in the Vladivostok public or business environment, but opaqueness covers the whole issue.

3.4. Investment potential: *"Sabah, the hub for the Far East"*

Sabah is strategically located at the centre of the BIMP-EAGA (Brunei, Indonesia, Malaysia, Philippines - East ASEAN Growth Area),⁸⁰ an ASEAN regional economic cooperation initiative

⁷³ Interviews of authors with high-end hoteliers and sales managers in Sabah responsible for the Russian market; they confirm the growing potential for the future with growing accessibility via such aviation hubs as Seoul, Hong Kong, Kuala Lumpur and Singapore- not only from the Russian Primorski Krai, but also from other Commonwealth of Independent States such as Kazakhstan, Uzbekistan and Kirghizstan.

⁷⁴ Russian high season for travelling is during winter months – partly because of weather conditions, partly because of the accumulation of public holidays (civil New Year, Orthodox Christmas, Orthodox New Year).

⁷⁵ Humphrey Ginibun (Marketing Manager of the Sabah Tourism Board), interview with Eva Pejsova, Kotak Kinabalu, September 8, 2011.

⁷⁶ Ibid.

⁷⁷ Author's (W. Kucera) conversations with business circles in Kota Kinabalu and Kuching.

⁷⁸ Irina Poplaukhina (Sales executive for Russia and CIS Countries for a Sabah-based tourist agency), interview with author (E. Pejsova), Kota Kinabalu, September 6, 2011.

⁷⁹ The negotiator on behalf of the Russian client, who however denied any current or future development, telephonic interview with author (W. Kucera), September 2011.

⁸⁰ Formally launched in 1994, it comprises the Sultanate of Brunei Darussalam; the provinces in Kalimantan, Sulawesi, Maluku, and Papua in eastern Indonesia; the states of Sabah and Sarawak and the federal territory of Labuan in Malaysia; and Mindanao and Palawan in the Philippines.

focused on maritime Southeast Asia. Considering the promise of rich natural resources and growing strategic and economic importance of Asia in general, the initiative aims to attract private investors from all around the world by ensuring effective public support by the local governments, in order to ensure development and growth of the sub-region. "*The State has what it takes to attract investors*", said Chief Minister Datuk Seri Musa Haji Aman (also the Minister of Finance), during the official opening of the Sabah International Expo (SIE) in 2010. Aware of its strategic position in the middle of a booming region, Sabah aspires to becoming a MICE (meetings, incentives, conferences and exhibitions) centre.⁸¹ Currently, Kota Kinabalu is building a five-thousand person capacity conference centre, hoping to position itself at a similar level as neighbouring Brunei, which has significant conference-hosting capacity.

In a similar vein, the Sabah Development Corridor (SDC), launched in January 2009 as part of the Ninth Malaysia Plan by the Federal Government under then-Prime Minister Badawi, is designed to promote regional economic growth through infrastructure development and the facilitation of foreign investment, and marks an effort by the federal government to develop its provinces. The Plan's focus is on social welfare, sustainability and rural-urban balance. The initiators claim to promote sustainable growth, better wealth distribution and environmental conservation, in order to make Sabah a gateway for trade, investment and tourism. As by the title of the five-day SIE held in 2010, Sabah wants to become the "Hub for the Far East",⁸² which is an ambitious, yet not unrealistic possibility. Interestingly enough however, according to the organisers of the event, there has been no account of Russian investment, interest or presence during the six past international fairs organized since 2000.⁸³

A strong need for identity consolidation and unfair treatment by the federal government can be sensed in all aspects of the local social and economic life, including at the levels of public administration.⁸⁴ While benefits from the extractive industries go straight to the Federal Government, leaving little for the State, income from tourism and investment in local land goes directly to the individual States' treasuries. The federal government controls all tax revenue and Sabah and Sarawak only receive approximately 5% of tax revenues from oil and gas deposits within their respective territories under Malaysia's Petroleum Act.

