ASPECTS OF RUSSIAN-VIETNAMESE TRADE AND ECONOMIC COOPERATION DEVELOPMENT IN THE LATE XX AND EARLY XXI CENTURIES

Irina Kokushkina[1]

Abstract: The article focuses on the formation of the trade cooperation system, investment and humanitarian contacts between Vietnam and Russia in the late XX and early XXI centuries. The author puts emphasis on the fact that relations between the two countries have always been characterized by mutual understanding, goodwill and positive development. In difficult times of its history Vietnam received political, economic, and military assistance from the USSR (and Russia since 1991) and the Council for Mutual Economic Assistance (COMECON) of the socialist countries. In the XXI century, cooperation is becoming even more beneficial, while its traditionally good aspects remain. Thus the author states that the prospects for Russian-Vietnamese trade and economic relations can be considered as positive and promising.

Keywords : economy, cooperation, trade, investment, Vietnam, Russia.

Date of receipt: 27th Apr.2017; Date of revision: 18th Jul.2017; Date of approval: 20th Jul.2017

During the first two decades of the XXI century, the transformation of the whole system of the global economy and international relations is happening right before our eyes. It has become a period of drastic changes for many developing countries. They are becoming promoted from the periphery of the world economy to a group of countries that demonstrate active economic development and receive attention from large investors. One of such countries is **Vietnam**.

At the beginning of the XXI century *The Socialist Republic of Vietnam (SRV)* is a rapidly developing state: in 2016, its economic growth rate amounted to 6.68% (Mazynin V. 2016, p.262). While, as V. Kolotov noted (Kolotov V.N. 2017), for 25 years (from 1990 to 2016) the

[1] St. Petersburg State University, Russia. Corresponding author. Email: irinakokushkina@rambler.ru

average GDP growth rate of Vietnam amounted 7%. The country has been implementing social and economic reforms for more than three decades in order to create the modern and efficient market economy.

In 1986, the VI Congress of the Communist Party of Vietnam proclaimed the program of economic reforms that asserted the decisive role of market relations in production, trade, services and the economy as a whole. *The most important spheres of transformation* included agriculture, services and the production of consumer goods. In addition, Vietnam set its primary goals: the exports increase, the expansion and development of international relations, the stabilization of the social and economic situation and the significant increase in the population living standard (Asia Vector. 2017; Nguyen Van Loc. 2014; Labudin A., Nguyen Van Loc, Nguyen Thi Nhan. 2014).

In the XX century, Vietnam adhered to the chosen vector of development. Thus, in the beginning of the XXI century socio-economic reforms (which were implemented with the effective use of market-based instruments but with the preservation of their social orientation) resulted positively in all major macroeconomic indicators.

The foreign policy of the SRV is focused on providing favorable global conditions for social and economic modernization, as well as strengthening Vietnam's position in the global economy and international relations. It can be characterized by pragmatism and multi-vector development with the emphasis on regionalism. *The major foreign policy postulates* are independence, maintaining friendly relations with all states, protecting national interests and national security, rational and expedient integration into the system of international economic relations (Asia Vector. 2017, Lokshin G. 2014). The place of Vietnam in different global development indicators in the 2010s is demonstrated in Table 1.

Table 1: The place of Vietnam in the global indicators

Ranking	**2017 г.**	**2016 г.**	**2015 г.**	**2014 г.**	**Number of countries in the ranking**

The Global Competitiveness Index (GCI)	**2016-2017** 60		**2015-2016** 56	**2014-2015** 68	2014-2015 – 144 2015-2016 – 140 2016-2017 – 138
Ease of Doing Business Index	-	82	90	99	189
FDI inflows	-	-	46	32	185
GDP on PPP (and per capita)	-	-	35 (128)	54 (132)	189
The Corruption Perception Index (CPI)	-	113	112	119	2014 – 174 2015 – 167 2016 – 168
The Global Innovation Index (GII)	-	59	52	71	2014 – 143 2015 – 141 2016 – 128
The Fragile States Index (FSI)	-	106*	97	98	178
The World Happiness Index (WHI)	94	96	75	63	2013 – 156 2015 – 158 2016 – 157 2017 – 155

The Human Capital Index (HCI)	-	68	59	70	2013-2014 – 122 2015 – 124 2016 – 130

* The "dangerous level of risk" group, but on the edge of the "low level of risks" group (from the 108th place).

