

# Vietnam in between China and the United States in the Post-Cold War

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**Received:** October 10, 2018; **Revised:** November 4, 2018; **Accepted:** November 21, 2018;  
**Published:** December 25, 2018

**Abstract:** This paper attempts to examine the dynamic of Vietnam's foreign policy toward the United States and China since the early 1990s. It gives an insight in Vietnam's balance-of-interests strategy with the two powers in economic, political and security perspectives and explores why and how Vietnam's navigation of its relations with the two powers has undergone significant changes. The paper argues that in the 1990s, Vietnam's diplomatic energies were focused on developing relations with China over the United States given China's geographical contiguity and the salience of aggravating territorial disputes, and the ideological solidarity in part to hedge against risk posed by the United States. This situation, however, began to change in the early twenty-first century as Vietnam sought to realize the full potential of economic partnership with the United States for its international economic integration and as China presented its unprecedented increasing assertiveness in the South China Sea, which, taken together, has intruded into Vietnam's rapprochement with the United States. However, the prospect for a close strategic partnership or a soft alliance between the two countries seems unlikely for the foreseeable future as in any case a close military relationship between Vietnam and the United States would greatly antagonize Beijing. How could Hanoi manage its relations with the two great powers to remain safe and beneficial in the middle path remains an issue of particular concern, accordingly.

**Keywords:** Foreign policy, strategy, economic, political issues.

**Citation:** Quyet H. Nguyen. 2018. Vietnam in between China and the United States in the Post-Cold War. International Journal of Recent Innovations in Academic Research, 2(8): 266-276.

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## Introduction

Vietnam shares a border with its Northern giant—China—the Asia's fastest growing economic and military power, a reality Vietnam cannot escape. In the 1990s, Hanoi sought to steer a path between deference and independence designed to avoid hostility with China and preserve its political autonomy and freedom of action in its foreign affairs, at the same time raising ideological solidarity with Beijing to hedge risk of "peaceful evolution"<sup>1</sup> posed by Washington. Since the beginning of the 21<sup>st</sup> century, however, Vietnam has been seeking to

<sup>1</sup> Vietnam's perception of the US as a threat in the 1990s was primarily based on the "peaceful evolution" strategy or Washington's abuse of human rights and democratic issues to interfere in Vietnam's domestic affairs as a way of dismantling the communist regime or forcing political change.

hedge against a rising China—engaging the PRC at every level and encouraging greater economic integration, but at the same time building defense ties as well as elevating economic partnership with the US, not to mention modernization of its armed forces. Mounting concern in Hanoi over China’s potential aggression in the South China Sea (SCS) dispute and Washington’s anxiety about the strategic implications of China’s rising power is obviously an important element in the expansion of Vietnam-US relations, but a close strategic partnership between the two countries seems unlikely for the foreseeable future as in any case a close military relationship would greatly antagonize Beijing. Also, from Hanoi’s perspective, “leaning to one side” risks eliminating diplomatic flexibility. All things considered, how could Hanoi manage its relations with the two great powers to remain safe and beneficial in the middle path remains an issue of particular concern.

### **Vietnam’s relations with China and the United States in the 1990s**

The end of the Cold War provided Vietnam with a unique opportunity to expand its external relations. Hanoi’s new foreign policy outlook was made up of three elements. First, the cornerstone of Vietnamese foreign policy would be regional integration, which meant membership of ASEAN. Accession to the organization would help heal Cold War divisions, foster economic synergies and provide the country with a measure of common security. Second, based on the travails of dealing with the Great Powers over the past 30 years, Vietnam would eschew economic or military dependence on any one country. Third, in keeping with the second element and to promote economic development, Vietnam would diversify its foreign relations, forging ties with all countries irrespective of their political systems, and fully participate in regional and international forums. The new foreign policy trajectory enabled Hanoi to move quickly to diversify and multilateralize its foreign relations. Within five years of the end of the Cold War, Vietnam had gained a membership card in ASEAN, normalized relations with China, Japan, the United States and the EU, ending its diplomatic and economic isolation. Among these diplomatic breakthroughs, Hanoi’s normalization of relations with Beijing and Washington was particularly important.

