

ECONOMIC PATTERNS AND PERFORMANCE OF INDOCHINA NATIONS¹

VLADIMIR MAZYRIN

Institute for Far Eastern Studies, Russian Academy of Sciences, Moscow, 117997 Russian Federation

Abstract

The paper presents a multidimensional analysis of the economic development of four Indochina countries – Cambodia, Laos, Myanmar and Vietnam (CLMV) as part of ASEAN. The scientific relevance of this topic proceeds from both its actuality and insufficient knowledge about it in Russia. Main trends of the analyzed processes are under consideration in four sections.

First, the author reveals the indicators, causes, challenges and consequences of the rapid economic growth of the CLMV group. In particular, this section reveals energy vulnerability of the Southeast Asian countries and possible ways of overcoming it. The second section presents the formats of integration in the region, the difference of benefits for ASEAN members and greater advantages of the Indochina countries. Special attention is paid to deepening cooperation between the latter.

The third section presents several examples of the economic impact of major powers in the region – China, the USA and Japan – on the SEA countries in general and the ASEAN-4 in particular from the perspective of the parties' interests. The author puts forward a thesis that China advances economic initiatives aiming to undermine the US dominance in the region, while Japan expands its position in Indochina. The level of economic and trade relations of these countries with ASEAN is estimated too.

In addition, the author analyses relations in this realm between the ASEAN-4 and the Russian Federation. The fourth section displays the priority sectors of the Russian capital input (energy, mining, agricultural production, services) and tools for investment cooperation, and discloses the dynamics, balance and structure of mutual trade. A significant lag of Laos, Cambodia and Myanmar in comparison with Vietnam as partners of Russia is identified. In a nutshell, this section summarizes peculiarities of trade and economic relations, and formulates positive factors and obstacles influencing the development of Russia's cooperation with the CLMV group, especially with the less developed Indochina countries.

The author concludes that the ASEAN-4 economies, due to their membership in the Association and further integration into regional structures, have found relevant patterns, methods, and formats of development according to their interests. They selected the larger East Asian states, the US and the EU as key partners and guarantors of their own progress. Nevertheless, the Indochina countries seek to expand cooperation with Russia. The Russian Federation is also trying to strengthen relations with its former allies, but this is difficult to achieve because of the limited capacity of the parties. Due to these reasons, Russia's cooperation with the "Quartet" of Indochina countries lags well behind the level achieved by the main competitors.

Keywords:

trade and investment; regional integration; Economic Community; economic growth; ASEAN; Indochina; Russia; China; USA; Japan.

Vietnam, Cambodia, Laos and Myanmar (hereinafter "the ASEAN-4") joined the Association of Southeast Asian (SEA) Nations

some 15–20 years ago. They differ substantially in the level of their political, economic and cultural development from the Associa-

¹ The subject of our analysis are the Indochina countries except Thailand, one of the ASEAN's founders and one of the six more developed Southeast Asian economies.

tion's founders. The main task is to find ways of overcoming the existing lag and make the Association more homogeneous and, therefore, better integrated. The SEA countries opted for the establishment of an ASEAN Economic Community (AEC) as their pathway to such integration. Since 2015, the AEC has served as a means of deepening integration processes and creating a single regional market.

The development of the four "younger" ASEAN members (CLMV) is characterized by a number of features both common to the entire Association and specific ones. The section below deals with the main ones manifested today. The analysis of the determinative trends and challenges is relevant due to both their actuality and inadequate knowledge in Russia.

1

The tendency towards **fast economic growth** is occurring due to foreign direct investment (FDI) flows, chiefly into these nations' limited range of priority sectors in free trade areas (FTA). On the whole, economists consider this source of capital formation very important for ensuring catching-up development of previously under-developed, especially smaller, countries. Today, while FDI flows into the developed SEA countries have decreased (in 2015, their growth amounted to as little as 1%²), capital inflow into the low-income countries is on the rise. That same year, the FDI flows into the Social Republic of Vietnam (SRV) were up by 16%, while their flows into Myanmar increased by 200%. This can be explained by the fact that investment beneficiaries in the first group of countries lose their competitive advantages in production costs, especially in labor-intensive industries, as their incomes grow, while these advantages shift to the countries of the other group. FDI flows into infrastructure and industry encourage the establishment of special economic zones (SEZ).

The SRV is a vivid example of opportunities and prospects the shift of investment to the

SEA countries with cheaper production factors offers. The leading MNCs expand production facilities in the electronics sector there. For example, Samsung Company, Vietnam's largest investor, is implementing \$15 billion worth of projects (out of the total of \$45.2 billion South Korea's FDI), producing more mobile phones than in China³.

If viewed along with the ASEAN countries' growth factors, their growth rates and the size of their economies display remarkable phenomena. Owing to their higher dynamics due to, among other factors, their start from almost point zero, the Association's lagging countries (the ASEAN-4) are gradually catching up with the more advanced countries (the ASEAN-6). While in 2009 the GDP gap between the two groups was 11.6 times, in 2015 it was reduced to 7.4 times. The share of the ASEAN-4 in the regional economy grew accordingly – from 9% to almost 12% (Table 1). In the 2010s, the group's growth rates were higher than those of the ASEAN-6, and they have remained at a high level since 2012, while those of the ASEAN-6 have been falling. These changes are turning into a trend.