Conclusion

Malaysia has often been held up as a model developing country capable of ensuring stable political succession, as well as of being able to formulate and effectively implement long-term planning, seen as the foundation of Malaysia's successful economic rise. While geostrategic elements suggest prospects for a fruitful cooperation and further rapprochement, the actual state of interaction between the two provinces remains low. Our case study reveals the crucial role of personal connections and soft-power diplomacy. Among the factors working in Russia's favour, is the lack of negative historical baggage in Sabah. Indicators that the Kota Kinabalu-Vladivostok relationship is likely to take off would include further official visits and trade delegations, investments of a longer-term nature such as land acquisitions, and any substantive commercial transactions in the energy or military sectors, which would serve to indicate a strengthening of political relations. Much will depend on Moscow's commitment to investing in and developing the Russian Far East, which in turn will determine Vladivostok's capabilities and ambitions, and how Russia's Asian policy evolves.

⁸¹ "Sabah can be the Hub for the far East", *New Sabah Times*, October 22, 2010.

⁸² A bi-annual event, organized by co-organised by the Federation of Sabah Manufacturers (FSM) and the Malaysian International Chamber of Commerce & Industries (MICCI), Sabah Branch with the corporation of the Malaysia External Trade Development Corporation (MATRADE) and Ministry of Industrial Development (MID).

⁸³ Data containing figures on previous SIE events to be found on the official website, http://www.sie.com.my/en/previous_success.cfm

⁸⁴ Observation of the authors from the interaction with local personalities.

Russian security policy in Asia since 2001 has primarily been manifested through its participation in the Shanghai Cooperation Organisation (SCO), alongside China and a number of Central Asian countries.⁸⁵ The SCO member states have held annual exercises beginning in 2005. It should be noted that China had proposed holding *Exercise Peace Mission 2005*, a simulated naval blockade and amphibious assault of a state undergoing political turmoil, in the Taiwan Strait. This was, however, rejected by Russia and the joint Chinese-Russian exercise went ahead near the Shandong peninsula instead.⁸⁶ This would suggest that, except for Russian military drills in the disputed Kurile Islands, the Russian naval presence in the Far East is aimed at promoting a positive image abroad and not at actively undermining the positions of other states. There is in fact an historical precedent for the Russian Navy acting as a 'post-modern' system defender through contributions towards maintenance of the maritime consensus and good order at sea in the Southeast Asian region. During the Singapore Mutiny of 1915, the Russian cruiser *Aural* participated alongside French, Japanese and British forces in deploying naval infantry ashore to put down an anti-European mutiny by Indian colonial troops.⁸⁷ In 1914, the Russian cruiser *Zhemchug* was sunk in Penang harbour during a surprise German attack, with the loss of 89 officers and men. Of these, 82 are buried in Penang cemeteries while 7 were never recovered from the harbour, and a remembrance ceremony in Georgetown is organised by the Russian Embassy to Kuala Lumpur each year in cooperation with Malaysia's Ministry of Defence.⁸⁸

Russian policy in Asia has been described as 'tactical', rather than strategic, due to internal weaknesses within the Russian polity that prevent an effective projection of power.⁸⁹ In the context of the changing geopolitical environment of the Asia-Pacific and the increasing involvement of Russia in the region, the emergence of new "friendships" and cooperative patterns deserve to be followed with a watchful eye.

⁸⁵ Шанхайская организация сотрудничества [Shanghai Cooperation Organization, SCO], official website at: <http://www.sectSCO.org/RU/>

⁸⁶ Christian Le Mièrre, "The Return of Gunboat Diplomacy", *Survival* 53, no. 5 (October/November 2011).

⁸⁷ Leon Comber, "The Singapore Mutiny (1915) and the Genesis of Political Intelligence in Singapore", *Intelligence and National Security* 24, no. 4 (August 2009).

⁸⁸ Bernama News Agency, "Hari Memperingati Pertempuran Pulau Pinang Pada Jumaat" [Commemoration of the Battle of Penang on Friday], *The Star* (Malaysia), October 25, 2011, http://mstar.com.my/cerita.asp?sec=mstar_berita&file=/2011/10/25/mstar_berita/20111025171540

⁸⁹ Celeste Wallander, "Russia: The Domestic Sources of a Less-than-Grand Strategy", *Strategic Asia 2007-08* (Seattle: National Bureau of Asian Research, 2007), 138-141.

Appendix

China, Russia ties on sound base

By Dmitri Trenin, *China Daily*, June 14, 2011, 9.