Based on: GT Market. 2015; Helliwell J., Layard R., Sachs J. 2017; IMF. 2016; Schwab K. 2015; Schwab K. 2016; The Fund for Peace. 2017; The World Bank. 2016; The World Bank. 2017a; The World Bank. 2017b; Transparency International. 2017; UNCTAD. 2016, P.196; WEF. 2013; WEF. 2015; WEF. 2016; WIPO. 2015; WIPO. 2016.

The country's leadership puts emphasis on increasing the practical benefits of multilateral economic cooperation. Vietnam has diplomatic relations with more than 170 countries. Hence it is important to point out that the leadership of the SRV adheres to the concept of multi-polarity in a modern stage of globalization and often stresses the need to maintain harmonious coexistence of various states on the basis of strict compliance with international law. Vietnam opposes any one-sided steps that may destabilize the economic and political situation in the world, condemns international terrorism in all its forms and manifestations. At all international forums, the SRV leadership emphasizes principles of respect for sovereignty, territorial integrity, non-interference in internal affairs of other countries (in accordance with the basic principles of the UN Charter that set forth in Articles 1 and 2) (Charter of the United Nations. 2017).

This attitude corresponds well to how Russian Federation perceives modern international relations development, becoming a significant factor in the rapprochement of the two states.

Considering the structure of Vietnam’s foreign economic relations, we can say that the Asia-Pacific region (APR) is its key foreign policy priority. At the end of 2016, Vietnam’s leading export partners were the Republic of Korea, China, Japan, the U.S.; leading import partners – China, Thailand, Hong Kong, Singapore, Japan and the Republic of Korea. Vietnam participates in the ASEAN Free Trade Area and has bilateral agreements on free trade zones with the Republic of Korea, Japan and Chile (Asia Vector. 2017).

In the XXI century, the APR (due to the dynamism of its economic development and geopolitical importance) became one of the leading zones where interests of the leading global powers (primarily the USA, Russia and China) overlap. Stressing the importance of the Association of South-East Asian Nations (ASEAN) as the core of the integration processes in the APR, Vietnam began the implementation of the "Building the ASEAN Community: From Vision to Action" program since the beginning of 2010. The SRV demonstrates its interest in promoting the dialogue between Russia and ASEAN in every possible way, as well as in strengthening mutually beneficial economic cooperation not only with all participants of the Commonwealth of Independent States (CIS) but primarily with the leading members of the Customs Union and the Eurasian Economic Union (EEC) – Russia, Belarus and Kazakhstan.

According to many experts (Trieu Tien Dat, Shalamov G. 2014; Lokshin G. 2014; Tran Duc Luong. 1988), cooperation with Russia is one of the important aspects of Vietnam's foreign policy system that further promotes the development of the country. *It's also worth noting that the leadership of Russia recognizes Vietnam as its strategic partner since the beginning of the 2000s after signing the Declaration on Strategic Partnership in 2001*. In 2012, the Russian Federation and the SRV decided to upgrade the status of these relations to the level of all-inclusive strategic partnership.

Vietnam has developed economic relations with Russia / the USSR since the early 1950s when it waged a war of independence against the restoration of French colonial rule. The SRV also received considerable economic and military assistance from the Soviet Union during the "American War" (1965-1973).

In 1978, in accordance with the documents of the 32nd Session meeting of the Council of Mutual Economic Assistance (COMECON), SRV became the official tenth member of this organization.

During the next 10 years, the COMECON institutions examined and resolved many problems related to providing assistance to Vietnam and developing cooperation with it.