A comparison of indicators of the ASEAN-4 countries has revealed that Vietnam's GDP exceeds that of its neighbors considerably (that of Myanmar – three-fold, and of Laos and Cambodia – more than 10-fold). However, due to accelerated implementation of market-oriented reforms and exhausted extensive development reserves, the SRV's growth rates, while noticeably steady, are slowing down by 1 to 3 percentage points annually. For this reason, while Vietnam's GDP almost doubled in 2009-2015, Laos' GDP increased by 2.2 times and Myanmar's – by 2.4 times. Only Cambodia's GDP increase was smaller – 1.8 times.

An analysis of the results of the last two decades has shown that in all of the ASEAN member-countries both poverty incidence and income gaps have been steadily decreasing. At the same time, the share of the middle class in

² At the same time, FDI in Singapore, the main recipient country of foreign investment in Southeast Asia, has decreased by 5%, and FDI in Indonesia – by 29% [World Investment Report 2016: 45–47].

³ Statistical yearbook of Vietnam 2015. Hanoi: Statistical Publishing House, 2016. P.235; Bạch Dương. Kim ngạch 40 tỷ USD, Samsung góp 22,7% xuất khẩu cả nước. URL: <http://vneconomy.vn/>, 4.05.2017.

Table 1
Economic growth in ASEAN in 2009-2015
 (GDP volume, million USD in current prices / growth, %)

Country / group	2009	2010	2011	2012	2013	2014	2015
Vietnam	106018	116300	135541	155820	171219	186224	193407
	–	6.4	6.2	5.2	5.4	6.0	6.7
Cambodia	10354	11229	12804	14027	15237	16771	18463
	–	6.0	7.1	7.3	7.4	7.0	7.1
Laos	5595	6752	8061	9398	10771	11777	12639
	–	8.1	8.0	7.9	8.0	7.6	7.6
Myanmar	26962	41004	56502	60282	61863	65785	65392
	–	9.6	5.6	7.3	8.4	8.7	7.1
ASEAN-4	118928	175285	212908	239527	959091	280558	289901
	–	7.4	6.2	6.1	6.5	6.9	6.9
CLMV share in ASEAN, %	–	9.1	9.5	10.0	10.4	11.1	11.9
ASEAN-6	1384389	1721574	1998007	2103669	2150124	2293032	2142069
	–	7.5	4.9	6.2	5.0	4.3	4.3

Source: ASEAN Finance and Macroeconomic Surveillance Unit Database: Table 5. Gross domestic product in ASEAN, at current prices (nominal), in US dollars as of August 2015; ASEAN Community in Figures 2016: Table 4. Nominal GDP. The ASEAN Secretariat Jakarta, 2016; International Monetary Fund World Economic Outlook (IMF WEO) Database May 2016.

the population structure has been increasing [Tsvetov 2016:52-65]. Growth has been steady in each state, thereby encouraging integration within ASEAN. There are opportunities in the CLMV countries for strengthening this trend.

Ensuring energy security in Southeast Asia.

From the point of view of economics and strategy, this task is one of the priorities for the ASEAN countries, and the CLMV group (except Cambodia) is playing an increasingly important role in it. New facilities for extracting hydrocarbons are being commissioned to meet at least part of the region's growing needs. However, today the SEA economies have to supplement energy export with its import, investing into changes in their energy infrastructure.

Vietnam, Thailand and the other ASEAN member-states are already taking measures to establish a network of terminals for receiving liquid gas shipped by tankers and for regasification. The gas will then be delivered to consumers by pipelines that are to be built. This year, Thailand will complete the expansion of capacity of the Ma Ta Phut terminal. Vietnam

is building its first LNG terminal in the port of Thi Vai, Malaysia is commissioning two new terminals in Sabah and Johor, and Indonesia has already converted its LNG-producing Arun plant into a terminal [Hartman & Nakano 2017: 6].

Thus, the growing demand for energy in Southeast Asia, especially in the most dynamic economies of Indochina, makes it increasingly dependent on the import of energy resources. Along with growing energy generation, the way to address the issue is through increasing energy efficiency. Its most important indicator – energy intensity – has been decreasing in Southeast Asia over the last decade. Energy efficiency will most likely continue to grow there. The CLMV countries have certain reserves in this area, since they have not introduced relevant standards yet.

Governments also seek to strengthen their countries' energy security by implementing diversification strategies including promotion of modern renewable energy sources. These sources occupy a substantial place in the energy balance of most SEA states, primarily in

biofuel. Under such circumstances, the best prospects belong to hydropower engineering, since construction of nuclear power stations is considered dangerous after the Fukushima accident.

A number of Indochina countries have a competitive advantage in this respect. Hydro-power stations generate most electricity in Laos, Myanmar and Vietnam. Laos exports electricity to the neighboring countries, and today two thirds of it are delivered to Thailand and Vietnam, who invest into its generation [Hartman & Nakano 2017: 8]. However, HPSs, while generating cheap electricity, require high construction costs and cause environmental problems. Local communities, especially in Myanmar, resist further HPS construction strongly because of potentially harmful environmental implications.

