

Original article. Historical science

UDC 327(597:470+571)

DOI: 10.31696/2072-8271-2024-4-4-65-169-186

## VIETNAM'S FOREIGN DIRECT INVESTMENT IN RUSSIA: CURRENT SITUATION AND PROSPECTS

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**Abstract:** Despite the historical and geopolitical significance of their bilateral relations, this study fills a major research vacuum by examining the present and potential future of Vietnam's foreign direct investment (FDI) in Russia. Driven by the "Doi Moi" reforms in 1986, Vietnam's economy has grown steadily in terms of GDP and has been more involved in international trading and investment. Nevertheless, there aren't many thorough studies on its FDI in Russia.

This study focuses on investments initiatives in banking, agriculture, and energy while analyzing the dynamics of trade and strategic investments between the two countries. It lists many logistical, political, and economic barriers that prevent Vietnamese investment, but it also emphasizes the significant potential for future expansion through strengthened strategic alliances and stronger legal frameworks. Through the examination of both quantitative and qualitative data, the research provides insightful information to investors and policymakers. This study also contributes to a deeper comprehension of this intricate and changing relationship between two partners by enhancing the conversation about Vietnam's direct investment in Russia.

**Keywords:** *Foreign direct investment (FDI), Vietnam, Russia, Comprehensive strategic partnership, Free Trade Agreement (FTA), Eurasian Economic Union, ASEAN*

**For citation:** Nguyen Huu Phu, Shpakovskaya M. A., Dinh Le Hong Giang. Vietnam's Foreign Direct Investment in Russia: Current Situation and Prospects. *Yugo-Vostochnaya Aziya: aktual'nyye problemy razvitiya*, 2024, T. 4, № 4 (65). Pp. 169–186. DOI: 10.31696/2072-8271-2024-4-4-65-169-186

Научная статья. Исторические науки

## **ПРЯМЫЕ ИНОСТРАННЫЕ ИНВЕСТИЦИИ ВЬЕТНАМА В РОССИЮ: ТЕКУЩАЯ СИТУАЦИЯ И ПЕРСПЕКТИВЫ**

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**Аннотация:** Несмотря на важное историческое и геополитическое значение двусторонних отношений между Вьетнамом и Россией, существует значительный пробел в исследованиях, посвященный текущим и потенциальным прямым иностранным инвестициям (ПИИ) Вьетнама в Россию. С 1986 г., когда были начаты реформы «Дой Мой», экономика Вьетнама демонстрирует неуклонный рост ВВП и активно включается в международную торговлю и инвестиции.

В данном исследовании особое внимание уделяется инвестиционным инициативам в банковской сфере, сельском хозяйстве и энергетике, а также анализу динамики торговли и стратегических инвестиций между двумя странами. В работе перечислены многочисленные логистические, политические и экономические барьеры, которые сдерживают вьетнамские инвестиции, но также подчеркивается значительный потенциал для будущего расширения путем укрепления стратегических альянсов и создания более прочных правовых рамок. Исследуя как количественные, так и качественные данные, это исследование предоставляет ценную информацию как инвесторам, так и политикам. Оно также способствует более глубокому пониманию сложных и динамичных отношений между двумя партнерами, активизируя дискуссию о прямых инвестициях Вьетнама в Россию.

**Ключевые слова:** Прямые иностранные инвестиции (ПИИ), Вьетнам, Россия, Всеобъемлющее стратегическое партнерство, Соглашение о свободной торговле (ССТ), Евразийский экономический союз, АСЕАН

**Для цитирования:** Нгуен Хыу Фу, Шпаковская М.А., Динь Ле Хонг Занг Прямые иностранные инвестиции Вьетнама в Россию: текущая ситуация и перспективы // Юго-Восточная Азия: актуальные проблемы развития, 2024, Том 4, № 4 (65). С. 11–24. DOI: 10.31696/2072-8271-2024-4-4-65-169-186

## Introduction

From the ambitious economic reforms “Doi Moi”<sup>1</sup> initiated in 1986, Vietnam’s GDP has been growing steadily for the last 14 years since 2010 with growth rate between 5 and 7 percent each year, except for 2 years 2020 and 2021 because of the global pandemic (2.91% and 2.58%, respectively), and it is already a major player in international commerce and investment<sup>2</sup>. The nation’s export-focused approach, together with its membership in different regional trade agreements have contributed to its growth as a notable exporter of textiles, electronics, and agricultural products. Over the last decades Vietnam has seen a tremendous FDI inflow, which has significantly increased Vietnam’s trade volume (Anwar, Nguyen Lan Phi 2011). Vietnam has not only carried out other projects and investment initiatives in partner nations but also it is considered one of the best places in Southeast Asia to receive FDI<sup>3</sup>.