In June 1979, participants of the 33rd Session of the COMECON decided to implement special measures to expand cooperation with the Socialist Republic of Vietnam. In 1981, the Executive Committee of the COMECON adopted a Resolution on measures aimed at the acceleration of development and efficiency of its economy. The 44th COMECON Session implemented special Comprehensive Multilateral Cooperation Programs with the SRV, the Republic of Cuba and the Mongolian People's Republic. These documents included concrete means to better coordinate assistance in economic development, as well as develop scientific, technical, and industrial and trade relations. For example, it has become a framework for

signing the General Agreement on “Cooperation in Strengthening Geological Exploration Work in the Territory of the SRV” between the USSR, Poland, Hungary and Czechoslovakia: for several years (almost until the collapse of the COMECON in 1991) geological studies and searches of minerals (such as bauxite, tin, rare earth elements, silver, gold, etc.) were carried out in Vietnam; it later served as the basis for the development of extractive industries (Lidvanova L.I. 1988, P.12; Tran Duc Luong. 1988, p.21).

Tran Duc Luong, the former Permanent Representative of the SRV to COMECON (in the late 1980s) noted that many spheres of the Vietnamese economy were created with the assistance of the COMECON countries, primarily the USSR: the infrastructure of production and processing of oil and coal (“Vietsovpetro” JV that was established in June 1981), ferrous and non-ferrous metallurgy (including the production of aluminum), petrochemical facilities; TPP "Falay" (440 MW capacity), one of the largest in South-East Asia, HPP "Haobin"; Thang-Long bridge across the Red river, Hanoi railway junction, two spinning mills and other facilities were built on a non-repayable basis (Tran Duc Luong. 1988, pp.22-23).

Until 1991, more than 40,000 young specialists in various fields of knowledge were educated in the USSR. Thousands of qualified Soviet engineers, technicians, metallurgists, oil workers, builders and other specialists helped Vietnamese colleagues to build and maintain industrial and infrastructure facilities in Vietnam (Asia Vector. 2017; Lidvanova L.I. 1988, pp.40-50).

The legal basis *of trade and economic relations between the Russian Federation and the Socialist Republic of Vietnam* includes more than 50 intergovernmental and interdepartmental documents signed after 1991. They cover various areas of cooperation, such as exploration and production of oil and gas, energy (including nuclear energy), banking, investments, tourism and much more.

The first mutual legal act was "Agreement on trade and navigation between the USSR and the SRV" (12.03.1958), *and the following* – "Agreement between the Governments of the USSR and the SRV on cooperation in conducting geological exploration and production of oil and gas on the continental shelf of the south SRV" (03.07.1980) and "Agreement on the transition to a new mechanism of mutual trade and economic relations " (31.01.1991).

The "Agreement between the Governments of the Russian Federation and the Socialist Republic of Vietnam on Trade and Economic Relations" (15.08.1991) and the "Agreement on Scientific and Technological Cooperation" (31.07.1992) are the fundamental documents regulating economic relations between the countries.

In 1993-1998, a series of agreements on cooperation in the banking sector and other areas was signed.

In the 2000s, the legal framework for cooperation between the Russian Federation (RF) and the SRV began to be formed even more actively. In 2006-2008, the two countries sogned agreements on joint geological exploration, field development and production of oil and gas.

After the official visit of the President of Russia to Vietnam on October 30-31, 2010, a large series of intergovernmental and interdepartmental agreements (including those regarding economic issues) was signed; it helped to bring the Russian-Vietnamese strategic partnership to a higher level.

The Russian-Vietnamese Intergovernmental Commission for Trade-Economic and Scientific-Technical Cooperation (IGC) is the *coordinating agency* for trade and investment cooperation. Its meetings are held annually. In addition, intersession meetings of the IGC co-chairmen are regularly organized.

In 2010, the volume of bilateral trade exceeded $2 billion (while Russian exports to Vietnam amounted to approximately $1 billion), in 2013, it amounted to $4 billion, and in 2015 slightly decreased to $3.9 billion. *The structure of Russian exports to Vietnam* is dominated by fuel, fertilizers, ferrous metals, machinery and equipment, nuclear reactors, construction materials (including stone, lime, cement), weapons (in particular submarines, aviation equipment, small arms, SAM, etc. – 90% of Vietnam's arms purchases are from Russia). Food products, electronics, agricultural products, textiles and footwear are *exported to Russia from Vietnam*. The volume of trade in services is growing, from $0.3 billion in 2008 to 1.034 billion in 2015 (Dela Rey. 2015).

