

When Economics and Geopolitics Intersect: An Analysis of the Possible Paths Ahead for Vietnam

Axel van Amersfoort (42498)

Abstract: This paper aims at road-mapping the different possible paths ahead for Vietnam's long-term economic and geopolitical strategic positioning. Vietnam is at a critical juncture, facing significant economic and geopolitical challenges, while simultaneously being uniquely positioned to capitalize on some emerging opportunities. The choices that the country will be making at this particular moment, and the path it decides to follow will be decisive for the future of the country. Through an extensive literature review, this thesis identifies three main possible paths ahead for Vietnam's economic development, with a focus on trade policy. The first orientation Vietnam can take is closer alignment with the US, the second one is closer alignment with China, and the third choice consists in looking for strategic balance between these two key partners in a strategy of diversification. Using qualitative and quantitative analyses, this study proceeds with an assessment of the risks and benefits of each of these possible paths ahead in the light of the main challenges that Vietnam is facing promoting long-term economic development and succeeding in the country's green transition, while reducing economic dependencies and preserving geopolitical sovereignty. This study suggests that, in the light of the particular challenges it is facing, Vietnam should adopt a hedging strategy and pursue a policy of diversification of its partnerships. This strategy would allow Vietnam capitalizing on its supply chain integration with China while reducing the risks of adverse trade policy decisions in the US. It would allow attracting the investment and technology from the US and EU that should help the Vietnamese economy avoid the "middle-income country trap".

Keywords: Economics, Geopolitics, Vietnam, China, US

JEL: F10, F50; 053

Supervisor:	Anders Olofsgård
Date submitted:	9 th December 2024
Date examined:	16 th December 2024
Discussants:	Julia Qiu
Examiner:	Jaakko Meriläinen

Contents

- 1. Introduction** 3
 - 1.1. Methodology 5
- 2. Literature Review** 5
 - 2.1. Historical context: 5
 - 2.2. Directions 9
 - 2.2.1. Direction One: Looking West 9
 - 2.2.2. Direction Two: Closer Alignment with Beijing 12
 - 2.2.3. Direction Three: Diversifying Partnerships 17
- 3. Discussion** 20
 - 3.1. Vietnam’s main challenges ahead 21
 - 3.1.1. Vietnam’s economic dependence and supply chain vulnerabilities 21
 - 3.1.1.1. The US as a key trade partner: Vietnam’s export vulnerabilities 21
 - 3.1.1.2. The Covid19 Pandemic and its Consequences 22
 - 3.1.1.3. Vietnam-China relations: dependency, cooperation and competition 23
 - 3.1.2. Long-term development and climbing the value chain 28
 - 3.1.2.1. The critical role of FDI and avoiding the middle-income country trap 28
 - 3.1.3. Climate commitments, green technology and economic independence 32
 - 3.1.3.1. Dependence on Chinese green technologies 32
 - 3.1.4. Safeguarding geopolitical sovereignty and navigating the China-US fragmentation . 33
 - 3.1.4.1. Opportunities 33
 - 3.1.4.2. Threats 36
 - 3.1.4.3. Other factors 39
 - 3.2. Limitations and further research 41
- 4. Conclusion** 42
- 5. Appendix** 45
- 6. Bibliography** 51

1. Introduction

Over the past thirty years, Vietnam's economy has grown in a spectacular way, lifting its population out of poverty and making Vietnam move to the category of middle-income countries. This remarkable performance is mostly due to the country's integration in international trade and its export-led growth model (Thoburn, 2013). Vietnam's trade has continued to grow overall in the last thirty years despite global economic downturns such as the 1997 Asian financial crisis, the 2008 Global Financial Crisis, the Covid-19 pandemic and other economic shocks. The country has also shown its capacity to adapt to external geopolitical and geo-economic factors of instability such as an initially hostile US government, territorial disputes with China, and rising tensions in the Pacific between the US, China and their respective allies.

The main key to Vietnam's successful approach to handling these factors lies in its strategy of attempting to diversify its partnerships, keeping good relations with all key players (including Russia, China, the EU and the US), and more importantly separating trade from geopolitics. This allowed Vietnam being relatively insulated from geopolitical ups and downs, although its growing integration with China's economy implies that Sino-US trade tensions may have significant repercussions on Vietnam's economy.

Indeed, to illustrate this point is the fact that over the last thirty years, Vietnamese trade has increased mostly uniformly with both the US, China and the rest of the world, particularly the EU. This trend has persisted despite different episodes of geopolitical tensions throughout the period. However, 2016 marked an inflexion point in the Asia-Pacific region. Since then, some shifts have been appearing that suggest that Vietnam might not be able to pursue the same strategy it has followed in the last thirty years. Questions such as: *How should Vietnam cope with the risk of global economic fragmentation? How would war in the Pacific affect Vietnam's trade and economic strategies? How can climate change and the imperatives caused by the green transition impact Vietnam's policies? How can Vietnam escape the middle-income trap? What role should Vietnam have in Global Value Chains?* have started to emerge in academic reflection as well as in the government sphere. This debate has also gained attention in Vietnam, as the question of establishing priorities in partnerships, and in which direction the country should go is gaining a lot of ground in these tense times. Some of these questions have no simple or straight-forward answer, but they highlight the relevance of path-building to shape the country's future policies. This begs the research question that this thesis will attempt to answer: what are the possible paths ahead for Vietnam's trade policy and economic development given the various geopolitical challenges the country is facing? And which direction would be the best for Vietnam to achieve economic independence, long-term development, a green transition and geopolitical sovereignty?

Which direction would allow Vietnam to achieve its stated ambition of achieving long-term economic development and succeeding its green transition while preserving economic independence and geopolitical sovereignty?

The aim of this paper is not to evaluate quantitatively how specific economic, commercial or diplomatic choices could affect Vietnamese economic growth and trade flows, but rather to explore the wide range of directions available in a shifting economic and geopolitical environment, and attempt to assess the strategy that would bring the greatest benefits for Vietnam in the light of its economic development objectives. More specifically, in conducting

this research, we shall be assuming that the current trend of geopolitical and economic competition between the US and China is likely to continue in the long run. Given Vietnam's current economic and political situation, and with the assumption that the tense geopolitical environment it finds itself in will persist in the foreseeable future, we shall analyze and evaluate the different tradeoffs and challenges that Vietnam faces in its economic policies. We shall in particular focus on the country's trade policies, which are one of its key sources of economic growth. We will then evaluate and discuss in which direction the parameters we have identified might ultimately push Vietnam. We shall in particular review and categorize the different directions in which Vietnam is heading towards according to the literature. Then, we shall proceed with an analysis of the main challenges laying ahead for Vietnam, and assess in which direction Vietnam should move towards in order to best tackle these challenges to achieve long-term sustainable economic growth while maintaining political and economic sovereignty.

This thesis adopts a non-traditional structure to better align with the research objectives. The literature review and discussion sections incorporate qualitative and quantitative analysis, as well as an interview, eliminating the need for a separate results section. This approach fits better with the specificities of the subject that we shall be studying.

This topic is of particular relevance at this particular juncture because it provides insights into the intersection of economics, trade, and geopolitics, a subject that has become increasingly significant in today's world. Understanding this link is crucial not only for the Vietnamese economy, but also as a broader conceptual framework for analyzing how geopolitical and economic forces influence each other globally. Historically, the 1990s and 2000s witnessed a relative separation between geopolitics and trade, and between politics and economics, with trade liberalization progressing quickly. However, since the late 2010s, and particularly with China's rise, geopolitical factors have increasingly influenced trade relations, with trade flows, investment and technology transfers being "weaponized" to support geopolitical goals or ambitions. On top of this, many countries are facing new challenges such as climate change, economic dependencies, or the middle-income country trap. The choices made by Vietnam exemplify how small, trade-dependent nations can seek to navigate the increasing economic and political uncertainties of today's world. Vietnam's strategic choices might be particularly relevant for other Southeast Asian countries, such as Thailand, the Philippines, Indonesia, and Myanmar at some point, which face the similar challenge of avoiding that geopolitical challenges or unfortunate political choices affect their economic growth. Moreover, wealthier nations of Asia such as Japan and South Korea also encounter analogous dilemmas regarding the intersection of trade and geopolitics, although their relative economic and security dependence towards their US ally somehow limits their options. Ultimately, the Vietnamese experience can serve as a pertinent case study for all countries, as it is increasingly unlikely that any country will be capable of disentangling trade policies from geopolitical considerations in the current global landscape.

Studying this subject is crucial because the future of geopolitics and trade is unpredictable. Engaging in path-planning and exploring possible pathways allows policymakers and scholars to better understand and anticipate potential developments. This exercise in foresight helps build a more informed approach to future economic and geopolitical challenges.

1.1. Methodology

I chose to limit my analysis to the last thirty years (since 1994), which is a period long enough after the start of the liberalization of the Vietnamese economy, which began in 1986, in order to identify clear economic and commercial trends. This reference period starts long enough after the collapse of the USSR in 1991, which means that Vietnam will have started shifting its geopolitical alignment from a purely socialist-oriented one to a more diverse one.

I will review the literature on the subject from different economic journals, think tanks, research institutes, international organizations, polling institutes, speeches, an interview, and newspapers. Sources were identified through academic databases like Google Scholar and institutional websites. I also include a reference to a professor specializing in Vietnam's politics and economics, whom I met at a Vietnam-focused conference at Stockholm University. I will categorize the research into each of the different paths identified, depending on which option the information gathered lends support to (directly or indirectly). Each direction will thus encompass the literature that supports its specific argument or perspective. The aim of this collection and review is not to establish which of these paths is the most likely or likely to benefit Vietnam's economy, but rather to review and categorize them. Each category will thus represent a possible path forward for Vietnam, and the arguments often used in the literature arguing for this will be included in it. In the subsequent discussion section, I will analyze and evaluate some of the key challenges that Vietnam is facing currently, with their tradeoffs and opportunities for Vietnam. I will evaluate how this might influence Vietnam's future and aim to assess which of the three directions established in my literature review would be the most appropriate for Vietnam. This analysis will involve a review of the relevance and quality of the literature supporting each of the paths outlined in the literature review, to see if their proposed strategies hold up well in the face of the challenges that Vietnam is facing. Furthermore, I will be conducting some quantitative and qualitative research, which will be done using political, economic and commercial time series data as well as an interview, and will be integrated throughout my literature review and discussion sections to provide a more cohesive and thorough examination of the subject.

2. Literature Review

I will begin my literature review with a section on Vietnam's historical context, which will offer an overview of the country's economic and geopolitical developments. This will include key milestones and be accompanied by figures and charts to illustrate Vietnam's many transformations. This historical background is essential in order to understand how Vietnam arrived to its current economic and geopolitical position, which then sets the stage for exploring the future possible paths ahead.

2.1. Historical context

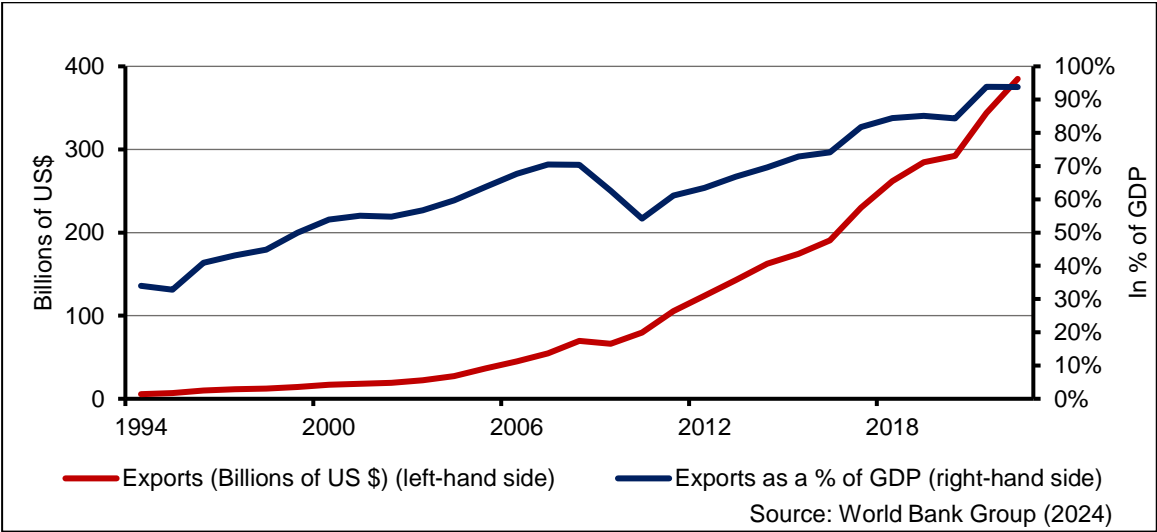
Vietnam's foreign policy has gone through different phases over the last 30 years. In the years following independence, the country developed a socialist economy with little trade other than with the soviet bloc. However, following the start of the Doi Moi ("*Reform*") process and the

end of the cold war, Vietnam emerged from international isolation and established both diplomatic and economic relations with several countries of Western Europe and East Asia. Of significant importance was Vietnam’s accession to the ASEAN in 1995, which marked a decision from Vietnam to integrate economically and politically in its regional environment. During this period, Vietnam sought friendly and closer commercial and diplomatic ties with many partners in an attempt to draw as much benefits as possible from each of these partnerships (Zagoria, 1997).

The 1997 Asian Financial Crisis served as another factor to boost Vietnam’s openness. The country was not as severely hit as other countries of the region, although foreign direct investment and trade decreased and growth slowed to a significant extent, exposing some of the vulnerabilities of the Vietnamese economy. This external shock encouraged Vietnam to prioritize further structural domestic reforms and greater engagement with international financial institutions such as the IMF. The emphasis on regional cooperation and integration also increased, with Vietnam playing a more active role in ASEAN (Leung, 1999; Wolff, 1999).

Starting from the 2000s, Vietnam pursued an export-led growth model largely inspired from China. Vietnam significantly increased its trade volume with Western countries, as shown in figure 1. The country eventually joined the World Trade Organization (WTO) in 2007, which marked a key step in its further integration in the world trading system.

Figure 1: Vietnamese exports of goods and services



Over this period, Vietnam also traded heavily with China, importing a growing amount of goods and attracting a large inflow of investment to build manufacturing sites. Vietnamese manufacturing then connected and integrated China’s value chains. *As mentioned earlier, the 1990s marked a period of reconciliation for Vietnam with the rest of the world. This included China, with whom the ties improved dramatically during the 1990s.* The two countries agreed to resolve several longstanding points of contention, and signed multiple partnerships that encouraged economic and commercial ties between the two countries to flourish. The 2000s were thus a period of increased interconnectedness between both countries, as well as of political cooperation (Loh, 2024).

However, in the 2010s, some tensions resurfaced between Hanoi and Beijing with maritime disputes in the South China Sea. Vietnam then pushed for further political, diplomatic and

military ties with the US, which was happy on its side to normalize ties with Hanoi and to try and draw the country away from China’s orbit (Wong, 2013; Kang, 2017). During this period, economic and commercial ties with China kept increasing, while the political ones cooled, and diplomatic ties with the US warmed, without any particularly strong increase in economic ties, as can be shown in figures 2 and 3.

Figure 2: Import Partner Share (%)

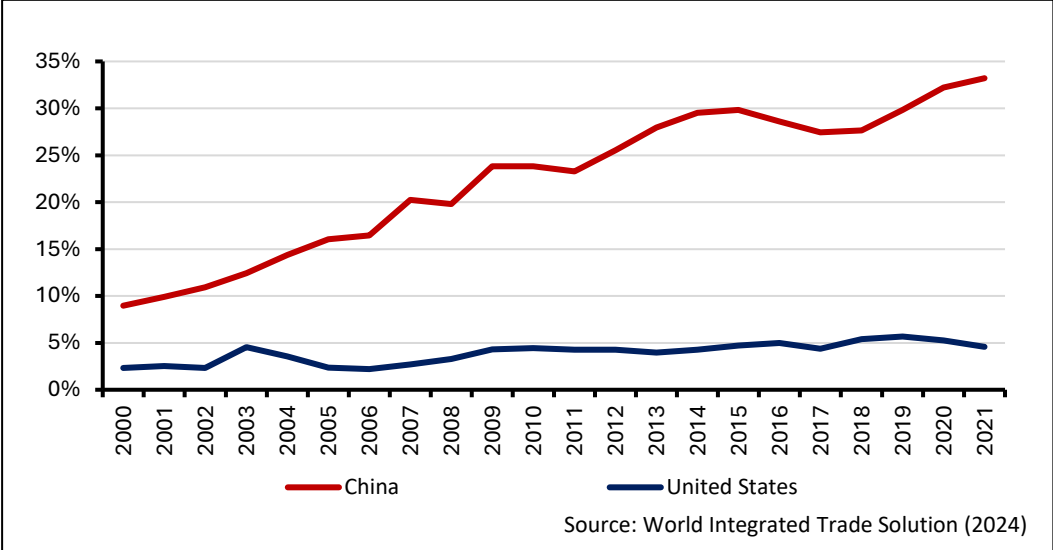
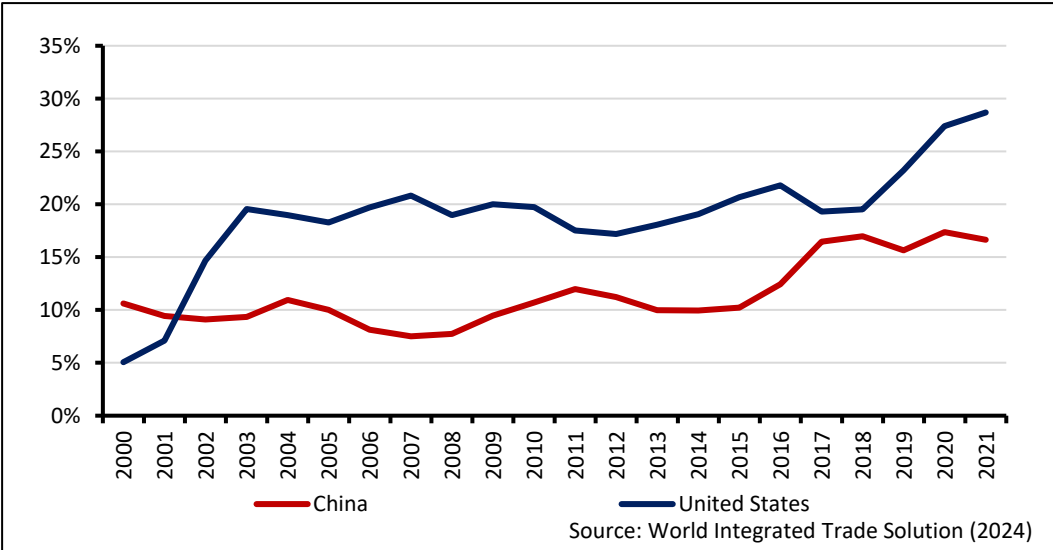


Figure 3: Export Partner Share (%)



In the late 2010s, following the rise in tensions between China and the US, Vietnam positioned itself increasingly actively to attract foreign investment from companies aiming to diversify away from China. Vietnam’s trade volume increased with the US and with other European and ASEAN countries. Vietnam became the preferred alternative for many companies seeking to benefit from lower labor costs without the geopolitical risks that are associated with China.

The Covid19 pandemic provided a significant push towards the transformation of Vietnam’s trade policy. During the pandemic, China followed a strict lockdown and decreased its trade activity with the rest of the world. Many companies from countries which were not in such a strict lockdown therefore searched for alternative production bases. Vietnam positioned itself as a destination of choice to attract these investment flows, and benefited on a particularly large scale from the supply chains being re-routed away from China (Magill, 2023; Banh et al., 2024). This can be seen in figures 4 and 5 below, which show the strong growth in trade and investment in 2020 and 2021.

