

SWIFT sanctions add twist to Vietnam-Russia coal plant dispute

Hanoi refrains from condemning Ukraine invasion by its old Soviet partner

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HO CHI MINH CITY -- A half-finished Vietnamese power plant is at the center of a dispute over whether its Russian contractor will get paid for the work it has done -- and now new U.S. sanctions imposed over the war in Ukraine are further complicating the issue, raising questions over whether such payment would even be possible.

The question of who is liable for unfinished construction of the Long Phu 1 coal-fired power plant has been discussed by the governments of Russia and Vietnam, complicating ties that date back to the Soviet era. The dispute also reflects how the communist country could be affected by the Ukraine war, which Hanoi has not condemned, and the sanctions that have been imposed in its wake.

Following Russia's invasion of its neighbor on Feb. 24, the U.S. and several other countries rolled out a raft of sanctions, including kicking several Russian banks off the SWIFT global payments system.

The board of Long Phu wants to find a contractor to replace Russian engineering firm Power Machines, which was previously hit with Crimea-related sanctions in 2018, leaving the coal plant 77.56% completed, the board told state-run newspaper Tuoi Tre.

At issue is who must bear the costs U.S. sanctions bite. Power Machines filed for arbitration in Singapore in 2019, seeking payment for costs incurred and calling the sanctions "force majeure," which the Vietnamese side rejected, Tuoi Tre reported on Tuesday.

The investor PetroVietnam and its subsidiary PTSC dispatched officials to Moscow recently. At a hotel on the banks of the Moscow River, the officials sat down with their counterparts at Power Machines in hopes of solving the impasse.

"The 'freezing' of the project because Power Machines was on the U.S. sanctions and embargo list had caused economic damage to both sides, while greatly affecting Vietnam's energy security, as well as Vietnam-Russia relations," PTSC said in a Dec. 2 summary of the trip.

Vietnam has pointedly avoided calling Russia's actions in Ukraine a war or invasion, opting to abstain in the March 2 United Nations vote to censure Moscow. Hanoi relies heavily on Russian weapons and is one of the few Asian states to have joined a trade deal led by Moscow, called the Eurasian Economic Union.

But old Soviet ties also mean Vietnam has a sizable diaspora in Ukraine, from where it is helping its citizens evacuate.

Vietnamese companies, meanwhile, are concerned that the war could reduce their exports to Russia, as well as the number of tourists coming to Vietnamese beaches from Nha Trang to Mui Ne.

The pending Long Phu coal plant in the Mekong Delta is just one more business that could be affected, even as Vietnam looks for ways to cut dependence on fossil fuels.

"According to the project management board representative, when negotiations continued, the Russia-Ukraine war occurred, leading to Russia being excluded from the SWIFT global payment system, so payment via the banking system is stuck," Tuoi Tre said. "In the event that the two parties can agree on reimbursement for Power Machines, it is not even possible to pay Power Machines."

But attorneys told Nikkei Asia the main obstacle is not the banks.

"If there is no SWIFT, there may be other channels, like those of China," said Le Hoang Chuong, managing partner of Le & Tran Trial Lawyers.

Power Machines also "can open a bank account in Vietnam to receive the money and will be responsible on their own to transfer the money back to Russia," said Minh Nguyen, senior associate at ACSV Legal.

She expects that the Singapore arbitration tribunal will rule on the question of liability.

"I think the biggest issue here that the tribunal must address is whether the sanctions imposed by the U.S. government is considered a 'force majeure event,'" she said.

When asked to confirm if it sought a new contractor for the Mekong Delta plant, PTSC told Nikkei, "This issue will be reported to authorities."

Power Machines did not answer Nikkei's email and call to Moscow seeking comment.