Economically, in the 1990s Vietnam steered a balanced path between China and the United States, but much effort was focused on the latter. In its economic strategic consideration with Beijing, Hanoi viewed that the emergence of China as an economic powerhouse and its view of Southeast Asia as a region of peripheral significance for economic and geopolitical interests provided opportunities for Vietnam’s economic cooperation with its northern giant. In fact, in the 1990s, China became less important among the trading partners of Vietnam as the latter reaped relatively low trade surplus because of the importance of Chinese imports in meeting the domestic consumption requirements of essential commodities (**Table 1**). However, economic relations with China constituted an important part in Vietnam’s foreign economic policy, given its geographical proximity, similar economic structure, and the requirement for import of low-price raw materials and machinery to accelerate productivity output for both domestic consumption and exports. With the United States, Vietnam considered that the new momentum in normalization of relations with Washington would open the door to US trade, investment and aid from international lending agencies. Also, Hanoi was keen on rapprochement with the US given that the US as an important economic force in the region’s triangular trade system (the US, Japan, and Free Asia which meant including Asian newly industrialized countries and coastal regions of China) would provide a crucial leverage for Vietnam to get an access to this trade system to enjoy the robust inflows of capital and investment into the country. These considerations provided an incentive for Hanoi to incline more toward the United States than China in terms of economic sphere. Right after normalization, Vietnam sought to forge economic ties with the United States by

pursuing a Bilateral Trade Agreement (BTA) and sought to obtain US support for Vietnam's accession to the WTO. To that end, in early 1996, Vietnam began negotiations on the WTO membership. In May, Washington sent Vietnam a blueprint on the BTA, and both parties began negotiations on the BTA. Negotiations stalled until the end of the first quarter of 1998,<sup>2</sup> however, because of the tough conditions imposed by the US on Vietnam's structural reforms of its trade and investment regimes, along with concerns about POW/MIA issues and human rights. Nonetheless, trade between the two countries and US investment inflows have increased sharply since normalization of bilateral relations in 1995.<sup>3</sup>

**Table 1. Vietnam's trade with China, 1991-2000 (US\$ billions)**

Year	Exports to PRC	Imports from PRC	Total trade
1991	0.098	0.024	0.122
1992	0.066	0.116	0.182
1993	0.136	0.086	0.222
1994	0.296	0.144	0.440
1995	0.362	0.330	0.692
1996	0.340	0.329	0.669
1997	0.474	0.404	0.878
1998	0.440	0.515	0.955
1999	0.746	0.673	1.419
2000	1.536	1.401	2.037

*Source: Vietnam General Statistics Office, 2001*

On political front, however, Hanoi geared its priority toward Beijing more than toward Washington given its geographical proximity and, more importantly, ideological solidarity to hedge against risk posed by the United States. Sino-Vietnam ideological solidarity was based on two elements. First, the 1989-1991 crisis of socialism had led to speculation that both ruling parties could come under challenge as the close of the Cold War marked a transition in the world order from bi-polarity to uni-polarity, with the US itself becoming the world's only superpower. Second, though the United States supported multilateral arrangements which provided Washington with a membership card in the ARF (ASEAN Regional Forum) and enhanced its economic engagement in the region, Washington could use its regional engagement as leverage to expand human rights and democratic issues to interfere in domestic affairs as a way of dismantling the two communist regimes or forcing political change. Given these considerations, bilateral high-level visit exchanges received a steady warming since normalization. Between 1995 and 1997 alone, party-to-party and state-to-state interactions between Hanoi and Beijing provided platforms to discuss, among other things, socialist ideology and defense against "peaceful evolution." In addition, there were three ideology seminars that involved administrative units and specialists from both countries and delegations from both parties' Central Committee Departments. Of an essential note is that visit exchanges were made in China's favor. Over the years 1991-1999, Vietnam paid 12

<sup>2</sup> US-Vietnam negotiations on the BTA were highlighted in March 1998 when the US Ambassador to Hanoi, Pete Peterson, and the Vietnamese Minister of Planning and Investment, Tran Xuan Gia, signed the Overseas Private Investment Corporation (OPIC) Bilateral Agreement after President Bill Clinton signed a waiver for Vietnam of the Jackson-Vanik amendment, which had restricted US companies in their dealings with countries designated as limiting freedom of emigration. This was seen as a groundbreaking step toward a US-Vietnam BTA.

