The Vietnam-US-China Triangle: New Dynamics and Implications

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EXECUTIVE SUMMARY

- The recent visit to Washington by Nguyen Phu Trong, the General Secretary of the Communist Party of Vietnam (CPV), may have been praised by both sides as a “historic” landmark in bilateral relations, but in order to gain a more nuanced evaluation of the event, the broader regional context, including recent developments in Vietnam-China and US-China relations, needs to be considered.

- New dynamics in the Vietnam-US-China relations suggest that, at least in the short run, Vietnam’s relations with the US will continue to improve, while its relations with China will suffer significant setbacks.

- At the systemic level, intensified strategic competition between China and the US makes Vietnam a natural target for both powers’ diplomatic manoeuvres. However, due to the South China Sea disputes, Ha Noi is more receptive to a stronger relationship with Washington.

- At the national level, while the mutual trust between Vietnam and the US has been enhanced in recent years, Vietnam-China relations have been suffering from a burgeoning trust deficit. The fact that national interests have replaced ideological considerations as the key determinant of Vietnam’s foreign policy also tends to favour Washington at the expense of Beijing.

- Vietnam’s domestic economic and political conditions, such as deepening economic ties with the US and rising anti-China sentiments, are also conducive to improvements in Vietnam-US relations while unfavourable for Ha Noi’s ties with Beijing.
• If Prime Minister Nguyen Tan Dung should become the new CPV General Secretary following party elections next year, Vietnam’s relations with the US may enjoy another significant boost.

• Trends in the triangle relationship and the broader regional context suggest that China’s South China Sea strategy is backfiring, undermining its moral authority and ultimately its legitimacy for regional leadership. China should accelerate the conclusion of a legally binding Code of Conduct in the South China Sea and strictly restrain itself from coercive measures. Escalatory actions will only make its fear of a US-led strategic encirclement a self-fulfilling prophecy.

• For the US, this is the right time to accelerate its rapprochement with Vietnam. The US should continuously nurture mutual trust by fully respecting Vietnam’s political system and assuring Vietnamese leaders that the US will always take Vietnam’s interests into consideration in negotiations with China. Washington should not allow human rights issues to impede bilateral strategic cooperation.

• The broader region will be observing Ha Noi’s efforts to deepen ties with other major countries and like-minded ASEAN partners as it hedges against excessive reliance on Washington. The outcome of this effort will largely be determined by how regional countries perceive the China threat.

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INTRODUCTION

CPV General Secretary Nguyen Phu Trong’s recent visit to Washington has been praised by both sides as a “historic” landmark in bilateral relations (The White House, 2015). However, in order to gain a more nuanced evaluation of the visit’s significance, the visit needs to be considered within the broader regional context, and against the backdrop of recent changes in the Vietnam-US-China triangle.

This paper seeks to analyze the new dynamics in this triangular relationship and their implications. By adopting a three-level analysis approach, it will examine three of the most important factors at the systemic, national and sub-national levels which currently shape the relationship from a Vietnamese perspective. These factors are the increasing strategic competition between the US and China, the level of strategic trust between Vietnam and the two powers, and Vietnam’s domestic political and economic developments.

The paper is divided into four sections. The first three analyze the mentioned dynamics, while the final section discusses possible implications for the region. The paper argues that new dynamics in the triangle are conducive to the improvement of Vietnam-US relations while unfavourable for Hanoi’s ties with Beijing. Vietnam’s relations with the US will therefore improve significantly, while its relations with China will suffer significant setbacks. However, these trends may still be constrained by traditional factors shaping Vietnam’s foreign policy, such as ideological considerations and Vietnam’s wish to maintain a balance between the two great powers.

SYSTEMIC LEVEL: INTENSIFYING STRATEGIC COMPETITION BETWEEN THE US AND CHINA

US-China strategic competition is on the rise, and the two countries seem to be heading towards a Cold-War style rivalry, characterized by an intense contest for zones of influence and, to a lesser extent, for military supremacy. The only difference is that outright confrontation is deliberately being avoided, at least for the time being, due to their complex interdependence in many realms.