2

Integration in and around Southeast Asia is taking place simultaneously and is possibly one of the causes of the economic growth of the countries in the region. Thanks to ASEAN's efforts and its central location in East Asia (ASEAN-centrality), the process is acquiring an increasingly system-wide nature. In ASEAN, it rests on the free trade area – AFTA. Around it, an FTA network ASEAN+1 has formed with the regional neighbors. A separate process is the formulation of agreements on free trade and other forms of cooperation with the three Northeast Asian countries. In future, all these FTAs can be united into one structure – the Regional Comprehensive Economic Partnership (RCEP). Considering that the project of a transcontinental FTA in the shape of a Trans-Pacific Partnership (TPP) has failed, as well as the attempts to establish an APEC-based FTA in the Asia-Pacific region, RCEP may be considered as the most successful form of integration on the Asian continent (to be more exact, in the Asia-Pacific region).

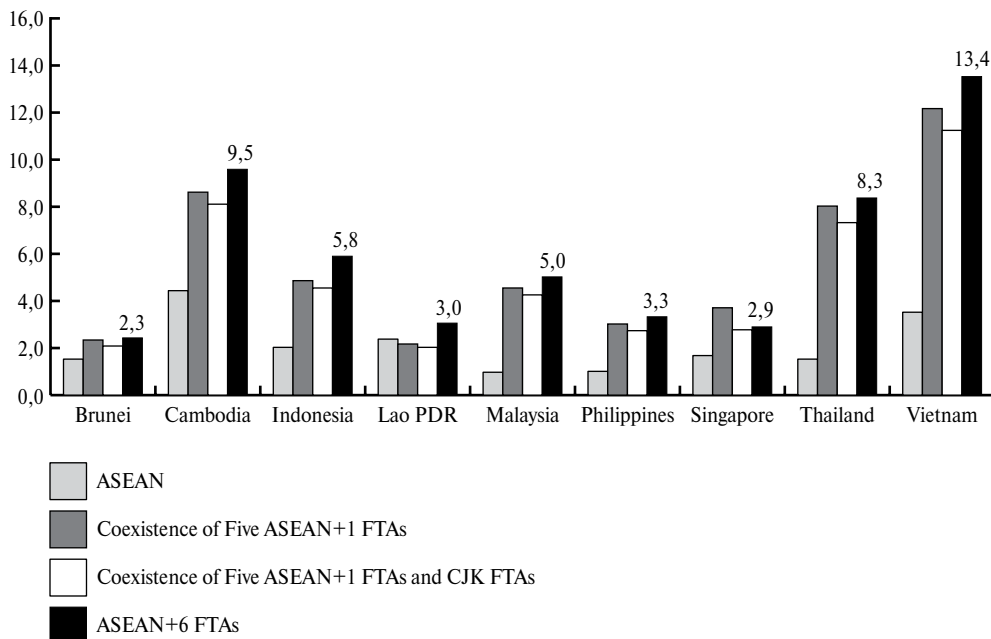
Based on the successive maturing and overlapping of integration structures in the region, scholars from various countries and schools of thought have tried to assess the economic effects of the process. In 2013, a Japanese re-

searcher Itakura modelled possible implications of various 2011-2015 integration formats for the ASEAN countries, having extrapolated the GDP growth from the current level in percentage points (Diagram 1). According to his estimates, implementation of all existing projects was to produce substantial advantages for ASEAN. They were to be minimum within the framework of the AFTA and maximum if trade and investment expanded based on megaregional integration (RCEP). This is explained by the fact that comprehensive trade and investment liberalization leads to greater transparency and stronger value chains and is profitable for all ASEAN members. His estimates mostly proved true. During the five years that followed the global crisis, the ASEAN economies showed a considerable progress.

According to the estimates, the CLMV group will receive the most substantial advantages. It follows from Itakura's model that this will happen even with the deepening of the Southeast Asian integration. Of all the ASEAN members, Cambodia and Vietnam will enjoy the greatest benefits. If China, Japan and the Republic of Korea liberalize trade and investment between them, Cambodia and Vietnam, thanks to the FTAs with those two, will have more benefits as compared to integration within ASEAN. RCEP will create still more advantages for Cambodia and Vietnam due to the synergy of all formats. However, the assessment of Laos' progress was rather modest. According to Itakura's analysis, the CLMV countries will have more if they liberalize both trade in goods and services and investment [Vo Tri Thanh 2016: 147-166].

A high assessment of RCEP effects on the CLMV group is explained by a number of factors. First, despite the constant rise in their revenues, the CLMV countries are still at a low level of development and are capable of deepening their reforms and liberalization. Washington has been insistently recommending them. RCEP establishment also promises broader access to foreign markets and investment. Growth rates may increase due to the fact that the CLMV group will gain advantages from the implementation of this project and will be developing more confidently. RCEP is

Diagram 1
Economic effects from integration into APR for the ASEAN countries*



Source: [Itakura 2013: 12].

Notes: *the effects were calculated for the following options: integration within ASEAN, coexistence of Five ASEAN+1 FTAs (with China, Japan, South Korea, India, Australia and New Zealand), coexistence of Five ASEAN+1 FTAs and CJK FTAs and, finally, within RCEP established on their basis (ASEAN+6 FTA). Myanmar is not included into the estimates due to lack of statistical data.

promising for its members due to their further involvement in regional production networks, which are growing fast based on the links of major industrial complexes with multinational corporations.

