

CHAPTER 2

When Elephants Fight: Vietnam's Responses to Intensifying US–China Strategic Competition*

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Introduction

US–China strategic competition has been on the rise over the past decade. Under the Trump administration, the clash between the two giants has intensified, with both the White House's 2017 National Security Strategy and the 2018 US National Defence Strategy regarding China as a “strategic competitor” to be contained. At the same time, a prolonged bilateral trade war has spilled over to other important areas, including technology, finance, and investment, raising the spectre of a new cold war in the 21st century. While the trade war has been somewhat moderated by the two countries' economic calculations and domestic agendas, their geostrategic competition has deepened across the globe, threatening to destabilize the global security environment.

As home to both the superpowers, the Indo-Pacific has been the centre of all these intensified rivalries, adding to the already simmering geopolitical tensions in the region. Over the past four years, regional flashpoints, especially the Taiwan Straits and the South China Sea, have become more combustible due to the impact of US–China strategic competition. In the South China Sea, for example, as China stepped up its military presence through the construction and militarization of artificial islands and tried to edge the US out of the region through a Code of Conduct negotiated between China and ASEAN member states, America has responded by challenging China's excessive maritime claims through frequent freedom of navigation operations (FONOPs) and by providing maritime capacity building assistance to littoral states. Some US congressmen are also proposing the South China Sea and East China Sea Sanctions Act that will “impose sanctions against Chinese individuals and entities that participate in Beijing's illegitimate activities to aggressively assert its expansive

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maritime and territorial claims in these disputed regions”.¹ In July 2020, US Secretary of State Mike Pompeo dismissed China’s nine-dash line and expansive maritime claims as legally invalid and its claims to offshore resources across most of the South China Sea “completely unlawful”.² The South China Sea is therefore heating up due to tensions not only between claimant states but also between China and the US. Against this backdrop, regional countries, including Vietnam, are facing an increasingly challenging dilemma in keeping themselves safe from the elephant fight and maintaining a balance between the two great powers.

This article examines how Vietnam has been responding to the above challenge under the Trump administration. It argues that Vietnam is highly vulnerable to fallout from increasing US–China strategic competition due to its geographical location, its South China Sea disputes with China, and its close economic relations with the two powers. Hanoi has therefore tried to keep a neutral stance between Beijing and Washington. Although growing tensions in the South China Sea due to China’s maritime expansionism has encouraged Vietnam to strengthen its strategic cooperation with the US, such an approach has been constrained by Vietnam’s traditional view of China as a source of both threats and opportunities. As such, Vietnam does not want to disturb its longstanding strategic balance between the two powers unless there are drastic changes in the strategic dynamics of the US–Vietnam–China triangle.

The article first provides an overview of the importance of the US and China to Vietnam, as well as the implications of the intensifying US–China rivalry for the country. It then analyses Vietnam’s four major responses to heightened US–China tensions. Finally, it concludes by briefly assessing the prospects of Vietnam’s strategic positioning between the two powers in the future.

Implications of Intensified US–China Rivalry for Vietnam

In order to measure the impact of the intensified US–China confrontation on Vietnam, it is important to understand the significance of the two countries, as well as the status of their relationship to Vietnam’s national economic and security wellbeing.

¹ The full text of the bill can be accessed at <https://www.congress.gov/bill/116th-congress/senate-bill/1634/text>.

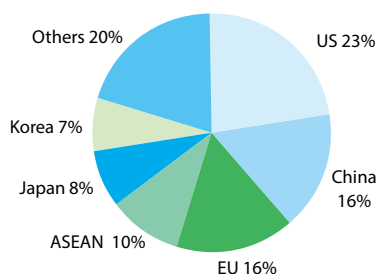
² US Department of State, “U.S. Position on Maritime Claims in the South China Sea”, 13 July 2020, <https://www.state.gov/u-s-position-on-maritime-claims-in-the-south-china-sea/>.