China’s determination to expand its footprint worldwide and to challenge American primacy through its military buildup and such initiatives as the Asian Infrastructure Development Bank (AIIB), the One Belt – One Road (OBOR) project, or the building of massive artificial islands in the South China Sea, shows its departure from Deng Xiaoping’s mantra of “tao guang yang hui” (hide our capabilities and bide our time). The Chinese leadership, especially under Xi Jinping, seems to have come to believe that while China’s power has come of age, that of the US is declining. They are confident that it is now time for China and its people to aspire for the “Chinese Dream”, and to forge a new international order more conducive to its interests and commensurate with its rising power. Such aspirations, however, have raised concerns not only in Washington, but also in regional capitals, including Hanoi.

Meanwhile, Washington’s determination to preserve its global primacy, especially in the Asia-Pacific region, has informed its hardening stance against Beijing. To most observers, US key regional initiatives, such as the strategic rebalancing to the Western Pacific and the Trans-Pacific Economic Partnership Agreement, all have been launched with China as the hidden
primary target. The US has also worked quietly to expand and strengthen its network of regional allies and partners to gain a strategic upper hand over China. Against this backdrop, Southeast Asia has emerged as an arena for the two powers’ strategic competition. Vietnam, in particular, has become a natural target for both powers’ diplomatic manoeuvres.

After the Haiyang Shiyou (HYSY) 981 oil rig crisis in 2014, China tried to restore its relationship with Vietnam by inviting CPV General Secretary Nguyen Phu Trong to visit Beijing in April 2015. China accorded Mr. Trong the highest level of protocol with a 21-gun salute. During the visit, while trying to address tensions over the South China Sea, the two sides also put an emphasis on economic cooperation. They agreed to establish two working groups on infrastructure development and financial cooperation (BBC Vietnamese, 2015; Voice of Vietnam, 2015). These agreements seem to serve China’s purpose of promoting the AIIB and its renminbi internationalization project, but Vietnam also stands to benefit. For example, the two sides agreed to include Vietnam’s northern port of Hai Phong in China’s Maritime Silk Road initiative (Nikkei Asian Review, 2015). In addition, three major infrastructure projects that may receive Chinese funding, namely the Lao Cai-Ha Noi-Hai Phong high-speed railway, the Lang Son-Ha Noi highway, and the Mong Cai-Ha Long highway, were also discussed (Voice of Vietnam, 2015). More offers may also be made by China during President Xi’s visit to Ha Noi later this year.

On the part of Washington, its efforts to deepen ties with Ha Noi have also brought about positive results. These efforts are focused on both economic and strategic aspects. On the economic front, Washington has been successful in securing Vietnam’s participation in the TPP even when the agreement contains “sensitive” provisions, especially regarding labour rights and Vietnam’s state-owned enterprises. The increase in bilateral trade and US investments in Vietnam has also cemented the economic foundation of bilateral ties and further consolidated the US position as a key economic partner of Vietnam. 1 Meanwhile, Washington’s attempts to forge a closer strategic relationship with Ha Noi led to its pledge in 2013 to provide US$18 million for Vietnam to purchase patrol vessels, and its decision in October 2014 to partially lift its ban on lethal weapon sales to the country. Broader frameworks for bilateral strategic cooperation have also been set up. The two sides concluded a Memorandum of Understanding on defence relations in 2011, which was later supplemented by a “Joint Vision Statement” announced in June 2015. The enhanced defence cooperation with the US certainly makes Vietnam-US relations more comprehensive than Vietnam-China relations. Ha Noi currently has no meaningful defence and strategic ties with Beijing due to the South China Sea disputes.

Given the rising strategic competition between the two major powers, it is in Vietnam’s interest to maintain a balance between them. However, such an option is becoming harder for Vietnam to pursue. Due to China’s growing assertiveness in the South China Sea, Ha Noi finds it increasingly difficult to promote its relationship with Beijing but more comfortable, even necessary, to forge a closer relationship with Washington. And while the strategic interests of Vietnam and China become increasingly incompatible, those between Vietnam and the US

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1 For example, Vietnam’s exports to the US in 2014 amounted to US$28.66 billion, accounting for almost 20 per cent of the country’s total exports. By 2014, the US had also become the seventh largest foreign investor in Vietnam, with the stock of registered capital reaching more than US$10 billion.
have converged steadily, for which Washington’s deepened involvement in the South China Sea disputes is a case in point.\(^2\)

Therefore, while Vietnam is open to diplomatic manoeuvres by both Washington and Beijing, the South China Sea disputes and China’s increasing assertiveness tend to push Ha Noi further away from Beijing and closer to Washington.