<sup>3</sup> In 1995, the bilateral trade value was just US\$169.7 million, but it rose to US\$1.116 billion in 2000, of which Vietnamese exports were valued at US\$821 million. US investment also increased dramatically, from a ranking of fifteenth in 1994 to a top ten ranking in 2000, with total investment capital valued at US\$1.1 billion.

high-level visits to China as compared to five on China's side, revealing that Hanoi paid deference to its northern giant. Unlike its relations with Beijing, Hanoi's political development with Washington did not gain any considerable progress as a consequence of the latter's enthusiasm for "peaceful evolution". As discussed previously, what Vietnam really wanted from the United States after normalization of bilateral relation was for a new stage of economic cooperation. However, US maneuvered to forge freedom in Vietnam and its tough stance on human rights and democratic issues caused a deadlock in BTA negotiations and prevented full diplomatic relations between 1995 and the first half of 1997. Notably, US strategy of "peaceful evolution" added more mounting concern to Hanoi's ruling party in the wake of the East Asian Crisis of 1997-98 as Washington maneuvered the US-led IMF under the banner of "structural reforms" as an instrument to democratize and dismantle ASEAN's authoritarian developmentalist regimes.<sup>4</sup>

With regard to security, Vietnam's security concerns were primarily based on two threat perceptions, one was the South China Sea and another was "peaceful evolution". These two risks were posed by China and the United States, respectively, although China and the United States had never been directly mentioned by name in terms of any "threat"<sup>5</sup> in Vietnam's formal statements. However, Beijing's aggression and its increased assertiveness in the SCS loomed large in Hanoi's primary security concerns. Vietnam's national sovereignty had been at risk since its neighboring giant took aggressive action in the Paracel archipelago in 1974 and Spratlys in 1988, and continued to increase its assertiveness up to the latter half of the 1990s. This situation put Vietnam in a position of pursuing both deference to avoid hostility and independence to preserve its freedom of "security diplomacy" for national sovereignty vis-à-vis China. Concerning deference related to the SCS issue, between 1994 and 1997, Hanoi paid 5 high-level visits to Beijing, culminating in Party Secretary General Do Muoi's in 1995 and in 1997. Negotiations reached an impasse, however, because China's consistent stance was to endorse a bilateral approach, whereas the Vietnamese Party chief consistently called for a multilateral approach involving China and all the ASEAN claimants to settle the Spratlys peacefully. Apart from bilateral channel, Vietnam sought to constrain China's assertiveness and potential aggression by using ASEAN as crucial leverage to engage the United States as a member of the ARF to multilateralize the SCS issue and to endorse Hanoi's approach. It should be noted that in spite of its wariness of the US "peaceful evolution" strategy, Hanoi considered the US military presence in the region and its engagement in the ARF to be "necessary" for regional security and stability, not least because of the US legitimate interest in navigational freedom of the waters of the Western Pacific. Although Vietnam was quite careful about increasing any obvious defense arrangement with

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<sup>4</sup> The reforms were connected to US intervention and the usefulness of US-centered technocratic network in Southeast Asia that comprised a vast number of US-trained technocrats working in academia; international multilateral lending agencies, such as the IMF and the World Bank; government ministries and agencies; domestic financial and banking institutions, and businesses. This network made the claims on the state for structural reforms under the IMF conditionality, in line with calls by popular and elite nationalism for free-market and political reforms. Eventually, the reforms led to the democratic constitutional reform late in 1997, which paved the way for Thaksin Shinawatra's subsequent rise to power, the collapse of Soeharto's New Order regime in May 1998 in the wake of massive riots, especially in Jakarta, the near collapse of Mahathir's National Front in Malaysia, and the political and social crises of the Philippines under the Ramos and Estrada regimes

<sup>5</sup> The 1994 Vietnam Communist Party Resolution of the Mid-Term Party Plenum identified "Four Threats" facing Vietnam in the post-Cold War era: (1) the threat of lagging behind regional countries economically; (2) the threat of "peaceful evolution"; (3) the threat to national sovereignty and territorial integrity; and (4) the threat of corruption and deviation away from socialist orientation. Threats (1) and (4) are defined as internal threats to the regime and national security. Threat (2) implicitly refers to US-led "peaceful evolution" threat to the regime, and threat (3) implicitly refers to China's threat to territorial integrity, particularly the SCS.

Washington, which might have elicited a fierce response from China, as an ASEAN member, Vietnam could hide behind ASEAN's common position to support the US military presence in the region and its engagement in regional security affairs, including on the SCS issue. As the Vietnamese diplomat Hoang Anh Tuan (1994) stressed, "US active involvement [in the ARF], as well as a continued American military presence in the region, is of crucial benefit to the smaller countries in the dispute. Vietnam, for some reason, finds it hard to express openly its view on the role that the US is playing or which Vietnam wants to see it play. But as a member of ASEAN it would be easier for Vietnam to take a common stand on this issue with other ASEAN members." This was evidenced that at the time of the Kanto incident in March 1997<sup>6</sup>, the Commander of the US Pacific Fleet, Admiral Joseph Prueher, fortuitously visited Hanoi. On this occasion, Deputy Prime Minister Tran Duc Luong expressed his great appreciation for the contribution of improved US-Vietnam relations to "stability and development in the region" (*The People's Army Review*, 28 March). This suggested that the degree of development in US-Vietnam defense relations was likely to depend on China's actions in the disputed area.