Since Vietnam opened up its economy under the *Doi Moi* (Renovation) policy in 1986, Vietnam has focused its efforts on building up ties with the major powers. In addition to helping Vietnam elevate its international diplomatic posture, such relationships are also crucial to Vietnam's economic reforms as these major powers are also trade, investment, and technology powerhouses. Among them, China and the United States were the most important targets. But they were also the last major powers with which Vietnam managed to normalize relations. Specifically, Vietnam normalized its ties with China in November 1991, and with America in July 1995. Nevertheless, the two countries quickly emerged as Vietnam's most important economic partners.

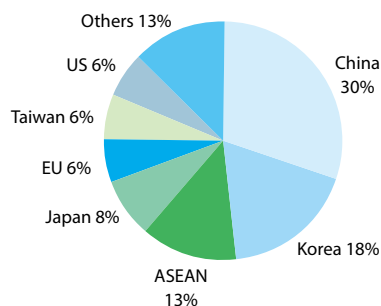
China is currently Vietnam's largest trade partner, and also its largest source of imports. According to the General Statistics Office of Vietnam, the two countries' two way trade turnover in 2019 reached US\$116.9 billion, accounting for 22.6 per cent of Vietnam's total trade turnover in the same year, with Vietnam's imports from and exports to China reaching US\$75.5 billion and US\$41.4 billion respectively. Meanwhile, Vietnam's bilateral trade turnover with the US in 2019 reached US\$75.7 billion. Specifically, Vietnam's exports to the US in 2019 amounted to US\$61.3 billion, accounting for 23.2 per cent of its total exports. US exports to Vietnam also reached US\$14.4 billion in the same year.³ The following charts compare Vietnam's trade with the US and China and the rest of the world.

Figure 1: Vietnam's trade with main partners

VIETNAM'S TOP EXPORT MARKETS IN 2019



VIETNAM'S TOP IMPORT MARKETS IN 2019



Source: GSO, *Statistical Yearbook of Vietnam 2019*.

³ General Statistics Office, *Statistical Yearbook of Vietnam 2019* (Ha Noi: Statistical Publishing House, 2020), pp. 623–634.

The US and China are also becoming increasingly important foreign investors of Vietnam. The following table shows the two countries' accumulative stock of registered capital in Vietnam by the end of 2019.⁴

Table 1: Main FDI sources of Vietnam

| Country | Number of Projects | Accumulative Registered Capital (billions USD) |
|------------------------|--------------------|------------------------------------------------|
| Korea | 8,540 | 68.102 |
| Japan | 4,402 | 59.364 |
| Singapore | 2,424 | 49.772 |
| Taiwan | 2,695 | 32.378 |
| Hong Kong | 1,751 | 23.722 |
| British Virgin Islands | 841 | 21.722 |
| China | 2,862 | 16.284 |
| Malaysia | 617 | 10.908 |
| Thailand | 653 | 10.908 |
| Netherlands | 345 | 10.053 |
| United States | 991 | 9.308 |
| Samoa | 349 | 7.385 |

Source: GSO, *Statistical Yearbook of Vietnam 2019*.

China and the United States are also important sources of tourist arrivals for Vietnam. In 2018, for example, 4,966,500 Chinese tourists visited Vietnam, accounting for 32 per cent of Vietnam's foreign tourist arrivals in the same year. Meanwhile, the number of American tourists was 687,200, accounting for 4.43 per cent.

The above statistics show that both China and the United States are essential economic partners of Vietnam, with China being somewhat more important in terms of total trade turnover, investment inflow, and number of tourist arrivals.

In terms of security, however, although China and the United States are once again both important to Vietnam, they play contrasting roles in Vietnam's strategic considerations. Living with a bigger and more powerful China next door has always

⁴ General Statistics Office, *Statistical Yearbook of Vietnam 2019* (Ha Noi: Statistical Publishing House, 2020), p. 278.

been a difficult challenge for Vietnam. Chinese dynasties invaded and ruled Vietnam for almost one thousand years until AD 938 when Vietnam formally gained its independence from China. Between 938, and 1991, the year that the two countries normalized their relations, China invaded Vietnam ten more times.⁵ Currently, although the two countries have demarcated their land border and delineated their maritime boundary in the Gulf of Tonkin, disputes over the sovereignty of the Paracel and Spratly archipelagos as well as maritime rights in the South China Sea continue to constrain their bilateral relations and amplify the China threat perception in Vietnam.