American researchers Petri and Plummer simultaneously produced similar estimates that mostly coincided with the calculations of their colleagues [Petri and Plummer 2013: 25-32]. The experts prognosticated that a successful implementation of the agreements underlying AEC would bring unequal benefits to its members. Under different integration formats, the CLMV countries will have different income gains, and the benefits for the CLMV group and the other ASEAN members will differ considerably. The younger ASEAN members were promised maximum gains that were supposed to be twice as high in case of establishment of an FTA with the EU and the US.

Despite this fact, the ASEAN-6 countries will still be ahead of the CLMV group in the absolute GDP growth due to superiority of their economies.

ASEAN researchers lay emphasis on the advantages Vietnam, Cambodia, Laos and Myanmar will obtain from their participation in the Association's programs. According to them, CLMV's growth story is ASEAN's success story illustrating potential advantages of economic integration [Intal et al. 2014: 45].

Of course, reliability of the above predictions, although they reflect the overall trend, is relative and requires verification. The complexity of calculating possible outputs is vividly confirmed by Vietnam's experience. Most experts underestimated the impact of the trade agreement with the USA (2000) and WTO accession (2007) on the growth of Vietnam's foreign trade and GDP. Another

cause could be insufficient consideration of the effects of institutional reforms the integration required and the capital inflow caused by the integration process. The effect of assistance provided by industrialized countries to their partners in mitigating the negative consequences of trade agreements proved higher than was expected.

The possibility of such consequences and inadmissibility of some of the FTA terms and conditions are rather obvious as witnessed by TPP. It is not coincidental that a number of SEA countries, including the three least developed ones – Cambodia, Laos and Myanmar – refused to participate in the talks on its establishment. They could not assume commitments on liberalizing their economy and national legislation suggested by the USA because they were of a much greater depth and scale as compared to the other FTAs. Besides, those countries were threatened with indirect economic losses. According to the estimates made by Intal and his colleagues (2014), TPP establishment could lead to reorientation (diversion) of trade and investment from CLMV to other ASEAN members.

Expansion of cooperation with the ASEAN-4.

Vietnam's most active contacts and mutual assistance are with Laos and Cambodia. Achievements and prospects of development of their mutual relations are based on observance of the principles of good-neighborliness, traditional cooperation and striving towards long-term stability. They have long since been built on an equitable and trustful basis. Thanks to political collaboration, trade and economic contacts are expanding, thereby creating conditions for strengthening bilateral relations⁴.

Vietnam, as a more developed country, enjoys priority in each pair and is an informal leader of the CLMV group. Laos and Cambodia are the main recipients of Vietnam's FDI. As at the end of 2015, 210 projects were registered

in Laos (construction of HPSs and roads, and mining of minerals) worth \$4.95 billion and 157 investment projects in Cambodia (mostly in agriculture and forestry) \$3.48 billion worth⁵. Although investments from those countries in Vietnam have also increased, they are by far smaller: Cambodia has invested \$58.125 million into 18 projects, and Laos has invested \$16 million into 6 projects [Đinh Trung Thành 2016: 64]. In 2015, bilateral trade turnover with Cambodia reached \$3.4 billion annually, and in the five months of 2014 it came to \$1.686 billion. The parties are planning to increase the mutual trade volume to \$5 billion annually. The 2015 indicator for Laos was more modest – \$ 1.1 billion, and deliveries in both directions were well balanced, whereas Vietnam had a much larger surplus in its trade with Cambodia⁶.

Bilateral tourism flow is intensive. In 2016, Cambodia received 960,000 Vietnamese tourists (19% of the total number), and Vietnam is a stable leader among the other countries. Vietnam, in its turn, received 212,000 tourists from Cambodia (the latter ranks 13th in its market) and 114,000 from Laos (ranking 15th). In the peak year of 2014, the figures were 404,000 and 137,000 respectively⁷.

Both countries are pursuing a multi-vector economic policy, with diversification of international relations, and both of them are closely coordinating their actions within the regional cooperation mechanisms, such as the Cambodia-Laos-Vietnam (CLV) Development Triangle, the CLMV format (Cambodia, Laos, Myanmar and Vietnam), the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) and other programs.

3

Southeast Asia is the most important object of *China's* interest. It is easy for it to pursue its policy in the neighboring, less developed

⁴ Вьетнамско-камбоджийские отношения продолжают развиваться [Vietnamese-Cambodian Relations Continue to Develop] // Нянь зан Онлайнь, 24. 06.2017, <http://ru.nhandan.com.vn/gapgodoihoai/gapgodoihoai-phongvan/item/416650.html>

⁵ Statistical yearbook of Vietnam 2015. Hanoi: Statistical Publishing House, 2016. P.246.

⁶ Statistical yearbook of Vietnam 2015. P.552, 560.

⁷ Вьетнамско-камбоджийские отношения продолжают развиваться, указ. соч. [Vietnamese-Cambodian Relations Continue to Develop, op. cit.]; Statistical yearbook of Vietnam, op. cit. P.571.

ASEAN countries. President Xi Jinping strives to unite the surrounding countries into a community of common interests, for which purpose China is implementing the One Belt, One Road (OBOR) initiative, unveiled at the end of 2013, where the Marine Silk Road is featuring prominently.

