

Thayer Consultancy
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Background Brief: Vietnam's President Visits Russia Scene Setter

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We request your analysis of Vietnam's President Nguyen Xuan Phuc's official visit to Russia (29 November-2 December).

Q1. What is the purpose of this face-to-face visit?

ANSWER: During Foreign Minister Bui Thanh Son's visit to Moscow in late September to meet his counterpart, Foreign Minister Sergey Lavrov, Son was quoted by TASS as stating, "There are very significant fields of cooperation, in particular, the security and development of Vietnam. We do not cooperate in these areas with other countries, only with Russia." Son also noted that both countries "needed to update their lines of cooperation to boost the comprehensive strategic partnership."

President Nguyen Xuan Phuc's official visit to Moscow is to reaffirm the priority that Vietnam accords to relations with the Russian Federation and to maintain high-level contact between the two countries under the Vietnam-Russia comprehensive strategic partnership.

President Phuc will visit Switzerland (25-29 November) first before travelling to Moscow (29 November-2 December). On the eve of his departure, President Phuc expressed the hope that his visit to Russia would contribute "to creating a new momentum and breakthroughs" in their bilateral comprehensive strategic partnership.

Presidents Phuc and Vladimir Putin will review past progress under their comprehensive strategic partnership and set goals to boost the partnership in the future. Their agenda likely will cover COVID-19 prevention and control and pharmaceutical production; economic issues such as trade under the Eurasian Economic Union-Vietnam Free Trade Agreement and bilateral cooperation in the energy sector (oil, gas and wind farms), industrial production, infrastructure, transport and agriculture; and maritime connectivity (Hai Phong to Azov sea line).

Foreign Minister Son, in his interview with TASS, stressed the need for Vietnam and Russia "to further develop the strategic dialogue." Presidents Phuc and Putin likely will canvass global and regional security issues and map out how they can coordinate their policies at meetings of multilateral institutions.

Q2. Security and defence cooperation is one of main components of bilateral relations. Russia is the largest provider of weapons to Vietnam. What outcomes do you expect in this area?

ANSWER: The groundwork for discussions on security and defence cooperation between the two presidents was laid earlier in the year in a series of exchanges between Russian and Vietnamese officials, including the two defence ministers.

In May, for example, the heads of the General Political Department of the Vietnam People's Army and the Main Directorate for Political-Military Affairs of the Russian Armed Forces held online consultations. They agreed to continue high-level leaders' meetings, exchange experience in military communication work, cooperate in personnel training (with priority to cooperation in political and ideological education), and support each other at multilateral and defence mechanisms and forums such as the ASEAN Defence Ministers' Meeting Plus.

In June, Vietnam's Minister of National Defence Phan Van Giang and his Russian counterpart Sergei Shoigu held an online meeting to discuss enhancing military cooperation under the comprehensive strategic partnership. The two ministers agreed "to carry out prioritized cooperation contents, including training, participation in multilateral activities hosted by the Russian side, COVID-19 prevention and control, scientific research within the Vietnam-Russia Tropical Centre, and cooperation between the General Department of Political Affairs of Vietnam People's Army and the Directorate for Political-Military Affairs of the Russian Armed Forces."

It is likely the two presidents will agree to step up cooperation in combatting the COVID-19 pandemic, coordinate their policies at multilateral defence forums, and cooperate in military training and education, and military medical research. Vietnam will participate in Russian-sponsored multilateral military activities,

There is speculation among defence analysts about the possibility of new Russian arms sales to Vietnam. The first possibility is that Russia might agree to sell the BrahMos cruise missile to Vietnam after announcing in 2020 that it would sell the missile to the Philippines and other countries. The second possibility is that Vietnam will announce its intention to purchase the Su-75 fifth generation jet fighter.

However, it has been some time since Vietnam and Russia have agreed on any "big ticket" sales of military weapons and technology. Vietnam's defence expenditures peaked in 2018. Vietnam's defence budget has always been tied to the growth of its economy which has slowed due to the impact of COVID-19. These developments suggest that no major arms procurement by Vietnam will be announced.