In contrast, despite being bitter enemies during the Cold War, the US is perceived positively in Vietnam, partly because its position on the South China Sea disputes is largely compatible with Vietnam's interests. Moreover, Washington is also providing Hanoi with significant maritime capacity building assistance to enhance its ability to resist pressures from Beijing in the South China Sea. Specifically, Washington included Vietnam in the Southeast Asia Maritime Security Initiative (MSI) announced by Defence Secretary Ashton Carter in May 2015. Under the initiative, the US would provide US\$425 million to assist the Philippines, Vietnam, Indonesia, and Malaysia to enhance their maritime capacity. In November 2015, the White House said that it would increase its maritime program assistance for Vietnam to US\$19.6 million in financial year (FY) 2015 and US\$20.5 million in FY 2016 to help Vietnam bolster its maritime Intelligence, Surveillance, and Reconnaissance (ISR), and command and control within its maritime agencies.⁶ In early August 2018, the *Voice of America* reported that "Vietnam had military equipment contracts worth US\$94.7 million with the US" under the Foreign Military Sales (FMS) and Direct Commercial Sales (DCS) programs.⁷ Under these programs, Hanoi received six Metal Shark fast patrol boats worth US\$18 million funded by US aid for its Coast Guard in May 2017. In the same month, a decommissioned US Coast Guard Hamilton-class cutter was also transferred to Vietnam.⁸ In February 2019, US Indo-

⁵ Le Hong Hiep, *Living Next to the Giant: The Political Economy of Vietnam's Relations with China Under Doi Moi* (Singapore: ISEAS Publishing, 2017), p. 15.

⁶ The White House, "FACT SHEET: U.S. Building Maritime Capacity in Southeast Asia", 2015, <https://www.whitehouse.gov/the-press-office/2015/11/17/fact-sheet-us-building-maritime-capacity-southeast-asia>.

⁷ "Việt Nam 'Đặt Mua' Gần Trăm Triệu Đôla vũ Khí Mỹ", *VOA Vietnamese*, 2018, <https://www.youtube.com/watch?v=ieUdhHgXZc>. In August 2018, a US State Department official was also quoted as saying that Vietnam had signed contracts to buy US military equipment worth US\$94.7 million.

⁸ "Former U.S. Cutter Morgenthau Transferred to Vietnamese Coast Guard", *USNI News*, 2017, <https://news.usni.org/2017/05/26/former-u-s-cutter-morgenthau-transferred-vietnamese-coast-guard>.

Pacific Command chief, Admiral Philip Davidson, said that Vietnam was acquiring equipment from the United States, including Boeing Insitu ScanEagle unmanned aerial vehicles (UAVs), Beechcraft T-6 Texan II trainer aircraft, and a second decommissioned US Coast Guard cutter.⁹

All these developments suggest that while China is Vietnam's most important economic partner, it also presents itself as Vietnam's top security threat. Meanwhile, although the United States may be relatively less significant than China to Vietnam's economic wellbeing, it is a more important partner in Vietnam's security considerations. As such, Vietnam shares the same dilemma that many Asian countries are facing: how to balance between the top economic and security partners against the backdrop of their intensifying strategic rivalry.

Vietnam's Responses to Intensifying US-China Confrontation

Vietnam has responded to intensifying US-China strategic competition in four major ways: maintaining neutrality and distancing itself from US-China competition; promoting ties with the US, but only quietly and at a moderate pace; trying to reap benefits from the US-China trade war while suppressing narratives that Vietnam is benefiting from it; and continuing the diversification of relations, especially with the other major powers, and emphasizing the role of ASEAN.

Staying away from the elephant fight

As the US and China clash with each other, the foremost concern of Vietnam is being drawn into the conflict. Vietnam had bitter experiences of falling victim to great power competition in the past. The Vietnam War, as well as Vietnam's 1979 border war with China, both had their roots in strategic competition between the US and the Soviet Union, and between the Soviet Union and China, respectively. As such, this time around, Vietnam is careful not to be entangled in the escalating confrontation between America and China, especially given that the South China Sea is increasingly becoming an arena for the two powers to lock horns with each other.