FDI is seen as a critical driver of economic growth as it promotes international commerce and is strongly associated with faster rates of economic expansion (Pegkas 2015; Iamsiraroj 2016). Additionally, it is regarded as a crucial conduit for technology transfer between nations, facilitates global trade by providing access to overseas markets. This group’s indicators include industry and FDI restrictiveness, as well as inward and outward values for stocks, flows, and income, broken down by partner country (OECD 2022). The cooperation between Vietnam and Russia stands out as an important case for study about the development of economic in the face of shifting geopolitical environment.

74 years ago, the Soviet Union was among the first nations in history to formally acknowledge and establish diplomatic ties with Vietnam on January 30, 1950. As a result, the groundwork for Russia and Vietnam was established and continued their robust development of mutual collaboration based on this foundation<sup>4</sup>. In 2012, Russia and Vietnam agreed to form a “Comprehensive Strategic Partnership”, this is a significant new phase in their relationship<sup>5</sup>. Following this, on May 29, 2015, Vietnam and the five EAEU nations signed a free trade agreement, with the aim of building a bridge and facilitating the promotion of economic cooperation between Vietnam and the EAEU nations, particularly advancing cooperation between Vietnam and Russia.

While there have been many beneficial outcomes throughout the time in trading between Vietnam and Russia, there are still many expectations for future advances as well as some significant obstacles that need to be removed (Novikova, et al., 2023).

After it became obvious that since the early 2010s the West had set a course to destroy Russia as a state, the country's leadership began to consider turning to the East as an alternative way out of the increasingly deteriorating relations with the West. In 2013, in the Presidential Address to the Federal Assembly of the Russian Federation, V.V. Putin “proclaimed a turn to the East”. Putin “proclaimed the turn to the East as Russia's priority task for the whole XXI century”. (Message of the President of the Russian Federation to the Federal Assembly of the Russian Federation of 12.12.2013).

Russia has embarked on a consistent policy of shifting the main efforts of the state from the Western geopolitical and geo-economic vector to the Eastern direction in order to find new markets, sources of investment and, in general, to maintain economic growth. In this situation, the turn to the East has become a natural continuation and practical embodiment of Russia's foreign policy philosophy of multipolarity, within which it sees itself as one of the global poles of power. Vietnam has traditionally been a significant partner among the APR countries.<sup>6</sup>

**There are still surprisingly** few comprehensive studies on Vietnam's direct investment in Russia, despite the country's growing economic relations with neighboring countries. By examining the present state of Vietnamese investment in Russia and considering its potential in the future, this research aims to close this gap. The paucity of comprehensive research on this subject restricts our comprehension of the dynamics between these two nations as well as the possible advantages and disadvantages of investing in the Russian market.

The objective of this research is to analyze the current situation of Vietnamese direct investment in Russia. The research's result can be utilized by scholars and investors who want to better understand and enhance Vietnam-Russian economic ties might. Decisions on policy that support economic integration and bilateral cooperation might be informed by the study's findings about the investment activities of Vietnamese companies in Russia. Additionally, the research's conclusions can aid Vietnamese investors in negotiating the difficulties of the Russian market and in making wise financial choices.

In order to give background information and make assesment regarding the two countries' cooperation, this article traces the patterns of Vietnam's trade and investment in other nations as well as in Russia using both qualitative and quantitative research methodologies. Information on different facets of the two nations' economic ties was gathered by carefully reading scientific articles, reports, and other documents, including records from the

Vietnam's General Statistics, the Ministry of Planning and Investment Cooperation of Vietnam, and other official sources.