**NATIONAL LEVEL: STRATEGIC TRUST BETWEEN VIETNAM AND THE TWO GREAT POWERS**

The increasing level of mutual trust between Vietnam and the US perhaps embodies the most important development in bilateral relations in recent years.

Since bilateral normalization in 1995, the CPV’s suspicion of US intentions to subvert its regime has been a major obstacle to the development of bilateral ties. For example, official documents of the Party have long identified “peaceful evolution” by “hostile forces” as one of the major threats to regime security. In 2009, the Secretariat of the CPV’s Central Committee issued Directive 34-CT/TW on “stepping up the fight against the scheme of ‘peaceful evolution’ in the fields of culture and ideology”. A follow-up document prepared by the CPV’s Central Department of Propaganda and Education guiding the implementation of the Directive identified some US initiatives as part of its “peaceful evolution” scheme against the regime. Specifically, the document argued that the US wish to send volunteers of the Peace Corps\(^3\) to Vietnam signified its plan to sow the seeds of a “color revolution” in the country. Meanwhile, US education assistance, such as the Vietnam Education Fund (VEF) and the Fulbright Economic Teaching Program, was seen as a disguised tool to “transform” Vietnam politically by producing a generation of pro-American and pro-Western intellectuals.\(^4\)

However, by 2015, such perceptions seem to have subsided. During Mr. Trong’s visit to Washington in July, Vietnam granted a license for the establishment of the Fulbright University Vietnam, which is an outgrowth of the Fulbright Economic Teaching Program and partly funded by the US Department of State. The university is reported to adopt American curriculums and enjoy a greater level of autonomy than its Vietnamese counterparts (Thanh Tuan, 2015). Meanwhile, during his first-ever visit to the US in March 2015, Minister of Public Security Tran Dai Quang confirmed that Vietnam would allow the U.S. Peace Corps to operate in the country (Vuving, 2015). And last but not least, to many observers, the most important indication of the growing trust between the two countries is the expansion and deepening of military cooperation.

The enhanced level of mutual trust results from efforts by both sides, especially the US commitment to respect the VCP’s domestic political interests. For example, in the Joint Statement by President Barack Obama and President Truong Tan Sang which established the

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\(^2\) While the US involvement is seen by Vietnam as an important counterweight to China’s growing power and unchecked ambitions, the US considers its involvement as a means both to strengthen ties with Vietnam and other ASEAN claimant states, and to protect its long-standing interests in the South China Sea, especially freedom of navigation and over-flight.

\(^3\) The Peace Corps is a government-run volunteer organization established in 1961. More information about the organization is available at <http://www.peacecorps.gov/about/>

\(^4\) The full text of the document (in Vietnamese) is available at: <http://www.viet-studies.info/kinhte/DeCuongTuyenTruyen.pdf>
bilateral comprehensive partnership in 2013, the two sides underscored that they would respect “each other’s political systems” (The White House, 2013). The same commitment was also repeated in the Joint Vision Statement during Mr. Trong’s visit to the US (The White House, 2015).

Vietnamese leaders’ lessened paranoia about the US “peaceful evolution” may also have derived from their changed perception of the threats and interests presented by a deepened Vietnam-US relationship. While the “peaceful evolution” is a vague threat that may never actualize, stronger ties with Washington offer tangible immediate benefits such as trade, investment, and military cooperation. These factors contribute to Vietnam’s economic performance and its better position vis-à-vis China in the South China Sea. From the Vietnamese leadership’s perspective, Washington’s warm reception of Mr. Trong also indicated that the US acknowledged the VCP’s rule in Vietnam, which ultimately boosts the CPV’s domestic political legitimacy. These considerations further weaken their perception of the US as a threat to the regime.

Contrary to the positive developments in Ha Noi’s ties with Washington, its relationship with Beijing is suffering from an increasing trust deficit. This largely results from China’s growing assertiveness and coercion in the South China Sea. Especially, the HYSY 981 oil rig crisis in 2014 dealt a major blow to Vietnamese leaders’ confidence in their Chinese counterparts and deepened their perception of the China threat. China’s massive artificial island building in the Spratlys right after the oil rig crisis, during a time when the two sides were supposed to be mending their relations, caused the strategic trust between the two countries to further deteriorate.