China's concept has been translated into three initiatives. Two of them are overland projects, namely, the well-known East-West Economic Corridor from the port of Maulamyang in the Southeast of Myanmar via Thailand and Laos to the port of Da Nang in Central Vietnam, and the Southern Economic Corridor, which will connect Bangkok with Ho Chi Minh City and may be potentially extended to the port of Dawei in the southern part of Myanmar. The third initiative is the ASEAN Marine Economic Corridor, which is supposed to promote the development of the port infrastructure and marine economy as well as IC and technological networks. Completion of works in the greater part of the East-West Corridor attracts investment in energy, tourism and agribusiness. The Indochina countries that are involved in the project more actively than others.

Construction of a railway connecting Southwestern China (Kunming) with the Laotian capital Vientiane started in 2016 within the framework of one more initiative. This section constitutes the East-Asian part of the Pan-Asian high-speed railway that will cross Vietnam, Cambodia, Thailand/Myanmar and Malaysia to Singapore. At the end of 2015, a consortium of Chinese companies was awarded a contract on the implementation of other planned projects: a deep-sea port and the Chau Pyu SEZ in the western part of Myanmar. Chau Pyu is a strategic outpost in the Indian Ocean, with double significance as the starting point of overland oil and gas pipelines between Myanmar and China [Phuong Nguyen 2016: 5].

Naturally, by participating in such projects both parties pursue both common and their own interests. The states of Southeast Asia seek to create a hard and a soft infrastructure that will promote regional integration within the framework of the ASEAN Economic Community and an upward progress along the value-

chain. The technically and financially lagging Indochina countries are reaping obvious benefits and advantages from it. Cambodia is a vivid case in point. According to the available estimates, China has built about 70% of all roads and bridges totaling over \$2 billion out there [Thayer Consultancy 2017: 2]. State-of-the-art infrastructure has improved the transportation and communication network in the country and its contacts with its neighbors. However, it is hard to understand how Cambodia will repay the loans.

Meanwhile, Beijing is pursuing a strategy of increasing its influence in Southeast Asia by creating a solid infrastructure and deepening relations with the fast-growing regional economies. It seeks to obtain access to the Indian Ocean and the Gulf of Siam. Since China's investment met with no opposition from other major players in the region, Beijing will continue building up its efforts in Laos, Myanmar and Cambodia in the nearest future. However, it may face a real challenge in the form of increasing anti-Chinese sentiment due to its growing presence in the CLMV countries, primarily in Myanmar and Vietnam.

As the USA's main rival in Southeast Asia, China is taking measures to provide the Indochina countries with an alternative to regional American initiatives. In 2015, it announced officially the establishment of the Lancang Jiang (Chinese name for the upper reaches of Mekong) mechanism with the involvement of Laos, Cambodia, Myanmar, Thailand and Vietnam, similar to the Mekong River Basin Development Program, that has long since been successfully sponsored by the USA and Japan.

China's economic initiatives are also challenging the US and Japan's domination in the World Bank and the Asian Development Bank. In 2013, China spearheaded the establishment of the Asian Infrastructure Investment Bank (AIIB). Representatives of 21 countries, including nine ASEAN states, participated in the project. The Bank that formed a charter capital of \$50 billion at first and \$100 billion later gave impetus to the development of financial cooperation in the Asia-Pacific region and Southeast Asia and started

to finance infrastructure projects connected with trade in Asia⁸.

Beijing is pursuing a policy of special preferences in trade for the Indochina countries. For example, the ASEAN-China Free Trade Agreement (ACFTA) critical for its development required that Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei zeroize import duties since its effectiveness in January 2010. However, China gave Vietnam, Cambodia, Laos and Myanmar a possibility of gradually reducing tariffs until 2015. Beijing contributed the largest share to the China-ASEAN Investment Cooperation Fund with a charter capital of \$10 billion established in 2009. It also assigned an additional \$15 billion as a loan to support infrastructure development projects in SEA countries [Thayer 2015: 208-215].

It is still far more important that China's economic upswing has changed the economies of SEA countries and united them into a single production network linked to China's export-oriented economic sectors. China buys not only feedstock and natural resources especially oil and gas but also electronic parts and components in SEA countries. This has permitted China to replace the USA as the main trade partner of most SEA countries. Back in 2009, ASEAN became China's third biggest trade partner. In 2014, their bilateral trade turnover reached \$366.5 billion, but the parties failed to exceed the target of \$500 billion as had been planned [Thayer 2015: 208-215]⁹.

China does not confine itself to the implementation of the ACFTA program; it seeks a deeper economic integration of the entire East Asia. At the 16th ASEAN-China Summit in October 2013, the heads of the ASEAN states supported RCEP establishment. Today, this project is as close to implementation as ever before. As a result, the ASEAN countries regard China not as much as a threat but rather as a source of new development possibilities facilitating collaboration. This trend is espe-

cially beneficial for the CLMV group, although Hanoi views the situation at a different angle.

In its turn, the United States of America does not intend to abandon its position in Southeast Asia – a sub-region, which is strategically important to it. ASEAN is in the tongs of the toughening American-Chinese rivalry for influence in Asia. In contrast to Beijing, Washington stakes on the most developed countries and does not pursue active policies in the ASEAN-4 area, except in Vietnam. This is natural, however. First, Vietnam is now close in its level of development to the leading ASEAN member-states. It is not coincidental that the World Bank classified it as an ASEAN-5 country, a category of steadily growing SEA economies (plus Indonesia, Malaysia, Thailand and the Philippines, minus Singapore, which is a developed economy). Second, Hanoi has traditionally produced a strong influence on its Indochina neighbors, and it is easier and cheaper for the US to act in its own interests through it.