Q3. Viet Nam-Russia two-way trade reached \$5.7 billion in 2020. That is 15% up compared to 2019, but is still below the goal of \$10 billion set by the two countries. Other than the impact of the pandemic, what are the obstacles?

ANSWER: In 2016, when the Eurasian Economic Union-Vietnam Free Trade Agreement came into effect, prices on many goods were expected to fall with the reduction in tariffs. Vietnam sales to Russia rose after 2016. According to latest estimates, two-way trade will reach U.S. \$6.5 billion this year.

In addition to the impact of the COVID-19 pandemic, several factors account for the inability of Russia and Vietnam to meet their goal of doubling trade to U.S. \$10 billion by 2020. The most important factor appears to be cumbersome bureaucratic procedures on both sides. Another factor is poor market penetration strategies. For example, Vietnam exports raw coffee beans to Russia instead of a finished product

with a recognizable brand name. The balance of trade is in Vietnam's favour and Russian officials have recommended greater participation of Russian exporters in the Vietnamese market. Vietnam, it should be noted, is Southeast Asia's largest trading partner with Russia.

In October, Vietnam and Russia held the 23rd meeting of the Inter-Governmental Committee on Economic, Trade and Scientific-Technological Cooperation via video conference at deputy prime minister level. The two leaders agreed to expand cooperation in "promising fields" such as combatting the COVID-19 pandemic, banking and renewable energy. Vietnam offered support for Russia's oil and gas companies and agreed to initiate a project on nuclear science and technology.

Q4. How does Russia view Vietnam's role in its strategy in Southeast Asia and more broadly the Asia-Pacific?

ANSWER: Vietnam plays an indispensable role in Vladimir Putin's efforts to increase Russian influence in Asia. There is a good deal of mutual trust between Russia and Vietnam based on their past interaction. Russia was Vietnam's first strategic partner in 2001, for example.

Specifically, Russia counts on Vietnam's support for its engagement with ASEAN (ministerial meetings and leaders' summit) and ASEAN-led multilateral mechanisms such as and ASEAN Defence Ministers' Meeting Plus (ADMM Plus). Russia and Vietnam, for example, co-chair the ADMM Plus Experts Working Group on Counter Terrorism (2020-23).

Russia also expects Vietnam to support Russian hosted multilateral activities such as the annual Moscow Conference on International Security and this year's ASEAN-Russia Naval Exercise currently being held in Indonesia.

Q5. How does Moscow's plan to expand its engagement in the region, particularly in the context of increasing superpower competition?

ANSWER: Russia aims to increase its influence in the region by supporting and fully participating in ASEAN-led mechanisms. The first ASEAN-Russia Consultations of the High Representatives for Security Issues was held in June this year. This meeting agreed to hold a dialogue on information technology security and communications and to step up cooperation in disaster management.

At the same time, Russia aims to increase arms sales to the region, perhaps even developing a regional maintenance, repair and overhaul facility in Vietnam to service military equipment sold to other Southeast Asia countries such as helicopters. According to data from 1998 to 2018, Russia accounted for 26 per cent of the arms sales to the region.

Russia is also cooperating with China through arms sales and joint naval exercises.

The major constraint for increased Russian involvement in Southeast Asia, however, is continuing tension with the Ukraine.

Q6. Russia and China have been cooperating and coordinating more with each other in recent years. How does this rapprochement impact Vietnam?

ANSWER: There are three sensitive areas that affect Vietnam. The first area concerns Russian companies involved in oil and gas exploration in the South China Sea such as Zarubezhneft. In 2018, China put pressure on both Vietnam and Russia's Rosneft to stop oil exploration in the Block 06-1. Rosneft recently sold its interests.

The second sensitive area concerns arms sales to Vietnam, specifically the BrahMos cruise missile. China reportedly put pressure on Russian not to sell this weapon to Vietnam. Russia is keen to export its military weapons and technology.

The third sensitive area concerns maritime disputes in the South China Sea between China and Vietnam. Russia has chosen to sit on the fence and not take sides with either party.

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