It is no coincidence that the CPV has recently tolerated an increasingly anti-China discourse in the official media. Major media outlets now regularly carry news reports, op-eds and commentaries that directly criticize China’s expansion in the South China Sea. The commemoration of military clashes between the two countries, such as the 1974 Paracels battle, the 1979 border war, the 1984 Vi Xuyen battle, or the 1988 naval clash in the Spratlys, was once a taboo but is now allowed. To a certain extent, Vietnam’s increasing overture to the US as well as Japan and India also indicates its declining trust in China.

In other words, Vietnam’s “balance of trust” between China and the US now tips in the latter’s favor. This is a gradual yet significant shift. After the Tiananmen crackdown in 1989, for example, some Vietnamese leaders believed that “no matter how expansionist it is, China remains a socialist country”\(^5\), and that Vietnam should “join hands with China at any cost to protect socialism, repulse the United States and other imperialist forces” (Co, 2003, pp. 31-32). This belief led the Vietnamese leadership to consistently pursue normalization with China despite the 1988 Spratlys naval clash that happened shortly before that.\(^6\) Today, such thinking has become irrelevant. The CPV’s regime has consolidated itself after three decades of reforms under Doi Moi, and Vietnam’s international status has also improved significantly, giving Ha Noi more room to resist Beijing’s pressures. More importantly, China’s rise and its

\(^5\) Such a judgement is controversial. The Tiananmen crackdown did not necessarily show that China was “a socialist country”. It may simply have indicated the Communist Party of China’s determination to safeguard their rule.

\(^6\) During the clash, China destroyed three Vietnamese naval vessels and killed 64 Vietnamese sailors. That same year, China established for the first time its presence in the Spratlys by occupying a number of features there.
growing coercion in the South China Sea have forced Ha Noi to appeal to nationalism, which serves as an increasingly important pillar in its current legitimation strategy. As such, it is national interests rather than ideological considerations that now dictate the country’s foreign policy making. Such a shift also tends to play in Washington’s favour at the expense of Beijing’s.

SUB-NATIONAL LEVEL: VIETNAM’S DOMESTIC ECONOMIC AND POLITICAL SITUATION

Vietnam’s economy has been experiencing a slowdown since 2008. Specifically, from 2008 to 2014, the country registered an average annual GDP growth rate of 5.8 per cent, significantly lower than the 7.6 per cent achieved in the 2000-07 period. Against this backdrop, Vietnam has been aggressively pursuing free trade agreements (FTA), including the TPP, not only to boost exports and attract more foreign investment, but also to provide an impetus for domestic economic reforms, especially regarding SOEs. The TPP, with such regulations as the “yarn forward” rules of origin, is also expected to reduce Vietnam’s trade deficit vis-à-vis China and its heavy dependence on the northern neighbour for material imports. As a result, if the TPP comes into effect, although China may remain Vietnam’s top economic partner for the foreseeable future, its relative importance to Vietnam will be reduced by the expected deepening of economic ties between Ha Noi and Washington.

Politically, China’s growing assertiveness in the South China Sea and bilateral tensions over the disputes have caused nationalist sentiments in Vietnam to run high. For example, in a 2014 survey carried out by the Pew Research Centre, while three-quarters of Vietnamese surveyed (76%) expressed a favourable opinion of the US, China was viewed by respondents as the greatest threat to the future of the country, and a majority of them (84%) worried that the South China Sea disputes could lead to a military conflict (Pew Research Center, 2015a). Similarly, according to another survey released on 23 June 2015, nearly three-quarters of Vietnamese respondents (74%) said it is more important to be tough with China on territorial disputes than it is to have a strong economic relationship (17%) with their neighbour to the north (Pew Research Center, 2015b). Against this backdrop, Vietnamese leaders will be tempted to appeal to nationalist sentiment to stay popular. To put it a different way, while Vietnamese leaders would not wish to be seen openly as “pro-China” or “pro-America”, carrying the latter tag may be less damaging, or even prove favourable in certain cases, to their political standing.