Both Washington's and Beijing's stakes on Southeast Asia are explained by its high potential and significant role in Asia. With a population of almost 630 mln and a GDP worth \$2.43 (2015), ASEAN is the third biggest economy in Asia after China and Japan. In 2015, ASEAN's foreign trade turnover reached \$2.27 trillion, constituting almost one fourth of Asia's indicator, and the total annual FDI in the region was \$121 billion [Sanchita 2016: 2, 187-202].

ASEAN is the USA's fourth trade partner (with a trade turnover of \$212 billion in 2015) outstripping even Japan. More than 500,000 people in the USA are employed in businesses working for this trade, which is particularly essential considering the policy pursued by President Trump. At the end of 2015, the accumulated volume of FDI from the USA in the ASEAN countries reached \$226 billion, exceeding the volume of FDI in SEA from China, Japan and South Korea taken together [Hayden 2017: 4]. The USA outperforms China in the

⁸ Китайская альтернатива Всемирному банку получит \$100 млрд [Chinese Alternative to World Bank Will Receive \$100 Billion] // РБК, 25.06.2014.

⁹ ASEAN Trade Dependency – Table 15. Percent Share of Total Trade with Selected Partners / ASEAN Community in Figures (ACIF) – 2016. Jakarta. 2017. URL: <http://www.aseanstats.org/wp-content/uploads/2017/01/25Content-ACIF.pdf> [accessed on 29.07.2017].

FDI volume in the region (with \$13.6 billion and \$8.3 billion in 2015 respectively), but is behind it in the volume of trade turnover (with the respective shares of 9.4% and 15.2%)¹⁰. This means that they have practically equal tools of influence on their partners.

China has announced its One Belt, One Road (OBOR) initiative, similar to Japan's initiative of the 1990s, which consisted in the development of infrastructure in Southeast Asian countries connected with it. The intention was to provide an overland link from Japan's coastline to the Pacific and the Indian oceans. Although Japan has failed to implement its plan and is ready to implement individual projects on a bilateral basis, it occupies prominent positions in Southeast Asia as an investor, second largest after the EU, and as a technology driver, which determines its leadership in the ICT. In the course of Prime Minister Nguyen Suan Fuk's visit to Tokyo in June 2017, it signed \$22 billion worth of investment agreements with Vietnam. All in all, Japan has signed agreements on \$390 billion worth of projects there since 1998¹¹.

Today, ASEAN is Japan's second largest trade partner (\$238 billion in 2015) after China. Japan's geographic location permits it to be close to the westernmost part of Southeast Asia and reach the Indian Ocean, via which it transports the greater part of its energy supplies. Thus, Tokyo interferes in the China-US contest for Southeast Asia by helping ASEAN members balance between the superpowers. Such a policy is more advantageous for the Indochina countries, historically linked with Japan. Researcher Phuong Nguyen states that Southeast Asia is "dancing to the tune" of Japanese Premier Shinzo Abe [Phuong Nguyen 2016: 7]. He is possibly exaggerating, but he is not entirely mistaken.

4

Russia has invested a certain amount of funds, mostly in Vietnam. In 2015, the volume of Russian investment in its economy reached approximately \$2.1 billion, while the return flow exceeded \$2.4 billion, which is the highest indicator among the ASEAN countries¹². Large amounts of Vietnam's private investment in Russia, especially in agriculture and real estate, is an entirely new phenomenon in bilateral relations. For example, TH True Milk Company has started to implement a project totaling over \$2.5 billion with a view to building dairy farms and selling their produce in Moscow Region and Primorsky Krai in the Far East¹³. The other three Indochina countries are lagging far behind by comparison. The FDI flows from the Russian Federation into Laos are limited to \$17 million. As for Cambodia, its sectors that will require Russian investment in 2017-2020 have only been identified this year¹⁴. Myanmar, in its Road Map 2015-2016, planned to start 20 investment projects. However, according to expert estimates, it will take two or three years to improve the investment climate [Đình Trung Thành 2016: 69]. Due to the complicated context in those countries, the same Russian companies are simultaneously working in all of them, thereby facilitating their business there.

The development of Russia's trade and economic relations with the CLMV group is hampered by their debts to the former USSR. While the issue was settled with Vietnam in 2001, Laos owes Russia \$315.7 million, and Cambodia owes it 4.7 times more – \$1.5 billion [Ле Ань Зуи 2017: 95-100]. Moscow is ready to write off the principal of the debts according to the formula of the Paris Club of Creditors and restructure the remaining part

¹⁰ ASEAN Trade Dependency – Table 15. Percent Share of Total Trade with Selected Partners; ASEAN Foreign Direct Investment – Table 37a. FDI Inflows by source country / *ASEAN Community in Figures (ACIF) – 2016*. Jakarta. 2017. URL: <http://www.aseanstats.org/wp-content/uploads/2017/01/25Content-ACIF.pdf> [accessed on 29.07.2017].