### Vietnam-U.S. relations in the shadow of China

Since the beginning of the new century, Vietnam's policy trajectory toward China and the United States has changed remarkably in the latter's favor. Hanoi-Washington political development has leveled to a new height, at the same time, bilateral military ties have improved greatly and trade interactions reached an unprecedented level after the establishment of Vietnam-US BTA. In the meantime, although Sino-Vietnam economic relations reached a far higher warming as compared to those in the 1990s, politico-security ties have been weakened, which provided a sound groundwork for Hanoi-Washington closer rapprochement. What are the reasons behind this change?

From Hanoi's perspective toward China, first, Hanoi maintained that although China has shown its increased engagement in the region, China's expansionist ambitions could not be ignored. China's growing economic, military, and political power in the region could, when taken altogether, pose uncertain implications for territorial disputes, especially in the SCS.<sup>7</sup> This was evident once China has asserted its unprecedented posture toward the SCS dispute since late 2007, which raises the most acute concerns for Hanoi over China's potential aggression.<sup>8</sup> Second, China's ongoing influence in Indochina through its enhanced relations with Cambodia and, to a lesser extent, with Laos raised concerns for Hanoi. This was because

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<sup>6</sup> China dispatched Kanto Oil Platform Number 3 and two other pilot ships, Numbers 206 and 208, to conduct exploratory drilling in what was supposedly Vietnam's continental shelf. In response, Hanoi went public in its diplomatic protest against China's oil rig and called for the halting of the Chinese action.

<sup>7</sup> Author's interview with Dr. Hoang Anh Tuan, Director of Institute for Vietnam Foreign Policy and Strategy Studies, Diplomatic Academy of Vietnam, Hanoi, 15 February 2012; author's interview with Mr. Nguyen Cong Khanh, Professor of Vietnam's Foreign Policy Studies, 24 July 2012, Vinh University, Nghe An Province.

<sup>8</sup> In late 2007, China established a prefecture-level city—Sansha—on Hainan Island to administer the Paracel Islands, the Spratly Archipelago, and Macclesfield Bank, following the dispatch of a number of its patrol vessels to the disputed area.<sup>8</sup> In 2008, Beijing unilaterally issued its fishing ban and intensified the harassment and detention of Vietnamese and Filipino fishing boats, causing a number of confrontations between Chinese fisheries administration vessels and the two countries' fishing boats in the disputed region. In 2009, for the first time, Beijing officially claimed over 80% of the SCS by sending a nine-dash line or a U-shaped line map to the UN. This move was followed by actions that were even more aggressive in 2010 as China categorized the SCS as a "core interest," on a par with Taiwan and Tibet. In the subsequent years, China came to intensify the harassment and damage of seismic research ships and fishing boats in the EEZs and on the continental shelf of Vietnam. Notably, over the past couple years, China has transformed spare reefs and rocks in the disputed Spratly archipelago into islands large enough to boast sports fields and airplane runways that can accommodate military jets, and suspiciously included military bases. (Tran Truong Thuy, 2011).

Vietnam has long sought to draw Cambodia and Laos closer together in order to hedge against the threat posed by outside powers, especially China, and because of their geographical proximity and historical ties. Indochina is also vital for Vietnam to exert its influence in competition with China in this sub-region. However, China's enhanced assistance, economic ties, and military interactions with Cambodia and, to a lesser extent, Laos in the wake of the crisis have eroded Vietnam's influence in this sub-region.

From Hanoi's perspective toward the United States, the former considered that the US neglect of the region in the 1990s provided an opportunity for China to quickly step into the gap by engaging its neighboring states to shape the regional order to its own advantage. However, after the events of 9/11, Washington's increased military presence in the region was "indispensable" to ensuring peace and stability, on the one hand, and on the other, to hedge risk posed by China to dominate the region at the expense of smaller countries, including Vietnam. Notably, in the wake of China's unprecedented assertiveness in the SCS, the US return to Asia provided a crucial framework within which Vietnam and the United States could develop "defense diplomacy" as a way of constraining China's potential aggression. Also, the US re-engagement in the region, particularly in the multilateral regional arrangements, is of great significance to support Hanoi's multilateral approach to the SCS dispute.