Another domestic development that may have important implications for Vietnam’s future relations with both China and the US is the CPV’s 12th national congress and the election of its new leadership next year. In preparatory congress documents released for party members’

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7 The rules require Vietnam to use a TPP member-produced yarn in textiles in order to receive duty-free access to TPP member markets. As China is not a TPP member, while Vietnam depends heavily on China for yarn and textile materials, the TPP has prompted a surge of foreign investment in Vietnam’s textile industry. In the long run, such developments may help reduce Vietnam’s imports of textile inputs from China.

8 In 2014, China accounted for 29.6 per cent of Vietnam’s total imports, and Vietnam ran a trade deficit of US$28.96 billion vis-à-vis China (General Department of Customs, 2014).

9 The surveys’ sample size is 1,000, but the Center does not specify its composition or respondents’ background. More information about the surveys’ methodology is available at: <http://www.pewglobal.org/international-survey-methodology/?year_select=2015>

10 For example, Mr. Trong’s visit to America has been perceived positively by the public, including the overseas Vietnamese communities, and helps improve his personal image. Unconfirmed reports reveal that President Truong Tan Sang and National Assembly Speaker Nguyen Sinh Hung may also visit America later this year.
preview and comments, the South China Sea disputes have been specifically described as being “complex, intense and highly unpredictable” (phục tạp, gay gắt và rất khó lường). The documents also acknowledge that “the protection of national sovereignty and territorial integrity [...] is facing many difficulties and challenges”. Such views imply the CPV’s growing awareness of the threats that the South China Sea disputes present for the country. They may also lead to a harder stance by Vietnam on the issue in the future, which possibly includes, among other things, a continued strategic alignment with the US.

In terms of leadership transition, if Prime Minister Nguyen Tan Dung becomes the new CPV General Secretary, Vietnam’s relations with the US may enjoy another boost. Mr. Dung, who routinely presents himself as a nationalist leader, has publicly spoken out against China’s expansion in the South China Sea on numerous occasions, including the famous statement that Vietnam will not trade its sovereignty and territorial integrity for an “illusionary friendship” [read: with China] (VnExpress, 2014). The rather liberal domestic agenda under his premiership also resonates better with Washington than Beijing. Moreover, his family members’ personal connections with the West in general and the US in particular may also positively influence his view on the US as well as Ha Noi’s relations with Washington. In case some person other than Mr. Dung takes over the CPV’s helm, the factors analyzed above will still likely cause him or her to lean more towards the US.

IMPLICATIONS FOR THE REGION

New dynamics in Vietnam’s relations with China and the US have important implications for not only the two powers, but also the broader region.

For China, this trend means that its South China Sea strategy is backfiring. Its artificial island building in the Spratlys, in particular, is deepening the perception of the “China threat” not only in Ha Noi but also in many other regional capitals. Beijing’s preference for “hard power” over “soft power” will further undermine its moral authority and ultimately hurt its legitimacy for regional leadership. Its worsened relationship with Vietnam and the region’s growing suspicion of China’s strategic ambitions are cases in point. Now with China’s artificial islands completed, the chances of restoration of mutual trust between Ha Noi and Beijing will diminish. However, China’s willingness to conclude a legally binding Code of Conduct in the South China Sea and its strict self-restraint from coercive measures may still help. On the contrary, escalatory actions such as militarizing the artificial islands and establishing an Air Defence Identification Zone (ADIZ) in the South China Sea will do irreparable damage to China’s relations with Vietnam as well as the whole region. Beijing’s fear of a US-led strategic encirclement will then become a self-fulfilling prophecy.