Figure 4: US Foreign Direct Investment growth (US Direct Investment Position Abroad on a Historical-Cost Basis, year-on-year)

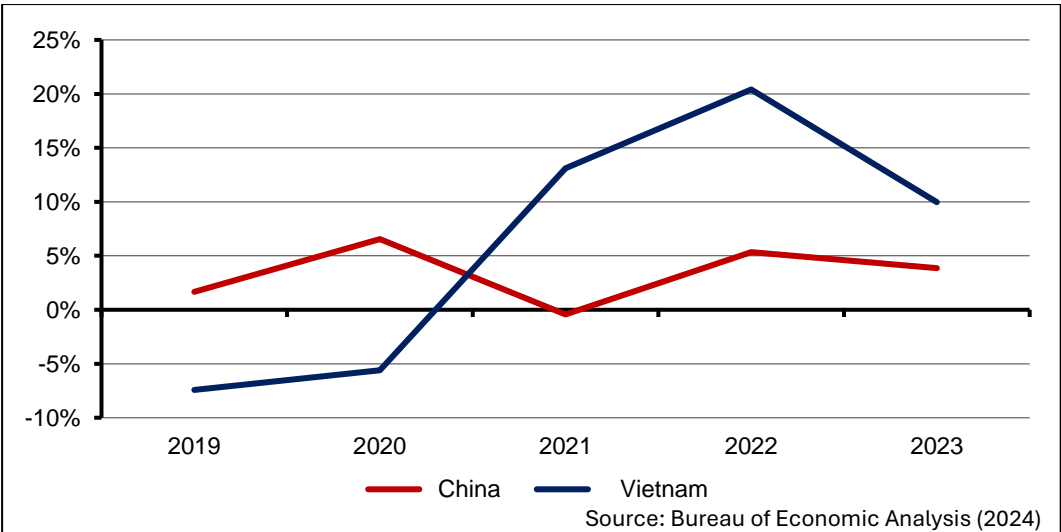
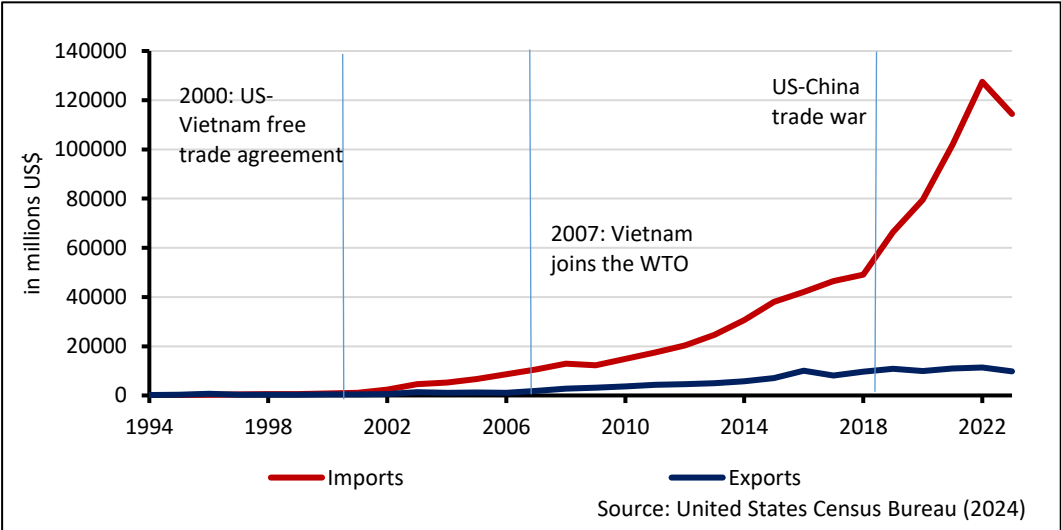


Figure 5: US-Vietnam imports and exports



In figure 5, the slight decrease in trade volume between the United States and Vietnam in 2023 appears to be a temporary disruption caused by shifts in US consumption habits, with import levels from foreign markets decreasing, affecting Vietnam among others (Vietnam +, 2024). However, this is not indicative of tensions or trade diversion away from Vietnam. Recent data (Huld, 2024) confirm a rebound in Vietnam-US trade in early 2024.

Since then, China has attempted to improve its ties with Vietnam, to reduce tensions and increase cooperation, to avoid the US gaining too much influence in Hanoi (Guarascio et al., 2023b).

Vietnam has therefore gone through different phases, in which it has implemented different trade and foreign policy strategies. In the course of my literature review, I have identified three possible directions, for which the literature argues – explicitly or implicitly – Vietnam could take.

These paths include alignment with the United States (direction One), alignment with China (direction Two), and a third option of strategic balance through hedging and diversification (direction Three). Some sources argue directly for their vision of Vietnam’s future, but most others simply provide factual information, and I have therefore extrapolated, on the basis of the information provided, the possible risks and benefits of each direction.

2.2. Directions

2.2.1. Direction One: *Looking West.*

Vietnam pulls away from China and pursues closer ties with the US, to the point of becoming a de facto ally of the US in its rivalry with China.

Vietnam and many other countries of Asia are deeply worried about China’s increasingly assertive foreign policy, in particular towards its closer regional environment, and are seeking reassurance from the US, which continues to enjoy strong support in a large part of the region (Harold et al., 2019). This reflects a broader regional trend of increasing concern over Chinese assertiveness under Xi Jinping’s leadership, prompting states to seek closer security ties with Washington. There is growing apprehension regarding China's military build-up, leading states to enhance their strategic hedging mechanisms, including bolstered security cooperation with the US, as a means of deterrence. Consequently, the median position within the sub-region's alignment spectrum has shifted towards greater alignment with the United States (Goh, 2016). Militarily, Vietnam has also come closer with the US. In 2018, it participated in the “Rim of the Pacific” military exercises with the US and other Asian countries (Parameswaran, 2018).

The US has had a long-standing Pacific strategy of trying to maintain its hegemony in the region and avoiding any other powers taking its dominant spot and disturbing its commercial access to the region (Green, 2017). The US is concerned about potential shifts in the regional balance of power, as it appears that its old model of open markets, military alliances and stability is no longer working as it did before due to the emergence of China (Ikenberry, 2015). The US are concerned about the Asia-Pacific region falling under Chinese orbit, which led the Obama administration to initiate its “pivot to Asia” in 2012. The US have since then invested significant economic, military and political resources in their relations with many countries of Asia, including Vietnam (Poling et al., 2024).

Vietnam and the US have intensified trade and investment since the normalization of their relationship and the conclusion of free trade agreements. This led their bilateral trade flow to grow at an impressive pace in the late 1990s and early 2000s, as can be seen in figure 5. Bilateral trade volume has grown from \$20.8 Billion in 2008 to \$140 billion in 2023. The US now ranks

as the largest export market for Vietnam (although part of these exports are just the final assembly of goods imported from China, as we will discuss later on) (WITS, 2024).

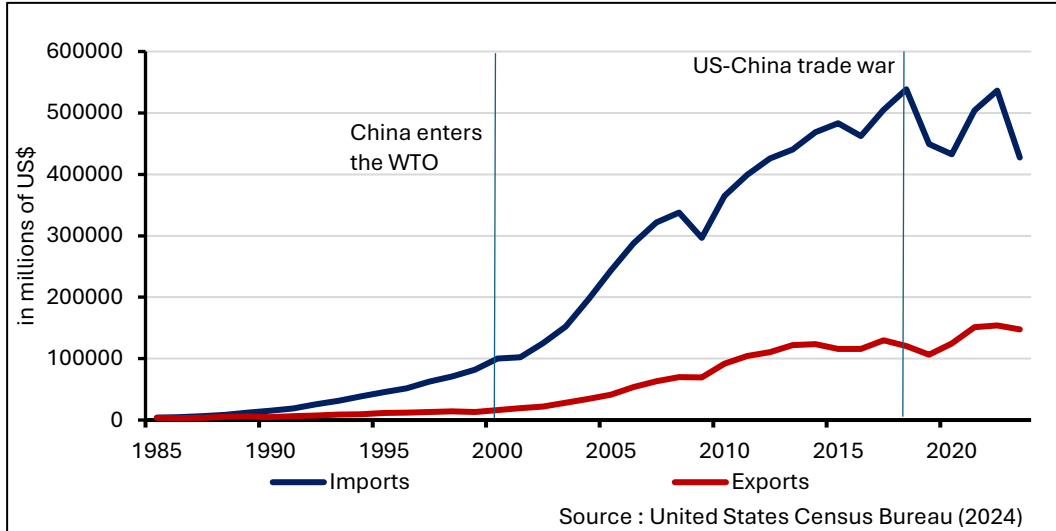
The Vietnamese government has improved the way it provides regulatory information to foreign investors and meets with them regularly through government forums and consultations with the private sector such as AmCham (United States Department of State, 2024).

The rise of labour cost in China has also increased the attractiveness of Vietnam as a production base offering wages about half as high as those in China. The Vietnamese government has invested heavily in education and infrastructure. The country still has reserves of untapped rural laborers to draw on, with urbanization currently at 38% compared to 65% in China.

The country has so far successfully negotiated FTAs with 15 countries, facilitating its integration into regional supply chains without incurring tariffs. These agreements have positioned Vietnam as an attractive destination for multinational corporations aiming to diversify and de-risk their supply chains through a "China Plus One" manufacturing strategy. Currently, Samsung employs 200,000 individuals in Vietnam and has invested \$17 billion in facilities dedicated to the production of smartphones and other electronic devices. Additionally, Foxconn Technology assembles Apple's products in the country and has also announced new investments (Bernstein, 2023). The willingness of foreign firms to invest in Vietnam increased following the shifts in American trade policy towards China. Sino-US trade tensions encouraged manufacturing investment to be redirected towards Vietnam, and this influx of investment brought significant positive changes for the country, including better labour rights and working conditions (Malesky & Mosley, 2021). The general opening of the Vietnamese economy to American investments has been positive for Vietnam, as trade with the US has brought many positive economic and social consequences to Vietnam (Hoang & Nguyen, 2020). This contributes to closer US-Vietnam relations.

The US-China trade war that started in 2018 under the Trump administration underpinned these dynamics. A significant amount of US imports was diverted away from China towards Vietnam (Choi & Nguyen, 2023; Banh et al., 2024). This gave a significant comparative advantage to Vietnam (Dhar et al., 2022). This is illustrated in figure 6, which shows how US-China trade has faltered over the recent years, while at the same time it boomed between the US and Vietnam, as shown previously on figure 5.

Figure 6: US-China: Imports and exports, year on year (in millions of US\$)



Furthermore, although the US has increased its trade levels with all Southeast Asian nations, Vietnam singles out as the country with which trade growth seems to be the strongest, both in recent growth and in absolute numbers. This can be seen in the difference in trade levels in figures 7 and 8.

Figure 7: US trade with Southeast Asian countries (in billions \$)

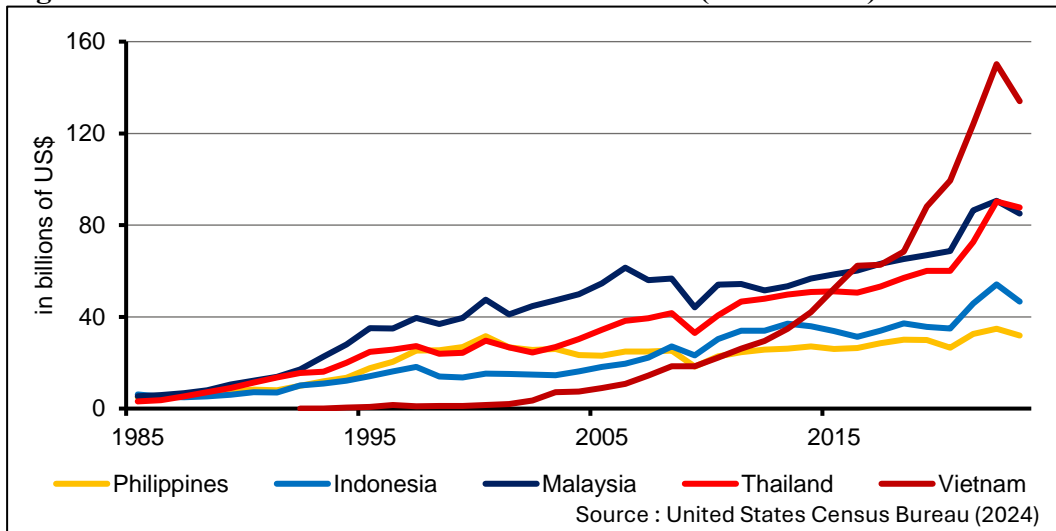
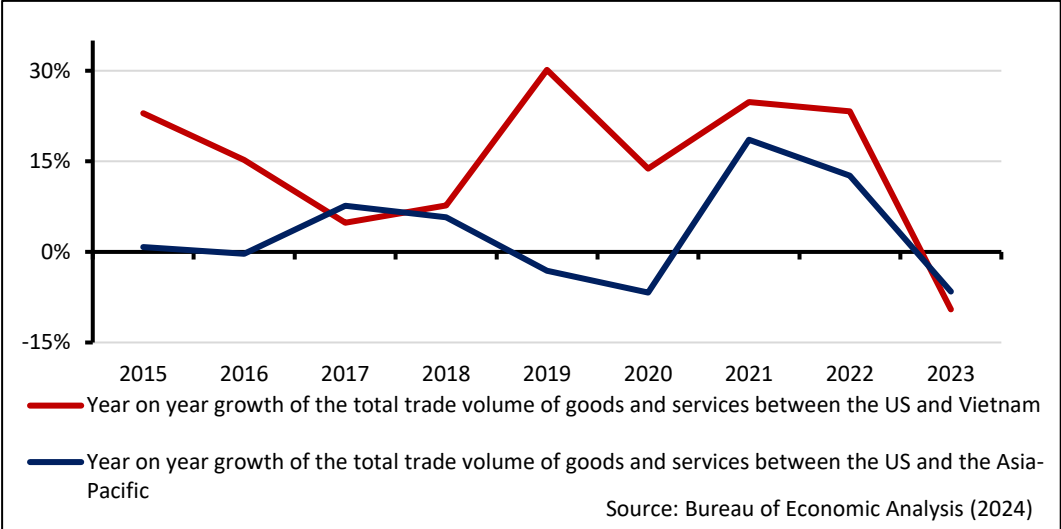


Figure 8: US trade with Vietnam and the Asia-Pacific countries



Therefore, the literature shows that the growing economic interdependence between the United States and Vietnam would lead to a closer partnership. Vietnam’s export-driven economy and its strategic interest in diversifying trade partners, particularly away from China, position the US as an attractive trade and investment partner. Vietnam can gain access to increased capital, advanced technology and broader market opportunities, and enhance its global supply chain integration by aligning more closely with Western markets. By strengthening its ties with the US, it would boost its autonomy in the region, providing a counterbalance to regional pressures and securing a more stable economic future. Overall, the literature suggests that deeper US-Vietnam relations offer substantial economic advantages, positioning Vietnam for greater resilience in the Asia-Pacific.

2.2.2. Direction Two: Closer Alignment with Beijing.

Other researchers argue that Vietnam will instead ultimately pivot towards, or increasingly align itself with China.

Vietnam and China are both governed by a Communist Party, respectively the Communist Party of Vietnam (CPV) and the Chinese Communist Party (CCP). This gives them ideological links and incentives for regime stability, since a weakness in one regime might become a weakness for the other (Ishizuka, 2020). Ties between the two parties remain strong, and similar economic reform processes over the last decades, together with similar fears of regime change have increased their cooperation levels (Fook, 2023). The CPV leadership has strong feelings of kinship with the CPC, and the two regimes have many political interests in common (Hoang, 2024).

The CPV’s legitimacy and political stability lies upon two key pillars: security and economic growth. So far, the US level of economic engagement has been somehow disappointing for Vietnam, as US traders and investors have not been able to provide the same level of economic activity in Vietnam as China did. Strong economic links with China have allowed Vietnam sustaining GDP growth, while tensions in the South China Sea are currently at a low and manageable level. Regime interests thus lie with the status quo, retaining a close relationship with China, and not engaging in any radical foreign policy shift (Vu, 2024, Appendix 1).

In that respect, Vietnam would follow partly the paths of Southeast Asian countries such as Laos and Cambodia in particular, which have adopted a band-wagoning strategy of aligning themselves closely with China (Pang, 2017).

The CPV has attempted to revitalize a shared identity of resisting against western imperialism and fighting against colonialism for political reasons. This takes place in the context of a Vietnamese government which is becoming politically more conservative, and prioritizing ideology and the stability of its rule, rather than liberalizing or developing the economy faster. In this sense, the leadership in Hanoi may seek to come closer to China, emphasizing their shared Leninist heritage, and away from western influence, which is deemed a threat to the stability of their rule (Hayton, 2024).

China has also moderated its foreign policy stance to increase its influence in Vietnam. It has invested massively in Vietnam after the Covid pandemic in order to make up for the lost opportunities. Beijing is also positioning itself in Vietnam and elsewhere to offer business investment alternatives to western countries (Guarascio, 2023).

Despite a growing realization, by the US, of the strategic interest of investing further in their partnership with Vietnam, China still maintains an edge over the US in Vietnam. China's economic influence remains of a much greater magnitude. China is simply an unavoidable partner for Vietnam at this point, and keeping positive ties remains Hanoi's priority. Thus, so far it is highly unlikely, barring a major turn of events, that Vietnam would soon align with the US instead of China (Grossman, 2020).

Thayer (2011) explores Vietnam's strategies to manage its relations with China in the South China Sea, drawing on Brantly Womack's theory of asymmetry. This theory suggests that a weaker state can maintain autonomy by acknowledging the superiority of a more powerful state, which in turn respects the weaker state's independence. Vietnam navigates this delicate balance by combining cooperation with strategic resistance. Vietnam employs three key strategies to manage its relations with China: high-level diplomatic visits to formalize bilateral relations (the most recent one being by Vietnam to China in August 2024), economic integration to foster interdependence, and military modernization to bolster its defense capabilities (Vu, 2024). Bilateral mechanisms include summit meetings and numerous ministerial exchanges. Defense relations feature high-level visits and joint activities like patrols and naval port visits. Despite territorial disputes in the South China Sea, Vietnam's overall approach requires maintaining a close relationship with China. Such strategic cooperation, facilitated through a network of political, economic, and defense mechanisms, allows Vietnam managing its ties with China while safeguarding its own interests (Thayer, 2011).

China's economic attractiveness in Southeast Asia has increased significantly over the past years. China has launched a strong charm offensive towards ASEAN. It has done so through participating in regional integration efforts, such as upgrading the ASEAN-China Free Trade Area (ACFTA), membership in the Regional Comprehensive Economic Partnership (RCEP) and it has shown interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This enhanced economic integration has increased the interconnectivity of supply chains and led to the development of regional trade norms largely shaped by Beijing.

Furthermore, China is the largest single provider of development loans in the region, and its *Belt and Road Initiative* has resulted in large Chinese infrastructure investment in the region, giving China a certain leverage (Lin, 2024).

China has also promoted a cultural narrative to emphasize its links to the region (Mcgregor, 2023). This year marks the first time that China has emerged as the preferred alignment choice among the public opinions of the region. In an opinion poll carried out in early 2024, to the question “If ASEAN were forced to align itself with one of the strategic rivals, which should it choose?”, 50,5% of respondent to a survey published by the *ASEAN Studies Centre* chose China over the US, compared to 38,9% the year before. Meanwhile the US went from being chosen by 61,1% of the panel to 49,5%. 43,9% of respondents took the view that China had the greatest political and strategic influence in the region (Seah et al., 2024).

Other countries in the region, such as Cambodia, provide a possible example for Vietnam regarding the potential advantages of aligning with China. Cambodia's close partnership with China has resulted in substantial economic benefits, including significant aid, investment, and trade opportunities, which have fueled its infrastructure development and economic growth. Although the high level of economic and political dependence of Cambodia to China is probably not a path that Vietnam would follow given the strong nationalistic roots of the CPV and the country's own history of conflicts with Beijing, a strategy of closer ties with China could enable Vietnam to achieve greater economic prosperity and maintain political stability within a complex regional context (Po & Primiano, 2020).

The analysis of trade data reflects strong dynamics in bilateral trade. China is Vietnam's largest trading partner and its largest source of imports. As tables 9 and 10, and figure 11 show, trade volume between Vietnam and China has increased significantly since 2021. Vietnam's imports from China amounted to \$105 billion in the first nine months of 2024 according to Vietnamese customs, marking a 32.2% year-on-year increase. Vietnamese exports to China totaled \$44.4 Billion, a modest increase of less than 3% compared to the same period last year. Most imports from China are materials and parts used in domestic production. Recently China opened the door to further imports of Vietnamese agricultural products (Vietnam +, 2024b). The two countries recently in October signed 10 agreements on topics such as agricultural trade, customs clearance efficiency, and also discussed boosting railway links (Reuters, 2024). The foundations of this commercial relationship between China and Vietnam was the signing of the ASEAN-China Free Trade Area (ACFTA) in 2002. This agreement has since then been revised several times, with the further amendments and upgrades that have been are currently being negotiated with the ACTFA 3.0 version to promote more modern, comprehensive agreements. These have a focus on cooperation in emerging fields such as supply chain connectivity, digital economy and the green economy. Furthermore, Vietnam has also promised to reduce tariffs on Chinese agricultural imports (Xiao, 2024b). All of this has had as consequences a very fast growth rate in the trade between Vietnam and China, particularly Vietnam's exports towards China.

Table 9:

Year	Vietnam's Import Value from China (billion USD)	Vietnam's Import Growth Rate from China (%)	Vietnam's Import Value from the World (billion USD)	Vietnam's Import Growth Rate from the World (%)
2015	49	12	166	11
2016	50	1	175	5
2017	59	15	213	18
2018	66	11	237	10
2019	76	13	253	7
2020	84	10	261	3
2021	110	23	331	21
2022	118	7	359	8
Average	-	11	-	10

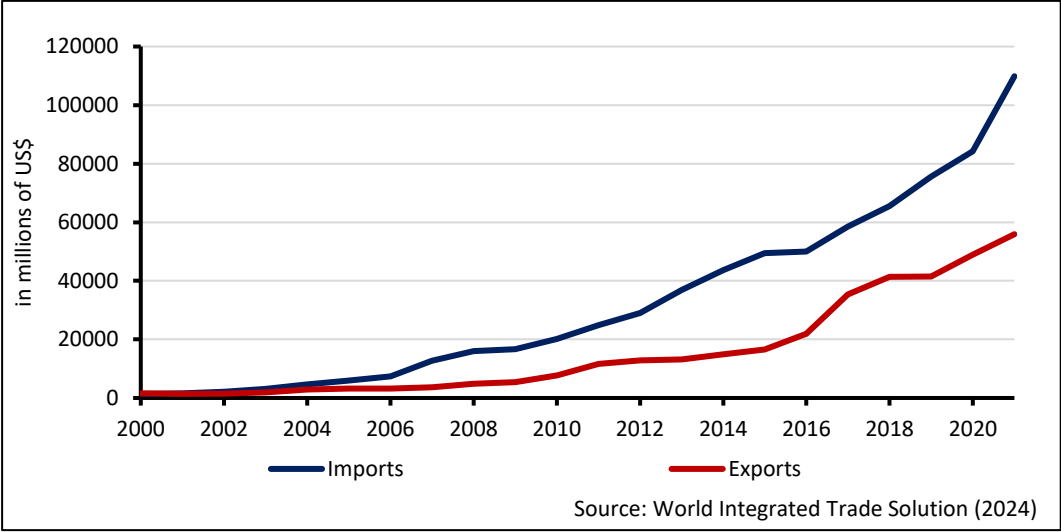
Source: International Trade Centre (2024)

Table 10:

Year	Vietnam's Export Value to China (billion USD)	Vietnam's Export Growth Rate to China (%)	Vietnam's Export Value to the World (billion USD)	Vietnam's Export Growth Rate to the World (%)
2015	25	26	162	8
2016	37	48	177	9
2017	50	35	215	22
2018	64	27	244	13
2019	64	0	265	9
2020	78	22	281	6
2021	92	18	336	19
2022	88	-5	371	11
Average	-	22	-	12

Source: International Trade Centre (2024)

Figure 11: Vietnam : Exports and imports with China



China has also used loans and development assistance in its economic foreign policy towards Vietnam through its Official Development Assistance (ODA). It gives out interest-free loans, preferential loans etc. which have played a significant role in Vietnam’s development (Yuan, 2022). Chinese firms also have a very strong footprint inside of Vietnam, especially in strategic sectors such as metals, transport and chemicals. These companies often employ a large number of imported Chinese workers, thus creating links between the Chinese population who move to Vietnam temporarily and with the local Vietnamese. The Chinese companies often work in cooperation with Vietnamese ones, and the workforce is often shifted from Chinese to Vietnamese over time (Bin Abdullah & Binti Daud, 2020).