### Literature review

After the 1960s, there were significant changes to the global economy. At this point in the history of international economics, the multinational enterprise (MNE) began to develop and gradually gained significance. Other forms of international production and FDI also occurred at this time (Hosseini, 2005).

The factors affecting FDI in Vietnam are considered to be crucial for understanding the effectiveness of the "Doi Moi" initiative and for providing important policy implications for multinational corporations seeking to grow abroad (Delaunay, Torrisi 2012). Through the empirical study, researchers found that foreign trade and FDI have an impact on economic growth. Specifically, export and FDI have a statistically positive relationship, whereas import and growth have a statistically insignificant negative relationship (Nguyen Huu Hieu 2020). Using Vietnam as an example, it is also discovered that aid from abroad and the export are always given top priority in both developing and underdeveloped nations. FDI is one of the foreign factors that significantly contributes to the socioeconomic development of any nation (Nguyen Huu Cung 2020).

A deep comprehension of the political landscape and historical connections can be explored thanks to analyzing the cooperation between two countries (Hong, et al., 2012). Kokushkina (2017) examined several aspects of Vietnam-Russian collaboration, including humanitarian endeavors, trade cooperation, and investment. Many potential solutions to better the current circumstances were suggested after exploring further opportunities for this cooperation, particularly in light of the occurring turbulence (Egorova, et al., 2019; Dang Minh Duc, et al., 2022; Novikova, et al, 2023). Dinh Le Hong Giang (2022) showed that although Vietnam and Russia had formed a solid alliance, their collaboration had not yet reached its full potential.

Nguyen & Korgun (2022) note that, despite the refusal of the Vietnamese government to join the unilateral sanctions of the West, bilateral relations are going through a difficult period of adaptation, with export-import activities and the implementation of investment projects were under threat. One of a major obstacle to Vietnam and Russia's full strategic relationship is the current geopolitical and geoeconomic unrest, which calls for the development of new tactics (Vershina 2022)<sup>7</sup>.

According to V.M. Mazyrin, Russian-Vietnamese relations are largely based on outdated ideas and forms of interaction, and they should be overcome more quickly.

Speaking about cooperation between Russia and Vietnam, V.M. Mazyrin believes that it is more important to maintain leadership in certain spheres that are really of strategic importance and in which Russia is competitive. These include foreign policy, military-technical cooperation and energy... agribusiness and trade in agricultural, marine and forestry products, i.e. those sectors in which our countries have enormous wealth and are leading exporters on a global scale<sup>8</sup>.

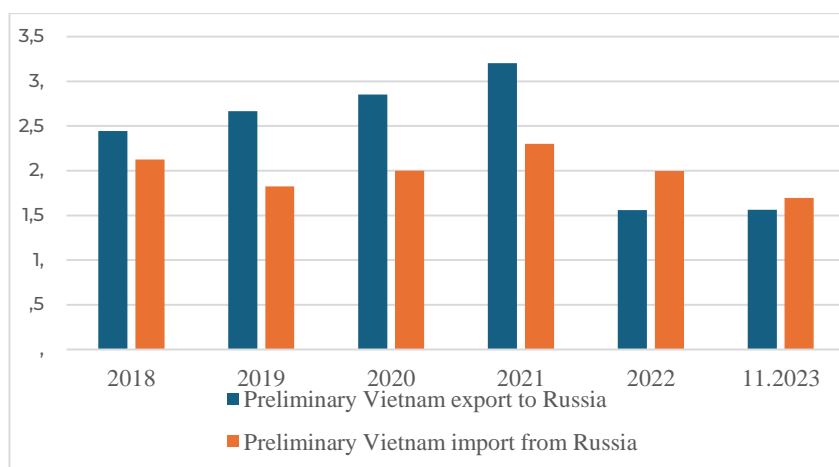
It is also found out that Russia's participation with the countries of East and Southeast Asia may enhance economic cooperation with Vietnam (Bui Thi Huyen, Luu Van Quyet 2022; Turaeva, et al., 2023; Izotov 2023).

