Russia Ukraine crisis

The Russia- Ukraine conflict which began on February 24, sent shockwaves to global markets. Western countries and allies including the United States, European Union, United Kingdom, Australia, and Canada quickly imposed sanctions on Russia in response. These sanctions were unusually tough cutting Russia from global financial system and isolating Putin and Russia.

The fallout of the conflict is causing problem and degrading Vietnam economy. From disrupting trade and global supply chains to causing tensions geopolitically, causing problem of businesses operating in Vietnam. The rise in gas and oil price has caused inflation in Vietnam. Similarly the tourism industry is also badly affected, in the same way the sanction on Russia has led to payment problem for Vietnamese businesses. Agriculture sector of Vietnam has been also suffering adversely.

Vietnam- based business are already facing challenges doing trade with Russia and Ukraine. Ukraine is now closed to trade and business, and only essentials goods and supplies are entering the country through polish border resulting into rise in transport cost and creating challenges to export the goods and collect payment as Russian banks has been cut from the swift.

Rise in oil and gas price has been the reason for inflation; the conflict ultimately is causing shortages and increase prices for many commodities such as oil, gas, and grains, of which Ukraine is one of the world's largest exporters. As a result, inflation is increasing, and Vietnamese businesses that depend on imported materials but are unable to increase their selling prices to offset the rising material costs are facing trouble. The inflation risk also has the potential to slow down consumption and capital investment in Vietnam's economy, including state public investment.

Vietnam's tourism industry is also affected. Russia was the sixth largest source of international tourists prior to the COVID-19 pandemic, but the sanctions have made many Russians worried about not being able to access funds if they travel abroad. This is something that is clearly impacting Vietnam's tourist income.

Removing Russia from the SWIFT system in particular has created a nightmare for Vietnamese businesses, who export goods and products to Russia, as there is difficulty now in making and receiving payments from Russian entities.

Vietnam's agriculture is one of the sectors that has suffered most from the Ukraine conflict and has been forced to find new ways to survive. Truong Dinh Hoe, general secretary of the Vietnam Association of Seafood Exporters and Producers stated that Vietnamese business owners trading with Russia are worried about collecting payments after Russia's exclusion from the SWIFT system. For example, the Phuc Sinh Group, a Vietnamese export business that engages in around $10 million in trade with Russia each year, has said that it is losing considerable revenue due to the Western sanctions.

Vietnam is in the most difficult situation vis-à-vis the Ukraine war of any state in Southeast Asia. Vietnam, despite being one of the United States' closest strategic partners in Southeast Asia and a country with deep suspicions of China, the local dominant power, has long and deep ties to Russia, dating back to the Vietnam War. As a result, its military is heavily dependent on Russian equipment.

Now, Vietnam seems to be caught even further between its desire to build relations with the United States and European countries, and its need to maintain links with Russia, in order to maintain expertise for its arms and so as not to destroy its longstanding ties to Moscow.

Vietnam has maintained a neutral stance, refusing to either directly condemn or condone Russia's actions and calling for a peaceful and diplomatic resolution to the conflict.

All in all we Vietnamese believe the sanction on payment and supply of basic needs oil and gas should be removed which is disturbing the world economy for that both the president must find common ground settling with peace agreement as soon as possible.