⁹ Vu Anh, "Boeing official says Vietnam military drone deal almost done", *VnExpress*, 29 March 2019, <https://e.vnexpress.net/news/news/boeing-official-says-vietnam-military-drone-deal-almost-done-3901778.html>.

So far, Vietnam's efforts to stay out of the US–China confrontation have been displayed mainly through diplomatic statements in which Vietnam emphasized its neutrality and its wish for the two powers to sort out their differences peacefully. For example, on 9 May 2019, when asked about the escalating trade war between the US and China, the spokesperson of Vietnam's Foreign Ministry stated that "Vietnam wishes the two countries will timely solve their differences through dialogues and negotiations on the basis of mutual respect and understanding, in accordance with international law and commitments, thereby contributing to peace, stability, cooperation and development in the world".¹⁰

Wishing to maintain a neutral stance in between the two powers, Vietnam also avoids openly supporting US moves to challenge China's South China Sea claims. For example, although US FONOPs in the South China Sea are compatible with Vietnam's national interests, Vietnam has kept quiet about such US actions. Meanwhile, although Vietnam decided not to use Huawei equipment for its 5G networks, Vietnamese officials have described it as a technological decision not related to geopolitical considerations. Specifically, Le Dang Dung, Viettel's CEO, told *Bloomberg* that "we decided not to use Huawei, not because of the U.S.'s ban on Huawei — we just made our own decision. Many other countries, including the U.S., have found evidence that showed using Huawei is not safe for the security of the national network. So we need to be more cautious."¹¹

In sum, Vietnam tries to stay away from the US–China confrontation by maintaining a neutral stance and avoiding being seen as taking sides. Therefore, a potential problem for Vietnam–US relations is the mismatch of mutual expectations. Hanoi wanted to strengthen strategic cooperation with Washington to counter China's pressures in the South China Sea. However, it is unrealistic for Hanoi to expect Washington to intervene militarily on its behalf in an armed conflict between Hanoi and Beijing in the South China Sea. Similarly, if US–China strategic competition continues to intensify, the United States may at one point expect Vietnam to take a decisive turn towards Washington at the expense of Beijing. However, as Vietnam

¹⁰ Thuy Chung, "Người Phát Ngôn Bộ Ngoại Giao Nói Gì về Bất Đồng Thương Mại Mỹ - Trung?", *Tuoi Tre*, 2019, <https://tuoitre.vn/nguoi-phat-ngon-bo-ngoai-giao-noi-gi-ve-bat-dong-thuong-mai-my-trung-20190509151215713.htm>.

¹¹ John Boudreau and Nguyen Dieu Tu Uyen, "Vietnam Prefers Its Mobile Networks to Be Free of Huawei", *Bloomberg*, <https://www.bloomberg.com/news/articles/2019-08-26/vietnam-prefers-its-mobile-networks-to-be-free-of-huawei>.

wishes to remain neutral, it is unlikely to adopt such an openly hostile stance against China. Therefore, if Vietnam and the US do not have frequent dialogues and interactions to better understand each other's sensitivities and to properly manage mutual expectations, it will be difficult for them to promote bilateral ties sustainably and substantively.

Promoting strategic ties with the US, but only quietly and at a moderate pace

As the US and China intensify their strategic competition, each wants to recruit more allies and partners to gain a comparative strategic advantage over its rival. This opens up new opportunities for regional countries to strengthen their relations with the two powers. In the case of Vietnam, however, it is challenging for Hanoi to promote ties with China in a meaningful way due to the South China Sea disputes. In contrast, US–Vietnam relations appear to be enjoying a stronger momentum as the US–China rivalry makes the two countries' strategic interests even more aligned due to their common perception of the China threat. Nevertheless, despite this common strategic ground and Washington's diplomatic overtures, Hanoi appears careful not to go too fast or too far in promoting its ties with Washington.