The launch of the Chinese Belt and Road Initiative has also been a key driver of China-Vietnam economic and commercial ties. Vietnam is strategically positioned in South-East Asia, acting as a vital gateway for China’s regional access. Vietnam has an objective of maintaining a 7% annual GDP growth rate. To do so, it requires substantial investment capital to modernize its infrastructure which are sometimes a concern for foreign investors looking to set up operations in Vietnam. The Belt and Road Initiative offers a welcome help to reach this infrastructure investment. Indeed, through it, China has invested significant sums into infrastructure projects in Vietnam, especially in the north of the country through cross-border railways and ports and telecommunications networks. It has also invested in boosting Vietnam’s energy production through investments into thermal power plants. Vietnam has pledged to increase the connectivity between both countries across land, air, sea and digital platforms (Tuyen, 2024).

This new Silk Road also carries a digital component in Vietnam, by example through Chinese cross-border e-commerce platforms which have made significant strides into the Vietnamese market. This new increase in digital economic links and cooperation have increased the connectivity and the cooperation between both markets. It has led to job creation, support for small enterprises and improved market performance. It provides a stable support for deeper economic integration (Zhao, 2023).

Strong ideological, political, and economic factors therefore suggest that Vietnam might increasingly be drawn into Beijing’s sphere of influence according to this second direction. The two countries share communist ideologies and mutual concerns over regime stability. In the eyes of Vietnam, China is a political ally and an indispensable economic partner that can

contribute to the country's green transition and digitalization despite the risks associated with growing supply chain dependence. Given these factors, it is highly likely that, while it will not discard trade and investment relations with the West, Vietnam will continue to seek closer ties and build strongly on its strategic relationship with China in the foreseeable future.

2.2.3. Direction Three: Diversifying Partnerships.

Other scholars believe in a different path, in which Vietnam would keep an equidistant position, in between both China and the US, hedging its odds, taking no sides and trying to reap benefits from both. It would be seeking closer ties with other Asian countries and the EU in order to diversify its partnerships and reduce its dependence.

Vietnam has a long history of hedging and trying to maintain good diplomatic relations with everyone. One of its core policies is the so-called "Bamboo diplomacy". The core tenets of this diplomacy are the "four no's": no military alliances, no picking sides in conflicts, no foreign military bases, and no use of force in international relations. This strategy has enabled Vietnam to upgrade its relations with Western countries, especially the US, while maintaining positive ties with China as its largest economic and commercial partner. Vietnam is likely to pursue this winning strategy in the future (Bernstein, 2023).

Vietnam more than any other country in Southeast Asia serves as an example for a policy of balancing and hedging. It has consistently attempted to "maximize its profit and security" and "preserve its existence" (Železný, 2022) by diversifying its partnerships.

Despite the recent warming of its ties with the US, Vietnam has been careful not to become too close with Washington. While it is indeed strengthening its ties with the US in domains such as maritime capacity to improve its bargaining position against China in the South China Sea, it has also sought not to give the impression that it was siding militarily with the US in an alliance against China. In 2018, it went as far as to cancel fifteen defense engagement activities it had planned with the US, involving army, navy and air force exchanges. Hanoi is trying to keep its ties with the US as discrete as possible in order not to offend or harm its ties with China. And while in 2023 it elevated the diplomatic status of the US to that of a "strategic comprehensive partner", the US had signaled it wanted to elevate their relationship to that level since 2013 already, meaning this decision was not high on the list of priorities for Vietnam in order not to irritate Beijing. The advancement of Vietnamese ties with the US is thus progressing at a very moderate pace and is largely shaped by the country's relationship with China, and the perceived threats it faces (Hiep, 2020). Furthermore, Vietnam wants to protect its reputation in China and does not want to be seen too openly as profiting from US-China trade tensions. Media outlets were not allowed to emphasize Vietnam's interest in the US-China war that developed under the Trump administration, and several academic and officials argued that Vietnam did not benefit from the US-China trade war and instead said that Vietnam was hurt by it and highlighted the various risks this made Vietnam face (Hiep, 2020).

Vietnam has also taken a rather neutral stance so far in the Russian war of aggression against Ukraine, persistently calling for peace talks. It has done so because, while on the surface it might seem like it has more in common with Ukraine than Russia (being a small power neighbor to a menacing great power), it cannot afford to damage its relationship with Russia (which is a historical ally and arms provider) or China (upon which it is economically dependent) which it

would do if it supported Ukraine. Hanoi also does not want to go to the opposite direction of supporting Russia, as that would strain its relationship with the West and with Ukraine. This strategic balance in Vietnam's diplomacy is thus necessary to preserve its national sovereignty and interests (Cường, 2023).

China's growing strength might push Vietnam to seek allies to counterbalance the influence of its big neighbour, with which it is potentially on a collision course in the South China Sea in particular. Vietnam wants to avoid becoming a satellite of China and has thus started proactively seeking out allies to counterbalance China's growing weight. One way in which it has done so is through the ASEAN. Indeed, many other southeast Asian countries still have territorial disputes with China, and they have increased their diplomatic cooperation and solidarity on the subject to face China together (Strangio, 2023).

Vietnam has also started seeking out commercial and diplomatic agreements with other regional powers, such as Japan (The Japan News, 2024; Dominguez, 2023). In this way it seeks to strengthen its relationship with the rest of Asia, becoming less dependent and vulnerable to China. South Korea is another key partner in this strategy, as it has been investing heavily into Vietnam over the past few years. *Samsung Electronics* is the single largest foreign investor in Vietnam, and it has significantly increased its investments in the wake of the Covid pandemic (Eun-Soo, 2024; Vu et al., 2022). The company plays a critical role in Vietnam's economic and technological development, but also in the diplomatic and political relationship between South Korea and Vietnam (Vietnam+, 2023).

A key target of Vietnam's diversification of partnerships has been ASEAN, in which Vietnam has played an increasingly active role. ASEAN has managed to mitigate the rivalry between the US and China through various multilateral institutions for dialogue (such as the ASEAN Regional Forum – ARF), promoting regional norms and principles and fostering economic interdependence (Goh, 2008; Goh, 2021; World Trade Organisation, 2023). Vietnam's integration in ASEAN has brought significant benefits to the country. It has allowed for increased trade with a larger number of partners, thus diversifying its commercial networks and strengthening its autonomy and reducing its dependency on a single partner. It allows for a stable path towards development and boosts domestic reforms of its institutions towards the regional and international standards. Political cooperation within ASEAN has also helped Vietnam integrate better within the region to tackle common challenges regarding the US and China fragmentation (Vietnam +, 2020). ASEAN has brought a harmonization of standards and norms in the region, which has been crucial for Vietnam's industries which need to meet international benchmarks in order to participate in global value chains. This standardization helps reduce costs and enhance the competitiveness of Vietnamese exporters. The ASEAN is also one of the largest and most important free trade areas in the world thanks to the ASEAN Free Trade Area (AFTA), with a market of around 680 million people. This economic integration has been very positive for Vietnam's growth as it creates a large destination market for its exports. It has also bolstered Vietnam's ability to attract Foreign Direct Investment flows from the rest of the world (Nguyen & Ha, 2023). Vietnam also benefits from programs such as the ASEAN Infrastructure Fund and the Master Plan on ASEAN Connectivity (MPAC), which have facilitated investments in infrastructure connectivity in areas such as transport and energy in order to facilitate integration and reduce logistical issues (Song & Tan, 2020). The ASEAN is thus a large source of prosperity and growth for Vietnam. It helps it find an alternative economic partner which carries much less of the tradeoffs that are associated with close

economic links with the US or China. Since the ASEAN is mostly an economic union and not a political one, there are much less political risks associated with a heavy economic dependency towards it. This helps Vietnam diversify its sources of economic growth (Hong et al., 2021).

This diversification is crucial for Vietnam. Indeed, the country has a trade to GDP ratio of around 185% (Trading Economics, 2024). It is extremely dependent on global trade for its growth, especially the US which is its largest export market and China which is its largest import market. Because of their large economic influence and size, Vietnam should not necessarily try to stop trading with them, but should instead try to trade more with other partners as well. In order not to be so vulnerable towards Washington and Hanoi, it is crucial it continues to find other economic partners (Do, 2023; Oh, 2023). As part of the country's diversification strategy, the EU has also been a key partner for Vietnam. In 2019, the EU and Vietnam signed a Free Trade Agreement (FTA). This agreement gives Vietnam access to one of the biggest and richest markets in the world. Vietnam aspires to enhance and modernize its manufacturing sector and accelerate economic growth by trading with the EU, which is a significant export destination with high growth potential for Vietnam, due to its large market and high demand. The FTA is in line with Vietnam's overarching goal of establishing itself as a regional logistics hub, enabling more seamless trade flows between Asia and Europe, by lowering tariffs and other trade barriers (Zhang, 2021). For the EU, this FTA also presents benefits. European companies gain access to Vietnam's large and growing market to export machinery and apparels, and this trade flow is expected to lead to job creations in the EU (European Parliament, 2020).

*

In summary, several scholars believe that Vietnam will likely neither outright reject nor embrace alignment with either the US and China, but that it will be trying to cultivate a strong relationship with both countries, as well as attempting to diversify its partnership with the ASEAN, EU and other Asian countries such as Japan and South Korea. It will do so in order to maximize the possible economic and strategic benefits that it can extract for itself. By adopting its usual "Bamboo diplomacy" as well as a skillful policy of neutrality, Vietnam should be able to carefully navigate its collaboration with both countries, increasing its security cooperation with the US without alienating China, with whom Vietnam will continue to trade with. This would allow Vietnam simultaneously strengthening its security, economy and diplomatic position. Vietnam's active role within the ASEAN and trade with the EU would allow contributing to the stability of the region, while also preserving Hanoi's autonomy, shielding from geopolitical and global trade turbulence.

3. Discussion

Vietnam now stands at a critical juncture in shaping its economic and geopolitical future, as it navigates competing influences in Southeast Asia and a fast-evolving global landscape. Our literature review identified three primary directions projected by academics for Vietnam's development. In this discussion, we will analyze four strategic themes that address essential aspects of Vietnam's long-term economic development, sustainable growth, green transition, and geopolitical sovereignty, each linked to the paths highlighted in our review. By examining these interconnected themes, we aim to clarify which paths among those outlined above would provide Vietnam with the most viable route toward long-term economic growth and development, in a sustainable manner, and an independent geopolitical position on the global stage.

Since its Doi Moi reforms and especially since the 2000s, Vietnam has achieved rapid growth and deeper integration into the global economy. Its trade dependence ratio rose significantly, from around 60% in 1995 to 180% in 2021, a sign of the country's commitment to international trade. As research shows, manufacturing has been crucial for growth in developing economies, and Vietnam's foreign direct investment (FDI) has played a key role, making up about 50% of industrial output and 70% of exports. Yet, while Vietnam has established a strong presence in global value chains, its role remains limited in terms of value-added. The economy relies on importing components and semi-finished products, essentially from China, which are then assembled in labor-intensive processes. While this model has driven growth so far, questions arise about its sustainability (Tran, 2023). High dependence on imports, particularly from China, and on exports to the US and EU expose Vietnam to risks from global supply chain disruptions and geopolitical tensions. Additionally, as Vietnam commits to ambitious climate goals, it is heavily reliant on foreign green technology imports to support its ecological transition. These challenges inform the four strategic themes that will shape our analysis:

1. Vietnam's economic dependence and supply chain vulnerabilities – assessing how this affects Vietnam's resilience to global disruptions.
2. Long-term development and climbing the value chain for– exploring how Vietnam can transition to higher-value industries to sustain growth and avoid the middle-income country trap.
3. Climate commitments, green technology, and economic independence – considering the implications of Vietnam's reliance on foreign technology to meet its climate goals.
4. Safeguarding geopolitical sovereignty and navigating the China-US fragmentation – evaluating the effects of global divides on Vietnam's trade and foreign policy.

By examining these themes, we aim to identify Vietnam's which is Vietnam's most optimal path among those identified in the literature review, to achieve economic independence, long-term development, its green transition and preserve its geopolitical sovereignty in an increasingly fragmented global landscape.

3.1. Vietnam's main challenges ahead

3.1.1. Vietnam's economic dependence and supply chain vulnerabilities

3.1.1.1. The US as a key trade partner: Vietnam's export vulnerabilities

Vietnam strongly relies on the US as an export market. It is its largest export market, as shown on graph 4 below. Nearly 30% of total exports (World Integrated Trade Solution, 2024), and 35% of consumer goods exports and 44% of capital goods exports in 2022 went to the US, leading to a large trade surplus in their bilateral relation. Bilateral trade between the US and Vietnam has been rising quickly over the last few years, as shown previously in graph 3.

This creates an export concentration risk. Indeed, Vietnam's high dependence on exports towards the US means that the country is highly dependent on access to the US market, and thus highly vulnerable to any US protectionist measures. It is early to speculate on the trade policy orientations of the new Trump administration, but it is likely that this will be a key topic of contention which may come up in their bilateral relations, especially considering Vietnam's surplus of \$22 billion in the first quarter of 2024 (Cyrill, 2024). The US is also very worried about the possibility of Chinese exports being re-routed through Vietnam to avoid its tariffs, as we shall further discuss in a later section.

Vietnamese exports to the US are very concentrated in sectors such as electronics, textiles and furniture. This creates a precarious situation in the sense that fluctuations in US consumer demand can create strong effects on Vietnam's economy. Indeed, although this has benefits as demonstrated over recent years with the increase in demand for electronics (especially integrated circuits), it can also be a risk as the Covid-19 pandemic highlighted (Nguyen Hanh, 2024). Some of Vietnam's key exporting sectors such as the textiles and garments sectors faced significant slowdowns in the wake of the pandemic (Cong Bac & Minh Duc, 2021).

Although the literature review presented under Direction One explained very well some of the benefits associated with Vietnamese closer ties with the US, it fails to take into account some key economic and political factors. As illustrated in figures 18 and 3, the United States remains significantly behind China in terms of trade volume and investment flows with Vietnam. This disparity suggests that closer ties with the US, while advantageous in some areas, may not fully compensate for Vietnam's broader economic needs. The US imposes stringent conditions on economic partnerships, such as labor rights, governance reforms, intellectual property enforcement, the opening up of state-owned enterprises and environmental standards, which come at significant short-term costs. Compliance with such requirements could undermine Vietnam's cost competitiveness relative to other regional economies that operate under fewer regulatory constraints (Dai et al., 2021). This is particularly concerning for Vietnam's key industries, such as textiles and electronics, where cost efficiency is crucial to maintaining a competitive edge in global markets. An overreliance on US investments and financial ties could expose Vietnam's capital markets to severe vulnerabilities. For example, shifts in US interest rates or Federal Reserve policies can trigger sudden capital inflows or outflows, potentially destabilizing Vietnam's financial markets. The 2008 financial crisis, alongside the 1997 Asian financial crisis—though Vietnam was less affected by the latter—shows the risks of Vietnam's growing financial dependence on the US. The 2008 crisis, triggered by the US housing market collapse, had serious repercussions for Vietnam. This includes a sharp drop in export demand, rising inflation, and a slowdown in foreign investment, all linked to US economic and financial instability. These crises highlighted how Vietnam's increasing reliance on the US for capital

and trade makes it vulnerable to shocks originating from the US economy, underscoring the risks of being closely tied to US financial markets (Van Bon, 2019). Furthermore, a deepening alignment with the US could have unintended consequences for Vietnam's trade and supply chain dynamics. Vietnam could be pressured into participating in the US-China rivalry by decoupling certain supply chains from China. Such a shift would not only complicate Vietnam's access to Chinese suppliers—critical for its manufacturing base—but could also strain relations with other regional economies that maintain independent stances in the geopolitical competition. This could disrupt Vietnam's carefully balanced trade networks, increasing production costs and slowing economic growth.

Therefore, it is vital that Vietnam remains prudent in its relationship with the US, avoiding an excessive dependence or alignment that the direction 1 proposed. While maintaining the US as an important economic, commercial, and geopolitical partner offers clear benefits, Vietnam should also prioritize diversifying its partnerships in order to reduce its vulnerabilities. This is even more important now after the COVID-19 pandemic, which had a very strong influence on the global trade and investment dynamics, especially surrounding Vietnam, as we will explain in this next subsection.

3.1.1.2. The Covid-19 Pandemic and its Consequences

As we showed earlier, Vietnam is a country deeply integrated in the global value chains. It is importing a large amount of inputs, components and goods (especially from China), both for its domestic needs but also mainly as an intermediate stage of the production and to export them afterwards. With over 30% of Vietnam's imports originating in China in 2019 (as shown previously in figure 2), Vietnam was very dependent and vulnerable. The Covid-19 pandemic at the end of 2019 and 2020 highlighted these dependencies that Vietnam faced towards China in a strong and clear manner.

The Covid19 pandemic was an important factor in encouraging Vietnam to diversify its trade and investment partnerships. Indeed, the crisis showed that when each country closed down and prioritized itself, Vietnam, which is deeply integrated in the global value chains (as a reminder its trade to GDP ratio being at around 185% (Trading Economics, 2024)), faced heavy disruptions in its supply chain since a large part of it was connected to China, which went into lockdown. This led Vietnam to look for strategic balance, and to readjust its trade relationship with China to reduce dependency and find other commercial partners. Covid served as a lesson not just to Vietnam but also to much of the world, which realized just how dependent it was on China. Many countries started to diversify their supply chains, and several of them invested heavily in Vietnam to do so, often in a "China +1" strategy. (T. K. Nguyen & Trần, 2021). The fact that Vietnam followed a less strict lockdown than China helped to attract investment. China had very stringent restrictions for much longer compared to Vietnam, which reopened its key industries and sectors quickly, allowing it to increase its exports, therefore boosting its growing manufacturing hub status. Vietnam's strategic location and strong manufacturing capacity made it a good choice for many foreign companies, who set up or expanded their operations in Vietnam, to allow for continued business activity during the pandemic, and diversify risks related to any future pandemics or crises. Vietnam's ability to attract investment was facilitated by its geopolitical positioning in-between superpowers. This positioning allowed the country to reduce its exposure to global instability, and its foreign policy of seeking good relations with everyone proved extremely useful in that respect. Vietnam improved its relationship with Washington with high investment inflows from the US, without alienating China. This

geopolitical position during the pandemic had the effect of accelerating shifts in global supply chains away from China and towards Vietnam (Delteil et al., 2020). However, for countries seeking to diversify away from China, their involvement with Vietnam might remain limited due to Vietnam's own reliance on China. Indeed, turning to Vietnam alone may not significantly reduce their dependence on China. To fully capitalize on the diversification trend—already accelerated by the Covid-19 pandemic—and attract further investments, Vietnam must reduce its dependency on China. On the contrary, direction 2, which involves closer alignment with China, risks deepening this dependency, potentially undermining Vietnam's ability to appeal as a reliable and self-sufficient partner. Instead, by actively addressing this reliance, Vietnam can better position itself as an attractive destination within global value chains that are increasingly wary of over-concentration in any single country.

The Covid-19 pandemic highlights not only the risks of overdependence on a single partner, such as China, but also the factors pulling Vietnam toward diversification. The pandemic exposed vulnerabilities in concentrated trade relationships, disrupting Vietnam's economy. At the same time, it created opportunities, with many countries adopting "China+1" strategies and increasing investments in Vietnam to reduce reliance on China. These developments underscore the need for Vietnam to hedge against risks while seizing new opportunities by broadening its economic ties, such as is proposed in the path 3. Nevertheless, Vietnam must carefully manage its relationship with China. As its largest trading partner, China's influence remains significant, requiring a measured approach to ensure long-term stability—a topic explored in the next section.