It is obvious that the "China factor" looms large in the development of Hanoi's hedging strategy by forging closer ties with Washington. The period 2003–2007 saw unprecedented politico-security interactions between Vietnam and the United States. There were six high-level delegations from the US to Vietnam, grouped into three categories: (1) visits by the Commander-in-Chief of the US Pacific Command; (2) visits at the Deputy Assistant Secretary of Defense level; and (3) visits by other Commanders of the US Pacific Command (Nguyen, 2011; Carlyle, 2010). In November 2003, Vietnamese Defense Minister Pham Van Tra became the first defense leader to visit the Pentagon since the Vietnam War. On this occasion, both sides agreed to upgrade defense interaction to an annual Bilateral Defense Dialogue and Policy Level Discussion, beginning in 2004. In 2005, the US Ambassador to Vietnam raised the possibility of joint cooperation in repair and maintenance and the purchase of supplies by the US Navy. On this occasion, Vietnam signed up for extended International Military Education and Training (IMET), under which Vietnam was eligible to send its military personnel to the US for professional military education and training. In 2006, during his visit to Hanoi, Secretary of Defense Donald Rumsfeld suggested that Vietnam buy military spare parts. Later in the year, Rumsfeld approved the sale, lease, export, and/or transfer of non-lethal defense articles and offense services to Vietnam.

In November 2006, President George Bush went to Hanoi, alongside the APEC Summit, and signed a finding to authorize the US government and US private companies to provide limited defense articles to Vietnam. In 2007, the International Traffic in Arms Regulations were amended to allow further arms procurements by Hanoi. Moreover, from 2007, Washington funded Vietnamese participation in a number of defense-related seminars and exercises in the region, such as the Western Pacific Naval Symposium and US-Southeast Asia bilateral joint exercises. It should be noted, however, that by this time, Vietnam had turned down a number of US requests for small joint exercises. Nevertheless, US-Vietnam defense and security cooperation also expanded into addressing the legacy of the Vietnam War, mainly in the fields of demining, unexploded ordnance removal, joint research into Agent Orange, as well as military medical research (HIV/AIDS), US humanitarian assistance and disaster relief, counterdrug trafficking, and information sharing, among other areas.

Particularly notable was the steady rise in the visits of US Navy ships to Vietnamese ports over the period 2003–2007. **Table 2** shows that the year 2003 saw a US Navy warship visit to a Vietnamese port for the first time since the Vietnam War. This laid the basis for annual visits by the US Navy to Vietnam.

**Table 2: US Navy Ship Visits to Vietnamese Ports 2003–2007**

Date of Visit	US Navy Ship	Vietnamese Port
November 2003	USS <i>Vandergrift</i>	Ho Chi Minh City
July 2004	USS <i>Curtis Wilbur</i>	Da Nang
March-April 2005	USS <i>Gary</i>	Ha Chi Minh City
July 2006	USS <i>Patriot</i> and USS <i>Salvor</i>	Ho Chi Minh City
July 2007	USS <i>Peleliu</i>	Da Nang
October 2007	USNS <i>Bruce Heezen</i>	Da Nang
November 2007	USS <i>Patriot</i> and USS <i>Guardian</i>	Hai Phong

Source: Compiled from the People's Army Review

In 2008, Prime Minister Nguyen Tan Dung paid a visit to the United States and met with the secretaries and treasury, as well as congressional leaders. In October 2008, the United States and Vietnam conducted their first-ever bilateral Political, Security, and Defense Dialogue (PSDD) at the vice-ministerial level in Hanoi. This paved the way for annual Defense Policy Dialogue at the vice-ministerial level since 2010. In the subsequent years, high-level meetings and visits by top officials became a defining trait of the fast growing bilateral relationship, culminating in the 2012 visit of the Secretary of Defense Leon Panetta to Cam Ranh Bay, a deep-water port that overlooks the SCS and served as a logistics hub during the Vietnam War and the 2013 visit of Secretary of State John Kerry to Hanoi where both sides highlighted expanding security, economic, and people-to-people between the United States and Vietnam. Most notably, Kerry announced the possible elimination of restrictions on arms sales to Vietnam and an \$18 million assistance package aimed at boosting Vietnam's maritime security, along with future efforts to bolster cooperation between the two countries' coast guards. In late 2014, Secretary of Defense Chuck Hagel paid to visit to Vietnam where both sides agreed to further boost cooperation on the two countries' coast guards and Washington committed to providing formal training and curriculum development assistance to the Vietnamese Coast Guard, especially in the context of rising maritime tensions in the region (Murray, Phuong & Gregory, 2014).