On the one hand, Vietnam is trying to take advantage of US assistance to strengthen its maritime capacity and to improve its bargaining position vis-à-vis China in the South China Sea. On the other hand, Vietnam is trying not to create the perception that Vietnam is siding with the US, especially militarily. In mid-October 2018, for example, Vietnam quietly cancelled fifteen defence engagement activities with the United States scheduled for 2019 involving army, navy, and air force exchanges. The decision implies that Hanoi is trying to keep a low profile in its strategic cooperation with the United States in order not to offend Beijing.¹² The same reason may have also accounted for Vietnam's hesitation in establishing a "strategic partnership" with the United States, despite Washington's diplomatic and strategic overtures since as early as 2013.

Vietnam's decision to advance its ties with the US at a moderate pace is not a permanent trend. In fact, it is not a decision made entirely by Vietnam, either. As that decision is shaped in a large part by Vietnam's perception of the China threat, how

¹² Le Hong Hiep, "Why did Vietnam Cancel its Defence Engagements with the US?", *ISEAS Commentary*, 11 December 2018, <https://www.iseas.edu.sg/medias/commentaries/item/8691-why-did-vietnam-cancel-its-defence-engagements-with-the-us-by-le-hong-hiep>.

China behaves in the South China Sea will have implications for the future trajectory of Vietnam–US relations. If China continues to act aggressively in the South China Sea, Vietnam may find it necessary to further defence ties with the US to counter China's encroachments.

Navigating the US–China trade war

A major manifestation of intensifying US–China competition is the ongoing bilateral trade war. Analysts consider Vietnam as one of the “biggest winners” of the trade war thanks to the effects of trade and investment diversion.¹³ Specifically, due to rising tariffs on imports from China and the US, American and Chinese importers may look for substitutes from other countries, including Vietnam. Similarly, in order to avoid tariff barriers, especially for imports from China into the US, as well as future uncertainties arising from Washington's efforts to contain China economically, multinational corporations (MNCs) may consider moving their manufacturing facilities out of China to other destinations, including Vietnam. Indeed, Vietnam's exports to the United States soared 29 per cent in 2019, while there was also a spike of 21.4 per cent in Chinese foreign direct investment (FDI) into Vietnam during the same year.¹⁴ Nevertheless, since July 2019, reports from some government-linked agencies, especially the Vietnam Chamber of Commerce and Industry (VCCI), and several Vietnamese academics and officials started to argue that Vietnam did not really benefit from the US–China trade war. Instead, they highlighted various risks for Vietnam and even argued that Vietnam was hurt by the trade war rather than benefiting from it.¹⁵ Some social media posts by certain media outlets highlighting Vietnam as the biggest winner of the trade war were also removed.

Given the conflicting data and views, it remains unclear whether Vietnam did benefit

¹³ See, for example, Sydney Leng, “Why Vietnam became the winner from the first year of the US–China trade war”, *South China Morning Post*, 5 June 2019, <https://www.scmp.com/economy/global-economy/article/3013067/vietnam-biggest-winner-first-year-us-china-trade-war-supply>; Michelle Jamrisko, “Vietnam Tops List of Biggest Winners From U.S.-China Trade War”, *Bloomberg*, 3 June 2019, <https://www.bloomberg.com/news/articles/2019-06-03/vietnam-tops-list-of-biggest-winners-from-u-s-china-trade-war>.

¹⁴ General Statistics Office, *Statistical Yearbook of Vietnam 2019* (Ha Noi: Statistical Publishing House, 2020), pp. 278, 625.

¹⁵ See, for example, “‘Việt Nam Không Hưởng Lợi Từ Thương Chiến Mỹ - Trung’”, *VnExpress*, 20 October 2019, <https://vnexpress.net/kinh-doanh/viet-nam-khong-huong-loi-tu-thuong-chien-my-trung-4004517.html>; “Đừng Lâm Tượng Việt Nam Đang Hưởng Lợi Từ Chiến Tranh Thương Mại Mỹ - Trung, Những Con Số Đây Chỉ Ra Một Diễn Biến Khác!”, *CafeF*, 30 August 2019, <http://cafef.vn/dung-lam-tuong-viet-nam-dang-huong-loi-tu-chien-tranh-thuong-mai-my-trung-nhung-con-so-nay-chi-ra-mot-dien-bien-khac-20190830131348203.chn>; “‘Việt Nam Chịu Thiệt Nhiều Hơn Là Hưởng Lợi Thương Chiến’”, *Bao Đầu Tư*, 6 December 2019, <https://baodautu.vn/viet-nam-chiu-thiet-nhieu-hon-la-huong-loi-thuong-chien-d112418.html>.

