Vietnam International Trade Conference - a Bridge Between the EEU and ASEAN

It is no secret that Vietnam is Russia’s key partner in the Association of Southeast Asian Nations (ASEAN). The two countries are linked by their long-standing, stable and friendly relations. Vietnam is also one of the most successful and influential members of ASEAN. Taken together, these factors make the development of relations with Vietnam a top-priority goal in Russia’s foreign policy. In order for two countries to work together successfully, it is very important that they be linked by a reliable transport infrastructure. Russia and Vietnam understand this very well, and are now working on some joint railway projects.

Most of the goods traffic between Vietnam and Russia is still carried by sea, while most passenger transport between the two countries is by air. Clearly, sea freight takes longer than land freight, while air freight is much more expensive. The best way to reduce the cost of transporting goods between Vietnam and Russia would thus be to transport them by land. This has become particularly evident as trade has increased over the last few years.

In October 2016 the Free Trade Agreement between the Eurasian Economic Union (EEA) - of which Russia is a member- and Vietnam entered into force. Since then the volume of trade between Russia and Vietnam has increased steeply. For example, in the third quarter of 2017 the total trade in goods between the two countries was worth $1.4 billion, almost 58% more than in the equivalent period in 2016.

Vietnam has also become much more popular with Russian tourists. More than half a million Russians visited Vietnam in 2017. All things considered, both countries need more efficient transport links to speed up both passenger and freight transport between them. The rate of the increase in trade and tourism gives grounds for confidence that it will not take long to recover the cost of establishing and constructing transport infrastructure to link Russia and Vietnam. The most effective way to transport large volumes of goods and large numbers of
In April 2015, during a visit by the Russian prime minister, Dimitry Medvedev, to Vietnam, the Russian national railway company, Russian Railways (RZhD), signed an agreement on cooperation with its Vietnamese equivalent, Vietnam Railways (VR).

In June 2017 RZhD and VR signed an action plan to implement the 2015 agreement. In accordance with this document RZhD may take part in the reconstruction of Vietnam’s existing railway network and the construction of new lines. Russian specialists may also help VR with the development of computer programs and with staff training. The plan also provides for test railway shipments from Russia to Vietnam.

In December 2017 the international trade fair Expo-Russia Vietnam 2017 took place in Hanoi, the capital of Vietnam, along with a Russian-Vietnamese business conference: “Economic Cooperation in a Free Trade Environment.” During this event, RZhD Logistics, a daughter company of RZhD, introduced its new service - fast container delivery from Vietnam to Russia, via China, and back. According to a company representative, transporting goods between Moscow and Hanoi along this route takes half as long as the sea route via the Suez Canal. Future users of the service were assured that a simplified customs procedure would apply and guarantee of shipments safety.

At the beginning of January 2018 the first test container train departed from Kaluga Region in Russia for Hanoi. The train started from Freight Village Borisino multimodal transport and logistics facility, part of Borisino industrial park, located on the boundary between Kaluga Region and Moscow. The shipment arrived at its destination in 20 days. As promised, this was approximately twice as fast as transporting it by sea would have been. Commenting on the news, a representative of RZhD Logistics said that the shipment in effect marked the opening of the Vietnam-Russia-Vietnam international transport corridor (ITC). A ceremonial reception committee made up of senior government officials and business leaders from both Russia and Vietnam greeted the train on its arrival in Hanoi.

The start of rail services between Russia and Vietnam may have both regional and global effects. For example, it should give a powerful boost to trade between Russia and Vietnam.

For example, it is well-known that Vietnam is one of the top ten global leaders in fishing and seafood exports. Its seafood is popular in many countries, but so far, it has only been exported to Russia in relatively small volumes. In February 2018, shortly after the trial launch of the new route, it was announced that Russia and Vietnam are discussing the possibility of significantly increasing Vietnamese seafood exports to Russia. This may well be connected to the launch of the new rail link, since seafood is perishable and needs to be delivered quickly, something that the new rail route will make possible. As the export of fish and seafood is one of the Vietnamese economy’s main sources of income, increasing sales to Russia will significantly strengthen economic links between Russia and Vietnam.

Rail links between Russia and Vietnam via China may also have an effect on relations between Vietnam and China. The increase in Russia’s presence in Vietnam and ASEAN may help to dilute China’s influence, the growth of which worries many countries in the region. It is also possible that it may have an effect on the territorial dispute between Vietnam and China over a group of islands in the South China Sea. Russia is an important partner for both Vietnam and China. The growth of Russia’s influence in the counties of South-East Asia may help Russia become an intermediary in their dispute with China.

One further possible consequence of the launch of the Vietnam-Russia-Vietnam ITC, more global in scale, is an increase in Eurasian integration. It is often said that Vietnam is a gateway to ASEAN for both Russia and for the EEU. Now a reliable road will take both goods and passengers to that gateway. The new ITC will also provide a good link to China’s One Belt One Road initiative, which has similar goals to the EEC- the economic integration of the countries in Eurasia and the creation of a unified transport network.

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