If we consider the formation of legal foundations and the most important areas of economic cooperation between the Russian Federation and the Socialist Republic of Vietnam in the 2010s in more detail, we can stress the following aspects. The legal framework for the development of trade and economic ties between the two countries has been especially noticeable in 2012 (6 agreements), 2013 (10) and 2014 (10). For example: "The Memorandum on the further development of strategic cooperation between Zarubezhneft OJSC and Petrovietnam Oil and Gas Corporation" (25.11.2014), "The Joint Statement on the Progressive Promotion of the Comprehensive Strategic Partnership between the RF and the SRV" (25.11.2014).

In May 2015, the Free Trade Agreement between the Eurasian Economic Union and Vietnam was signed. It will further accelerate the growth of mutual trade. The EEC and Vietnam intend to increase the trade turnover to $10 billion in three years – by 2020.

These documents lay solid foundation for establishing long-term economic contacts in the most important areas of industry, energy, services (tourism), etc.

The oil and gas complex remains the basis of the Russian-Vietnamese strategic economic partnership in the 2010s. The joint venture “Vietsovpetro” (established in 1981, participants: Zarubezhneft OJSC and Petrovietnam Oil and Gas Corporation of Vietnam) is functioning effectively. This joint venture accounts for more than half of the oil produced in Vietnam. On 27 December 2010, an agreement on further cooperation in “Vietsovpetro” geological exploration and production of oil and gas on the continental shelf of Vietnam was signed in Hanoi between the two countries.

“Rusvietpetro, Ltd.” (51% owned by “Zarubezhneft” OJSC and 49% by “Petrovietnam”) was established in Russia in 2008 and began developing oil fields in the Nenets autonomous region. September 30, 2010, the ceremony of obtaining the first industrial oil inflow was held.

“TNK-BP Management” OJSC strengthens its position on the Vietnamese market: the agreement with “Petrovietnam Oil” on the supply of crude oil to Vietnam was signed on September 29, 2010. On October 31, 2010, the Russian Ministry of Energy and the Ministry of Industry and Trade of Vietnam signed the memorandum of understanding in Hanoi to support the acquisition of “British Petroleum” assets in Vietnam by “TNK-BP management”.

The Russian "Sylovye Mashiny" OJSC is functioning on the dynamically developing electric energy market of the SRV. HPP “Sesan-3” (2x137 MW), HPP “Aviong” (2x105 MW) and HPP “Buonkuop” (2x140 MW), HPP “Pleikrong” (2x55 MW) and TPP “Wongby" (1x300 MW) were put into operation via its technical assistance .

Russia currently considers the extent of its financial and technical participation in the project of construction of the first nuclear power plant “Nintuan-1” in Vietnam (to be commissioned in 2023-2024). In December 2009, a memorandum of understanding was signed between the Russian State Corporation “Rosatom” and the Vietnam Electric Power Corporation "EVN" to cooperate in the framework of the project for the construction of the first nuclear power plant in Vietnam. In October 2010, the two countries signed the intergovernmental agreement on the construction of a nuclear power plant on the territory of Vietnam. It opens the way for the creation of the Vietnamese nuclear industry, including the construction of a new Center for Nuclear Science and Technology, the construction of a national nuclear radiation safety system and personnel training. *The nuclear project can serve as a locomotive for bilateral cooperation in many related industries* and open the way for advanced Russian technologies to the growing ASEAN energy market. In April 2015, the sides reached final agreements on the project.

In September 2010, a group of Russian companies "GeoProMining" and the Vietnamese state corporation of mineral resources and coal "VINAKOMIN" signed the agreement on the

project of building a copper smelting plant (total investment – 250 million dollars). "GeoProMining" has invested about $30 million in the extraction and processing of titanium-containing sands in the south Vietnamese province Binh Thuan.

*"*VTB Bank" plays a positive role in the banking sector, as well as the Vietnam-Russia Bank that was opened in November 2006 (headquarters in Hanoi, network of branches throughout Vietnam). In December 2009, a subsidiary of the bank was opened in Russia – VRB Moscow, Ltd.