11 Even documents of the 11th Congress (2011) did not mention the South China Sea disputes specifically, but used the generic term “territorial and maritime disputes” instead.
12 Dung is now the strongest candidate to become the next CPV General Secretary. For an analysis of Vietnam’s forthcoming leadership transition, see Hiep (2015).
13 For example, in the economic realm, Dung promoted SOE reforms, deregulation and equitization, and sought to expand the country’s international economic integration through FTAs. Politically, he called for a greater level of democracy for the country, stating that “democracy is an objective trend in the evolutionary process of human societies” (Vietnam Government Portal, 2014). Dung also proposed a law on demonstration, which was received positively albeit with some suspicion, by the country’s democracy and human rights activists.
14 Dung’s son-in-law is a Vietnamese American businessman, and all his children were educated in the West (specifically the US, Switzerland, and the UK).
For the US, this is the right time to accelerate its rapprochement with Vietnam. The growing trust between Ha Noi and Washington, Ha Noi’s deepened suspicion of Beijing, and Vietnam’s domestic conditions provide the right catalysts for Washington to engage Ha Noi in a more meaningful and substantive relationship that best serves the national interests of both countries. The most important rule for the US to observe is to continuously nurture mutual trust by fully respecting Vietnam’s political system and assuring Vietnamese leaders that the US will always take Vietnam’s interests into consideration in any negotiation with China. Further steps to promote bilateral strategic relations such as helping Vietnam to enhance its maritime capacity, engaging Vietnam in US-led regional security initiatives, or completely removing the outdated ban on lethal weapon sales to the country should be considered. In terms of human rights, to be fair, there are many things Vietnam should improve, but it has indeed made considerable progress over the past few years. Therefore, while Washington, for various reasons, may want to maintain pressures on Ha Noi’s human rights record, it should not allow the issue to impede bilateral strategic cooperation. A harsh stance on the issue may backfire as it will encourage Ha Noi to use the issue as a bargaining chip in its dealings with Washington.

Dynamics in Vietnam-US-China relations also reflect key currents in regional geopolitics, most notably regional countries’ strategic (re-)alignments to deal with China’s rise, and the intensifying major power competition, especially between the US and China. However, it would be naïve to believe that Vietnam’s relations with the US are driven only by the China factor. Other important mutual interests, such as trade, investment, or education cooperation, are also involved. At the same time, Vietnam’s relations with China will not completely be dictated by the South China Sea disputes, and economic cooperation with China still matters greatly for Ha Noi. Therefore, Vietnam’s strategic re-alignment with the two major powers will continue to be an incremental transformation rather than a paradigm shift, depending largely on Ha Noi’s perception of the China threat in the South China Sea. To hedge against possible consequences of over-relying on Washington, Ha Noi will also seek to deepen its ties with other major countries in the region, especially Japan, India and like-minded ASEAN partners. The outcomes of such efforts, again, will largely be determined by how regional countries perceive the China threat, a puzzle to which China itself holds the answer.

CONCLUSION

An analysis of new dynamics in the Vietnam-US-China triangle suggests that, at least in the short run, Vietnam’s relations with the US enjoy strong prospects for further development, while its relations with China will suffer significant setbacks.

These new dynamics, however, may still be constrained by traditional factors shaping Vietnam’s foreign policy. For example, while ideological considerations may be becoming less

15 Historical lessons have taught Vietnam to be cautious in promoting relations with one great power at the expense of another. The 1954 Geneva Accords or US inaction during China’s invasion of the Paracels in 1974 are two cases in which Vietnam’s national interests were betrayed by its allies. Vietnamese officials are currently very sensitive to the possibility of the US negotiating with China behind its back. For example, when Chinese officials boasted that China and the US were working to formulate a “new type of great power relations”, Vietnamese officials approached their American counterparts on many occasions for information and clarification.
relevant in Vietnam’s foreign policy making, they still matter.\textsuperscript{16} Similarly, although the coming leadership transition bears some implications for Vietnam’s foreign relations, one should not exaggerate the individual role of Vietnamese political leaders, be it Prime Minister Dung or anyone else, in the making of the country’s foreign policy. Vietnam’s China and US policies will continue to be collectively determined by the CPV Politburo, which makes any policy changes regarding the two powers subject to thorough deliberations, and hence gradual rather than radical. Moreover, although the geopolitical gravity currently tends to push Vietnam away from China towards the US, such a trend is still constrained by Vietnam’s long-standing wish to maintain a balance between the two powers.

\textbf{References}


\textsuperscript{16} For example, Mr. Bui The Giang, a senior official in the CPV Commission for External Affairs, cautioned that although Mr. Trong’s visit to America represents a “turnaround” in Vietnam-US relations, it does not necessarily lead to a “turnaround in everyone’s thinking”. He therefore concluded that, due to differences in their political systems, there is still a long way for the two countries to go to further promote their cooperation in the future (Vietnamnet, 2015).


