Obama’s Visit to Vietnam Gave Many Important Immediate and Long-term Outcomes

Le Hong Hiep

EXECUTIVE SUMMARY

- The milestone visit by US President Barrack Obama to Vietnam on 22-25 May 2016 gave immediate and important results.

- Most noteworthy was the decision by the US to fully lift its long-standing lethal arms embargo on Vietnam. Other significant outcomes include Vietjet’s contract to buy 100 aircraft from Boeing; Vietnam’s granting of a license for the establishment of the US-funded Fulbright University Vietnam; and Vietnam’s formal permission for the US Peace Corps to operate in the country.

- The military impact of the lifting of the embargo is limited, however, as Vietnam is unlikely to enter into any major arms deal with the US any time soon. For now, instead of importing US weapons, Hanoi will probably focus on acquiring US military equipment to enhance its maritime capabilities.

- However, the indication of a stronger rapprochement between the two countries, tending towards a de facto security partnership, has political and strategic implications that are more important than military ones.

- This should worry China more than the arms that Vietnam may purchase from the US after the ban is removed.

- The lifting of the ban will have minimal military impact on other ASEAN member states, however, and the deepened relationship between Hanoi and Washington can be expected to either add momentum to the strengthening of US-ASEAN ties or further polarize ASEAN countries, especially if Beijing responds by expanding its strategic influence over some of them.

* Le Hong Hiep is a Fellow at ISEAS-Yusof Ishak Institute, Singapore, and Lecturer at the Faculty of International Relations, Vietnam National University, Ho Chi Minh City.
INTRODUCTION

US President Barack Obama’s official visit to Vietnam on 22-25 May 2016 marks yet another milestone in the improvement of Vietnam-US relations. What the two former Cold War enemies achieved during the trip has brought them closer together than ever before, thereby laying the foundation for a stronger and more substantive partnership. In particular, the higher level of mutual trust has made them more comfortable in pursuing closer security and defense cooperation, and holds significant implications for the whole region.

This essay assesses the visit’s major outcomes and their implications. It reviews recent developments in the maturing partnership between Vietnam and the United States; considers the most important economic, political and strategic outcomes of President Obama’s visit; and offers an in-depth analysis of the US lifting of its lethal arms embargo on Vietnam by examining the major reasons for Washington’s decision and its implications for bilateral relations and for the wider region.

VIETNAM-US RELATIONS BEFORE THE VISIT: A MATURING PARTNERSHIP

Vietnam-US relations have progressed steadily since bilateral normalization in 1995. On the political front, high-level visits between the two countries have become more frequent. Before President Obama, Presidents Bill Clinton and George W. Bush had also visited the country, in 2000 and 2006 respectively. Vietnamese leaders have also made calls on Washington on a frequent basis. In June 2005, Mr. Phan Van Khai became the first Prime Minister of Vietnam to pay an official visit to the US since the end of the Vietnam War. Other official visits by Vietnam’s top leaders include those by President Nguyen Minh Triet in 2007 and Prime Minister Nguyen Tan Dung in 2008. The progress in bilateral relations culminated in the establishment of a “comprehensive partnership” between the two countries in July 2013 during a visit by President Truong Tan Sang to the US. However, the most significant visit by a Vietnamese leader to Washington so far has been that by Communist Party of Vietnam (CPV) General Secretary Nguyen Phu Trong in July 2015. Mr. Trong was the first communist party boss to ever set foot in the US, and his visit signified a new high in bilateral relations and an unprecedented show of mutual trust between the two former enemies.