¹¹ Việt-Nhật ký các hợp đồng đầu tư trị giá 22 tỷ USD. URL: <http://vneconomy.vn/thoi-su/viet-nhat-ky-cac-hop-dong-dau-tu-tri-gia-22-ty-usd-20170605112059986.htm>, 5.06.2017.

¹² Statistical yearbook of Vietnam, op. cit. P.235, 246.

¹³ Вьетнамская компания может построить животноводческий комплекс на Сахалине [Vietnamese Company Ready to Build a Dairy Farm in the Sakhalin] URL: http://sakhalinmedia.ru/news/575770/?utm_source=rss&utm_medium=news_yandex, 16.03.2017

¹⁴ TACC, 28.02.2017.

under preferential terms, with subsequent reinvestment of funds in joint projects.

Power engineering remains the main area of Russia's cooperation with the Indochina countries. Vietnam where another large HPS (Long Phu-1, with a capacity of 1,200 megawatt) is under construction has so far been leading in this area. Similar projects are being implemented in Laos (Sekong-5 HPS) and Myanmar. A program of construction of nuclear power stations could be profitable, but its competitors have undermined it in Vietnam and Myanmar. The matter in those countries was confined to the establishment of nuclear research centers by the Russian Federation. Nevertheless, there are prospects for cooperation in this segment.

Another line of cooperation is the mining of minerals, above all hydrocarbons. Only Vietnam and Russia have developed large-scale cooperation in the oil and gas sector in the territories of both countries, although industrial processing of the feedstock is not carried out yet (all attempts failed). During the visit by Dmitri Medvedev, Russia's Prime Minister, to Laos in 2016, projects of construction of a pipeline from Vietnam to Laos and an oil refinery with the participation of Rosneft and Lukoil companies were discussed. Not so long ago, Itera Group started to develop oil and gas fields on the Myanmar shelf.

The Russian Federation also helps to mine other minerals Indochina is rich in: coal in Vietnam, gold, zinc ore and lead in Laos, and iron ore in Myanmar and Vietnam, thereby making their industrial application possible. The "Tyazhpromexport" Foreign Economic Association is seeking a contract \$160 million worth for building a full-cycle pig-iron producing plant in Myanmar.

A new promising line is agriculture where Indochina and Russia have untapped potential. They can expand production and trade in farm produce. Such projects can also be implemented in seafood catching and processing, and timber processing.

There are examples of cooperation in industry and services. For example, Russia is developing car and truck assembly, along with their sale, in Vietnam. The same goes for certain types of armaments, such as guided-missile launchers. Russia's partners are shifting foodstuffs, clothes and footwear production to the Russian Federation. In its turn, Russia is now employing local specialists in Indochina in developing software, electronic funds transfer and trade platforms, and web sites.

Real cooperation is taking shape in such high-tech area as ICT, including the establishment of mobile communication and provision of internet services by *Vympelkom*, which continues working in Cambodia and Laos, having terminated its operation in Vietnam. The Russian *GS Group*, jointly with a partner, has established *One TV*, a digital TV operator, in Cambodia.

Medicine is a new mutually advantageous area, and Russia's achievements in it are already demanded in the region. Russian companies have started to supply medicines and provide health services. The *Polisan* Research and Technology Company has opened a medico-diagnostics center in Vientiane, and *Svyatoslav Fyodorov's eye center* has been operating in Hanoi for three years. Oriental medicine physicians from those countries are demanded in Russia.

Tourism, especially from Russia to the Indochina countries, has good prospects. Thanks to visa abolition and other advantages, Vietnam already receives up to 400,000 tourists annually. The neighboring countries also have a sufficient potential. The Russian Federation, in its turn, is ready to receive visitors, and Vietnam is the first to use the opportunity thanks to the increasing incomes of its citizens.

In its trade with the ASEAN-4 countries, Russia has lost its former positions and is a minor partner now. For example, in 2014 Russian export constituted as little as 0.2% of goods purchased by Myanmar (\$21.8 billion) and 0.9% of goods purchased by Vietnam (\$166 billion) abroad¹⁵. Vietnam is the absolute leader among its neighbors, with its indicators

¹⁵ Federal Customs Service of Russia: Внешняя торговля России со странами АСЕАН за 2008–2015 годы [Russia's Foreign Trade with ASEAN Countries in 2008–2015]. URL: <http://www.customs.ru/> (accessed on 21.06.2016); Statistical yearbook of Vietnam, op. cit. P.560.

Table 2
Russia's foreign trade with the Indochina countries, 2015-2016

Country	2015 volume, million USD			2016 volume, million USD			Growth rates, %*		
	Turnover	Export	Import	Turnover	Export	Import	Turnover	Exp.	Imp.
Vietnam	3895.9	1842.5	2053.4	3838.3	1373	2465.3	98.5	74.5	120.1
Cambodia	110.7	4.5	106.2	133	n/a	n/a	120.1	n/a	n/a
Laos**	16.5	15.7	0.8	20	18	2	121.2	n/a	n/a
Myanmar	130.5	114.8	15.7	n/a	n/a	n/a	n/a	n/a	n/a

Source: Federal Customs Service of Russia: Внешняя торговля Российской Федерации по основным странам за январь-декабрь 2016 г. Russia's Foreign Trade with Main Countries in 2008-2015] URL: <http://www.customs.ru/> (accessed on 24.07.2017); Ле Ань Зуй 2017-1: 95-100.