Sino-Russian relations are usually wrapped in high-sounding rhetoric, but they are essentially very pragmatic. For China, Russia is a geopolitical “safe rear” and, in economic terms, a major resource base. For Russia, China is a huge market just across the border and a valuable geopolitical partner. The fundamentals of the relationship are solid and not likely to change in the short or medium term.

When President Hu Jintao visits Russia on Wednesday, he and Russian President Dmitry Medvedev will duly celebrate the 10th anniversary of the Treaty of Good-Neighbourliness and Friendly Cooperation between the two countries. But the main expectation this time will be the finalization of the 30-year agreement, under which Russia will supply China with 68 billion cubic meters of gas annually over the next 30 years from 2015.

When finalized, the agreement will strengthen China's energy security and diversify Russia's gas exports. Until now, the principal issue between the two countries has been the price of Russian gas for China. Gazprom wanted it to be as close to the lucrative European formula, whereas its Chinese partners based their calculation on the price of coal in China which Russian natural gas will replace.

No compromise is ever popular with all the sides involved. Critics in China will worry about inflation, and those in Russia will argue that the pipeline would put China as the only buyer in a more advantageous position.

Yet at the end of the day China will secure an important resource for a very long term. As for Russia, it will gain a foothold in a growing market and strengthen its bargaining position vis-à-vis Europe. The real issue for Gazprom is to produce enough gas for all its customers, East, West and at home.

Russia's energy projects are a means to spur regional development in Siberia and along the Russian Pacific coast. For Moscow, this is the principal geopolitical challenge of the 21st century. Partnering with China is vital in this, even if it is not exclusive. In an effort to develop their sparsely populated, but resource rich territories Russians are now reaching out to Japan and South Korea as well as across the North Pacific - to the United States and Canada.

China recently became Russia's biggest trading partner and is likely to hold that distinction this year. Yet economic relations are only part of the story. Moscow and Beijing cooperate at the global level, from the UN Security Council to the BRICS grouping, where they share similar notions about state sovereignty and territorial integrity and have a joint interest in winning more influence for major non-Western countries, such as themselves.

At the regional level, Sino-Russian cooperation is particularly salient in Central Asia. They are de facto co-leaders of the Shanghai Cooperation Organization (SCO) which, like the Sino-Russian treaty, also marks its 10th anniversary this year. In a decade, the SCO has proven itself useful in a number of ways: allowing China to pursue its interests in the former Soviet republics

without inviting a backlash from Russia, giving Russia a window and some leverage on China's behaviour there, providing Central Asian countries with room to manoeuvre between Beijing and Moscow, and serving as a platform for top-level multilateral diplomacy in continental Asia.

Sino-Russian summits have become almost routine. Medvedev last visited China in September. There are annual meetings at the prime ministerial level. All the important ministers in the two governments and other senior officials have their own regularly scheduled meetings. The bureaucratic infrastructure is thus in place.

At the other end of the spectrum, there are millions of ordinary Chinese and Russian people on both sides of the border who visit each other's country every year. Chinese studies are becoming a hit in Russia. The civilizational divide between the two countries has stopped being a barrier.

This is not to say that there are no suspicions or tensions. But they have been few and far between. It has to be mentioned that the Chinese leadership handled Russia's post-Soviet transformation wisely, refraining from celebrating Russia's decline. The Russian leadership, on its part, managed China's steep rise without losing its head. This is a sound foundation for developing bilateral relationship even further.

To move forward, there needs to be more dialogue among both countries' intellectuals. As opinion leaders, these people have a task of projecting the relationship on a broader perspective, beyond the pragmatic gas deals and the officials' festive rhetoric.

Russians want to hear about China's long- and medium-term national strategies, the Chinese leaders' and public's view of the world and of Russia's place within that world. They want to satisfy themselves that China is committed, now and in the future, to good-neighbourly relations with Russia.

In return, Russians need to tell their Chinese interlocutors that their biggest, all-consuming task is domestic modernization. They need to intimate that Russia will continue as an independent strategic actor, confident enough to be fully responsible for the sovereign decisions it takes. They need to communicate that in the 21st century Russia will be paying more attention to Asia and will see itself as a Euro-Pacific country.

What these mean is that Russia and China will interact much more - and hopefully more happily - in the future than they did in the past.

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