The two countries have also made a lot of progress in terms of economic relations. They signed a Bilateral Trade Agreement in July 2000, which has helped bilateral trade to grow exponentially. The US has since become Vietnam’s largest export market. In 2015, for example, Vietnam’s exports to the US amounted to $33.48 billion, accounting for more than 20 per cent of its total exports. Meanwhile, US exports to Vietnam also increased 23.8 per cent in the same year to reach $7.8 billion (General Department of Customs, 2016). In terms of investments, the US is now Vietnam’s eighth largest foreign investor with the accumulative stock of registered capital reaching $11.3 billion by the end of 2015 (Foreign Investment Agency, 2015). Bilateral trade and investment may be promoted even further if the Trans-Pacific Partnership (TPP), of which both the US and Vietnam are members, comes into force.
Although bilateral security and defense cooperation was strengthened only recently, it has attracted a lot of international attention and promises to be an area where deeper ties between the two can be fostered. The two sides concluded a Memorandum of Understanding on defense relations in 2011, later supplemented by a “Joint Vision Statement” announced in June 2015. The statement called for, among other things, an expansion of defense trade between the two countries, “potentially including cooperation in the production of new technologies and equipment, where possible under current law and policy restrictions” (Mehta, 2015). Washington also pledged in 2013 to provide US$18 million for Vietnam to purchase patrol vessels, and decided in October 2014 to partially lift its long-standing ban on lethal weapon sales to the country. The US also included Vietnam in the Maritime Security Initiative (MSI) announced by Defense Secretary Ashton Carter at the Shangri La Dialogue in May 2015. According to the Initiative, the US will provide $425 million to assist the Philippines, Vietnam, Indonesia, and Malaysia to enhance their maritime capacity. In November 2015, the White House further elaborated on the plan, saying that it would seek to increase its maritime programme assistance for Vietnam to $19.6 million in financial year (FY) 2015 and $20.5 million in FY 2016, thereby helping Vietnam bolster its maritime Intelligence, Surveillance, and Reconnaissance (ISR), and command and control within its maritime agencies. Under the Initiative, the US will also seek to expand bilateral training and exercises, focusing on disaster relief and humanitarian issues (The White House, 2015).

In addition, Vietnam-US relations have also been gaining breadth and depth through cooperation in areas such as education, science and technology, health, people-to-people exchanges, human rights, humanitarian, and war legacy issues. Be that as it may, the most notable trend in bilateral relations in recent years is perhaps the growing level of political trust between the two former enemies thanks to their joint efforts, especially the US commitment to respect the CPV’s domestic political interests. For example, since 2013, the two sides have been underscoring the commitment to respect each other’s political systems in each and every joint statement their leaders have made, including the most recent one issued during Mr. Obama’s visit to Vietnam. Such a commitment helps dispel the long-standing suspicion held by some conservatives in Hanoi that the US still harbours a scheme to overthrow the CPV regime through its intensified interactions with Vietnam. The strengthened mutual trust is a valuable asset for bilateral ties, because, as both sides acknowledged, “trust plays a crucial role in enabling sustainable, healthy, and long-term friendship and cooperation” between the two countries (The White House, 2016a).

MAJOR OUTCOMES OF THE VISIT

President Obama’s visit to Vietnam has produced some significant agreements, reflecting a wide range of growing common interests between the two countries as well as their wish to deepen ties in a more substantive manner.

Economic outcomes

The most important economic issue addressed during the visit was the TPP. Both sides stressed that the deal is “economically and strategically important, and would promote trade and investment between them, accelerate inclusive economic growth, and create jobs”. Indeed, Vietnam has high hopes for the TPP and expects to be the biggest winner among
members of the agreement. Earlier this year, the CPV Central Committee voted to endorse the ratification of the TPP, and it is likely that the new National Assembly, which was elected on the very day Mr. Obama arrived in Hanoi, will ratify the agreement during its first session in July. Yet, the US also wanted to make sure that Vietnam does not take the benefits for granted. It would like Vietnam to fully implement the deal in good faith, including rather “sensitive” provisions regarding SOE reforms and independent labour unions. As a result, during Mr. Obama’s visit, the United States also “pledged to support Vietnam through robust technical assistance and capacity-building programs to effectively implement and meet the high standards of the TPP”. However, the key question now is whether the TPP will be ratified by the US at all. Although Mr. Obama championed the TPP during his visit, whether he can push it through the Congress before he leaves the White House still hangs in balance.

Nevertheless, even without the TPP, the two countries can still work to promote their economic ties, for which the deal between Vietjet and Boeing inked during the visit is a primary example. The deal, in which Vietjet committed itself to buy 100 Boeing passenger aircraft and Pratt & Whitney engines worth $11.3 billion, is the biggest commercial deal ever between the two countries. It testifies to the win-win nature of the relationship, thereby helping to dispel the misperception held by some American critics that Vietnam is benefiting more than the US from the relationship. The deal may also encourage American businesses to promote bilateral ties as well as support the current administration’s international trade policies, which are being questioned by opponents of the TPP.