Notes: * previous year – 100%; ** data on Laos are available only for the first six months of 2016, the annual data are the author's estimate.

25-30 times higher than those of Cambodia and Myanmar (Table 2).

Russia records a trade deficit with Vietnam and Cambodia, which testifies to higher activity of these partners. Trade turnover with them confirms the availability of substantial growth possibilities. Since 2011, trade turnover with Myanmar has dropped almost four-fold. For this reason, by 2020 it is planned to raise trade turnover with Vietnam to \$10 billion with the help of an FTA [Мазырин 2016: 44]¹⁶ and trade turnover with Myanmar – to \$500 million¹⁷. The range of commodities supplied to Vietnam and back has changed not in Russia's favor, whose export consists mostly of feedstock and goods of primary technological processing whereas finished products prevail in its import (half of them are microelectronic commodities such as smartphones, computers, etc.) [Mazyrin 2016: 49].

Trade with Myanmar and Laos is characterized by a large surplus in favor of Russia. The Russian Federation supplies them mostly with machinery, equipment, vehicles (constituting 55% of its exports), pulp-and-paper items and woodwork (23%), metals (12.8%) and fertilizers (8%). Its import consists predominantly (85%) of clothes, textiles, footwear and farm

produce. As for Cambodia, Russia's bilateral trade with it is sadly restricted to the purchase of the above goods¹⁸.

The Russian Federation shows interest in increasing its export of machinery, and its partners are ready to buy it. Unfortunately, lobbyists from Western companies have so far prevented penetration of Russian-made aircraft to those markets, although Laotian and Myanmar firms are ready to lease the civilian Sukoi Superjet 100¹⁹.

The present overview of the situation in Russia's trade and economic relations with the Indochina countries has revealed a number of characteristic features. The parties are developing investment cooperation in those priority sectors where Russia can compete with the USA and China. Their mutual trade turnover is not actually growing and is showing considerable fluctuations. New incentives similar to those created within the framework of the free trade area between Vietnam and EAEU are required to expand it. Vietnamese researchers point out the following factors important for developing cooperation [Lee Ahn Zui 2017-2: 79-83]:

(1) Russia's collaboration with Laos, Cambodia and Myanmar has started after normali-

¹⁶ Federal Customs Service of Russia: Внешняя торговля России со странами АСЕАН за 2008-2015 гг., указ. соч. [Russia's Foreign Trade with the ASEAN Countries in 2008-2015, op. cit.]

¹⁷ TASS, 18.06.2015.

¹⁸ Federal Customs Service of Russia: Внешняя торговля России со странами АСЕАН за 2008-2015 гг. указ. соч. [Russia's Foreign Trade with the ASEAN Countries in 2008-2015, op. cit.]

¹⁹ Дмитрий Медведев завершил азиатские турне в Камбодже // Российская газета, [Dmitri Medvedev has completed his Asian tour in Cambodia, Rossiyskaya Gazeta] 28.02. 2017.

zation of their domestic situation and implementation of economic reforms;

(2) major Russian companies have established contacts with their partners in those countries after they have made sure that it is possible to work successfully there;

(3) in their turn, Laos, Cambodia and Myanmar have realized that under the new conditions there are practically no risks, and they can benefit from collaboration with Russia;

(4) the quality of equipment and work on the sites of Russian contractors has proved much higher than that of Chinese contractors, and they are cheaper than those of Western contractors.

However, in the opinion of the same author, there are still reasons preventing the expansion of Russia's relations with the Indochina countries, namely:

(1) apart from Vietnam, the other three countries have not yet formulated their economic strategies and plans of development in the main sectors;

(2) the CLMV countries have modest capital resources and large foreign debts, and possibilities for their redemption are limited;

(3) China, the USA and Japan are competing vigorously for those countries. If the USA persists, Russia will find it difficult to compete with it. Russia's collaboration with China and Japan is unlikely.

(4) the development of the social sphere in the ASEAN-4 rests on donors' assistance. However, donors respond negatively to Russia's increasing presence there.

* * *

The above analysis of the economic situation has shown that due to their membership in

the Association and further integration into regional structures the ASEAN-4 countries have found relevant patterns, methods, and formats of development according to their interests and achieved impressive successes. Although integration benefits all of its members, Cambodia, Laos, Myanmar and Vietnam are the ones that have benefited most.

The CLMV group has selected the larger East Asian states, the US and the EU as its key partners and guarantors of their own progress. Nevertheless, the Indochina countries seek to expand cooperation with Russia. They do it owing to historical inertia (assistance from and past contacts with the socialist commonwealth), geopolitical reasons (maintaining a balance between East Asian powers) and their current economic needs.

One cannot overlook the fact that the Russian Federation is also trying to strengthen relations with its former allies, receive support and necessary goods and services from them, and use opportunities for the application of its capital, technologies, knowledge and cultural values. Additional interest stems from the high economic growth rates of the four Indochina countries, which were twice as high as the average global growth rates in 2011-2016.

Thanks to their common endeavors, Russia's collaboration with the four Indochina countries is developing, although slowly, lagging well behind the level achieved by the main competitors. The situation has taken shape for objective reasons, and it is very difficult to change it due to the limited capacity of the parties. Yet, there are prospects for intensifying trade and economic relations as well as military and technical contacts on a long-term and mutually advantageous basis.

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