In 2012, a joint statement was issued on the establishment of a high-level Russian-Vietnamese Workgroup on Priority Investment Projects. Volume of mutual direct investment is gradually growing; it is currently about $4.5 billion. The volume of Russian investments in Vietnam is about $2 billion in more than 100 projects. This is not a very significant amount – only about 2% of the total volume of foreign investments accumulated in Vietnam. However, there are real opportunities to make this volume 4-5 times larger until 2020-2025.

The Vietnamese business invested in Russia $2.47 billion into 19 projects. Russia is the third among the recipient countries of Vietnamese foreign investments (with 15% of their total volume). These investments usually (92%) go to Russian-Vietnamese cooperation projects in the oil and gas industry (Asia Vector. 2017). Vietnamese investors in the RF are mostly companies and individuals working in Russia (according to the statistics of the Russian Federal Migration Service Office, there are officially about 68 thousand citizens of the SRV in the country) (Main Department for Migration of the Ministry of Internal Affairs of Russia. 2017).

The investment cooperation in mobile communications and information technologies ("VimpelCom", "SiberStech", "Softline"), truck industry ("KamAZ" OJSC), rubber production (Russian-Vietnamese joint venture "Visoruteks") *is expanding*.

The only major project of interregional cooperation being implemented at the time is the construction of the Cultural and Business Center of Hanoi in Moscow. Meanwhile, the SRV remains a promising regional business partner for Russia, primarily for the regions of Siberia and the Russian Far East.

In April 2015, the "Plan of 17 priority cooperation projects" was signed; "road maps" were approved for each project. Those projects include the supply of equipment and aircrafts, the launch of an industrial assembly of Russian cars, trains, etc. Also, the very important memorandum of cooperation on the modernization of power plants throughout Vietnam was signed between "Inter RAO Export" and "North Power Service" JSC.

Russian-Vietnamese political and economic relations are not gloomed by any unresolved problems; they are characterized by a high level of mutual trust. Vietnam has internal political stability, a predictable economic course, a fairly attractive investment climate. Important positive factors also include the traditionally friendly attitude of Vietnamese people towards Russia, thousands of specialists who speak Russian and have received education in the RF, as well as relatively cheap labor.

All these factors let us look optimistically at the development of mutually beneficial long-term economic cooperation between Russia and Vietnam.

Given the current state of trade and economic cooperation between the two countries, *it is possible to suggest several feasible directions for its development*, which can significantly increase its quantitative indicators and its effectiveness.

In particular: in the field of mutual investments – attraction of joint private-state investment funds, organization of free economic zones in both countries; *in the trade sphere* – creation of a free trade zone, development of duty-free trade, creation of joint commercial, industrial and processing enterprises in agriculture; *activation of cooperation* between regions and sister cities, *in the humanitarian sphere* – implementing education of Vietnamese students in Russia with a broader variety of economic specialties within the limits of allocated quotas, etc.

Analysis of the progress and results of market reforms in Vietnam in the late XX – early XXI centuries (Trieu Tien Dat, Shalamov G.A. 2014; Kolotov V.N. 2016; Lokshin G. 2016; Mazynin V. 2016), especially in the aspect of developing foreign economic relations, allows us to identify their *specific characteristics. They include*: continuity, identification of priority areas, qualitative institutional transformations, continuous improvement of legal basis, social orientation, development of foreign economic relations.

At the moment, Vietnam successfully accomplishes the objectives that were set in its development programs. However, some problems are still unsolved. For example, the needs to improve the investment climate, create a modern industry structure, improve the export-import structure and innovative characteristics of the economy (Newman C., Rand J., Talbot T., Tarp T. 2015), overcome poverty, increase national competitiveness, as well as the welfare and living standard of the population, are acute.

Vietnam is able to successfully overcome some aspects of these problems by developing trade and economic cooperation with Russia.

Bibliography

Asia Vector (2017), "Vietnam", available at: www.asiavector/countries/vietnam (accessed 15 February 2017). (in Russian)

Charter of the United Nations. "Chapter I", available at: www.un.org/en/sections/un-charter/chapter-i/index.html (accessed 25 May 2017)

Dela Rey (2015), "Review of Trade and Economic Relations between Russian Federation and the Socialist Republic of Vietnam", available at: www.m.rusexporter.ru/research/country/details (accessed 9 December 2016). (in Russian)

Development Solutions Network, New York, NY.