However, during Obama’s trip, Vietnam once again failed to secure US recognition of its market economy status. This means Vietnamese exporters will likely continue to face more anti-dumping court cases in the US in the future. On its part, the US may continue to delay its decision to recognize Vietnam as a fully market economy to maintain its leverage on Vietnam’s domestic economic reforms, and to ensure that Hanoi will abide by all its obligations under the TPP. Moreover, given the considerable similarities between the Vietnamese and Chinese economies, it is unlikely that Vietnam will be recognized by the US as a market economy before China is, unless Vietnam makes substantial market reforms in the coming years to meet Washington’s standards. Nevertheless, the problem is unlikely to be a major obstacle to bilateral economic relations as had been the case in past decades.

Political outcomes

Mr. Obama’s visit has also resulted in strengthened political ties between the two countries. During the trip, he met all the top four leaders of Vietnam. On various occasions, he stated that the US would respect Vietnam’s political system, and that it did not seek to impose its form of government on Vietnam (The White House, 2016b). US good will was reciprocated by the Vietnamese government when it decided to grant the license for the establishment of Fulbright University Vietnam (FUV) and allow US Peace Corps volunteers to teach English in Vietnam for the first time.

It was ironic that although both initiatives would have immensely benefited Vietnamese people, especially the younger generation, the Vietnamese government had delayed them for some time over security concerns. Specifically, while the US government wanted the FUV to be totally independent in designing its curriculum as a condition for US financial
assistance for the University, the Vietnamese government wanted the FUV to include some “ideological” courses, such as those on Marxism-Leninism, or the CPV’s history and Ho Chi Minh’s Thoughts, in its curriculum. Vietnam’s ideologues are concerned that if the FUV is exempted from such courses, it will send an unintended message that encourages other universities to raise similar demands. In the end, however, when granting the license to the FUV, the Vietnamese government apparently made a concession and gave the University the independence and “flexibility” it needs to design its curriculum.

Where the Peace Corps is concerned, its anti-communist origins had been a cause for security concerns for Vietnamese authorities. President J.F. Kennedy established the organization in 1961, hoping that its volunteers sent to Third World countries could help promote the US image and stem the growth of communism there (U.S. National Archives and Records Administration). Consequently, Vietnam’s security agencies have long been suspicious of US motives in trying to send its volunteers into the country. Vietnam is particularly worried that the organization can serve as a cover for US spying activities, and a support base for Vietnam’s civil society and rights activists. The permission for the organization to operate in the country therefore indicates pragmatism in Vietnam’s approach to the issue: gain benefits while containing possible costs. The decision can send a positive message about Vietnam’s good will and provide Vietnamese people with the chance to access quality English courses at almost no cost. At the same time, the Vietnamese government can still impose certain conditions on Peace Corps operations to minimize possible negative impacts on the regime’s security. For example, for the time being, Peace Corps volunteers are allowed to operate in Hanoi and Ho Chi Minh City only, where the authorities can more easily supervise their activities.

**Strategic outcomes**

During President Obama’s visit, the two sides reaffirmed their commitment to strengthen bilateral defense cooperation as outlined in the 2011 MOU and the 2015 Joint Vision Statement on Defense Relations. They also stressed that priority will be given to humanitarian cooperation, war legacy, maritime security, peacekeeping, and humanitarian assistance and disaster relief (The White House, 2016a). Yet, the most discussed outcome of the visit in terms of defense cooperation has been the US decision to fully lift its long-standing lethal arms embargo on Vietnam. The ban, which was officially imposed on Hanoi in 1984 under the Reagan administration, can be seen as the last vestige of the Cold War hostilities that used to govern bilateral relations. As such, the US lifting of the ban indicates the full normalization of bilateral relations and prepares the two countries for more substantive and meaningful defense cooperation measures in the future. A more detailed analysis of the decision’s implications, for both countries as well as the region, will be provided in the next section.

During the visit, the two sides also signed a letter of intent to establish a working group for the Cooperative Humanitarian and Medical Storage Initiative (CHAMSI). The move represents yet another practical step for the two sides to advance their defense cooperation in a substantive manner. This is just the very initial phase of the initiative, and it may take some time for the working group to work out specific details, such as the location of the facility, and the equipment to be stored. As expressly indicated by the name of the initiative, the facility will mainly be designed for humanitarian purposes. However, it may still have
some military implications, especially if some of the equipment has dual-use functions. More importantly, the initiative can help boost mutual trust and provide the two sides with more first-hand experience in working together on substantive issues. It can also be seen as a pilot project that, once successfully implemented, can help both sides become more familiar with each other’s working modalities and more confident in exploring other projects of greater substance.