Nonetheless, the majority of research has focused on Vietnam's economic cooperation with Russia; however, little is known FDI between the two countries, specifically Vietnam's investments in Russia. Previous research has mostly concentrated on the dynamics of commerce and diplomatic relations, largely ignoring the complexities of the FDI flows. Vietnam's investment in Russia is now seen as less substantial than that of China, India, and South Korea, despite the fact that it is expanding<sup>9</sup>. Revenko (2022) analyses Russo-Vietnam joint investment projects and most of them are in the energy sector. Gaining insight into Vietnam's investments in Russia is crucial to strengthening the two countries' economic relationships. Therefore, further studies on FDI patterns and investment trends are required to provide information to firms and governments that want to strengthen economic linkages and take advantage of the partnership's potential.

### **Finding result and dicussion**

#### **The dynamics of cooperation between Russia and Vietnam**

The trade dynamics between Vietnam and Russia demonstrate a mutually beneficial relationship over time. By examining the data from Vietnam's General Statistics, we can identify the following patterns in the country's imports and exports to Russia (see Fig. 1).



*Fig-8—Preliminary export and import between Vietnam and Russia ,billion USD← Source: authors' elaboration based on Vietnam's General Statistic's data.*

Between 2018 and 2021, Vietnam's exports to Russia increased significantly; in 2021, they peaked at \$3.203 billion, a 31% rise. Nevertheless, shipments to Russia fell to around \$1.56 billion in 2022 and the first 11 months of 2023. Coffee accounted for 12.8% of total exports in 2022, making it the top export, followed by broadcasting equipment at 11.1%. Knit T-shirts and non-knit men's suits, which made up 2.06% and 1.93% of all exports, respectively, were two more noteworthy exports. Russia has also significantly expanded its imports of rubber from Vietnam in the first eleven months of 2023 as well. In 2023, Russia imported over \$10 million worth of rubber goods from Vietnam, a 175% increase over 2022, despite Vietnam's small market share of less than 1% of the country's entire export structure.

On the other hand, Vietnam's imports from Russia have fluctuated and shown less stable trends than its exports. 2019 was the lowest amount of imports ever recorded at 1.826 billion dollars. In 2022, emphasizing the top five goods. With 26.9% of all exports going to other countries, coal briquettes are the most common export. After that, hot-rolled iron accounts for 11.3%. At 8.91%, mixed mineral or chemical fertilizers rank third in terms of exports. The top five products are comprised of nitrogen heterocyclic compounds (17.77%) and raw aluminum (1.94%). Additionally, 11.9% of Vietnam's total fertilizer imports in 2022 came from Russia, an increase of around 40% from 2021. In the first eleven months of 2023, fertilizer goods imported into Vietnam from the Russian market accounted for more than 6% of total volume and more than 8% of total value, with over 108 million USD and 262,664 tons, a 7% rise.

The aforementioned surplus until 2021 is indicative of Vietnam’s export industry’s comparative advantage and its capacity to satisfy Russian market demands. To encourage balanced growth and mutual benefit, it also calls into question the nature of trade and whether there are chances for additional cooperation and partnerships in particular industries. The turnover of Vietnam and Russia is predicted to be over 10 billion USD by 2025, in addition to working to enhance and expand their cooperation relationship<sup>10</sup>.

With 66% of Vietnam’s total exports going to the EAEU and 97% of Vietnam’s imports, the Russian Federation remains the nation’s main partner<sup>11</sup>. On the other side, Vietnam is constantly ready to serve as a link for Russian and the EAEU to deepen their ties with ASEAN and advance the negotiation of a trade and investment pact between the two areas. It is noteworthy that Vietnam and Singapore are ranked first and second in ASEAN, respectively, with respect to trade turnover with the Russian market<sup>12</sup>.

### Situation of Vietnam’s overseas investment in other countries and in Russia

From January 1, 2022 to December 20, 2022, Vietnam has invested abroad with a total capital of 533.96 million USD, increased by 30.6% in the comparison with 2021 (see Table 1).