In parallel with hedging strategy to constrain China's assertiveness, Vietnam has also sought to engage China in order to manage and codify bilateral relations and to make Chinese intentions more predictable through a web of party-to-party, state-to-state and military-to-military exchanges, and through ASEAN-based arrangements. Notably, high-level reciprocal visits in the years 2001–2007, as indicated in **Table 3**, underline the fact that the number of exchanges between Vietnam and China were roughly equal in number, and were even in Vietnam's favor between 2001 and 2003. This contrasts strongly with the 1990s, when Vietnam made far more visits to China. In this connection, Vietnam's enhanced political and military ties with the US and other major powers led Beijing to improve its relations with Hanoi because China did not want to see any other major powers, especially the United States, obtain influence over Vietnam because it might enable the US use Vietnam as a buffer to counterbalance or contain China. Since the SCS issue came to the fore in late 2007, however, Hanoi-Beijing high-level visit exchanges have dropped down, but defense interactions have been on the rise. Vietnam's enhanced defense interaction with China was intended to help prevent tensions over the SCS from escalating into conflict, to address other

sovereignty-related issues, and to avoid any negative impacts of the SCS issue on bilateral economic relations.

To that end, bilateral senior level military exchange meetings were held on a regular basis. Even though territorial disputes flared up, Hanoi and Beijing elevated their relationship to a “comprehensive strategic cooperative partnership” in the middle of 2008. In addition, during his visit to China, Vietnamese Deputy Defense Minister Nguyen Chi Vinh judiciously praised China’s development, acclaimed its role in regional affairs, and called for China to play a role in regional security. Vinh also expressed Vietnam’s wish and belief that “China would not use power to harm any other country or threaten regional and global peace and stability” (*Vietnews*, 2010, 26 August).

**Table 3. China-Vietnam Reciprocal Visits (Party, State, and Military) 2001–2007**

Year	China’s Visits to Vietnam	Vietnam’s Visits to China
2001	Defense Minister Chi Haotian (February) Vice President Hu Jintao (April)	None
2002	CCP Chief, President Jiang Zemin (27 Feb.–1 Mar.)	None
2003	Foreign Minister Li Zhaoxing (June) Defense Minister Chi Haotian (November)	VCP General Secretary Nong Duc Manh (April)
2004	Premier Wen Jiabao (October)	Prime Minister Phan Van Khai (May)
2005	Defense Minister Cao Gangchuan (October)	President Tran Duc Luong (July) Defense Minister Pham Van Tra (October)
2006	Defense Minister Cao Gangchuan and Member of the Politburo Jia Qinglin (February) Defense Minister Cao Gangchuan (April) Party Chief, President Hu Jintao (November)	General Secretary Nong Duc Manh and Defense Minister Phung Quang Thanh (August) Prime Minister Nguyen Tan Dung and Minister of Public Security, Lt. General Le Hong Anh (October).
2007	Defense Minister Cao Gangchuan (August)	President Nguyen Minh Triet (May)

Source: *Chronology of Vietnam-China Relations*, Division of Chinese Northeast Asia, Central Party Commission for External Affairs.

Hanoi’s defense diplomacy also helped to maintain a steady warming of bilateral economic relations; trade turnover between the two countries reached US\$19 billion in 2012, making China the single-largest trading partner of Vietnam. In 2014, bilateral trade turnover reached \$58.6 billion. However, the balance of trade is increasingly in favor of China. In the past 15 years, trade deficit with this country has been on the rise, from \$190 million in 2011 to \$28.8 billion in 2014 and up to \$24.3 billion for the January-September period of 2015, according to the General Statistics Department.