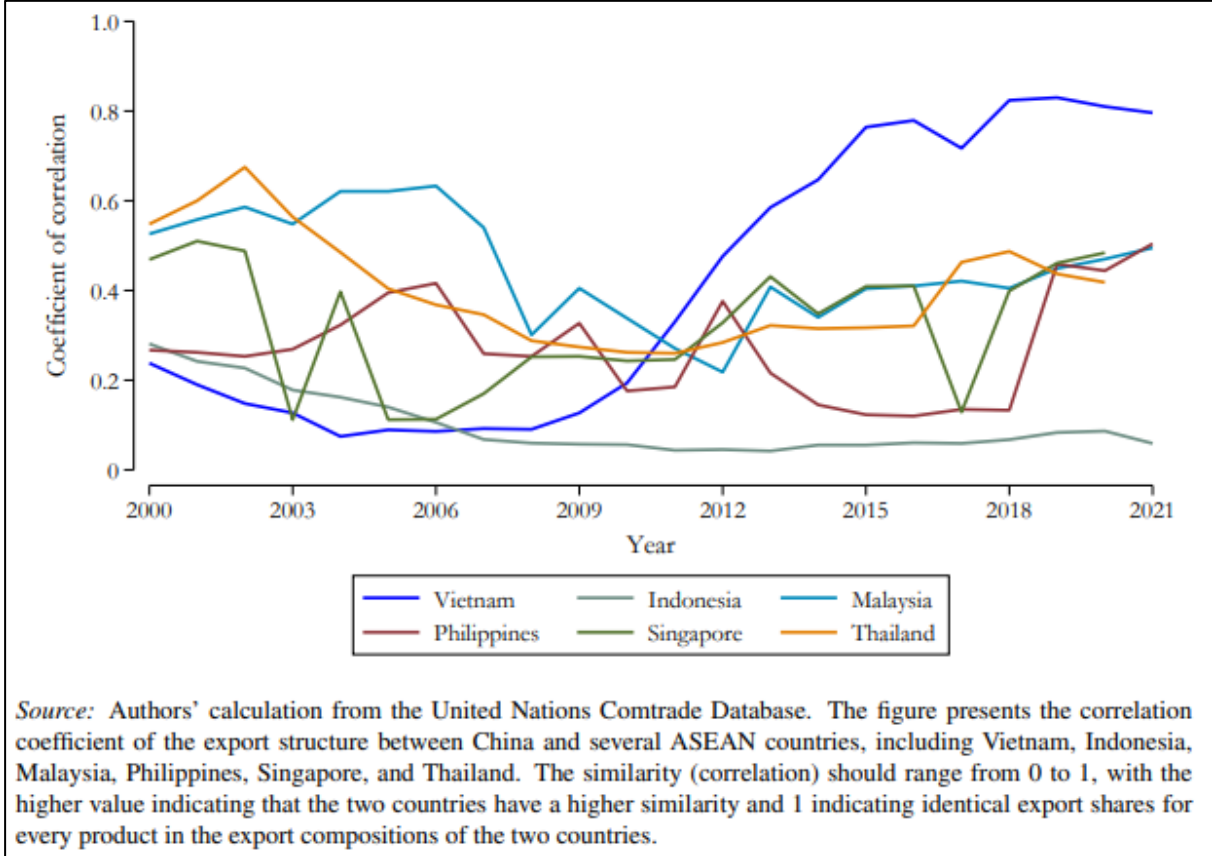
3.1.1.3. Vietnam-China relations: dependency, cooperation and competition

As explained above, a key driver of Vietnam's economic development has been its export-led growth model. This model is very similar to that of many other East Asian countries, including China. Vietnam and China's economy grew through labor-intensive manufacturing production destined to foreign markets. Both countries at some point focused on industries such as textiles, automotive components (Shira, 2023) and electrical components. This led the two countries to experience trade competition in sectors such as textiles, apparel, and footwear. The trade dynamics between Vietnam and China reflect notable similarities and substitutability in their commodity structures, underscoring a relationship that is simultaneously competitive and interdependent. In the context of the Asia-Pacific region's geo-economic landscape, there has been evidence of a trade diversion effect concerning these commodities, although this effect remains relatively small. (Ma et al., 2017).

The tension caused by competition between Vietnam and China's similar economic models was further exacerbated after the Covid pandemic (Barua, 2020; Dang & Tran, 2023). Vietnam was quite severely hurt by Chinese lockdowns (Bao & Trung, 2022; Samuel, 2020). China tried to recover from the economic crisis using its traditional model of export-led growth, focusing thus on heavily exporting its strong manufacturing output. However, as the Chinese interior demand market had not recovered, this led to some overcapacity and a flooding of foreign markets. This caused some worries in Vietnam. China thus poses a threat to Vietnam's economic growth and manufacturing industries (Boullenois & Jordan, 2024). This can be seen in figure 12 below (Banh et al., 2024).

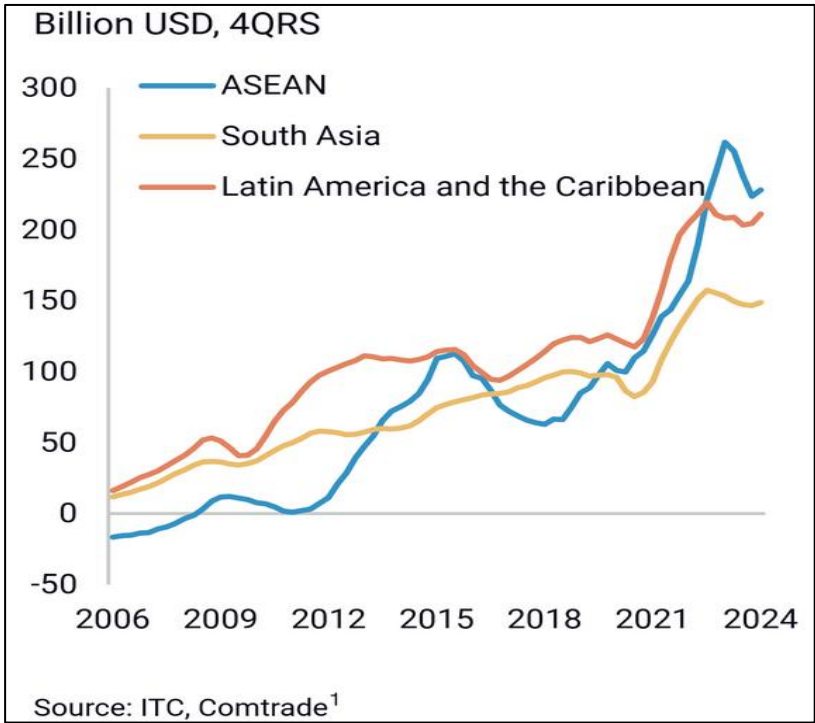
However, Vietnam took full advantage of the diversification of supply chains during and after the Covid pandemic (Vietnamese Investment Review, 2024). The pandemic served as a test for Vietnam to gauge its dependency on China and this might propel the country to reduce its commercial dependency on China.

Figure 12: Export similarity between China and several ASEAN countries (figure from Banh et al., (2024))



This can be illustrated by figure 13, which shows how China’s manufacturing strength and overproduction means that a lot of its manufacturing goods end up being exported to various other emerging markets, including most importantly to Vietnam, but also to a lesser extent to other regions such as Europe and the US. This creates some risks for Vietnam, as its domestic manufacturing industry risks being overflowed by increased Chinese competition (Boullenois & Jordan, 2024). Therefore, total free trade and commercial integration with China is therefore unlikely to benefit Vietnam’s private sector.

Figure 13: China’s manufacturing trade surplus by region (figure from Boullenois & Jordan (2024))



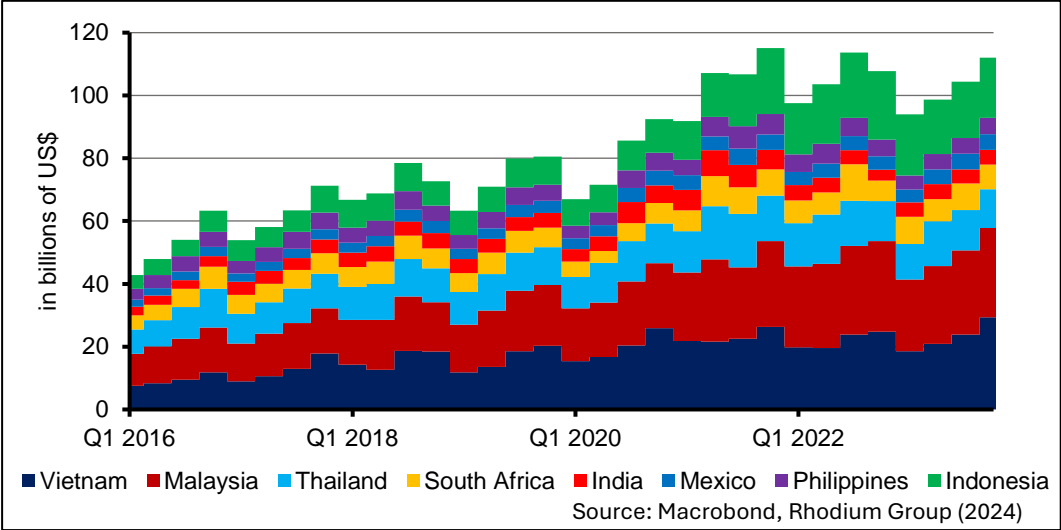
While rising Chinese exports offer several advantages, they have also significantly increased the market power of Chinese firms. This heightened influence poses challenges for developing economies such as Vietnam’s, making them more susceptible to monopolistic practices, such as supply restrictions or price-fixing by dominant firms (Boullenois & Jordan, 2024).

Additionally, although aligning with China might bring economic benefits in the short run, it is essential that Vietnam seeks closer links with the US in the long run. China’s economy has been facing some headwinds since the Covid pandemic, and its export model is too strongly competing with that of Vietnam’s. If Vietnam wants to achieve long-term economic prosperity, it cannot stay in its current position of low-value goods exporting and a low position in the regional value chains. It needs to actively seek out foreign investment and technology transfers from the US and EU in order to develop and upgrade its economy in the long run (Vu, 2024, Appendix 1).

Vietnam has deliberately chosen not to compete directly with China in the manufacturing sector, opting instead to take on a complementary role (Zhang, 2024). The value chains of both countries are deeply interconnected, with their top three exports to one another -phones, integrated circuits, and broadcasting equipment - falling within the same categories (Xiao, 2024; OEC, 2022). This industrial alignment underscores a level of manufacturing integration between Vietnam and China that even surpasses that of the United States with China. As illustrated in figure 14, Vietnam is now the largest exporter of manufactured goods to China among emerging economies. This highlights the pivotal role China plays in Vietnam’s economic development, as manufacturing exports remain a key driver of Vietnam’s growth. The strong trade relationship between the two countries is thus essential for Vietnam’s continued industrial

modernization and economic success as long as China can continue to export its manufactured goods to the US and EU in particular.

Figure 14: Chinese manufacturing imports from its biggest emerging market trade partners



Furthermore, market incentives encourage a competition to attract manufacturing plants and investment to Vietnam. Vietnam is benefiting from a manufacturing labor cost of around half that of China. This gives Vietnam an advantage in its pursuit of a manufacturing export led growth policy (Dyvik, 2024). This allows it to further attract foreign investments from multinational companies and modernize its economy. The country does not have the aim, nor the capacity to replace China as the biggest manufacturing center in the region. However, it does find itself in a situation where it is able to draw benefits from some investment flows, which were previously directed to China. However, it does not want to become a serious competitor to China in certain technological sectors (Nguyen, 2020). This is both because Vietnam does not have the technological and industrial capacity to do so, but also because it wants to keep good ties with China, which leads it to avoid a too strong economic competition (Sebin, 2024).

Furthermore, Vietnam remains heavily reliant on imports of intermediate goods like parts, components, and semi-processed products from China and Korea, leading to significant trade deficits with these nations. In 2020, China supplied 32% of Vietnam’s semi-processed industrial goods, 27% of its parts, and 38% of its capital goods. Korea also played a substantial role, providing 16% of semi-processed goods, 36% of parts, and 21% of capital goods imported into Vietnam (Tan, 2023).

Trade and investment dependence on China can expose to serious risks if political relations become more tense. Indeed, China has a long history of using economic sanctions and pressure to pursue political objectives. Australia became the victim to this in 2020 when it called for an investigation into the origins of Covid-19 in China. China immediately responded with massive anti-dumping duties, the withdrawal of Australian export licenses, tariffs, custom bans and threatened consumer boycotts (Wilson, 2021). Similarly, when South Korea deployed *Terminal*

High Altitude Area Defense (THAAD) system weapons on its territory, China applied economic sanctions on specific companies which were political targets (Strating & Leibold, 2018). This pattern of behavior makes it very likely that any close political rapprochement of Vietnam with the US would result in severe economic sanctions from China, significantly damaging Vietnam's China-dependent economy. This illustrates both the necessity of acting carefully to maintain a positive relationship with China, but also of the risks associated with such strong economic ties, and thus about the imperative of reducing them.

If Vietnam were to heavily rely on Chinese investments and trade, as proposed in Path 2, it could yield certain economic benefits. However, this approach of aligning with China in pursuit of economic gains is no longer an appealing option for Vietnam. Numerous examples illustrate the pitfalls of over-dependence on China, with countries like Sri Lanka, Laos, and Kenya having received substantial Chinese investments but experiencing significant Chinese influence over their financial and debt policies as a result (Himmer & Rod, 2022). Moreover, the economic benefits that countries might seek through alignment with China have diminished in recent years, as Chinese overseas investments—particularly under the Belt and Road Initiative—have begun to decline (International Institute for Strategic Studies, 2023).

Furthermore, if Vietnam were to embrace too strongly Chinese investments and trade, in the same way that Cambodia did, as the path 2 suggested, it could indeed bring Vietnam economic benefits. However, this path (2) forward of alignment in the hopes of economic returns is not an attractive option for Vietnam anymore. Indeed, there have been many counterexamples of countries becoming over-dependent on China, and the economic returns that they hoped to gain in exchange failing to materialize. Common examples of this include Sri Lanka, Laos and Kenya, which received large amounts of Chinese investments, but at the cost of a significant Chinese influence in their financial and debt matters (Himmer & Rod, 2022). Furthermore, Chinese investments abroad, especially through the Belt and Road Initiative have started drying up, thus reducing any potential economic advantages that a country could hope to seek if it aligned with China (International Institute for Strategic Studies, 2023).

To effectively address its dual dependencies on the US and China, Vietnam must continue on its current trajectory of reducing over-reliance on both powers, a process that gained momentum during the Covid-19 pandemic. This approach balances maintaining robust trade relations with China while strategically shifting its position within global value chains. Vietnam's strategy should focus on fostering cooperation with China without deepening dependency. It can leverage its position by filling roles in lower-value segments of the supply chain that China has outgrown, while also advancing its capabilities in higher-value activities that do not directly compete with Chinese industries. This dual focus would enable Vietnam to integrate further into global supply chains without jeopardizing its autonomy or being perceived as a threat to China's position within them (Gereffi et al., 2022; Ryan, 2023). Simultaneously, Vietnam should diversify its trade partnerships to reduce economic vulnerability. Expanding ties with other nations and regions will enhance its economic resilience. Only by adopting the multifaceted approach of Path 3, which integrates a strategy of hedging and diversification, can Vietnam effectively address the challenges posed by economic overdependence on China and the US. This approach will allow the country to foster sustainable economic growth while safeguarding its political sovereignty and independence.

At the same time Vietnam has also been attempting to slowly climb the value chain in order to develop further economically and escape the middle-income country trap.

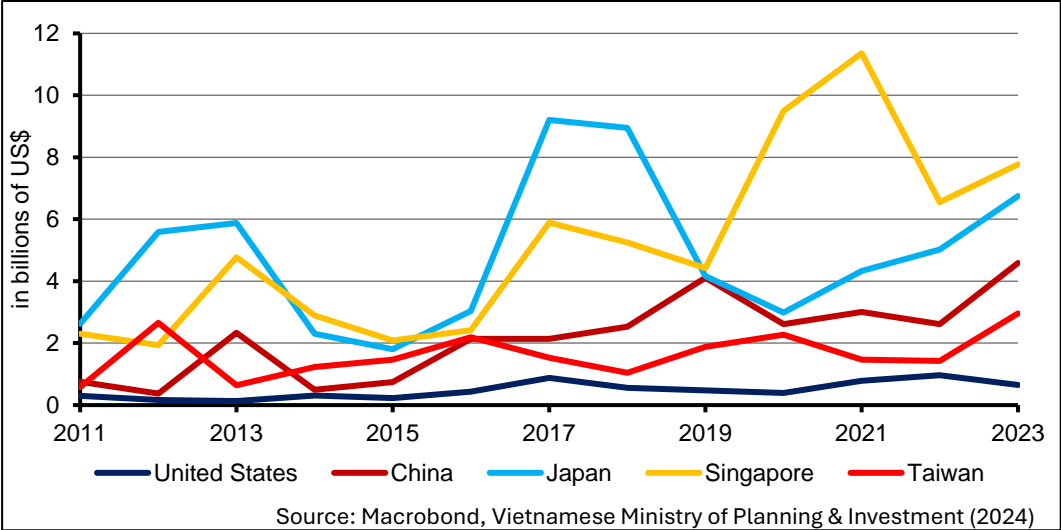
3.1.2. Long-term development and climbing the value chain

3.1.2.1. The critical role of FDI and avoiding the middle-income country trap

Vietnam is facing a structural challenge, which is to avoid falling in the “middle-income trap”. This “trap” is a challenge faced by many middle-income countries which do not manage to continue their initially high levels of growth rate by upgrading their economy, and end up slowing down and stagnating before reaching the high-income country level. Countries such as Brazil, South Africa, and many others including Vietnam’s neighbour Thailand have faced this challenge (Ke, 2024). So far, Vietnam’s growth has relied heavily on production of labor-intensive goods such as garments, footwear and furniture. Should the country want to pursue its economic growth to reach the upper middle-income or upper income status, it will need to shift towards services and higher valued-added and technology intensive production (Khalidi, 2023), or from a “limited manufacturing” to an “advanced manufacturing and services” stage (World Bank Group, 2020). Reaching a higher stage of the global supply and value chains is necessary to reach the status of a developed economy. Therefore, given the reforms that Vietnam has already taken to liberalize its economy, and given its current international political and economic situation, the country seems to find itself in the perfect position to upscale its position in the global value chain. Its exports need to have more added-value than they currently have. In order to achieve this modernization of its economy, Vietnam will need to attract a high level of foreign investments to develop and modernize its exports industry (Tran, 2023). To do so, it can attract investments from several different countries: the US, given its global leadership in high-tech for instance, would potentially be in the best position to support Vietnam in this transition. However, China has shown itself to be a particularly reliable and active partner in this transformation. China is a major contributor to the development of supply chains in the Vietnamese renewable sector in particular. Investment in this area has increased significantly in Vietnam as part of the broader *Belt and Road initiative* (BRI). Leading Chinese solar manufacturers have scaled up their projects in Vietnam, sharing some of their technological expertise, enhancing the country’s renewable energy infrastructure, modernizing its manufacturing and technological capacities and integrating it into regional value chains. Since President Trump’s election and the US withdrawal from the Trans-Pacific Partnership (TPP), China has stepped in with its Regional Comprehensive Economic Partnership (RCEP), allowing trade in energy and technological goods to benefit Vietnam, and reducing tariffs, thus making it easier for Vietnam to import and export intermediate goods, and bolstering its role in global value chains. (Bian et al, 2024). China’s role model for Vietnam’s economic transition process therefore currently extends to green transition.

Despite growing trade, the US have not been investing as much in Vietnam as Vietnam might have hoped. The US still rank very low compared to most other Asian countries, and most importantly still lags far behind China, as can be shown in figure 15.

Figure 15 : Foreign Direct Investments into Vietnam (Total regulatory capital registered, licensed FDI projects)

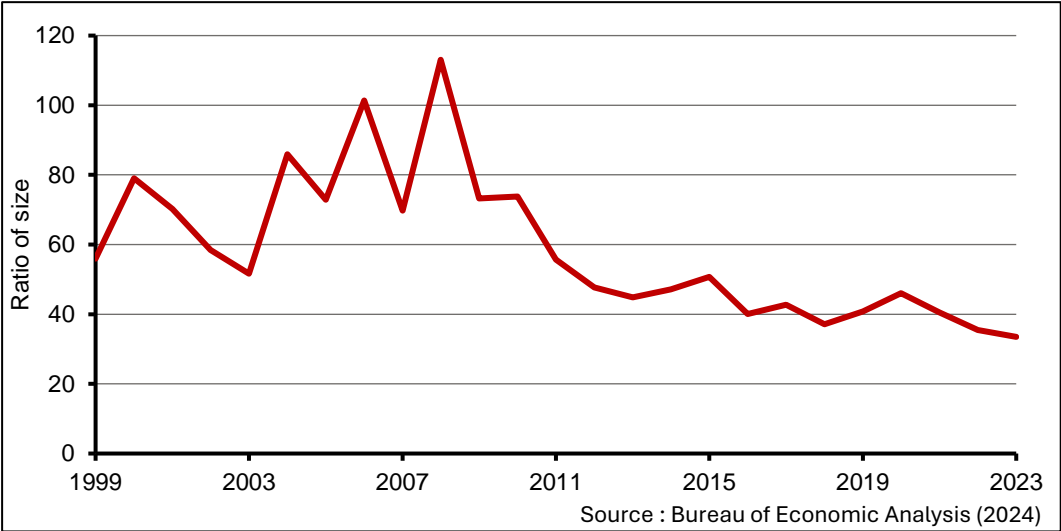


Similarly, despite the recent increases in the trade volume between the US and Vietnam, it is still significantly below that of between China and Vietnam, as shown previously in figures 2 and 3.