from the trade war or not. However, it appears that the Vietnamese government wanted to suppress the narrative that “Vietnam is the biggest winner of the trade war” to avoid unnecessary irritation or attention from both China and the US. Vietnam is particularly concerned about the risk of being “sanctioned” by the Trump administration. Particularly, Trump has labelled Vietnam as “almost the single worst abuser of everybody”, while the US Treasury Department also added Vietnam to a currency and economic policy watch list due to Vietnam’s trade surplus with America.¹⁶ To mitigate such risks, Vietnam has worked closely with America to address its concerns. For example, Vietnam has struck various deals to buy more US goods to help reduce the trade surplus.¹⁷ Hanoi has also fully cooperated with Washington to prevent Chinese companies from using Vietnam as a transshipment conduit to export to the US. Accordingly, the government harshly cracked down on goods of Chinese origin illegally relabelled as “Made in Vietnam” by exporters attempting to beat US tariff barriers on Chinese goods.¹⁸ Meanwhile, the State Bank of Vietnam (SBV) regularly provides US authorities with relevant information to prove that Vietnam is not a currency manipulator.¹⁹

In sum, while trying to reap benefits from the US–China trade war, Hanoi did its best to avoid creating the perception that it is riding on Beijing’s misfortune or abusing Washington’s generosity. This is a pragmatic approach, but whether it can really benefit from the trade war remains uncertain. Apart from external risks generated by the two powers, Vietnam will also need to improve its internal capacity to absorb new foreign investments, increase its exports, and integrate itself deeper into shifting global supply chains.

¹⁶ Michelle Jamrisko, “Vietnam Is a Trade War Winner. Now It Has to Figure Out How to Stay Ahead”, *Bloomberg*, 29 October 2019, <https://www.bloomberg.com/graphics/2019-new-economy-drivers-and-disrupters/vietnam.html>.

¹⁷ See, for example, “Vietnam Buys More US Goods after Trump Calls It Trade Abuser”, *Straits Times*, 29 June 2019, <https://www.straitstimes.com/asia/se-asia/vietnam-buys-more-us-goods-after-trump-calls-it-trade-abuser>; “Vietnam’s US\$5b Plan to Neutralise Trump’s Tariff Threats”, *Business Times*, 25 September 2019, <https://www.businesstimes.com.sg/government-economy/vietnams-us5b-plan-to-neutralise-trumps-tariff-threats>.

¹⁸ “Vietnam to Crack down on Chinese Goods Relabeled to Beat U.S. Tariffs”, *Reuters*, 10 June 2019, <https://www.reuters.com/article/us-usa-trade-china-vietnam/vietnam-to-crack-down-on-chinese-goods-relabeled-to-beat-us-tariffs-idUSKCN1TB0I3>.

¹⁹ SBV Governor Le Minh Hung was quoted as saying that the Vietnamese government and the SBV “never intend to use monetary policies in general, and exchange rates in particular, to unfairly compete with trading partners”. See “Vietnam Stuck on US Currency Manipulation Watchlist”, *VnExpress*, 15 January 2020, <https://e.vnexpress.net/news/business/economy/vietnam-stuck-on-us-currency-manipulation-watchlist-4042348.html>.

