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The free trade agreement between the Eurasian Economic Union and Vietnam in the context of Russian-Vietnamese relations

Policy of integration in the post-Soviet space is one of key directions of contemporary foreign policy of Russia. The Eurasian Economic Union (EAEU), functioning since the beginning of 2015, might be called the most important integration project for Russia. The EAEU is based on the Customs Union of Russia, Belarus and Kazakhstan (entered into force in 2010). Besides these three states, Armenia and Kyrgyzstan also joined the EAEU. The EAEU is distinguished by its focusing on economic integration. This feature of the EAUE can be explained by attitudes and preferences of some its members. At the same time the level of economic cooperation between the EAEU member states is relatively low. For example, in 2015 the share in trade between Russia and other EAEU states was 8, 6 % (\$45, 6 billion) in the total trade turnover of Russian Federation. Despite declared economic character of Eurasian integration the EAEU member states have some political grounds for a participation in this alliance – for instance, pursuing multi-vector character of their foreign policies and rise of influence in international relations. Russia is a key member state of the EAEU and its “driver”, but Russia also considers the Union as a both economic and political project. The Eurasian Economic Union enables Russia to strengthen its role in foreign policy and position itself as a leader of a large integration association. Eurasian integration seems to be an important ideological element in Russian foreign policy, underlining special role of Russia in the world – role of a connecting link between the East and the West.

An essential trend in strategy of the EAEU is a policy of enlargement of the Union. First of all, it includes involvement of new member states. Also the EAEU is ready to more flexible form of cooperation with both states and other integration blocs. One of possible types of similar cooperation is an agreement on a free trade zone. The EAEU negotiated and still negotiates on creation of free trade zones with many states and integration associations. For instance, in August 2015 minister of economic development Alexei Uliukaev declared more than 40 countries wish to establish free trade zones with the EAEU. Among these states – China, India, Thailand, Indonesia, Cambodia, New Zealand, Egypt, Syria, Israel etc. The EAEU also signed memorandum on cooperation with ASEAN, MERCOSUR, BRICS and other integration

associations. Some of potential candidates froze negotiations along with the crisis in relations between Russia and the West – as, for instance, New Zealand. Other states don't give final answer or continue negotiations. As a result, a free trade agreement (FTA) with the EAEU was signed by only one state – the Socialist Republic of Vietnam.

The first breakthrough in enhancement of the Eurasian Economic Union beyond the post-Soviet space happened mostly due to the special character of Russian-Vietnamese relations and foreign strategy of Vietnam. Russian-Vietnamese relations are developing on the foundation of the alliance of the USSR and Vietnam in the period of the Cold War. During the Indochina War the Soviet Union supported North Vietnam and after the war the Communist superpower became a principal economic partner and a political ally of the united Socialist Republic of Vietnam. After the collapse of the USSR cooperation between Russia and Vietnam decreased, but was not totally ceased. There was cooperation in arms sales (but in more humble scopes than in the Cold War), some joint companies (e.g. the oil company Vietsovpetro) were still working. At the same time Vietnam began to develop economic ties with the ASEAN states, China, Japan, South Korea, later – with the USA. In 2001 Russia and Vietnam signed a declaration on strategic partnership. Vietnam remains the only Southeast Asia state having this status in relations with Russia. In 2012 the level of Russian-Vietnamese relations was raised to “comprehensive strategic partnership”. New joint projects in energy sphere have been developing – as in Vietnam, so in Russia. In the 2010s cooperation in defense sphere increased (mostly as a result of tensions in the South China Sea). Role of Vietnam for Russian policy in the Asia-Pacific was highlighted in the Concept of the Foreign policy of Russia, adopted in 2013. The success of Russian-Vietnamese dialogue is also stipulated by absence of serious contradictions between the states. But position of Russia as an economic partner of Vietnam is comparatively modest. The trade turnover of Vietnam and Russia in 2014 – \$2, 6 billion, and in 2015 — \$3, 9 billion. In comparison, trade of Vietnam and the US – \$36, 2 and \$45,1 billion for the same years. Trade between Vietnam and China in 2015 – \$66 billion. Meanwhile the share of other members of the EAEU in trade with Vietnam is much less than Russia's one. Before the signing of Free Trade Agreement between the EAEU and Vietnam Russian policymakers and experts supposed this agreement could ensure rise of trade between Russia and Vietnam. For instance, under the conditions when some states settled free trade zones with Vietnam, Russian products could rather contest with goods from these countries. Vietnamese economy is rapidly developing and Vietnam might be considered as an important economic partner. In Russia Vietnam is viewed as a long-standing partner. In the 2010s Russia began to lead a policy of “Pivot to Asia” and

intensified relations with the Asia-Pacific states. Ties with Vietnam are based on the experience of cooperation for previous years and seem to have serious prospects.