GT Market (2015), "World FDI Ranking 2014", available at: http://www.gtmarket.ru/research/fdi-index/info (accessed 25 November 2016). (in Russian)

Helliwell J., Layard R., Sachs J. (2017), *World Happiness Report 2017*, Sustainable

IMF (2016), "World Economic Outlook. April 2016", available at: http://www.imf.org/external/pubs/ft/weo/2016/01/weodata/index.aspx (accessed 20 December 2016)

Kolotov V.N. (2016), "The Problems of National and Regional Security of Vietnam in the Documents of the XIIth CPV Congress", in *XII Congress if CPV. Documents and Assessments*, Forum, Moscow. pp. 229-241. (in Russian)

Kolotov V.N. (2017), "Psychotechnology in informational wars: the anatomy of one publication about Vietnam", *Bulletin of St. Petersburg University. Oriental Studies*. Vol. 9 №1. pp. 106-122. (in Russian)

Labudin A.V., Nguyen Van Loc, Nguyen Thi Nhan (2014), "Regulation of the Economy in the Conditions of Market Reforms in Vietnam", *Management Consulting*. Issue 7 (67). (in Russian)

Lidvanova L.I. (1988), *Internationalization of Socialist Expanded Reproduction*, LGU, St. Petersburg. (in Russian)

Lokshin G.M. (2014), "Political Cooperation of Russia and Vietnam", *South-East Asia: Actual Development Problems*. Issue 5. (in Russian)

Main Department for Migration of the Ministry of Internal Affairs of Russia, available at: www.migrant.ru/statistika (accessed 15 May 2017)

Mazyrin V.M. (2016), “The Development of the SRV Economy in 2011-2015 and Prospects for 2016-2020”, in *XII Congress if CPV. Documents and Assessments*, Forum, Moscow. pp. 259-276. (in Russian)

Newman C., Rand J., Talbot T., Tarp T. (2015), “Technology Transfers, Foreign Investment and Productivity Spillovers”, *European Economic Review*. Vol. 76. pp. 168-187.

Nguyen Van Loc (2014), “Stages of the Establishment and Development of the Vietnam economy”, *The News of St. Petersburg University.* Issue 1 (85). (in Russian)

Schwab K. (2015), *The Global Competitiveness Report 2015-2016*, World Economic Forum, Geneva.

Schwab K. (2016), *The Global Competitiveness Report 2016-2017*, World Economic Forum, Geneva.

The Fund for Peace (2017), “Fragile States Index”, available at: http://fundforpeace.org/fsi/excel/ (accessed 20 June 2017).

The World Bank (2016), *Doing Business 2016: Measuring Regulatory Quality and Efficiency*, The World Bank, Washington DC.

The World Bank (2017), “World Development Indicators”, available at: http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators (accessed 3 July 2017)

The World Bank (2017), *Doing Business 2017: Equal Opportunity for All*, The World Bank, Washington DC.

Tran Duc Luong (1988), “SRV in the Socialist Economic Integration”, *Economic cooperation of CMEA countries*. № 8. (in Russian)

Transparency International (2017), “The Corruption Perception Index 2016, 2017”, available at: www.transparency.org/cpi/ (accessed 10 May 2017).

Trieu Tien Dat, Shalamov G.A. (2014), “The Foreign Economic Relations of Russia and Vietnam at the Present Stage”, *Bulletin of Irkutsk State University*. Issue 9. (in Russian)

UNCTAD (2016). Annex Table 1: FDI flows by region and economy 2010-2015, *World Investment Report 2016: Investor Nationality: Policy Challenges,* UN Publications, Geneva. P. 196.

WEF (2013), *The Human Capital Report*, World Economic Forum, Geneva.

WEF (2015), *The Human Capital Report 2015*, World Economic Forum, Geneva.

WEF (2016), *The Human Capital Report 2016*, World Economic Forum, Geneva.

WIPO (2015), *The Global Innovation Index 2015: Effective Innovation Policies for Development*, Fontaine Bleu, Geneva.

WIPO (2016), *The Global Innovation Index 2016: Winning with Global Innovation*, Fontaine Bleu, Geneva.