Diversifying relations and emphasizing the role of ASEAN

The increasing Sino–American animosity means that Vietnam will need to continue diversifying its foreign relations beyond China and the US, both to prevent itself from being drawn into their clash, and to hedge against major economic and strategic risks generated by their confrontation. Since 2017, Vietnam has continued to strengthen its relations with its other major partners. Economically, Vietnam has remained committed to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and actively worked with the European Union to bring the EU–Vietnam Free Trade Agreement into force. These agreements will, among other things, provide a cushion to protect Vietnam against potential economic disruptions caused by the US–China trade war. Strategically, Vietnam has continued to deepen its defence and security ties with the major powers, especially Japan, India, Australia, South Korea, Germany, the United Kingdom, and France. Various strategic initiatives have been conducted over the past few years. For example, Japan and South Korea have continued to provide Vietnam with maritime capacity building assistance, while a strategic partnership between Vietnam and Australia was established in March 2018. These important relationships enhance Vietnam's strategic autonomy and provide Vietnam with more room to manoeuvre amidst increasing pressures from Beijing and Washington.

At the same time, Vietnam has consistently emphasized the role of ASEAN in managing regional order, peace, and security. For example, Vietnam actively participated in the negotiation of the Code of Conduct for the South China Sea. It also joined other ASEAN member states in adopting the ASEAN Outlook on the Indo-Pacific (AOIP) at the 34th ASEAN Summit on 23 June 2019. The document emphasises economic-functional cooperation while distancing ASEAN from strategic competition. It also seeks to reassert ASEAN centrality against the backdrop of competing narratives of the major powers on the Indo-Pacific security architecture.²⁰ The AOIP can therefore be seen as a shared vision to help Vietnam and other ASEAN member states better navigate the increasing US–China rivalry and maintain ASEAN centrality in the regional order.

Vietnam not only promotes ASEAN, but also tries to strengthen ties with individual

²⁰ Hoang Thi Ha, "ASEAN Outlook on the Indo-Pacific: Old Wine in New Bottle?", *ISEAS Perspective*, No. 51, 2019, https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2019_51.pdf.

ASEAN member states. Apart from “special relationships” with Laos and Cambodia, Vietnam has established “strategic partnerships” with Thailand, Malaysia, Singapore, Indonesia, and the Philippines. In 2020, Vietnam is in a good position to further promote this vision, as it adopted the theme ‘Cohesive and Responsive’ for its ASEAN Chairmanship year. A more cohesive and responsive ASEAN will better prepare the association and its member states to respond more effectively to internal and external challenges, including economic and geopolitical uncertainties generated by the US–China confrontation.

CONCLUSION

Vietnam is highly exposed to fallouts from the intensifying US–China strategic competition due to its geographical location, deep economic ties with the two powers, and the South China Sea disputes, to which it is a party. The risks Vietnam are facing include both economic and strategic ones. Economically, as both China and the US are important partners of Vietnam, any disruption in the global trade and investment regimes or in Vietnam’s economic ties with either country will hurt Vietnam badly. Geostrategically, the intensifying Sino–US competition will worsen the regional security environment and raise tensions, including in the South China Sea. Room for Vietnam’s strategic manoeuvres will also be constrained as at some point the two powers may expect Vietnam to take sides.

Vietnam tries to minimize risks from the intensifying US–China competition by adopting four key measures: trying to maintain neutrality and distancing itself from the US–China clash; taking advantage of the US–China rift to quietly promote ties with the US; trying to reap benefits from the trade war while arguing that it is not; and strengthening strategic ties with other major powers and promoting the role of ASEAN to hedge against risks generated by the US–China confrontation.

The increasing US–China strategic rivalry presents Vietnam with both risks and opportunities. Like most other regional countries, the challenge for Vietnam is how to seize upon the opportunities while minimizing the risks. Whether Vietnam will be able to do so will depend on both the future direction of US–China relations, as well as Vietnam’s capabilities to adapt to an increasingly adverse strategic and economic environment. Nevertheless, under any circumstances, it is imperative for Vietnam to maintain a balance between the two powers. What can tip the balance for Vietnam,

however, is China's behaviours in the South China Sea. Should China continue to act aggressively and threaten Vietnam's core interests in the South China Sea, Vietnam will be tempted to reconsider its longstanding yet fragile balance between the two powers. Therefore, Vietnam's future reactions to intensified US–China strategic competition will, to a significant extent, be shaped by Beijing as much as by Hanoi itself.