**Table 1. Vietnam invests abroad - by location  
(From January 1, 2022 to December 20, 2022).**

No	Country	Number of new projects	Total registered capital (USD)
1	Singapore	21	79,493,186
2	Lao	6	70,545,964
3	Australia	1	54,034,451
4	America	10	48,224,662
5	Germany	1	34,681,523
6	The Netherlands	1	34,681,523
7	France	1	34,681,523
-	-	-	-
19	Russian Federation	0	3,200,000
<b>Total</b>		<b>109</b>	<b>533,956,912</b>

**Source:** The Ministry of Planning and Investment Foreign Investment Office of Vietnam<sup>13</sup>.

In 2022, Vietnam made 109 new project investments in 29 countries and territories. Of these, 47% went toward the Manufacturing and Processing Industry, 14% went toward Real Estate Business Activities, and 9% went



toward Wholesale and Retail; Repair of Cars, Motorbikes, and Other Motor Vehicles.

The leading country is Singapore with 21 new investment projects with the total registered investment capital reached 79.49 million USD, accounting for 14.89% of the total investment capital. In second place is Laos with a total investment capital of 70.55 million USD, accounting for 13.21% of the total investment capital. Next in line are Australia and the United States.

In 2022, Vietnam's investment in Russia can be seen to be only 3.2 million USD, and this 3.2 million USD is due to the adjustment of capital in previously invested projects, and overall, Russia ranks 19th out of 29 countries and territories with 0.6% of the total amount Vietnam has invested in 2022.

Vietnamese investors have invested abroad in 14 sectors. Among them, the processing and manufacturing industry leads with 15 new investment projects and 4 capital adjustment rounds, total registered capital of 251.9 million USD, accounting for 47.2% of the total registered capital for foreign investment. The real estate business sector ranks second with 02 new projects and 03 capital adjustment rounds, with a total investment capital of over 76.8 million USD, accounting for 14.4%, followed by wholesale and retail sectors, mining.

Together with that, accumulated until 20/12/2022, Vietnam has 1064 effective foreign investment projects with a total Vietnamese investment capital of over 21.68 billion USD (see table 2).

**Table 2. Vietnam invests abroad - by location**  
(Accumulative projects are valid until December 20, 2022).

No	Country	Number of new projects	Registered Vietnamese capital (USD)	Number of capital adjustment	Adjusted capital (USD)	Total registered capital (USD)
1	Lao	238	3,981,538,023	60	1,361,545,833	5,343,083,856
2	Cambodia	206	3,248,660,691	49	(302,703,624)	2,945,957,067
3	Venezuela	2	1,825,120,000			1,825,120,000
4	Russian Federation	16	1,311,506,342	7	318,504,026	1,630,010,368
5	Myanmar	109	1,339,804,234	32	130,816,205	1,470,620,439
<b>Total</b>		<b>1064</b>	<b>17,343,693,192</b>	<b>324</b>	<b>4,339,535,467</b>	<b>21,683,228,659</b>

Source: The Ministry of Planning And Investment Foreign Investment Office of Vietnam<sup>14</sup>.

As of December 20, 2022, Vietnam's foreign investments are primarily concentrated in neighboring nations. Laos attracted considerable attention from Vietnam, as evidenced by the 238 projects with a total registered capital of 3,981,538,023 USD. The entire registered capital, after adjustments (including 60 times of capital adjustments), is 5,343,083,856 USD, or around 24.642% of Vietnam's total foreign investment. There has also been a significant amount of Vietnamese investment in Cambodia, with 206 new projects totaling 3,248,660,691 USD in registered capital. Even after corrections, the total registered capital in Cambodia is 2,945,957,067 USD, or around 13.586% of Vietnam's total foreign investment. Vietnam's strategic economic involvement and its pursuit of diverse opportunities beyond its boundaries are exemplified by these investments.

Vietnam's strategic investment in the Russian Federation exemplifies how to penetrate a significant global market.

Nevertheless, Vietnamese investments in Russia are currently inferior to those of China, India and Korea, but have an upward trend. Their high diversification is important: Vietnamese business in Russia invests in oil and gas, textile and agro-industrial sectors, as well as in real estate. The growth potential is also significant - first of all in the sphere of medicines and dietary supplements.<sup>15</sup>

**Vietnam invests in the** Russian Federation, which ranks fourth on the list of nations. Vietnam's presence in Russia, with 16 new projects totaling 1,311,506,342 USD in registered capital, shows a commitment to promoting economic ties and investigating business potential in many industries. Even after seven capital adjustments, the total registered capital is 1,630,010,368 USD. These modifications resulted in an increase of 318,504,026 USD. By making this investment, Vietnam is indicating that it sees the Russian Federation as an important partner, utilizing its resources and market potential to strengthen bilateral ties and expand its economic might internationally.