Vietnam in turn also has some political reasons for development of relations with Russia and the EAEU. Yet in 1991 the 7th Congress of Communist Party of Vietnam (CPV) declared a course for multilateral foreign policy. In 2011 the 11th convention of CPV confirmed a vision of independent foreign policy of Vietnam. Therefore relations with Russia as one of centers of world policy are considered in Vietnam as an essential part of multilateral course in Vietnamese foreign policy. Vietnam sought with the use of the FTA to strengthen ties with Russia, to broaden cooperation with other members of the Union and to improve its positions in international relations.

So we can tell about serious political and economic grounds for an establishment of the FTA between the EAEU and Vietnam. Russia is mostly interested in development of relations in Vietnam among the members of the EAEU.

The first ideas about involvement of Vietnam into Eurasian integration were proposed in 2009. In 2010 Russian and Vietnamese presidents declared about possible establishment of a free trade zone between the Customs Union and Vietnam. A joint research group studied conditions and prospects of the FTA between the Customs Union and Vietnam in 2010-2012. Formal negotiations on the FTA began in March 2013 and finished in December 2014. The Free Trade Agreement between the EAEU and Vietnam was signed in 29 May 2015. Vietnam in 2015 also signed treaties on free trade zones with the European Union and South Korea. Russia considers the FTA between the EAEU and Vietnam as a basis for further cooperation of the Union with the Asia-Pacific, including the ASEAN states. The idea of enhancement of Eurasian integration project into the Asia-Pacific has been considering since the beginning of the Russian “Pivot to Asia”. For example, at the APEC summit of 2012 in Vladivostok, President Vladimir Putin proposed a vision of the Customs Union as a bridge between the European Union and the Asia-Pacific and participation of Russia in economic liberalization in the Asia-Pacific in a format of the Customs Union.

But the FTA between the EAEU and Vietnam is marked by careful approach. Russian official documents accent minimal risks for economies of the EAEU members from the FTA with Vietnam and suggest this FTA might be a model for cooperation with other states in similar format. The EAEU and Vietnam also tried to protect the most vulnerable products (the EAEU – sugar, milk, meat, engines, some textile goods; Vietnam – some positions in meat and poultry, salt, jewelry). Also the partners use system of quotes (e.g. regarding rice) or postpone a reset of

customs tariffs. The treaty is composed in a form, enabling economies of the Union and Vietnam to supplement each other. Vietnamese companies can broaden their export to Russia, but Russia also will get some preferences in Vietnam (including in relation of products of manufacturing industry). But comprehensive outcomes of the FTA might be achieved, according to Russian researchers, in 10-15 years.

In May 2016 Russia, Belarus and Vietnam signed an agreement on assembly of cars in Vietnam. This treaty is considered as one of the first joint project in framework of the future zone of free trade between the EAEU and Vietnam. Also volume of Russian-Vietnamese trade increased in the first quarter of 2016 for 30%.

By May 2016 the FTA between EAEU and Vietnam was ratified by Russia, Vietnam and Kazakhstan. The agreement is expected to enter in force during the summer of 2016.

The FTA between the Eurasian Economic Union and Vietnam formally is a document on economic cooperation, but its signing was stipulated by some political reasons. Russia sought to promote the idea of Eurasian integration and connect the EAEU with the Asia-Pacific. This intention is linked with Russian policy of development of relations with the Asia-Pacific. Also this FTA might be a model to elaborate cooperation between the EAEU and other states in a form of a free trade area. Vietnam tries to develop multilateral political and economic relations, and the FTA with the EAEU can help Vietnam to strengthen ties with Russia – its traditional partner. Despite the current low level of economic cooperation between Russia and Vietnam, the FTA might increase volumes of mutual trade and also create a positive atmosphere for development of relations in other fields.