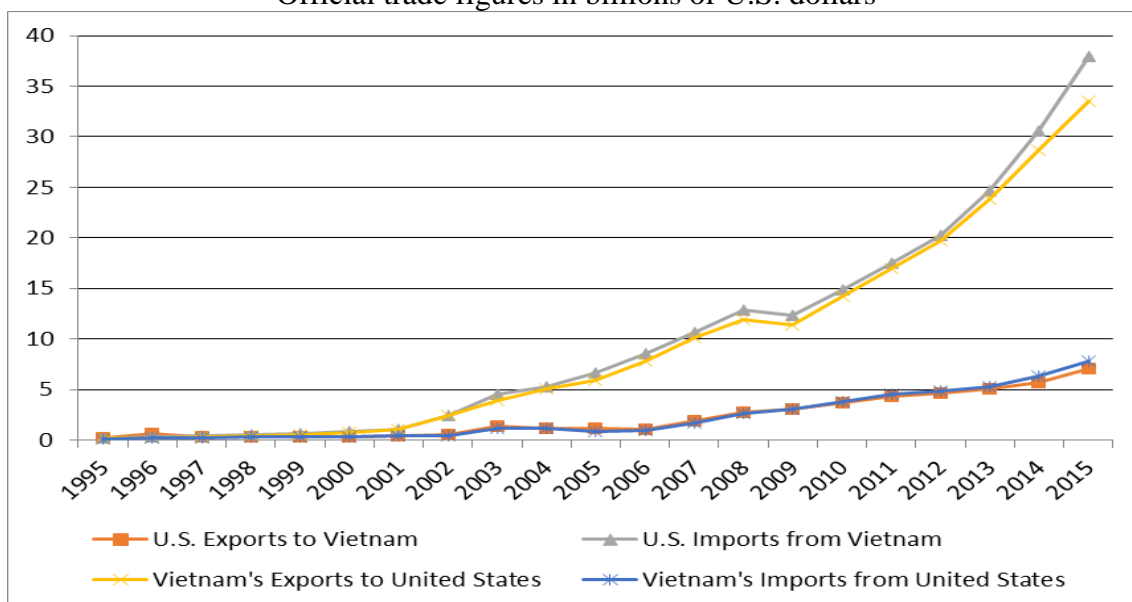
In the meantime, Vietnam-US trade turnover has rocketed in favor of the former’s exports. The bilateral trade momentum has been created since the signing of a bilateral trade agreement (BTA) on July 13, 2000, which went into force on December 10, 2001.<sup>6</sup> As part



of the BTA, the United States extended to Vietnam conditional most favored nation (MFN) trade status, now known as normal trade relations (NTR). Economic and trade relations further improved when the United States granted Vietnam permanent normal trade relations (PNTR) status on December 29, 2006, as part of Vietnam's accession to the World Trade Organization (WTO). However, following the granting of conditional NTR in December 2001, trade flows between the United States and Vietnam grew quickly. Merchandise trade nearly doubled between 2001 and 2002. Bilateral trade rose again in 2007, following the United States granting PNTR status to Vietnam. U.S. imports from Vietnam slid 4.7% in 2009 because of the U.S. economic recession, but have rebounded sharply since 2010, as indicated in **Figure 1**.

Notably, both nations are now parties to the Trans-Pacific Partnership (TPP), a regional trade agreement awaiting approval of implementing legislation by the respective legislatures of both nations. For its part, Vietnam has also indicated a desire to foster closer trade relations by applying for acceptance into the U.S. Generalized System of Preferences (GSP) program and negotiating a bilateral investment treaty (BIT), but both those initiatives have receded in light of the TPP agreement. In similar fashion, the United States has expressed an interest in closer economic relations, but has previously told the Vietnamese government that it needs to make certain changes in the legal, regulatory, and operating environment of its economy to conclude either the BIT agreement or to qualify for the GSP program.

**U.S.-Vietnam Bilateral Merchandise Trade**  
Official trade figures in billions of U.S. dollars



Source: U.S. data from International Trade Commission (ITC); Vietnamese data from General Statistics Office (GSO) of Vietnam and Vietnam Customs.

## Conclusion

Since the early 1990s, Vietnam has steered a balanced path between the United States and China. This policy trajectory remains consistent as the country's post-Cold War policy highlights "balance of interests among big powers" (*cân bằng lợi ích giữa các nước lớn*) among which China and the United States have always been the entities that Hanoi finds it hardest to balance the relationship between the two. In the 1990s, Hanoi pursued its diplomatic flexibility by forging ahead its political and economic relations with its northern giant, along with the development of ideological solidarity to hedge against the US-led