### **Vietnam's major projects in Russia**

Petrovietnam is the top project on Vietnam's list of investments in Russia. Rusvietpetro and Gazpromviet are two projects that Vietnam Oil and Gas Group invested. The Nenets Autonomous Okrug's four blocks are the focus of the 25-year Oil and Gas Exploration and Production project, which includes the joint venture Rusvietpetro's operations from 2008 to 2033. Over 600 million USD were initially invested in the project by Petrovietnam. The cumulative profit of the Vietnamese side until 2021 in the project reached over 1.2 billion USD<sup>16</sup>.

In addition to the Rusvietpetro Joint Venture, Petrovietnam contributed 18 million USD as the initial capital contribution to the establishment of the Gazpromviet oil and gas joint venture in 2010. Currently, Petrovietnam and Gazprom have capital contribution ratios of roughly 19% and 81%, respectively.

Another of the cornerstone projects for the nations' economic and commercial ties is the TH-True milk dairy farm investment project in Volokolamsk, Moscow. TH Group made an investment of 2.7 billion USD over ten years in a high-tech dairy cattle farming and processing project in the Russian Federation in 2015. Additionally, the Group wants to open 300 TH real mart outlets across Russia as part of a distribution system. Apart from Moscow, the project of TH is being executed in Kaluga province, encompassing two farms with a combined cattle population of 24,000 and a plant dedicated to processing fresh milk<sup>17</sup>.

The TH Group has been shown to have benefits and to be actively adopting modern technology for farming, hiring skilled workers, and animal production. Consequently, it is expected that TH would manufacture products of the greatest quality, face intense rivalry, and expand its customer base in Russia.

The third-largest project Vietnam has supported in Russia is the Bank for Investment and Development of Vietnam (BIDV). This project is regarded as among Vietnam's initial endeavors in Russia. 2009 saw the establishment of Vietnam-Russia Bank, a 100% subsidiary, in Russia by the Bank for Investment and Development of Vietnam, with an investment of USD 107 million. Following 2013, BIDV and VTB Bank split 50% of the VRB shares<sup>18</sup>.

The Bank also made an investment in the establishment of the Moscow-Hanoi center in 2014. A hotel with apartments and a commercial and cultural hub connecting Moscow and Hanoi are part of the complex's construction. The total amount invested exceeds 7 billion rubles. Built entirely with Vietnamese cash, this is the first commercial real estate project in the Russian Federation.

### **Vietnamese investment in Russia is contrasted with that of ASEAN nations**

Founded in 1967, The Association of Southeast Asian Nations (ASEAN) is a regional organization that fosters cooperation and unity among its 10 member governments in Southeast Asia. The organization provides a forum for political, economic, social, and cultural cooperation<sup>19</sup>. With its foundations in mutual respect, non-interference in domestic affairs, and

consensus-building, ASEAN has played a major role in the stability, economic growth, and integration of the region.

Regarding investment dynamics, Russia and the ASEAN show differing levels of participation. Singapore becomes the ASEAN country with the most investments in Russia in 2022 and 2021 (see table 3).

**Table 3. Incoming direct investments from ASEAN countries as of the beginning of the year in Russia (by %)**

Asean countries	Total inward direct investment (DI) ( % )	
	2022	2021
Brunei Darussalam	0.064%	0.116%
Cambodia	0.004%	0.004%
Laotian People's Democratic Republic	0.004%	0.004%
Malaysia	-4.013%	-3.594%
Myanmar	0.000%	0.000%
Philippines	0.030%	0.029%
Singapore	87.835%	88.707%
Thailand	0.173%	0.088%
Vietnam	15.891%	14.634%
Indonesia	0.012%	0.011%
Total	100.000%	100.000%

Source: Russian Central Bank<sup>20</sup>.