Furthermore, despite recent increases in trade and investment volume, the US has not shown sufficient willingness to provide Vietnam with the economic support that would be needed in order to compensate for the potential economic losses of a degraded relationship with China. The low level of US FDI into Vietnam compared to China, although it has been increasing in the last couple of years, means that US investment still go overwhelmingly to China instead of Vietnam. In 2023 the US accumulated Foreign Direct Investment into China was of 126.9 billion dollars compared to 3.789 billion dollars into Vietnam, a magnitude of around 33 times less, as can be seen in figure 16 below (Bureau of Economic Analysis, 2024). The fact that this ratio is now decreasing signals that Vietnam is indeed gaining attention for US investors who are slowly disengaging from China to diversify their strategies. Figure 16 also confirms that while China was gaining a lot of popularity in the 2000s, this has been decreasing starting from the 2010s, especially after the 2008 Global Financial Crisis and the 2020 Covid spike and lockdowns. The Trump reelection will likely accelerate this downward trend of FDI into China. However, given the blanket universal tariffs he proposes to implement and their potential consequences for trade and investment, it remains uncertain whether US FDI in Vietnam will see any significant changes. It is however important to note that China remains a far bigger and

attractive economy than Vietnam, therefore this significant difference in scale is normal and is likely to stay that way for a long time, and that it is the downward trend which is more important to highlight in this situation.

Figure 16: US Foreign Direct Investment into China vs. Vietnam: scale comparion (US Direct Investment Position Abroad on a Historical-Cost Basis, magnitude ratio of US FDI into China compared to that into Vietnam)



Other Asian countries, such as Korea also play a key role in Vietnamese FDIs. Indeed, Samsung has been a huge investor in Vietnam (Eun-Soo, 2024), although most technology related products that Vietnam manufactures are only the final assembly of parts and components imported from Korea, China and other Asian countries (Tran, 2023).

Although the US and China together comprise close to half of Vietnam’s trade (figure 15), in terms of foreign investment they are actually quite weak. The vast majority of foreign direct investment into Vietnam does not come from either of the two countries, but rather from a large variety of different countries, mainly located in Asia, as shown in table 17. These countries invest in Vietnam because of the country’s present economic and political situation, and a close geopolitical rapprochement between Vietnam and either of China or the US is likely to hurt Vietnam’s position as a FDI recipient. Engaging itself on the path of direction 3 would allow Vietnam to keep trading with both China and the US, and to keep cultivating business and investment ties with all other countries.

Table 17: Foreign Investment into Vietnam, 2019

Country	Number of projects	Accumulative Registered Capital (billions USD)
Korea	8540	68.102
Japan	4402	59.364
Singapore	2424	49.772
Taiwan	2695	32.378
Hong Kong Islands	1751	23.722
British Virgin Islands	841	21.722
China	2862	16.284
Malaysia	617	10.908
Thailand	653	10.908
Netherlands	345	10.053
United States	991	9.308
Samoa	349	7.385

Source: (Hiep, 2020)

The process has accelerated thanks to Vietnam’s policies of economic liberalization and compliance with WTO and ASEAN rules. Vietnam has also launched a series of reforms in the last couple of years to attract further foreign investments. It passed “Resolution 50” in 2019 to increase its attractiveness for investment and the quality of such investment by revising its legislation on investments (Vietnam - United States Department of State, 2024). It removed laws limiting foreign ownership in some sectors. Regulatory restrictions to foreign investment have decreased, and the Vietnamese government has undertaken a series of reforms to break behind the wall barriers and improve the ease of doing business. Corporate taxes were lowered, and new incentives have been adopted for foreign investors. The judicial system has improved, the process of setting up plants hastened, and several business forums were created (Nguyen, 2019; Ai, 2023).

Therefore, considering the strong economic and developmental imperatives that Vietnam is currently facing to avoid becoming stuck in the middle-income trap, it is urgent that it seeks to attract a large amount of foreign direct investments, technological partnerships, and to bolster and upscale its manufacturing exports and trade activity. To do so, it will have to access and cooperate with a large number of countries in order to capture as much resources as it can. The path 3 seems best suited for this, keeping good terms with China and the US and more importantly not relying on them but also seeking more economic ties with the rest of the world.

3.1.3. Climate commitments, green technology and economic independence

3.1.3.1. Dependence on Chinese green technologies

Vietnam faces many challenges stemming from climate change, including rising sea level, flooding and damage on agriculture – a sector which remains a vital source of economic activity (UNDP, 2018). To address these interlinked challenges, Vietnam will need to develop mitigation projects and invest heavily in an ecological and energetic transition. To do so, it needs to develop and use new green technologies to allow it to become more environmentally friendly and reduce the environmental damage its current energy production creates. Vietnam has ambitious policy plans to phase out coal, develop solar power and wind power, implement new technologies such as battery storage and enhance grid infrastructure (Bain & Company et al., 2024). However, Vietnam is currently facing limitations in R&D infrastructure and technical expertise, which complicates its ability to become either self-sufficient or a global leader in green technologies. This comes with its own set of complexities, since China is Vietnam’s main import partner for green technologies. Indeed, China is currently positioning itself as a leader in terms of innovation and renewable technologies. It has been flooding the Asian and global market with renewable energy investment, particularly in solar cell, wind turbines and batteries (Sandlund & White, 2024). China also has a very dominant position in the global natural resources market, having in particular a large concentration of rare earths (Marsden, 2024). Vietnam has attempted and launched plans to compete with China on the rare earths market, although it is unlikely to be able to take China’s top position in the global rare earth supply (Guarascio & Vu, 2023). China has also announced policies to control and gatekeep further technologies related to rare earth mining (Baskaran, 2024). Therefore, although Vietnam also possesses rare earth reserves and has made some progress in this area, its capabilities and infrastructure remain very limited compared to China. Furthermore, its expertise and knowledge of green technologies is still very underdeveloped, leaving the country at a disadvantage in this market. It has attempted some diversification policies with regional and international actors to avoid relying too much on China, notably some ASEAN states who have attempted to become a regional hub for electric vehicles and solar panels manufacturing, but so far,

they remain limited in scope (Tan, 2024). Vietnam has called for technology transfers from the US to increase in order to help Vietnam’s green transition and development. Although some progress has been made, the US remains far from being able to deliver on all of Vietnam’s needs (Mai, 2024). It seems therefore very difficult for Vietnam to be able to succeed in its energetic transition without relying on Chinese green investments. Alternatives would be costly, and considering the importance of rapid economic growth for Vietnam needed to address challenges such as an ageing population or the previously mentioned risk of falling into the “middle income trap”, Vietnam urgently needs to welcome all of the partners possible in the quest of developing a more sustainable and green economy in the long run. It needs to welcome Chinese green investments which can become a driver of economic growth, and seek technology transfers from both China and the US in order to upscale its production systems and climb up the value chain (Nguyen, 2023; Zhengxi Wu, 2024; Terrieux, 2023).

Furthermore, China has been encouraging this dependence of its green technologies. They have been used as a key tool in its foreign policy. Its Belt and Road Initiative has shifted away from the grand infrastructure projects which characterized it in the mid-2010s, and is now moving towards smaller, smarter, high-quality projects, especially in the green economy, to build a

“green Silk Road”. These investments reached \$9,5 billion in 2023, in domains such as critical minerals and mining, green technology (electric vehicles and batteries) and green energy (production and transmission). These investments and exports are mainly aimed at Southeast Asian countries, including Vietnam. From 2019 to 2023, China gave Southeast Asian countries around \$3bn for renewable energy projects, to green the region’s energy and encourage cross-border power trade. These Chinese investments in Vietnam have brought benefits, such as Vietnam becoming the world’s second largest photovoltaic manufacturer (Fernandez, 2024; Tan, 2024a; Tan, 2024b).

Nonetheless, given the significant investments and technologies required to accomplish its green transition (Agarwal et al., 2022), and considering the domination of Chinese green technologies, it appears extremely likely that Vietnam will become to a heavily dependent on them in its energetic transition. This introduces a set of dependencies towards China, which may possess strong leverage and influence on Vietnam. This could make Vietnam vulnerable to diplomatic pressures or shifts in trade policy from China, resulting in strained relations with Western powers (especially the US), who would not appreciate Vietnam’s alignment with China, especially in this context of competition and hostility between the US and China. While most other countries are also reliant to a certain extent on China due to its dominance in the green energy field, they often have mitigating strengths—such as nuclear energy in Europe, hydroelectric capacity in Brazil, or strong access to capital in the US—that reduce their dependency and advance their green transition. Vietnam, lacking these advantages, is uniquely vulnerable to over-reliance on China. It is therefore crucial that Vietnam accept and utilize Chinese green technologies, and welcome Chinese green investments, but that Vietnam does not only rely on these but also attempts to attract investments and technologies from other countries. Vietnam should also diversify its partnerships and engage in multilateral cooperation regarding climate change objectives and policies, such as those from international organization such as the United Nations Climate Change Conferences (UNFCCC) and its Conference Of the Parties (COP), as well as seeking further aid and investments from the World Bank Group, the Asian Development Bank and the United Nations Development Program. Therefore, considering Vietnam’s necessity of retaining investments from China while simultaneously reducing its dependency on this single actor, it seems like pursuing the path 3 of diversification would be most optimal for Vietnam.

3.1.4. Safeguarding geopolitical sovereignty and navigating the China-US fragmentation

Aside from the technological, commercial and sustainable challenges that Vietnam is currently facing, one last extremely important challenge that Vietnam is facing is the one related to geopolitical risks. As described earlier, Vietnam’s growth model is an export-led growth model, which means it is extremely dependent on its external trade partners for pursuing its economic growth. In an era of increasing geopolitical tensions and fragmentation between China and the US, this can be both an opportunity for Vietnam, as well as a major risk.

3.1.4.1. Opportunities

As mentioned earlier, Vietnam has benefited strongly from the competition and fragmentation between the US and China. It has positioned itself as the extra country in the “China plus one” strategies of many foreign companies seeking to reduce risks associated with China. It can

position itself as an alternative manufacturing hub without any of the risks associated with China and strengthen the resilience of its partners' supply chains.

The Covid-19 pandemic also presented itself as a strong opportunity for Vietnam. Vietnam was one of the few countries which maintained solid growth and resilience (Zhang & Dabla-Norris, 2021). Vietnam's low labour costs, business friendly environment attracted and its relative stability and openness during the crisis attracted many foreign investments from countries looking to diversify their production after the lockdowns in China. The pandemic also heightened the commercial and technological tensions between the US and China. Vietnam's strategic neutrality during this period allowed it to strengthen its economic ties with both the US and China, without fully aligning with either, allowing it to reap economic benefits without any political sacrifices. Post-Covid, companies looking to reduce their geopolitical exposure to China also saw Vietnam as a safe choice to expand their activities in Asia or as a source of low production costs with little risks.

As tensions between the US and China continue to rise, many countries around the world including Vietnam will need to face the necessity of diversifying their economic and political relationships with both superpowers to avoid being over-reliant on them. However, although this diversification is a necessity, is also an opportunity for Vietnam. By strengthening its ties with a large range of partners such as the ASEAN, Russia, the EU, Japan, South Korea and India, the country can enhance its economic resilience, reduce geopolitical risks and position itself strategically in a more fragmented global landscape. In this regard, Vietnam has taken a proactive approach to diversifying its relationships, thereby presenting it significant economic and geopolitical opportunities.

One of these opportunities has materialized itself in the way in which Vietnam has intensified ties with India. India is a growing player in the region, with an increasing economic and commercial clout. India is one of the only three countries which have a Comprehensive Strategic Partnership with Vietnam. India is facing similar geopolitical tensions with China as Vietnam has, both having territorial disputes with their northern neighbour. Therefore, strong military cooperation, especially in the navies, has been increasing as the south China sea and the Asian Ocean are two strategic areas for both countries. India has increasingly been considering the region to be a foreign policy priority (Misra, 2022).

Similarly, Russia can also to some extent be a source of opportunities for Vietnam. Hanoi has a long history of partnership with Moscow dating back to the Cold War and its support to Vietnam on the road to independence. This political and economic support slowed down following the end of the cold war, but started a gradual revival during the 2000s and 2010s. This was encouraged and welcomed by both countries, since they both wanted to diversify their commercial relations. Vietnam joined a Free Trade Agreement with the Eurasian Economic Union, comprising Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan (Nguyen & Ha, 2023). This trade relationship reached a peak in 2021, right before the Russian invasion of Ukraine (Vietnam+, 2024). Since then, Vietnam has distanced itself slightly, refusing to support Russia's invasion, but not condemning it either, adopting an essentially neutral position, as this friendship with Russia could be risky, as it might be viewed unfavorably by western democracies, Japan and South Korea who are also key partners for Vietnam. Russia's increasingly close ties with China could also bring benefits to Vietnam, as it might be able to use its friendly relationship with Russia to balance relations with China. If tensions in the South

China Sea were to flare up again, Vietnam might hope to be able to count on diplomatic support by Russia to restrain China, although relations between Russia and China have intensified against the backdrop of the war in Ukraine (Storey, 2024). Russian President Putin has recently travelled to Hanoi to negotiate further business deals and cooperation. Vietnam was able to secure deals concerning energy projects, such as supplies of liquefied natural gas (LNG) and joint ventures in offshore oil production fields. This presents Vietnam with increased economic prospects, as well as helping the country diversify its energy sources (Pearcey, 2024).

Likewise, closer ties with ASEAN also bring significant benefits for Vietnam. Indeed, Vietnam has actively sought closer integration within ASEAN, that plays a vital role in regional trade. ASEAN is an intergovernmental economic union first and foremost in which there is the ASEAN Free Trade Area (AFTA). It is not a political union; it has a neutrality policy and focuses on economic and commercial development rather than geopolitics or security. While the decision-making process requires consensus among its members, some of whom, such as Laos and Cambodia, are very close to China, this structure also has the benefit of fostering dialogue and cooperation, thus helping Vietnam in its pursuit of multilateral partnerships. ASEAN integration has been a key driver of Vietnam's economic development, helping to diversify its economy and reduce its dependency on China and the US. Moreover, ASEAN's focus on regional economic integration continues to offer Vietnam significant opportunities to deepen its trade and investment links within the bloc, which can provide long-term economic benefits (Wester, 2023).

Outside of the ASEAN organization itself, there are still some strategic opportunities for Vietnam which lie with its individual member states. Even the countries with closer ties to China are still eager to engage economically with Vietnam, as they recognize its dynamic economy and growing importance in global supply chains. In addition, outside of South East Asia, the countries of Japan and South Korea present themselves as attractive partners for Vietnam. Both countries are also seeking to reduce their dependence towards China, and are already trading and investing heavily in Vietnam, offering expertise and resources that are vital for the country's development (Nguyen & Saxena, 2024). These connections can also serve as bridges between Vietnam and the rest of the broader international community. Indeed, by strengthening its ties with ASEAN and its member states, alongside partners like Japan and South Korea, Vietnam positions itself to benefit from a wide range of opportunities that enhance its economic resilience and regional influence (Do & Dinh, 2018).

Outside of Asia, the EU represents another very strong economic player and potential partner for Vietnam. Vietnam and the EU signed a Free Trade Agreement in 2019. Although it is geographically far away from Vietnam like the US, which implies logistical challenges, the EU is the world's largest single market which presents many advantages to Vietnam. Furthermore, trade facilitation policies has been adopted, and although EU economic operators still face hurdles on the Vietnamese market, these have been decreasing, making trade smoother and more efficient. The trade and investment volume between the EU and Vietnam is far smaller than that of between Vietnam and China or the US (Deutsche Welle, 2021), however it has been growing at a rapid pace (at around 15% year-on-year during the first half of 2024) (Vu Nguyen, 2024). While the EU has strict regulatory standards, especially on labor, environmental and consumer protection issues, which may be sometimes restrictive towards Vietnamese exporters, this is also encouraging Vietnam to upgrade its production capabilities and align with global best practices. This can simultaneously open further the access to high value European markets

and boost the competitiveness of Vietnam exports. Even though the EU has no formal security alliances with Vietnam or with other countries in the region, its economic engagement with Vietnam reflects a commitment to strengthening ties (Le Thu, 2020). The EU's emphasis on trade and sustainable development aligns with Vietnam's objectives of climbing the value chain and achieving long-term economic growth. By deepening its partnership with the EU, Vietnam is diversifying its sources of growth, and its diplomatic influence, and is leveraging access to a stable, high-value market, thus allowing it to seize strategic economic advantages in the global arena (Hoang, 2024; Nguyen, 2022).

The geopolitical tensions between the US and China presents some strong opportunities for Vietnam to strengthen its position on the global stage by seeking out new partners and diversifying its relationship with players such as the ASEAN, Russia, India, Japan, South Korea and the EU, which has proven immensely valuable. These partnerships have helped create safety nets for Vietnam and bolster its economic resilience, sustainable growth and diplomatic influence.

However, while there is no "Cold war" between the US and China yet, in which countries such as Vietnam would be forced to take a side or the other, there is a risk that the more the Sino-US rivalry intensifies and sees Washington and Beijing and China drifting apart, the more emerging countries will be imposed binary choices by these two superpowers and the more there is a risk to see the international system divide itself into a bipolar world structured by different norms and standards. In such a context, Vietnam's strategy of multidirectional partnerships or multi-alignment might become unsustainable.

3.1.4.2. Threats

In a context of heightened tensions and an open "cold war" between the US and China where all countries in the Asia-Pacific region, including Vietnam, were required to take side, there would be many significant risks ahead for Vietnam.

Were Vietnam to align with China, as proposed by path 2, it would face significant political and economic issues, tradeoffs, sacrifices and losses. When looking at countries such as Laos and Cambodia, which have chosen to align politically strongly with China, their posture does provide benefits, as we showed in our literature review (Po & Primiano, 2020). However, this also comes with some important drawbacks. Laos agreed to have strong economic ties with China, and to allow Chinese investment to flood in, including to build a cross-border high-speed rail. These investments and loans from China led Laos to a high degree of debt dependency or "debt trap" towards China (DiCarlo & Ingalls, 2022). Laos' heavy reliance on Chinese economic, financial and political support has limited the country's ability to conduct an independent foreign policy, often choosing to rally behind China, particularly on disputes in the South China Sea, which puts the country at odds against the rest of ASEAN members (Ciorciari & Haacke, 2019). Additionally, the stakes for Vietnam in aligning or not with China are very different than for Laos or Cambodia. Neither country has any territorial disputes with China - unlike Vietnam, for which the maritime border disputes around the South China Sea consists of a constant negative backdrop in their relationship with China, as well as a constant source of fear about territorial loss - and both are significantly poorer (and thus in need of foreign money) than Vietnam. Vietnam would lose out significantly more in terms of sovereignty, while its positive economic rewards would be much smaller as the country's economy is more diversified compared to Laos and Cambodia (Po & Primiano, 2020). Moreover, there is often a mismatch

between the perceived or promised benefits of seeking closer ties with China compared to the reality. Many Asian countries which joined China's *Belt and Road Initiative* have ended up being disappointed by China's delivery of their promises. On top of this, China has substantially reduced these types of foreign investments in the last few years (Hall & Krolkowski, 2022).

A factor standing in the way of closer Sino-Vietnamese ties remains the maritime border disputes in the South China Sea. Despite the importance of reaffirming its sovereignty on the South China Sea for the Vietnamese government, it is likely to do whatever is possible to avoid that this becomes a major strain in its relationship with China. The CPV being primarily motivated by its own survival, it would think twice before risking open military confrontation with China and would rather see its maritime sovereignty be encroached (see Appendix A).

Furthermore, an alignment with China, would also severely strain Vietnam's relationship with the US. Although the US does not typically engage in coercive economic practices towards countries they deems to be too friendly with its enemies, they do use certain economic and commercial policy tools, including sanctions, in support of its political and diplomatic objectives. Some of these include asset freezes, arms embargoes, and trade restrictions. Some measures target countries such as Iran and Russia, while other target individuals. The US does not currently have any sanctions placed on Vietnam, but they do have some on China. The US sometimes imposes sanctions if they perceive human rights violations to take place in the partner country. They also consider these violations to be an obstacle towards greater trade integration (Masters, 2024). However, these economic and financial sanctions are sometimes used as a political tool to punish or to pressure policy changes in the partner country, unrelated to the specific issue that is being sanctioned. It is often considered that the US used such measures against China in order to slow down its economy and contain its military build-up in the context of their great power rivalry (Slawotsky, 2022). Some academics claim that the objective of American sanctions is often regime change, such as in the cases of Venezuela or Cuba, and not the human rights abuses that occurs in these countries, although this remains a very controversial and discussed topic (Jazairy, 2019). The US also has weaponized the dollar in certain circumstances to further its political objectives, such as against Iran or Russia (Sen, 2019). Therefore, if Vietnam were to follow a political trajectory too close to China, and become more authoritarian in its governance, the US could very well end up adopting economic sanctions against Vietnam. This would not have economic consequences as severe as they would be where China to place them on Vietnam, but they would still be significant enough to severely hurt Vietnam's economy.

Aligning closely with China would therefore present significant risks for Vietnam, both economically and politically. The growing economic ties between the two countries have often been characterized by competition (particularly in the manufacturing sector, as we explained earlier), leading to tensions in trade dynamics. The Covid pandemic exposed Vietnam's and China's mutual vulnerability from their interdependence. Aligning politically with China presents the risk of affecting territorial integrity and undermining Vietnam's sovereignty. There would also be a risk of debt dependency if Vietnam decided to welcome too many loans from China. Therefore, Vietnam choosing to seek extremely strong ties with China would present serious economic risks and political costs. It would change the country's position from that of an independent and influential player in the region to that more of a puppet state in the likes of Laos and Cambodia, and this without any guaranteed significant economic gains, and with the added drawback of facing possible hostility from the US.