peaceful evolution in order to ensure the regime security, at the same time seeking to avoid hostility with Beijing over the SCS issue in flexible combination of both deference and independence. Whereas, Hanoi sought rapprochement with Washington primarily for its economic aspirations, at the same time using ASEAN as leverage to support the US military engagement in the region as a way of checking upon China's ambitions in the SCS. However, Vietnam-US relations did not produce any remarkable outcome due to the legacy of the Vietnam War and Hanoi's caution about the US maneuver of peaceful evolution, while Sino-Vietnamese relations advanced better than might reasonably have been expected despite some concrete incidents in the disputed area. Things changed, however, in the early twenty-first century as concerns about the "China threat" were more pertinent than those about the US threat because of China's growing regional power and because of Vietnam's enthusiasm for economic cooperation with the US and engagement with it as part of its strategy of hedging against China. Since late 2007, the China threat became the most acute concern due to its unprecedented assertiveness in the SCS, leading Vietnam to downplay the importance of the threat of "peaceful evolution" in order to pursue a stronger defensive hedge against China by engaging the United States, at the same time realizing the full potential of economic partnership with the United States for its international economic integration, particularly the WTO and the TPP. However, this does not necessarily mean Hanoi inclines completely toward the United States to counterbalance China. Rather, it remains consistent in forging relations with China by engaging it at all levels—bilateral state-to-state, military-to-military and party-to-party, and ASEAN-based multilateral regional economic and politico-security arrangements.

### Prospects

According to domestic and external observers, the current warming in Vietnam-US relations could pave the way for a close strategic partnership or soft alignment between the two countries. However, it seems unlikely for the foreseeable future as in any case a close military relationship would greatly antagonize Beijing. Vietnam's changing posture toward China suggests that Hanoi will continue to pursue its defensive hedging behavior to new heights as China's assertiveness in the SCS and its growing regional power make it Vietnam's biggest threat. In this regard, Vietnam will likely move closer to the US and to its allies, principally Japan and the Philippines, which have faced a "common problem" with China. It is no surprise that other ASEAN states, such as Indonesia, Malaysia, Singapore, Thailand, and the Philippines, are also pursuing this strategy because their neighboring giant has exerted its growing regional power, based on its formidable economic strength, growing military might, and regional influence, despite the economic gains offered by the emergence of China as an economic powerhouse. In the case of Vietnam, there may be a "soft alignment" with the US, but this new rapprochement very much depends on China's policy adjustments. If China is increasingly aggressive in the SCS, anti-Chinese nationalist sentiments in Vietnam will increase, and Vietnam may lean toward the US as the most likely candidate to provide a counterweight to China. However, this scenario is unlikely because there remain a number of limitations on Hanoi. In the first place, it would be detrimental to Vietnam's long-standing diversified and multidirectional foreign policy and its "Three-Nos"<sup>9</sup> defense diplomacy. Such an alignment would thus jeopardize its diplomatic identity and any "non-intervention" principle. Second, Vietnam has been quite circumspect about the possibility of a fierce reaction from China should it move closer to the US militarily. Vietnam's strategic interests in the US have been focused on economic development and

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<sup>9</sup> Vietnam's post-Col War defense policy has been consistent in "Three-Nos": no military alliances, no foreign military bases on Vietnamese territory, and no reliance on any country to combat others.

drawing on US support for its strategy of engaging and enmeshing China, rather than making obvious moves aimed at containing China. Third, Vietnam remains wary of “peaceful evolution.” Forming an alignment would mean possibly allowing some limited space for US military access to Vietnam’s territory. Vietnamese leaders are unlikely to accept this option not just because of the legacy of the Vietnam War but also because of Hanoi’s concerns that it would offer a good avenue for Washington to force political change, supporting internal dissidents who are in favor of democracy, human rights, and political pluralism. In addition, there is a general perception among the Vietnamese that Washington has many other major strategic interests to look after and that developments in Sino-US relations may be at the expense of smaller states like Vietnam; the hegemonic powers could sacrifice their interests in smaller states in exchange for greater strategic interests between themselves. For these reasons, there should be increased enhancement of Vietnam’s defense relations with the US as part of its soft-balancing-of force strategy vis-à-vis China, but at a level that accommodates all the above-mentioned calculations. Vietnam has established strategic partnerships with all members of the United Nations Security Council except the US. Thus, it is rational for Vietnam to follow suit with the US in the face of a China threat. Washington has shown its enthusiasm for this partnership with Vietnam, as stated by Secretary of State Hillary Clinton during her visit to Hanoi alongside the 2010 ARF. To achieve this goal, however, Vietnam will have to deal with the human rights issue, which remains a barrier to a US-Vietnam strategic partnership. At the same time, Hanoi needs to make stronger efforts to keep the US actively engaged in the ASEAN-centered multilateral institutions in support of Vietnam’s position regarding a collective and constructive resolution to the SCS, thereby indirectly protecting itself against potential Chinese aggression and to deter its neighbor from using force.

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