With 87.835% and 88.707% of the total DI in 2022 and 2021, respectively, Singapore leads the investment landscape and emphasizes its status as a significant financial hub in the country. Vietnam, another significant participant, exhibits a noteworthy increase in its investment share, rising from 14.634% in 2021 to 15.891% in 2022. Vietnam's efforts to expand its trade and investment connections, together with its growing confidence in the Russian markets, are reflected in this rising trend.

Vietnam and Singapore have a far higher investment profile in Russia than other ASEAN nations. Vietnam's strategic goal to extend its economic alliances and take advantage of new prospects in the Russian market is reflected in the growing trend of investment. By fostering stronger commercial ties, information sharing, and technology transfer, Vietnam's prolonged

presence in Russia will benefit both countries and establish the foundation for successful future cooperation.

### **Issues hindering Vietnam's investment in Russia**

Vietnam is facing very significant logistical, political, and economic obstacles in its interaction with Russia. Among these obstacles is the need to develop transportation infrastructure and logistics between Russia and Vietnam, which will help increase trade and trade volumes and Vietnam, which will help to increase trade and investment. Another important factor is the promotion of mutual entrepreneurship and business cooperation between Russian and Vietnamese companies<sup>21</sup>.

These barriers severely impede Vietnam's aspirations in the Russian market, despite the coordinated efforts of both countries to promote investment and collaboration. Geopolitical tensions, unstable economies, and complicated regulatory frameworks are some of these obstacles that Vietnam faces while trying to achieve its investment objectives in Russia. As a result, despite a great desire for cooperation, these obstacles still stand in the way of Vietnam's investment projects in the area being successful.

A primary obstacle faced by Vietnamese enterprises seeking to invest in Russia is the challenge of locating key sources of information about markets, industries, and economic regions. Accessing precise, comprehensive information and assistance on food safety and hygiene, customs restrictions, and rules regarding the provenance of imported items is particularly challenging. An instance of exporting seafood to the Russian market. Vietnamese businesses are still having difficulty obtaining the necessary licenses to process and prepare seafood for export to Russia. The request to permit the addition of new facilities and to consider lifting the suspension for enterprises that have examined safety indicators and provided explanatory reports is still pending response from the Russian side, which the Vietnamese side is still awaiting<sup>22</sup>.

In March 2022, the European Union made the decision to remove VTB, Rossiya Bank, Otkritie, Novikombank, Promsvyazbank, Sovcombank, and VEB.RF from the global interbank SWIFT network<sup>23</sup>. The Russian Federation's banks are not included in the SWIFT payment system, which hinders trade relations with Vietnam. Along the sanctions, which also hindered travel and commerce or increased expenses, the conflict in Ukraine also caused disruptions to aviation and marine routes. The logistics costs of shipping are also “eroding” the profits of Vietnamese export companies, which are already substantially higher than they were before the COVID-19

outbreak. Sanctions may increase the cost of logistics, reduce the availability of empty containers, and cause congestion at seaports<sup>24</sup>.

The economic difficulties in recent years, high inflation has caused countries to tighten monetary policies, further reducing consumption. In this context, both investment and trade activities face significant obstacles. The Central Bank of Russia's basic interest rate increased from 7.5% to 16% annually in the final five months of 2023<sup>25</sup>. These monetary policy is thought to be intended to reduce inflation and stabilize the value of the country's currency. This strategy has had some positive effects on the macroeconomy. However, higher interest rates will also make borrowers more vulnerable and cause investment activity to slow down.

In the energy and military domains, Russia and Vietnam have long been partners, with Russian money investing in Vietnam and vice versa. Neither nation is ready to swap money for another nation's. Investors from two nations are still unable to identify their advantages in the other country, even in other industries. China poses significant obstacles to Vietnam's ability to export goods to Russia, including electronics and agricultural items, making it challenging to increase market share and fostering favorable conditions for Vietnamese producers making investments in Russia (Arzhaev 2023).

### **Benefits of increased Vietnamese investment development in Russia**

The emergence of the Comprehensive Strategic Partnership is a key turning point that has significantly improved economic cooperation and encouraged investment between Vietnam and Russia. This agreement strengthened the two sides' relationship and laid a solid basis for cooperation in a number of industries. It seeks to improve relations between Vietnamese and Russian stakeholders while also promoting an atmosphere that is favorable to investment and economic advancement. Because of this, as well as increasing trust and investment protection measures, Vietnamese investors have been encouraged to investigate potential in Russia's numerous industries, including energy, infrastructure, technology, and agriculture.