On the other hand, were Vietnam to choose to align with the US, there would also be significant risks associated with this. Indeed, Vietnam has started increasing its security cooperation with the US in line with its strategy of diversification of partnerships. However, this is a potentially risky strategy, in particular because the US has often been perceived as an unpredictable or unreliable partner, which can notably change course in foreign policy according to elections. The Trump reelection, with its possible shift in US foreign policy back to isolationism, would mean that Vietnam would find itself in a dire geopolitical situation. Indeed, from an American perspective, although maintaining closer ties with Vietnam is an important objective of US foreign policy, this is mainly part of a broader strategy seeking to counterbalance China and to increase US influence in the region. Thus, in the absence of a formal mutual defense agreement between the two countries as it exists with the Philippines, it is unlikely that the US would be ready to engage militarily alongside Vietnam in a conflict aimed at protecting its territorial integrity against China. As shown in figure 16, although the geopolitical risk associated with China as perceived by the American media and public opinion is growing, the one associated with Vietnam is either stable or slowly declining. This difference underscores a relative lack of awareness or concern in the US about the geopolitical tensions involving Vietnam, even as China’s assertiveness and aggressiveness in the region poses serious threats for its neighbors.

Figure 16: Geopolitical risk in Vietnam and China

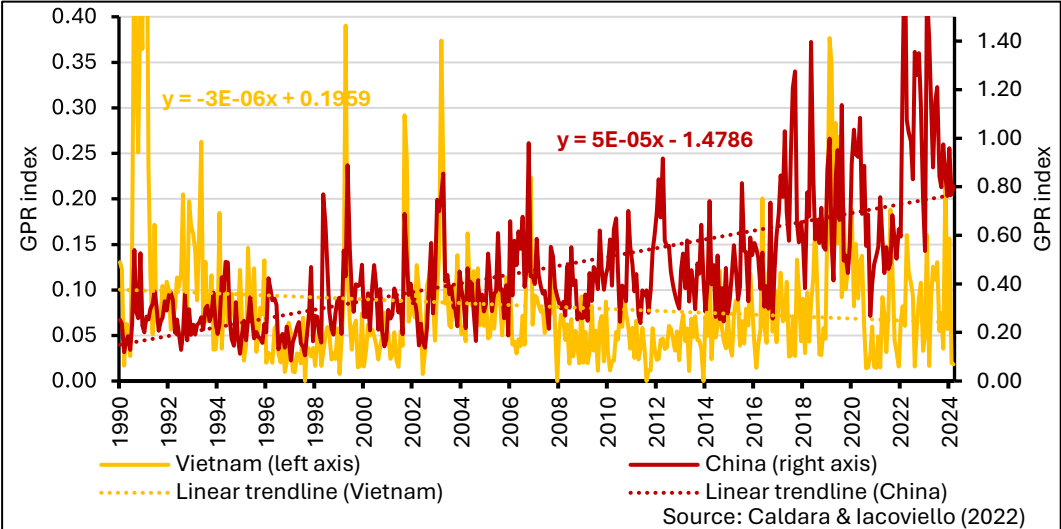


Figure 16 is constructed using a statistical model called the “Geopolitical Risk Index (GPR)” (Caldara & Iacoviello, 2022). Each country’s geopolitical risk is calculated by counting the number of articles related to adverse geopolitical events in each newspaper for each month, expressed as a share of the total number of news articles. The resulting indices capture the US perspective on risks posed by, or involving, the country in question. As such, figure 14 shows the negatively sloped (decreasing) trend of the geopolitical risk associated with Vietnam, as perceived by American media (Caldara & Iacoviello, 2022). On the other side, China’s trendline is increasing, illustrating the greater perceived risk associated with China.

It is good news for Vietnam that it is not perceived as a threat for the US as such, which benefit diplomatic ties. However, this is a double-edged sword, as it also highlights the relative indifference or low awareness of the US public and media to any geopolitical threats Vietnam

might face. This means that there is no certainty that the US public and political elites, especially at times of rising isolationism, would see supporting Vietnam against any of its geopolitical threats as a political priority. This means that any efforts on the Vietnamese side to seek closer ties to the US will remain limited in scope, as it will never become a formal alliance like the one between Japan or the Philippines and the United States. Vietnam's relative rapprochement with the US is more likely to serve as a dissuasion tool towards China, to preserve a stronger level of autonomy with regards to China, than to serve as a fundamental shift in Vietnam's geopolitical alignment.

Therefore, an alignment with the US, as proposed by path 1 would present too many risks for Vietnam, and not enough benefits. It would significantly alter the country's economic and political trajectory for the worse. Closer links with Washington would risk severely hurting relations with China, which so far remains and is expected to remain a far more important, reliable and predictable economic partner. A shift towards the US would not only destabilize Vietnam's integration into the China-dominated regional supply chains, but also weaken its overall economic standing. If Vietnam decides to align with the US, it will ultimately change its position in the global stage, shifting from a key economic player in the regional economy and value chains, to a perhaps more strategically secure position, but an economically much more vulnerable one, being alienated from its current largest trading partner. This would be a poor choice for Vietnam, as it would lead to reduced economic growth, regional influence, and a higher degree of dependency on a historically unreliable partner.

The fragmentation of the world occurring around the US-China competition presents key risks and threats for Vietnam. Were it forced to pick a side between both countries, it would most certainly stand to lose more than if it would be able to stay in its current hedging position. Therefore, as long we will continue to stay in the current geopolitical situation of competition between the US and China, but not to an extreme extent such as in the cold war, it seems like the best direction in which Vietnam can travel is the one from path 3, one of diversification and hedging, as that will provide it the strongest long-term economic and political growth and autonomy.

3.1.4.3. Other factors

However, it is important to note that despite this rivalry and fragmentation between the US and China, their economies actually remain much more interconnected than thought, due to how Global Value Chains have evolved over the past few years.

A large portion of the Chinese exports to the US have been rerouted through Vietnam to avoid tariffs and trade restrictions imposed by the US. Furthermore, as we explained earlier the US invested heavily into Vietnam to make it its "China +1" policy. China also invested significantly into Vietnam in an effort to expand its production bases abroad and circumvent US trade barriers (Oxford Economics, 2024). One example of this is the electronics sector's Global Value Chains. Vietnam plays a key role in this, thanks to the substantial Foreign Direct Investment from South Korea, Japan and China. A very significant amount of the electronics related inputs came from these countries, and were then assembled and exported (World Bank Group, 2020; Yamashita & Ha, 2024). The most commonly rerouted products in 2019 following the US-China trade war were integrated circuits, low-voltage protection equipment, telephones, synthetic fabrics, labels, and electrical transformers. The share of these exports to the US that were considered to be re-routed ranged from 20% and 100%, the latter concerning integrated circuits, or as they

are commonly known, semi-conductors. This means that for semi-conductors, 100% of those exported from Vietnam to the US were considered to be re-routed, meaning they were either originally produced in China, or they involve Chinese inputs. Furthermore, although, both domestic, foreign and Chinese-owned companies engaged in this rerouting, Chinese-owned firms had the strongest growth in rerouted exports to the US through Vietnam between 2018 and 2021. While the overall share of rerouting firms among the firms exporting to the US increased by about 4% from 16.4% to 20.3%, Chinese-owned firms experienced a strong 15% percentage point rise, increasing from 30.6% to 46%, suggesting that a significant share of the benefits returned to China. In terms of value, it is estimated that in 2018 before the start of the US-China trade war, the value of US exports rerouted through Vietnam was approximately \$5.95 billion. By 2021, this had increased to \$15.5 billion. This highlights very well the important role that intermediary countries such as Vietnam play in the global value chains in a tense commercial environment. Vietnam has strong incentives to remain neutral, as this allows it to continue benefiting from the rerouting of the trade flows between China and the US. Additionally, it would be challenging for either China or the US to force Vietnam to sever ties with the other. Doing so would only harm both countries, as their trade with each other relies heavily on passing through Vietnam (Iyoha et al., 2024).

Therefore, despite the fragmentation that has been ongoing, a significant amount of this is actually just a diversification of global value chains and a rerouting of trade routes. Thus, despite the fact that as we explained in our earlier section, there have been many benefits for Vietnam in terms of the US-China fragmentation, these are actually not as deep as previously thought, as the major part of the supply and value chain is still produced in China, thus giving Vietnam less important economic benefits. This also means that it is even more important for Vietnam to climb the value chain, as it will not be able to simply benefit from the shift in manufacturing chains towards it to the extent that it could have hoped. On the other side, the fact that the US and China are still very much interlinked (although more indirectly) means that the potential for a complete fragmentation and much stronger hostility with the possibility of Vietnam having to pick a side is also lower than is often thought. Furthermore, Vietnam has every interest to pursue its strategy of hedging and strategic balance to attract as many benefits it can from its ties with the US and China, as proposed by Direction Three.

Vietnam will continue to face significant challenges in the years to come. While the country should continue to try and reap the benefits of a strategy of diversification of partnerships, a key question is whether it would still be able to do so if the world economy were to fragment itself further along two systems of norms and standards as well as trade blocks respectively led by China and the US, with middle ground countries such as Vietnam being ultimately imposed binary choices. In many respects, the case of Vietnam shows how highly dependent on geopolitics economic development can be, and how any new “Cold War” or further bipolarization or fragmentation of the international scene and of the world economy may affect particularly exposed countries.

3.2. Limitations and further research

In this paper, I have argued in favor of a path, in which Vietnam would adopt a hedging position to preserve a positive relationship with key major players to reap the benefits of these partnerships without becoming dependent on either of them and thereby achieving long-term sustainable growth and independence. However, as explained in the introduction and methodology, that does not mean that I think this will necessarily be the choice Vietnam will make. There are many other possible paths, which this paper has not covered. It could very well happen that the US and China go through a *détente*, with friendlier relations, cooperation, and an end to their rivalry. In this case, Vietnam could very well lose a significant amount of its influence or relevance, both economically (if foreign investments were to flow back to China), and politically, if Vietnam no longer occupies a key pivotal position. In such a direction, Vietnam might need to adjust its strategies, potentially aligning more closely with one partner as the other's interest wanes. If, for example, the US were to reduce its focus on Vietnam due to improved relations with China, Vietnam might find it beneficial to shift its foreign policy toward China to attract investments and make up for the loss of US support. My paper, which aims to understand and evaluate the possible paths ahead for Vietnam given its current geopolitical landscape and the challenges it is facing, is mainly analyzing the influence and impact that different challenges pose for Vietnam, and how Vietnam should best deal with them. It is based upon a scenario of geopolitical tensions between the US and China, in the continuation of the trends that we have seen in the last couple of years. This does not imply a full-scale war as an end-game, but it does entail a continuation of the ongoing changes in the economic and political configurations of the Asia-Pacific region.

It is also important to note that although politics, climate change, and other factors do have a strong influence on economics and growth and vice-versa, economies are eventually slow to adapt and often move in manners which are not easily influenced by political decisions. Despite politicians and policymakers often reacting quickly following political or geopolitical events or shifts, the policies they put in place are not always adequate or efficient, and might thus not create the economic transformations that they hope. On the reverse side, when taking policy decisions, decision-makers do not always take into account the pure economic interests as a priority, but sometimes prioritize other factors such as stability or power (as explained in appendix A). Furthermore, it is also important to take into account the political process of how decision-making works in countries such as Vietnam. The CPV has been going through a period of relative instability at the top over these last few years, with infightings resulting in the leadership being often replaced. This, together with strongly entrenched vested interests and corruption, has limited the capacity of the country to undertake some of deep structural reforms its economy would require, thus leaving it vulnerable to a number of threats and factors.

Furthermore, organic and self-driven changes in the economic or commercial patterns of a country are not always rational. Businesses do not always evaluate accurately the nature of the environment in which they operate and cannot always assess the geopolitical risk. Policy-makers also do not always understand or react to challenges in a way which would be optimal for the country they govern. For all these reasons, it is important to understand that despite what might seem like an obvious optimal choice from an outsider's perspective (as we have evaluated and shown in this research paper), in reality there are many other factors which will come into play when deciding upon which direction Vietnam is likely to embark itself. It is crucial to remain patient in observing the direction in which Vietnam will head, as many of the events

happening in the present or in the last few years will only have their consequences appear in the future.

Therefore, we recommend that further research focus on the mechanisms of internal economic governance in Vietnam. This research could explore how the country's domestic political and economic systems shape its capacity and manner in which it responds to external economic and geopolitical challenges. This would offer a deep insight into the holistic factors influencing Vietnam's decision-making process.

4. Conclusion

This research paper set out to explore and critically assess the different strategic pathways available to Vietnam and analyze how each option could influence the country's ability to confront the complex challenges it faces, including economic independence, long-term development, a green transition and geopolitical sovereignty. Through a combination of qualitative and quantitative analysis, supported by a comprehensive review of the existing literature, the findings suggest that a strategy of hedging—maintaining balanced and positive relations with both the United States and China while actively fostering new partnerships—represents the most advantageous course of action for Vietnam. Such an approach would allow Vietnam to capitalize on the benefits of its existing partnerships, diversify to reduce dependency, and strengthen its position in a shifting geopolitical landscape. It would allow Vietnam to achieve sustainable economic growth and advancing its green transition while ensuring geopolitical resilience and stability in an increasingly uncertain global environment.

We studied this question as we wanted to understand the challenges and tradeoffs that a growing number of countries are facing in today's increasingly geopolitically divided world, in which trade, technology, alliances, and other factors can be “weaponized” to advance foreign policy and security objectives. Finding a path which allows long-term sustainable development and geopolitical sovereignty is an increasingly difficult task. An increasing number of countries are facing such a challenge, with Vietnam being one of the most concerned countries. Our findings align with key conclusions from academic literature, emphasizing the importance of maintaining positive, open relationships with as many countries as possible. Rather than blindly aligning with one country or bloc, countries should seek to balance their partnerships, maximizing the benefits and minimizing the drawbacks of each strategic relationship. This approach appears to be the most effective way to secure a prosperous future. This approach appears to be the most optimal path that a country can make for the sake of its own future.

In contrast, the alternative pathways (directions 1 and 2) each present significant drawback. Direction 1, which involves an alignment with the US, might provide some security guarantees, however it would damage Vietnam's growth prospects and its position in the global value chains, and slowdown its green transition, and be vulnerable to the unpredictability of US foreign policy commitments. Direction 2, characterized by a deepened alignment on China, could bring economic gains from increased trade, but it would risks compromising Vietnam's political sovereignty and economic diversification, leaving the country vulnerable to shifts in China's policies or actions. Therefore, the strategy of hedging and diversification (direction 3) emerges as the optimal choice for Vietnam, as it allows the country to leverage the economic opportunities from China while securing the geopolitical support and stability offered by the

US This balanced approach would minimise risks and foster long-term sustainable development and sovereignty for Vietnam.

While the findings of this research provide valuable insights for Vietnam’s potential paths forward, it is important to note that the results of this particular case study may not always be generalizable to other countries. Each country faces its own set of constraints and challenges, shaped by its own economic, political, environmental, and geopolitical reality. Nevertheless, we believe that this analysis of Vietnam contributes to the literature by offering a useful benchmark and framework, which many other countries in the region—especially those in Southeast Asia—can relate to as they confront similar dilemmas and challenges regarding long-term sustainable economic development and geopolitical sovereignty.

5. Appendix

Appendix A

Interview

Interviewer : Axel van Amersfoort

Interviewee : Professor Tuong Vu, a political scientist and director of the US-Vietnam Research Center at the University of Oregon

Date: 26th of August 2024

Transcription method: intelligent verbatim transcription

Text transcript of the interview:

Interviewer: I had a couple of questions. Maybe the first one would be simply how much do you feel has been the importance of economic and commercial policy, into the Vietnamese foreign policy? What was the importance of the economics and trade, when Vietnam was trying to determine its foreign policy?

Tuong Vu: Economic and trade policy is one of the main pillars of Vietnamese, foreign policy. And the other pillars and somewhat higher in importance is security.

Right? So security is the highest, and next to it is, economic. Right? And why is economic important? It is important because the party, the Communist Party, needs draws legitimacy from maintaining the rate of economic growth as Vietnamese population is rising very quickly as, you know, like, people, want a higher standard living standard.

And the party needs to, you know, continuing, to, keep the economy grow at a certain level. You know, if it's, like, under 5%, it's not going to generate enough jobs for young people, and so on, and continue to, you know, kind of keep the rising living standards for the middle class, to keep them happy. So that that's, you know, part of the legitimacy of the Communist Party because, it doesn't have any, other sources of legitimacy besides that. Yeah. I understand.

Interviewer: And, to kind of develop on this point right now with the appointment of the new head of state in Vietnam, well, he was in the police before that, and it seems like the focus seem to be shift shifting even more on security and stability and perhaps on closer ties with China, and a bit less on economic development, trade, and perhaps also closer ties with the closer ties with the US. But was there ever a point where it was the opposite, where economic, developments and perhaps stronger ties with the US and trade and development and all that was the priority, like, on top of security of where it is now as you were saying? Or has it always been always security first and the rest after?

Tuong Vu: It's always security first, and it will be security first all the time. And in the last couple of years, the leadership was hoping for the US to grant Vietnam's market economy status.

Right? So it requested it upgraded relationship with the US, hoping that the US would agree to grant it market economy status so that it could, you know, attract more investment, relocated from China into Vietnam. A lot of Chinese companies now are shifting, and not just Chinese companies, but also, you know, companies, foreign companies that produce in China that that

have the effect of manufacturing in China. So many of them are looking to divert their production from China, right, to other countries to avoid the, you know, conflict between getting caught into the conflict between the US and China over trade and other issues. So Vietnam, in the last 4 3, 4 years since the COVID, you know, ended, even during that time, I was trying to attract, you know, like, those businesses to come to Vietnam.

And not because Vietnam has a lot of, you know, kind of manufacturing potential or technological, advance, but because, you know, Vietnam could just, you know, those companies, they could just ship, you know, the end part of their production, you know, like the packing part to Vietnam, and then put on the label made in Vietnam. And they can get, you know, low tariff in the US if they export to the US. So that's what, you know, South Korean companies, Japanese companies, and Chinese companies have been doing. Right? So that that that's part of the Vietnamese calculation.

And if they could get the US to, to, grant Vietnam market economy status, then that would, you know, give Vietnam, an advantage, right, in attracting those companies because they were trying to avoid high tariff on their goods produced in China, but then they failed. Right? So Vietnam failed, so US rejected that, that market economy status. So Vietnam did not get that. So and then in the last 2 years, big companies like Intel, you know, like all the those big companies, they did not they decided not to shift their production to Vietnam.

They shifted their production to India and Indonesia and Malaysia. So Vietnam's economy is currently not growing, very much at the bare minimum of about 5%. So the Vietnamese government is kind of concerned about this, and so they, the recent visit to China, was to, emphasize, you know, faster integration of Chinese and Vietnamese economy as a way to attract, you know, Chinese companies to move into Vietnam even without that that that, that, that market economy status from the US. So Vietnam, apparently, is, you know, tries still tries to, to, to keep a good relationship with the US, you know, even though it doesn't get what it hoped to get. But it still tries to keep that good relationship so that, you know, Chinese companies still moving into Vietnam and producing in Vietnam for the US market.

So that's kind of the calculation now with the new agreement to rapidly build rail system connecting Guangdong province in southern China and Yunnan province in southern China to northern Vietnam so that, you know, Chinese companies can quickly move, material and workers into Vietnam and factories into Vietnam and then produce, for, you know, US market.

Interviewer: I understand. But do you think that Vietnam is attempting a strategy of becoming a serious competitor to Chinese manufacturing exports, or do you think that they're only going to try to stay at their current position of only, like, being at the very last part of this of the value chain in order to be able to put made in Vietnam and send it to the US? Or is it yeah. Or is it or if it's going to be a real competition with everything being manufactured in Vietnam, with Vietnam being the new China like it was in the years 2000s and all that?

Tuong Vu: Vietnamese leaders don't have an ambitious economic vision. All they want is 7% economic growth, whether that came from low skilled labor, cheap labor, selling resources. They don't care. So they're not they they're not trying to, you know, move up, or they say they're trying to. Right?

But then they've never done anything seriously, you know, to really get a you need the nationally coordinated plan, you know, like South Korea or Taiwan did. Right? You need really big, big

government plan to move up the chain, but then they haven't done much. They talk a lot, but then they haven't done much, and they seem to be focused on trying to get, you know, get up a certain level of growth, which is about 7%, economic, GNP growth, GDP growth, so that they could get up, you know, have the jobs so that the people and so on. So that that's what they have been thinking about.

So they they're not going to be a rival to China because, the level of technological development in Vietnam is much lower than compared to China and not, you know, compared to South Korea and Taiwan and Malaysia. So there was no I mean, for Vietnam to get up to that level required a lot of, you know, kind of resources and attention, government policy directed to it, but Vietnam hasn't done that.

Interviewer: Okay. I understand. And, one, one subject which came up quite a bit during my research was, obviously, the maritime border issue in the South China Sea. But when I was reading about it, it seems like kind of the peak of the tensions happened around the year 2000 tens and the start of the 2000 tens. But at right now, it seems like less important of an issue compared to a bit to a compared to a decade ago. First of all, do you feel like this is a correct impression? And, how important is this issue right now for Vietnam? Is it going to influence its relationship with China or the United States a lot, or has it become kind of a really minor issue for Vietnam?

Tuong Vu: It's, still very important issue. It hasn't been in the news recently, in part because, you know, China is busy, dealing with the Philippines, and in part because the Vietnamese government has, cracked down a lot on civil society in Vietnam in the last, 6, 7 years. So they arrested a lot of activists. They, you know, they forced, Google and Facebook and YouTube to comply to have their mainframe machines in Vietnam, to comply with them, with the authorities, you know, kind of by providing the identities, you know, of, you know, whoever critiques of the government on Facebook, YouTube, and so on. And they have arrested authorities have arrested a lot of civil society activists in the last, 6, 7 years, and that kind of helped to, to tame, you know, critics.

So the critics now even have to go underground or go into exile, and they kind of they lost their influence, to cause trouble. And that allowed the government to, you know, not to, not to, kind of, you know, to deal with China secretly, and not fearing, you know, public protests like before. You know, like 10 years ago, you saw a lot of protests, but today, there are much fewer many fewer protests, against China. So that that's, that helped, to, help the authorities. So but then, you know, the issue is there.