THE LIFTING OF THE US ARMS EMBARGO AND ITS IMPLICATIONS

The US decision to fully remove its long-standing lethal arms embargo on Vietnam may seem to be the natural outcome of the firming-up of bilateral relations in recent years. However, the decision should not be taken for granted as both sides did have to invest considerable efforts in bringing it about.

Major reasons for the removal of the embargo

First, the decision was partly driven by the US wish to open up the Vietnamese market for its arms manufacturers. According to recent statistics from the Stockholm International Peace Research Institute (SIRPI), Vietnam’s total arms imports during 2011-2015 represented a 699 per cent increase from 2006-2010, turning Vietnam into the eighth largest arms importer in the world during the same period (Reuters, 2016; SIPRI, 2016). However, Russia has long dominated arms supply for Vietnam, accounting for up to 90 per cent of the latter’s arms imports in recent years. Therefore, removing the ban can give US arms manufacturers an opportunity to penetrate the Vietnamese market. Indeed, before President Obama’s visit, the US embassy in Hanoi and the Vietnamese Ministry of Defense quietly organized a Vietnam-US Defense Industry Symposium on 11-13 May 2016. The Symposium, attended by leading US arms manufacturers such as Boeing and Lockheed Martin (Reuters, 2016), helped these firms learn from Vietnamese officials and procurement firms about Vietnam’s anticipated defense and security project needs. It also enabled these firms to directly market their products to their Vietnamese counterparts through matchmaking sessions. The subjects covered by the Symposium mainly focused on maritime and surveillance capabilities, reflecting Vietnam’s preoccupation with the South China Sea disputes. The US wish to tap the Vietnamese market also dovetailed with Hanoi’s efforts to diversify its arms sources to meet its increasing demand as well as to minimize the vulnerabilities arising from its heavy dependence on Russia for arms imports.

Second, the lifting of the ban was also partly facilitated by Vietnam’s concessions in some other issues. Apart from Vietnam’s abovementioned decisions to grant the license to the FUV and to allow the Peace Corps to operate in Vietnam, Hanoi also released Father Thadeus Nguyen Van Ly, a veteran political dissident, from prison on 20 May. Father Ly was named in an appeal that more than a dozen human rights groups had sent to Mr. Obama, in which they urged him to press Hanoi to release political prisoners before his trip. It seemed Hanoi’s concessions were part of the “package deal” that helped Washington justify its lifting of the ban to its domestic constituencies.

Finally, the lifting of the ban was also driven by Washington’s strategic calculations in the South China Sea. Vietnam is seen by the US as an increasingly important linchpin in its
rebalance strategy towards the Western Pacific. China’s growing assertiveness in the South China Sea as well as its increasingly open efforts to challenge the US-led regional order, in particular, have strengthened Washington’s desire to help enhance the military capabilities of its regional allies and emerging partners. In Washington’s perspective, if these countries become stronger, more prosperous and independent, they can help offset China’s growing weight, thereby contributing to the maintenance of the regional order, and thus US primacy in the region. US strategic calculations, again, converge with Vietnam’s wish to strengthen its ties with regional powers to enhance its strategic position and bargaining leverage vis-à-vis China in the South China Sea. The US lifting of the arms embargo on Vietnam is therefore a logical move that well serves the strategic interests of both countries.

**Bilateral and regional implications**

The lifting of the embargo is a significant development in bilateral ties. It not only marks the full normalization of bilateral relations, but also indicates a stronger rapprochement and a higher level of mutual trust between the two former enemies. As such, the two are now in a better position to pursue more substantive measures of cooperation in the future, especially in sensitive areas such as security and defense. In that sense, the move helps to consolidate the strategic foundation of bilateral relations, which is all the more important given the two countries’ efforts to edge towards a de facto, albeit embryonic, security partnership.

In terms of military implications, however, the lifting will remain a largely symbolic move, at least for the time being. Vietnam is unlikely to enter into a major arms deal with the US any time soon due to both technical and financial reasons.