In addition, the 2015 signing of the sign of the FTA between Vietnam and the EAEU is another noteworthy milestone. This has given Vietnamese businesspeople new opportunities. Thanks to this agreement, Vietnamese companies now have privileged access to a market with over 183 million consumers, giving them a platform to grow their export. Vietnamese investors have been able to contribute to mutual economic growth and development by strengthening their competitiveness, diversifying their export

destinations, and establishing stronger economic ties with EAEU member states by utilizing the advantages of the FTA.

In 2022, the opening of a marine transport route connecting Vietnam to Vladivostok port, represents a major advancement in the optimization of economic relations and logistics efficiency<sup>26</sup>. Stakeholders on both sides have expedited the flow of commodities by formalizing this route, reducing the time and procedural complications that were previously involved in cross-border transportation. By taking advantage of both Russia's vast rail network and Vietnam's advantageous marine location, the route guarantees the timely and dependable delivery of Vietnamese commodities to the center of Western Russia, thereby promoting increased trade volumes and market accessibility.

Russian authorities began enforcing new rules on August 2, 2023, enabling Vietnamese nationals to enter the country with electronic visas that are good for 60 days and permit up to 16 days of stay each entrance. This is a major advancement in the promotion of tourism and economic collaboration. Simplifying the visa application process would not only reduce administrative costs but also motivate more Vietnamese tourists and business visitors to look into prospects in Russia. These changes facilitate economic cooperation, market expansion, and trade between Vietnamese and Russian enterprises in addition to assisting Vietnamese tourists who wish to experience Russia's rich cultural heritage.

The broad strategic partnership between Vietnam and Russia heralds a promising age of economic cooperation and investment possibilities. The Comprehensive Strategic Partnership and the FTA have established solid foundations for mutual industrial growth. A dedication to strengthening trade, tourism, and commercial connections is also shown by the newly established marine transport route to Vladivostok and the streamlined visa application process for Vietnamese nationals. These advancements promote deeper cross-cultural dialogue and understanding in addition to providing Vietnamese companies with increased market access. This is evident as their economic links continue to strengthen.

### Conclusion

In conclusion, the examination of foreign direct investment between Vietnam and Russia reveals a robust and beneficial alliance, highlighted by consistent trade patterns and strategic investments. Vietnam's foreign investments demonstrate a strategic diversification approach, albeit being concentrated in surrounding countries. Notable projects include those in the banking and energy sectors of Russia. Vietnam is committed to exploring possibilities

and strengthening trade ties with Russia, even if it has invested less in the country than other countries. Vietnam's increased confidence and interest in bilateral commercial connections with Russia is making it a more major investor in Russia than other ASEAN countries. Deeper economic integration and an improved investment climate are fostered by strategic partnerships and trade agreements.

Even in the face of obstacles like logistical bottlenecks and geopolitical instability, there are plenty of chances for additional investment development. Enhanced mutual comprehension and communication between Vietnam and Russia might be facilitated by strategic alliances, innovative logistical approaches, and legislative modifications such as the creation of a maritime transit route and the relaxation of visa regulations.

Recognizing the difficulties faced by investors, the governments of Vietnam and Russia are making concerted efforts to offer assistance and foster an atmosphere that is favorable to investment. Both countries are attempting to reduce risks and foster investor confidence by means of policy changes, regulatory improvements, and the creation of business-friendly frameworks.

In summary, Vietnam's FDI in Russia has the potential to strengthen bilateral ties, greatly accelerate economic growth, and provide new opportunities for mutual gain. Future investments and cooperation between the two countries may result from this.

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Вклад авторов: все авторы сделали эквивалентный вклад в подготовку публикации. Авторы заявляют об отсутствии конфликта интересов.

Статья поступила в редакцию 23.09.2024; одобрена после рецензирования 31.10.2024; принята к публикации 27.11.2024.

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Contributions of the authors: the authors contributed equality to this article. The authors declare no conflicts of interests.

The article was submitted 23.09.2024; approved 31.10.2024; accepted to publication 27.11.2024.



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