It doesn't go away. Right? So the conflict over sovereignty in the South China Sea, it's there. There hasn't been any, kind of solution to it. So, you know, one China is less preoccupied with the Philippines.

It's going to turn to, you know, to Vietnam. So it's going to come back, and it's also an issue that, affects the relationship between the US and Vietnam because, you know, like, US is concerned about, Chinese, you know, aggressive acts in the South China Sea. That's why US has been trying to get, to push, forward for a closer relationship with Vietnam. You know, that's why you have, you know, kind of Biden visiting Vietnam last year, and so on. So, so that that give Vietnam a certain leverage in its dealing with the US.

Right? So and Vietnam is still enjoying that that event that leverage, today. So it's going to be an important issue. It still remains an important issue even though you don't see it a lot in the news.

Interviewer: Okay, but do you feel like this issue of the maritime border will be enough to push Vietnam maybe a bit more out of the arms of China and towards the US? Or is this, yeah, is this going to make Vietnam align with the US, or is this not enough to push it towards the US?

Tuong Vu: Well, if you think look. If the Vietnamese leaders, you know, have long-term vision, then they should see that. But then, they don't have long-term vision.

So they all of them have short term visions because, you know, like, when they rise to the top level, they are, like, you know, past the age limit. Right? Like, the current secretary is 67. Right? They all pass the retirement age limit, and they don't have many years left.

And all the thing is about kind of consolidating their power, consolidating their factional power, and not thinking ahead about the country's interest. So, you know, if you think in the long-term, then, sure, you know, that's going to. So Vietnam has to figure out a way to get out of, you know, China and so on. But then, you know, like, in in the short term interest, they want Vietnam's relations with China to be to be quiet, to be you know, so that they could still have a level of economic growth, you know, by relying on Chinese, trade with China and trade with the US acting as, you know, kind of the middleman receiving, you know, working, kind of importing from China and South Korea and exporting them to the US and stuff like that, you know, kind of maintaining, a balance between those 2. So that that's all they care about, you know, like, how to maintain that the current status quo.

Interviewer: I understand. And then my next question would be kind of similar to what you were saying about Vietnam trying to keep a balance between both. But we have seen in the region some other countries like Laos or Cambodia, which have adopted a much more pro Chinese, geopolitical stance. Do you think that eventually, during the short or long run, Vietnam will also, end up this policy and become, not a puppet state, but, like, much closer to China and being much more under the Chinese sphere of influence, or do you think that it will stay in kind of a hedging balance of power position?

Tuong Vu: Ok, I will answer that question. But back to the previous question, I forgot to mention that, you know, so Vietnam, so security is very important to Vietnam. Right? So and China is still consider a comrade with Vietnam, given the ideology. And the US is the, you know, ideological enemy. US, you know, frequently criticize Vietnam on human rights violations and so on.

So that's why, you know, so Vietnam wants to stay close to China despite all the, you know, conflict in the South China Sea, but it still wants to stay close to China because it feels like, you know, even if it lost the islands, it still remain in power. Right? Whereas if it gets close to the US, then the people may be influenced by American values, and they may demand freedom, and then the party will lose the power. Right? They would they could keep the islands, but they would lose the power.

So that's kind of essentially their calculation. So back to your question about Cambodia and Laos. So Cambodia and Laos are slipping away from Vietnam. That's, you know, clear, from Vietnam's control. Right?

So Vietnam used to control them and still have, you know, still, still train many, you know, leaders in Laos and Cambodia. They went to Vietnam to study, and they came back, and they lead their country. So Vietnam still has very strong influence on both countries, but that influence is kind of slipping away, gradually, slowly, as you mentioned. And Vietnam doesn't have any, strategy to counter that. Yeah.

So it just happening, and Vietnam is too busy with its own problems to do much about that. Okay. But do you think that Vietnam will also fall into the Chinese sphere of influence like Laos and Cambodia? Or do will they manage or will they want to kind of resist and stay, in a position in between the US and China, in a balance of power kind of position? Or do you think that will just fully give up and align and try to enjoy the fruits of being under a Chinese surveillance lens?

So as you've seen in the protest, you know, like, 10 years ago, the Vietnamese government knew that if it could if it, if it is too close to China, people would mob you know, people would protest and it might lose its power. So they would not want to be too close to China. But, you know, they still want to be close to China. You know, it's not too close.

So they so they have been trying to hide their relationship with China, like, the real extent, the agreements, the secret deals that they make with China from the public so that, you know, we don't know, to avoid, you know, public protests. Right? But, whether over the long-term, they gradually, kind of be absorbed into China's orbit. That that's a danger. Right?

So if they if they they're not careful, they would slowly be as Chinese economy becomes stronger and Vietnamese economy become more dependent on China, then then then Vietnam may become absorbed into the China's orbit. And to some extent, it has it has been absorbed into Chinese orbit. But the good thing is that Chinese economy has weakened in the last few years. And so, so, that kind of, you know, push Vietnam away a little bit because, you know, like I said, you know, the Vietnamese leaders, they want a certain level of growth. Right?

And to have that level of growth, they depend on exports to the capitalist markets. Right? So, like, the EU, the u, the west, the US. Right? So they develop, they depend heavily on export and export to those markets.

So they have been trying to develop those markets for Vietnamese goods, and so on. But there's a limit to that. Right? So that that's their dilemma right now. I mean, they want to they Chinese economy is weakening.

And even though it's weakening, it's still good enough for them to, you know, count on for some more time. And, and they're trying to develop the western market for their exports, but then they are running into a limit because they have signed all these, free trade agreements in the last 10 years and so on. But there's limit, you know, in terms of, you know, how the western market can absorb Vietnamese goods and, you know, like, just not a lot of, advanced, you know, technologically advanced, goods. Right? Basically, you know, kind of the stuff that imported, like Samsung phones and washing machines, mostly produced, but kind of, you know, packaged in Vietnam and then sent off to the US.

Right? For, and so on. So that that's all they could provide, and they can't provide, you know, like, higher level of, you know, technology, to the foreign companies. And so they're running

into the limit, and you may not see, that limit yet. I mean, it's still growing, but then the growth rate's going to be slower and slower.

Okay. I understand. That that yeah. That's when they have to face the hack choice. Right?

But right now, I mean, they can still get a, you know, wide time and think they can they can continue to count on the trend. But in the long longer term, like, you know, 5 years out, they may run into you know, they may have to make the hack choices.

Interviewer: I understand. And then kind of linked to this, my last question would be, out of a few different scenarios of either Vietnam aligning with China or with the US or perhaps with the EU and SEA or just staying in the middle trying to keep a balance of power, hedging, and getting benefit from all countries. Which one do you think is the most likely scenario for Vietnam? And also, which one would you feel like is the most economically and geopolitically optimal for Vietnam?

Tuong Vu: Yeah. I think, we have to think of short term versus long-term. Okay. Right? So, like, I've been thinking in those, concepts. So, short term, there's not much Vietnam can do. Right? But if it can think in long-term, then it has to devise a strategy to, you know, kind of upgrade the in, you know, its position in the supply chain, invest more in, you know, technology, invest more in reforming educational system because its educational system is totally bankrupt right now. It cannot produce, you know, get a good engineers for, you know, for those foreign companies.

That's a problem, and vocational training for the for the workers. Instead, it has been sending workers abroad to work. Right? So it's, so it it's pursuing the wrong strategy. It's the strategy serves the authorities, the party in the short term, but not the long-term.

And in the long-term, it's it should, kind of, you know, more closely align with the west because that's where, you know, technology, you know, economic power, and so on, can help it to grow, faster and become less dependent on exports and so on. But, yeah. So that that's kind of the best, you know, the optimal scenario for Vietnam. But what is blocking Vietnam from that is its politics. Right?

So it's, it's ideology of fearing, you know, losing power. Right? The party Communist Party, they want to keep on being communist and so on. So they and authoritarian. So they're afraid of losing powers.

That's the main, block to Vietnam's, you know, optimal scenario.

Interviewer: I understand. So, unfortunately, because of Vietnamese politics and the logic of power, how the Vietnamese Communist Party functions, you think that in the long run, the most likely outcome is a closer alignment to China geopolitically. Is that correct?

Tuong Vu: I think so. Yeah. I think in the long-term, if Vietnam doesn't have a long-term strategy, then it's going to fall into China's orbit. Yeah.

Interviewer: Okay. That sounds good.

Well, that's it for all of the questions I had. But thank you very much for this interview, and, I wish you good luck for the continuing of your work.

6. Bibliography

- Agarwal, V., Tara, K., Francois, M., Delteil, B., & Deffarges, J. (2022). Charting a path for Vietnam to achieve its net-zero goals. *McKinsey & Company*.
<https://www.mckinsey.com/capabilities/sustainability/our-insights/charting-a-path-for-vietnam-to-achieve-its-net-zero-goals>
- Ai, N. C. (2023, September 1). Deglobalization among new FDI challenges, opportunities for Vietnam. *theinvestor.vn*. <https://theinvestor.vn/deglobalization-among-new-fdi-challenges-opportunities-for-vietnam-d6454.html>
- Bain & Company, Temasek, Standard Chartered, & GenZero. (2024). Southeast Asia's Green Economy 2024 Report: Moving the needle. *Bain & Company*.
https://www.bain.com/globalassets/noindex/2024/bain_report_southeast_asias_green_economy_2024.pdf
- Banh, Fan, & Zhang. (2024). FDI inflows into China and Vietnam and the Impact of the US-China Trade War. *Asia Competitiveness Institute Research Paper Series*.
<https://lkyspp.nus.edu.sg/docs/default-source/aci/acirp202402.pdf>
- Bao Anh - Cong Trung / Tuoi Tre News. (2022, March 24). China COVID-19 lockdowns rattle Vietnamese businesses. *Tuoi Tre News*.
<https://tuoitrenews.vn/news/business/20220324/china-covid19-lockdowns-rattle-vietnamese-businesses/66325.html>
- Barua, S. (2020). COVID-19 pandemic and world trade: Some analytical notes. *Social Science Research Network*. <https://doi.org/10.2139/ssrn.3577627>
- Baskaran, G. (2024). What China's Ban on Rare Earths Processing Technology Exports Means. *Center for Strategic & International Studies*.
<https://www.csis.org/analysis/what-chinas-ban-rare-earths-processing-technology-exports-means>

- Bernstein, D. (2023, November 15). Amid U.S.-China tensions, Vietnam's economy is rising. *Forbes*. <https://www.forbes.com/sites/drewbernstein/2023/11/13/amid-us-china-tensions-vietnams-economy-is-rising/?sh=77874e0f63d1>
- Bian, L., Dikau, S., Miller, H., Pierfederici, R., Stern, N., & Ward, B. (2024). China's role in accelerating the global energy transition through green supply chains and trade [Policy Insight]. *Grantham Research Institute on Climate Change and the Environment*. <https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2024/02/Chinas-role-in-accelerating-the-global-energy-transition-through-green-supply-chains-and-trade.pdf>
- Bin Abdullah, Z., & Binti Daud, S. (2020). China's Economic Engagement in Vietnam and Vietnam's Response. *International Journal of China Studies*. 11(1), 51-71. <https://ics.um.edu.my/img/files/IJCS-111-3ZaharulSity-for-website.pdf>
- Boullenois, C., & Jordan, C. (2024, June 18). How China's overcapacity holds back emerging economies. *Rodhium Group*. https://rhg.com/research/how-chinas-overcapacity-holds-back-emerging-economies/?utm_source=substack&utm_medium=email
- Bureau of Economic Analysis. (2024). *BEA Interactive Data Application* [Dataset]. [https://apps.bea.gov/iTable/?ReqID=2&step=1&_gl=1*a6zc79*_ga*MTY2OTQ3Mjc3Ni4xNzI4MzI4MzIxMjU5*_ga_J4698JNNFT*MTcyODMyNTMzMzMy4yLjEuMTcyODMyNTM0MS41Mi4wLjA](https://apps.bea.gov/iTable/?ReqID=2&step=1&_gl=1*a6zc79*_ga*MTY2OTQ3Mjc3Ni4xNzI4MzIxMjU5*_ga_J4698JNNFT*MTcyODMyNTMzMzMy4yLjEuMTcyODMyNTM0MS41Mi4wLjA)
- Caldara, D., & Iacoviello, M. (2022). "Measuring Geopolitical Risk". *American Economic Review*. 1112(4), pp.1194-1225. <https://www.matteoiacoviello.com/gpr.htm>
- Cha, V. (2024, July 5). Examining China's Coercive Economic Tactics. *Centre for Strategic and International Studies*. <https://www.csis.org/analysis/examining-chinas-coercive-economic-tactics>

- Choi, B., & Nguyen, T. L. (2023). Trade diversion effects of the US–China trade war on Vietnam. *Pacific Economic Review*, 28(4), 570–588. <https://doi.org/10.1111/1468-0106.12435>
- Ciorciari, J. D., & Haacke, J. (2019). Hedging in international relations: an introduction. *International Relations of the Asia-Pacific*, 19(3), 367–374. <https://doi.org/10.1093/irap/lcz017>
- Cong Bac, T., & Minh Duc, P. T. (2021). The impact of the covid-19 pandemic on exporting manufactured products in Vietnam. *American International Journal of Business Management (AIJBM)*. 4(12), 1–9. <https://www.aijbm.com/wp-content/uploads/2021/12/A4120109.pdf>
- Cường, N. A. (2023). Perspectives on Russia, the USA, and the EU’s power struggle in the Ukraine crisis and Vietnam’s neutrality. *Pacific Focus/Pacific Focus*, 38(2), 257–287. <https://doi.org/10.1111/pafo.12234>
- Cyrill, M. (2024, April 24). Vietnam exports to the US in Q1 2024 reach US\$25.77 billion. *Vietnam Briefing News*. <https://www.vietnam-briefing.com/news/vietnam-exports-to-the-us-in-q1-2024-reach-us25-77-billion.html/>
- Dai, Z., Zhang, Y., & Zhang, R. (2021). The Impact of environmental regulations on trade flows: A focus on environmental goods listed in APEC and OECD. *Frontiers in Psychology*, 12. <https://doi.org/10.3389/fpsyg.2021.773749>
- Dang, D., & Tran, N. (2023). The Effects of the United States–China Trade War During the COVID-19 Pandemic on Global Supply Chains: Evidence from Viet Nam. [ERIA Discussion Paper]. *Economic Research Institute for ASEAN and East Asia*. <https://www.eria.org/uploads/media/discussion-papers/FY23/The-Effects-of-the-United-States%E2%80%93China-Trade-War-during-the-COVID-19-Pandemic-on-Global-Supply-Chains.pdf>

- Delteil, B., Francois, M., & Nguyen, N. (2020, July 1). Emerging from the pandemic, Vietnam must position itself for recovery. *McKinsey & Company*.
<https://www.mckinsey.com/featured-insights/asia-pacific/emerging-from-the-pandemic-vietnam-must-position-itself-for-recovery>
- Deutsche Welle. (2021, July 11). Vietnam to gain as EU-China investment pact stalls. *dw.com*. <https://www.dw.com/en/vietnam-to-gain-as-eu-china-investment-pact-stalls/a-58218646>
- Dhar, B. K., Le, T. T., Coffelt, T. A., & Shaturaev, J. (2022). U.S.-China trade war and competitive advantage of Vietnam. *Thunderbird International Business Review*, 65(2), 255–263. <https://doi.org/10.1002/tie.22325>
- DiCarlo, J., & Ingalls, M. (2022). Multipolar infrastructures and mosaic geopolitics in Laos. *Policy Press eBooks* (pp. 180–193).
<https://doi.org/10.1332/policypress/9781529220773.003.0013>
- Do, H. (2023). Policy of Diversification Helps Vietnam Build Ties with the Indo-Pacific. *United States Institute of Peace*.
<https://www.usip.org/publications/2023/11/policy-diversification-helps-vietnam-build-ties-indo-pacific>
- Do, T. T., & Dinh, J. L. (2018). 5. Vietnam–Japan Relations: Moving Beyond Economic Cooperation? In *Vietnam’s Foreign Policy under Doi Moi* (pp. 96–116).
<https://doi.org/10.1355/9789814818155-010>
- Dominguez, G. (2023, November 28). With eye on China, Japan and Vietnam take ties to ‘new heights.’ *The Japan Times*.
<https://www.japantimes.co.jp/news/2023/11/28/japan/politics/vietnam-japan-leaders-summit-china-analysis/>

- Dyvik, E. (2024, August 29). Manufacturing labor costs per hour: China, Vietnam, Mexico 2016-2020. *Statista*.
<https://www.statista.com/statistics/744071/manufacturing-labor-costs-per-hour-china-vietnam-mexico/>
- Economist Intelligence Unit. (2023, September 14). Vietnam's diplomatic upgrade is in line with US expectations. *Economist Intelligence Unit*.
<https://www.eiu.com/n/vietnams-diplomatic-upgrade-is-in-line-with-us-expectations/>
- EUN-SOO, J. (2024, May 13). Samsung Electronics to invest additional \$1 billion per year in Vietnam. *Korea JoongAng Daily*.
<https://koreajoongangdaily.joins.com/news/2024-05-13/business/industry/Samsung-Electronics-to-invest-additional-1-billion-per-year-in-Vietnam/2045830>
- European Parliament. (2020, May 2). EU-Vietnam trade deal: what are the benefits? *European Parliament*.
<https://www.europarl.europa.eu/topics/en/article/20200131STO71518/eu-vietnam-trade-deal-what-are-the-benefits>
- Fernandez, L. (2024). Global PV module manufacturing share 2023, by country. *Statista*. <https://www.statista.com/statistics/668749/regional-distribution-of-solar-pv-module-manufacturing/>
- Fook, L. L. (2023, September 25). China and Vietnam: the power of party ties. *Asialink*. <https://asialink.unimelb.edu.au/insights/China-and-Vietnam-The-PowerofPartyTies>
- Gereffi, G., Bamber, P., & Fernandez-Stark, K. (2022). China's Evolving Role in Global Value Chains: Upgrading Strategies in an Era of Disruptions and Resilience. In *China's New Development Strategies*. Palgrave Macmillan (pp. 1–29).
https://doi.org/10.1007/978-981-19-3008-9_1

- Goh, E. (2008). Great Powers and Hierarchical Order in Southeast Asia: Analyzing Regional Security Strategies. *International Security*, 32(3), 113–157.
<https://doi.org/10.1162/isec.2008.32.3.113>
- Goh, E. (2016, July 20). Southeast Asian Strategies toward the Great Powers: Still Hedging after All These Years? *The Asan Forum*. <https://theasanforum.org/southeast-asian-strategies-toward-the-great-powers-still-hedging-after-all-these-years/>
- Goh, E. (2021, July 20). ASEAN-led multilateralism and regional Order: the Great Power Bargain deficit. *The Asan Forum*. <https://theasanforum.org/asean-led-multilateralism-and-regional-order-the-great-power-bargain-deficit/>
- Green, M. J. (2017). By more than providence. *Columbia University Press eBooks*.
<https://doi.org/10.7312/gree18042>
- Grossman, D. (2020). Regional responses to U.S.-China competition in the Indo-Pacific: Vietnam. *RAND Corporation eBooks*. <https://doi.org/10.7249/rr4412.6>
- Guarascio, & Vu. (2023). Inside Vietnam’s plans to dent China’s rare earths dominance. *Reuters*. <https://www.reuters.com/markets/commodities/inside-vietnams-plans-dent-chinas-rare-earths-dominance-2023-09-25/>
- Guarascio, F. (2023). Chinese suppliers race to Vietnam as COVID let-up opens escape route from Sino-U.S. trade war. *Reuters*.
<https://www.reuters.com/markets/asia/chinese-suppliers-race-vietnam-covid-let-up-opens-escape-route-sino-us-trade-war-2023-03-16/>
- Guarascio, Vu, & Nguyen. (2023). Vietnam boosts China ties as “bamboo diplomacy” follows US upgrade. *Reuters*. <https://www.reuters.com/world/chinas-xi-visits-vietnam-after-biden-seeks-boost-ties-2023-12-12/>

- Hall, T. H., & Krolikowski, A. (2022). Making Sense of China's Belt and Road Initiative: a review essay. *International Studies Review*, 24(3).
<https://doi.org/10.1093/isr/viac023>
- Harold, S., Grossman, D., Harding, B., Hornung, J. W., Poling, G. B., Smith, J., & Smith, M. L. (2019). The thickening web of Asian security cooperation: Deepening Defense Ties Among U.S. Allies and Partners in the Indo-Pacific [Research report]. *RAND corporation*.
https://www.rand.org/content/dam/rand/pubs/research_reports/RR3100/RR3125/RAND_RR3125.pdf
- Hayton, B. (2024). Vietnam's political turmoil reveals a turn towards China – and away from the West. *Chatham House*.
<https://www.chathamhouse.org/2024/05/vietnams-political-turmoil-reveals-turn-towards-china-and-away-west>
- Hiep, L. H. (2020). When Elephants Fight: Vietnam's responses to intensifying US–China strategic competition. *National Institute for Defense Studies*.
https://www.nids.mod.go.jp/english/publication/joint_research/series18/pdf/chapter02.pdf
- Himmer, M., & Rod, Z. (2022). Chinese debt trap diplomacy: reality or myth? *Journal of the Indian Ocean Region*, 18(3), 250–272.
<https://doi.org/10.1080/19480881.2023.2195280>
- Hoang, T. (2024). Understanding Vietnam's foreign policy choices amid Sino-US rivalry. *ISEAS – Yusof Ishak Institute*. (pp. 1-42). https://www.iseas.edu.sg/wp-content/uploads/2024/06/TRS16_24.pdf