Most of Vietnam’s existing weapon systems are Russian-made, which makes it difficult for Vietnam to import major and sophisticated weapon systems from the US because of compatibility problems. Consequently, some Vietnamese defense strategists, such as Senior Lieutenant General Vo Tien Trung, former Director of Vietnam National Defense Academy, have argued that instead of importing US weapons, Vietnam should import US “military equipment” only. According to General Trung, items Vietnam should consider importing from the US may include drones, surveillance aircraft, patrol boats, or search and rescue vessels (VnExpress, 2016). Generally speaking, these items will not pose major compatibility problems for Vietnam. Such an approach is also rational given the fact that Vietnam is currently experiencing a rather severe budgetary deficit. In 2015, for example, Vietnam’s estimated budgetary deficit increased 14 per cent to reach 256 trillion VND (approximately 11.47 billion USD), equivalent to 6.1 per cent of its GDP (CafeF, 2016). As a consequence, Vietnam will have less financial resources for its military modernization programme. Therefore, big-ticket US weapon systems seem to be out of the question, and less sophisticated and less expensive items, including those suggested by Gen. Trung, seem to be more suitable choices for Vietnam at the moment.

In addition, even if Vietnam’s interests expand and it has enough resources to buy suitable and more expensive weapons systems from Washington, such orders will still be subject to the approval of the US Congress. Apart from considering the value of the proposed deal and the types of weapons involved, the US Congress may also link its decision to human rights conditions in Vietnam. In other words, Vietnam may not be able to acquire all the weapons systems or military equipment that it wishes to buy from the US.
Therefore, the full lifting of the US arms embargo on Vietnam is unlikely to lead to any meaningful shift in the balance of military power in the region in general and in the South China Sea in particular. China will remain the dominant military (as well as para-military) power in the South China Sea, and Beijing is unlikely to feel worried by the weapons or military equipment that Vietnam may acquire from the US after the ban is lifted. Instead, Beijing may be more concerned about the increasing prospect of Vietnam and the US working together as security partners. The firming-up of the Hanoi-Washington partnership, which may ultimately include the possibility of Vietnam granting the US with greater access to naval facilities at Cam Ranh Bay, or its participation in US-led mini-lateral defense initiatives, may unnerve Beijing to some extent. However, whether such a prospect will deter China, or drive China into more aggressive adventures to counter what it may perceive as US design to encircle China, still remains to be seen.

From Hanoi’s perspective, both strategic and military implications of the lifting of the US embargo are important. Although Vietnam cannot shift the balance of military power in the South China Sea, its greater access to US weapons helps enhance its strategic position vis-à-vis China. As Vietnam now has more options on its shopping list, the move is also likely to make Vietnam less dependent on Russia, and hence provide Hanoi with more bargaining power in its arms deals with Moscow. At the same time, the removal of the ban also makes it easier for Vietnam to acquire weapons or military equipment from third parties that use US licensed technologies or components. Such weapons or equipment cannot be transferred to Vietnam if the ban were still in place.

As far as ASEAN countries are concerned, the US lifting of the ban on Vietnam will have little impact in military terms. After all, most weapons or military equipment that Vietnam may acquire from the US will likely be of a defensive rather than an offensive nature. Instead, more important implications for ASEAN countries may come from the overall strengthening of Vietnam-US relations, for which the lifting of the ban is an indication. On the one hand, the deepened relationship between Hanoi and Washington can add momentum to the strengthening of the ASEAN-US relationship. On the other, it may risk further polarizing ASEAN countries, especially if Beijing responds by seeking to expand its strategic influence over some other ASEAN states.

CONCLUSION

President Obama’s visit to Vietnam proves to be a new landmark in bilateral relations. Agreements reached during the visit show that bilateral relationship is progressing apace and comprehensively. Among the major outcomes of the visit, the US decision to fully lift its long-standing lethal arms embargo on Vietnam can be seen as the most important one, with implications for not only bilateral relations but also for the whole region. Other outcomes of the visit should not be underestimated either. After all, those outcomes, whether in political, economic or social and cultural realms, contribute to a stronger overall relationship between the two countries, a trend that may generate far more important implications for the region than the lifting of the arms embargo itself.

Vietnam and the US have come a long way in their reconciliation since the Vietnam War ended more than four decades ago. Bilateral ties are now stronger than ever before, driven
by more important common economic and strategic interests. The significance of each country in the other’s economic and strategic agenda is also increasing. Yet, there is still a lot of room for bilateral ties to prosper, and new heights for the two sides to scale, not only in the area of security and defense, but in economic, social and cultural domains as well. As far as the pace of bilateral rapprochement is concerned, however fast bilateral ties have improved recently, the fact is that it took the two countries two decades after the Vietnam War to establish their diplomatic relations, and more than two further decades to fully normalize ties. Now that the two countries have entered a new phase in their relations after President Obama’s visit, they should build on past achievements to clear remaining obstacles and further accelerate their cooperation to better serve the interests of their respective government and people.

REFERENCES