- Hoang, T. X., & Nguyen, H. M. (2020). Impact of US market access on local labour markets in Vietnam. *Economics of Transition and Institutional Change*, 28(2), 315–343. <https://doi.org/10.1111/ecot.12240>
- Hong, T. T. K., Tuan, N. A., Dao, T. T. K., & Duc, N. M. (2021). Improving economic position of Vietnam in Asean Economic Community (AEC) from the global integration perspectives. *Technium Romanian Journal of Applied Sciences and Technology*, 3(7), 136–145. <https://doi.org/10.47577/technium.v3i7.4663>
- Huld, A. (2024, May 3). Vietnam foreign trade continues recovery in 2024. *Vietnam Briefing News*. <https://www.vietnam-briefing.com/news/vietnam-foreign-trade-continues-recovery-in-2024.html/>
- Hutt, D. (2016, September 1). How China came to dominate Cambodia. *The Diplomat*. <https://thediplomat.com/2016/09/how-china-came-to-dominate-cambodia/>
- Ikenberry, G. J. (2015). Between the Eagle and the Dragon: America, China, and Middle State strategies in East Asia. *Political Science Quarterly*, 131(1), 9–43. <https://doi.org/10.1002/polq.12430>
- International Trade Centre. (2024). Trade Map - Bilateral trade between China and Viet Nam. *International Trade Centre*. https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c156%7c%7c704%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1%7c1
- Ishizuka, F. (2020). Political elite in contemporary Vietnam: the origin and evolution of the dominant stratum. *Developing Economies*, 58(4), 276–300. <https://doi.org/10.1111/deve.12255>
- Iyoha, Malesky, Wen, Wu, & Feng. (2024). Exports in Disguise?: Trade Rerouting during the US-China Trade War. *Harvard Business School*.

https://www.hbs.edu/ris/Publication%20Files/24-072_a50d1294-e645-4a28-b1f1-ec4e86bd20e4.pdf

- Jazairy, I. (2019). US sanctions violate human rights and international code of conduct, UN expert says. *United Nations Human Rights Office of the High Commissioner*. <https://www.ohchr.org/en/news/2019/05/us-sanctions-violate-human-rights-and-international-code-conduct-un-expert-says>
- Kang, D. C. (2017). *American Grand Strategy and East Asian Security in the Twenty-First Century*. Cambridge University Press.
- Ke, Y. (2024). ASEAN Four's middle income trap dilemma: evidence of the middle technology trap. *Asian Review of Political Economy*, 3(1).
<https://doi.org/10.1007/s44216-024-00033-5>
- Khalidi, R. (2023). Viet Nam, Technology and the Middle-Income trap. *UNDP*.
<https://www.undp.org/vietnam/blog/viet-nam-technology-and-middle-income-trap>
- Le Thu, H. (2020). Rough Waters Ahead for Vietnam-China Relations. *Carnegie Endowment for International Peace*.
<https://carnegieendowment.org/research/2020/09/rough-waters-ahead-for-vietnam-china-relations?lang=en>
- Leung, S. (1999). Vietnam and the East Asian Crisis. In *Edward Elgar Publishing eBooks*. <https://doi.org/10.4337/9781035351978>
- Lin, J. (2024, April 29). Navigating China's Influence: Insights from the State of Southeast Asia 2024 Survey. *FULCRUM*. <https://fulcrum.sg/navigating-chinas-influence-insights-from-the-state-of-southeast-asia-2024-survey/>
- Loh, D. M. H. (2024). *China's rising foreign ministry: Practices and Representations of Assertive Diplomacy*. Stanford University Press.

- Ma, T., Liu, Y., & Ge, Y. (2017). A Comparative Study of Trade Relations and the Spatial-Temporal Evolution of Geo-Economy between China and Vietnam. *Sustainability*, 9(6), 944. <https://doi.org/10.3390/su9060944>
- Macrobond, & Vietnamese Ministry of Planning and Investment. (2024). Foreign direct investments into Vietnam (Total regulatory capital registered, licensed FDI projects) [Figure 15]. Retrieved from Macrobond software.
- Macrobond, & Rhodium Group. (2024). Chinese manufacturing imports from its biggest emerging market trade partners (Q1 2016–Q1 2024) [Figure 14]. Retrieved from Macrobond software.
- Magill, K. (2023, December 14). As manufacturers turn away from China, Vietnam lures investment. *Supply Chain Dive*.
<https://www.supplychaindive.com/news/vietnam-manufacturing-semiconductors-hub-growth-us-biden-china-amkor-intel-google/700461/>
- Mai, N. (2024). Vietnam calls for more US investment in innovation, hi-tech. *hanoitimes.vn*. <https://hanoitimes.vn/vietnam-calls-for-more-us-investment-in-innovation-hi-tech-328064.html>
- Malesky, E. J., & Mosley, L. (2021). Labor upgrading and export market opportunities: Evidence from Vietnam. *Economics and Politics*, 33(3), 483–513.
<https://doi.org/10.1111/ecpo.12180>
- Masters, J. (2024, June 24). What are economic sanctions? *Council on Foreign Relations*. <https://www.cfr.org/background/what-are-economic-sanctions#chapter-title-0-5>
- McGregor, R. (2023, August 15). China’s grip on Southeast Asia tightens as U.S. influence wanes. *Nikkei Asia*. <https://asia.nikkei.com/Spotlight/The-Big-Story/China-s-grip-on-Southeast-Asia-tightens-as-U.S.-influence-wanes>

- Misra, J. N. (2022). Vietnamese views of India. *Observer Research Foundation*.
<https://www.orfonline.org/expert-speak/vietnamese-views-of-india>
- Nguyen Hanh, V. (2024, October 9). An introduction to Vietnam’s import and export industries. *Vietnam Briefing News*. <https://www.vietnam-briefing.com/news/introduction-vietnams-export-import-industries.html/>
- Nguyen, H. H. (2022, May 30). Vietnam’s Growing Strategic Partnerships with European Countries. *The Diplomat*. <https://thediplomat.com/2022/05/vietnams-growing-strategic-partnerships-with-european-countries/>
- Nguyen, Q. A., & Saxena, V. (2024). Vietnam-South Korea: Expanding Relations and Opportunities with Key Partners. *Asialaw*.
<https://www.asialaw.com/NewsAndAnalysis/vietnam-south-korea-expanding-relations-and-opportunities-with-keypartners/Index/2121>
- Nguyen, T. (2020). Is Vietnam eating into China’s share of manufacturing? *Carnegie Endowment for International Peace*. <https://carnegieendowment.org/posts/2020/06/is-vietnam-eating-into-chinas-share-of-manufacturing?lang=en>
- Nguyen, T. H. T. (2019). FDI in Vietnam. *La Salle University Digital Commons*.
<https://digitalcommons.lasalle.edu/undergraduateresearch/57>
- Nguyen. (2023, September 14). Vietnam seeking technology transfer into the local sphere. *Vietnam Investment Review - VIR*. <https://vir.com.vn/vietnam-seeking-technology-transfer-into-the-local-sphere-105187.html>
- Oh, Y. A. (2022). Chapter 5 Vietnam’s Economic Dependence on China: Understanding Vulnerability through a Typology of Trade Shocks. In *The Dragon’s Underbelly* (pp. 139–170). <https://doi.org/10.1355/9789815011401-007>

- Oxford Economics. (2024, March 26). The Deglobalization Myth Redux. *Hinrich Foundation*. <https://www.hinrichfoundation.com/research/article/trade-and-geopolitics/summing-up-asia-supply-chain-changes/>
- Pang, E. (2017). “Same-Same but Different”: Laos and Cambodia’s Political Embrace of China. *ISEAS –Yusof Ishak Institute*. 2017(66). https://www.iseas.edu.sg/wp-content/uploads/2018/05/ISEAS_Perspective_2017_66.pdf
- Parameswaran, P. (2018, July 2). Why Vietnam’s first RIMPAC participation matters. *The Diplomat*. <https://thediplomat.com/2018/07/why-vietnams-first-rimpac-participation-matters/>
- Pearcey, E. (2024). Russia keen to work with Vietnam on energy and security matters, says Putin. *Offshore Technology*. <https://www.offshore-technology.com/news/russia-work-with-vietnam-on-energy-and-security-matters-putin/?cf-view>
- Po, S., & Primiano, C. B. (2020). An “Ironclad Friend”: Explaining Cambodia’s Bandwagoning Policy towards China. *Journal of Current Southeast Asian Affairs*, 39(3), 444–464. <https://doi.org/10.1177/1868103420901879>
- Poling, G. B., Natalegawa, A., & Hudes, S. T. (2024). The unlikely, indispensable U.S.-Vietnam partnership. *Center for Strategies & International Studies*. <https://www.csis.org/analysis/unlikely-indispensable-us-vietnam-partnership>
- Ryan, O. (2023, July 3). Vietnam becomes vital link in supply chain as business pivots from China. *Financial Times*. <https://www.ft.com/content/29070eda-3a0c-4034-827e-0b31a0f3ef11>
- Samuel, P. (2020, June 24). COVID-19 and the effects on supply chains in Vietnam. *Vietnam Briefing News*. <https://www.vietnam-briefing.com/news/covid-19-effects-supply-chains-vietnam.html/>

- Sandlund, & White. (2024). Chinese outbound investment surges to record on clean energy ‘tsunami.’ *Financial Times*. <https://www.ft.com/content/67887a67-f188-459a-b927-147b454fe335>
- Seah, S. et al., (2024). The State of Southeast Asia: 2024 Survey Report. *ISEAS - Yusof Ishak Institute*. <https://www.iseas.edu.sg/wp-content/uploads/2024/03/The-State-of-SEA-2024.pdf>
- Sebin, E. (2024). Unravelling China–Vietnam relations. *Organisation for Research in China and Asia*. <https://orcasia.org/article/652/unravelling-china-vietnam-relations>
- Sen, J. (2019). The weaponisation of the dollar: policy options for small countries. *LSE Research Online Documents on Economics*. <https://ideas.repec.org/p/ehl/lserod/107797.html>
- Shira, D. (2023, December 13). Vietnam-China Two-Way trade: An overview. *Vietnam Briefing News*. <https://www.vietnam-briefing.com/news/chinese-president-xi-jinping-visits-hanoi-to-talk-trade-and-investment.html/>
- Slawotsky, J. (2022). The Weaponization of Human Rights in US-China Trade Policy: impacts and risks. *Journal of World Trade*, 56(4), 547–570. <https://doi.org/10.54648/trad2022022>
- Song, V., & Tan, S. (2020). Cross-border Connectivity – Regional needs and the role of Infrastructure Asia. *ASEAN Connectivity*. <https://connectivity.asean.org/resource/cross-border-connectivity-regional-needs-and-the-role-of-infrastructure-asia/>
- Storey, I. (2024, August 5). Vietnam and the Russia-Ukraine War: Hanoi’s ‘Bamboo diplomacy’ pays off but challenges remain. *FULCRUM*. <https://fulcrum.sg/vietnam-and-the-russia-ukraine-war-hanois-bamboo-diplomacy-pays-off-but-challenges-remain/>

- Strangio, S. (2023, September 5). Vietnam joins ASEAN neighbors in denouncing Chinese map. *The Diplomat*. <https://thediplomat.com/2023/09/vietnam-joins-asean-neighbors-in-denouncing-chinese-map/>
- Strating, B., & Leibold, J. (2018, June 27). Coping with the Beijing freezer | The Strategist. *The Strategist*. <https://www.aspistrategist.org.au/coping-with-the-beijing-freezer/>
- Tan. (2024a). The geopolitics of Southeast Asia's green transition. *International Institute for Strategic Studies*. <https://www.iiss.org/online-analysis/online-analysis/2024/09/the-geopolitics-of-southeast-asias-green-transition/>
- Tan, S. L. (2024b). China's evolving Belt and Road Initiative in Southeast Asia. *International Institute for Strategic Studies*. <https://www.iiss.org/online-analysis/online-analysis/2024/07/chinas-evolving-belt-and-road-initiative-in-southeast-asia/>
- Terrieux. (2023). Vietnam at a crossroads: avoiding the middle-income trap while addressing climate challenges. *AFD - Agence Française De Développement*. <https://www.afd.fr/en/ressources/vietnam-crossroads-avoiding-middle-income-trap-while-addressing-climate-challenges>
- Textor, C. (2023, November 3). Annual FDI flows from China to Vietnam 2012-2022. *Statista*. <https://www.statista.com/statistics/720408/china-outward-fdi-flows-to-vietnam/>
- Thayer, C. A. (2011). The Tyranny of Geography: Vietnamese strategies to constrain China in the South China Sea. *Contemporary Southeast Asia*, 33(3), 348. <https://doi.org/10.1355/cs33-3d>

- The Japan News. (2024, January 22). Vietnam's Relations with Japan, U.S.: Deepen Trilateral Cooperation for Regional Stability. *The Japan News*.
<https://japannews.yomiuri.co.jp/editorial/yomiuri-editorial/20240122-163819/>
- The Observatory of Economic Complexity. (2024). Vietnam (VNM) and China (CHN) trade. *The Observatory of Economic Complexity*.
<https://oec.world/en/profile/bilateral-country/vnm/partner/chn>
- Thoburn, J. (2013). Vietnam as a role model for development. *Oxford University Press eBooks* (pp. 99–118).
<https://doi.org/10.1093/acprof:oso/9780199671557.003.0005>
- Thomasbeard. (2023, September 14). Vietnam's diplomatic upgrade is in line with US expectations - Economist Intelligence Unit. *Economist Intelligence Unit*.
<https://www.eiu.com/n/vietnams-diplomatic-upgrade-is-in-line-with-us-expectations/>
- Trading Economics (2024). Vietnam - trade (% of GDP) - 2024 Data 2025 forecast 1986-2022 historical. *Trading Economics*.
<https://tradingeconomics.com/vietnam/trade-percent-of-gdp-wb-data.html>
- Tran, V. T. (2023). Viet Nam's Conditions for Sustained Growth to Become a High-Income Country: How to Escape from the Middle-Income Trap? In Kimura, F. et al (Ed.), *Viet Nam 2045: Development Issues and Challenges* (pp. 153–186). ERIA.
https://www.eria.org/uploads/media/Books/2023-VietNam-2045/10_ch.6-How-to-Escape-Middle-Income-Trap.pdf
- Tuyen, T. T. M. (2024). Vietnam's Stance Towards the Belt and Road Initiative (BRI). *The Journal of EAST ASIAN AFFAIRS*.
https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKewj_vLWz7O2JAxXVRaQEhfMDBIAQFnoECD8QAQ&url=https%3A%2F%2Fw

www.inss.re.kr%2Fcommon%2Fdownload.do%3FatchFileId%3DF2024110713390047
4%26fileSn%3D4&usg=AOvVaw0RLk0btbQ3uDdmtUS4OD10&opi=89978449

- UNDP. (2018). New climate change report highlights grave dangers for Vietnam. *UNDP*. <https://www.undp.org/vietnam/new-climate-change-report-highlights-grave-dangers-vietnam>
- US Census Bureau. (2024). International trade. *US Census Bureau*. <https://www.census.gov/foreign-trade/balance/c5700.html>
- Van Bon, D. (2019). The Cause Of The Global Financial Crisis And Lessons For Vietnam. *Banking University of Ho Chi Mink City*. <https://philarchive.org/archive/VANTCO-82>
- Vietnam - United States Department of State. (2024, July 17). 2024 Investment Climate Statements: Vietnam. *United States Department of State*. <https://www.state.gov/reports/2024-investment-climate-statements/vietnam/>
- Vietnam Investment Review. (2024, May 6). Supply chain diversification benefiting Vietnam. *Vietnam Investment Review - VIR*. <https://vir.com.vn/supply-chain-diversification-benefiting-vietnam-110869.html>
- Vietnam+. (2020, July 26). Vietnam enjoys great benefit from ASEAN membership: Deputy FM. *Vietnam+ (VietnamPlus)*. <https://en.vietnamplus.vn/vietnam-enjoys-great-benefit-from-asean-membership-deputy-fm-post179195.vnp>
- Vietnam+. (2023, February 24). Samsung – evidence of Vietnam-RoK relation development: official. *Vietnam+ (VietnamPlus)*. <https://en.vietnamplus.vn/samsung-evidence-of-vietnam-rok-relation-development-official-post248917.vnp>
- Vietnam+. (2024, January 3). Vietnam’s exports to EU, US see sharp downturn in 2023. *Vietnam+ (VietnamPlus)*. <https://en.vietnamplus.vn/vietnams-exports-to-eu-us-see-sharp-downturn-in-2023-post275736.vnp>

- Vietnam+. (2024, June 19). Vietnam – Russia two-way trade. *Vietnam+ (VietnamPlus)*. <https://en.vietnamplus.vn/vietnam-russia-two-way-trade-post288836.vnp>
- Vu Nguyen, H. (2024, October 14). Four years of the EVFTA: Key advantages and business perceptions. *Vietnam Briefing News*. <https://www.vietnam-briefing.com/news/eu-vietnam-free-trade-agreement-key-provisions-and-implications-for-fdi.html/#:~:text=EU%2DVietnam%20trade%20after%20the%20EVFTA&text=According%20to%20the%20General%20Department,annual%20increase%20of%2015.37%20percent.>
- Vu, K. (2024, August 21). With China Visit, Vietnam's To Lam Reinforces Bilateral Political Trust. *The Diplomat*. <https://thediplomat.com/2024/08/with-china-visit-vietnams-to-lam-reinforces-bilateral-political-trust/>
- Vu, K., Lee, J., Kapoor, K., & Guarascio, F. (2022). Samsung, LG plan multi-billion-dollar additional investment in Vietnam. *Reuters*. <https://www.reuters.com/business/samsung-lg-plan-multi-billion-dollar-additional-investment-vietnam-2022-12-06/>
- Vu, T. (2023). Understanding Vietnam's political economy through recent scandals. Open Seminar, Stockholm, Sweden
- Wester, S. (2023). Balancing Act: Assessing China's growing economic influence in ASEAN. *Asia Society Policy Institute*. <https://asiasociety.org/policy-institute/balancing-act-assessing-chinas-growing-economic-influence-asean#executive-summary--16920>

- Wilson, J. (2021, November 9). China's attempt to bully Australia has been a spectacular failure. *Foreign Policy*. <https://foreignpolicy.com/2021/11/09/australia-china-decoupling-trade-sanctions-coronavirus-geopolitics/>
- Wolff, P. (1999). Vietnam - the Incomplete Transformation (1st ed.). *Taylor & Francis*. GDI Book Series No. 12. <https://doi.org/10.4324/9781003243465>
- Wong, C. H. (2013). Vietnamese Prime Minister welcomes larger role for U.S. *The Wall Street Journal*. <https://www.wsj.com/articles/BL-SEAB-1735>
- World Bank Group. (2020). Trading for Development in the Age of Global Value Chains. *Washington, DC: World Bank eBooks*. <https://doi.org/10.1596/978-1-4648-1457-0>
- World Bank Group. (2024). World Bank Open Data. *World Bank Open Data*. <https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?locations=VN>
- World Integrated Trade Solution. (2024). Vietnam Trade. *WITS*. <https://wits.worldbank.org/countrysnapshot/en/VNM>
- World Trade Organisation. (2023). Highlights of Vietnam in 28 years of joining ASEAN. *Vietnam.vn*. <https://wtocenter.vn/chuyen-de/22470-highlights-of-vietnam-in-28-years-of-joining-asean>
- Xiao, T. (2024, September 2). China-Vietnam relations: trade, investment, and opportunities. *China Briefing News*. <https://www.china-briefing.com/news/china-vietnam-relations-trade-dynamics-and-investment-outlook/>
- Yamashita, & Ha. (2024). The Third-country Effect of the United States-China Trade War on Viet Nam. *Economic Research Institute for ASEAN and East Asia*. <https://www.eria.org/uploads/The-Third-country-Effect-of-the-United-States-China-Trade-War-on-Viet-Nam.pdf>

- Zagoria. (1997). Vietnam joins the world: American and Japanese perspectives. In *Routledge eBooks* (1st ed., pp. 150–169).
<https://www.taylorfrancis.com/chapters/edit/10.4324/9781315479293-11/joining-asean-donald-zagoria>
- Železný, J. (2022). More than just hedging? The reactions of Cambodia and Vietnam to the power struggle between the United States and China in times of Obama’s “pivot to Asia.” *Asian Politics & Policy*, 14(2), 216–248. <https://doi.org/10.1111/aspp.12628>
- Zhang, G. (2021, May 11). EU-Vietnam free trade Agreement: a promising start. *apply*. <https://market-insights.apply.com/en/eu-vietnam-free-trade-agreement-a-promising-start>
- Zhang, M. Y. (2024). Vietnam’s pivot. *Lowy Institute*.
<https://www.lowyinstitute.org/the-interpreter/vietnam-s-pivot>
- Zhang, Y. S., & Dabla-Norris, E. (2021, March 9). Vietnam: Successfully navigating the pandemic. *IMF*. <https://www.imf.org/en/News/Articles/2021/03/09/na031021-vietnam-successfully-navigating-the-pandemic>
- Zhao, N. (2023). Digital Silk Road between China and Vietnam: A Study on the Economic Impact of Pinduoduo in China and Vietnam. *Advances in Economics and Management Research*, 7(1), 447. <https://doi.org/10.56028/aemr.7.1.447.2023>
- Zhengxi Wu, S. (2024, June 26). China and the US both want to ‘friendshore’ in Vietnam. *Atlantic Council*.
<https://www.atlanticcouncil.org/blogs/econographics/sinographs/china-and-the-us-both-want-to-friendshore-in-vietnam/>