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# Balancing Without Allying: Vietnam's Middle-Power Strategy Amid U.S. - China Rivalry

Vu-Thanh Tu-Anh

Huynh Trung Dung

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# Key Judgments

- Vietnam’s evolution as a middle power is driven by a unique fusion of domestic imperatives and external pressures. Facing structural vulnerabilities at home and intensifying U.S.-China competition abroad, Vietnam has adopted a strategy centered on geopolitical autonomy and deep international integration. Though constrained, Vietnam subtly shapes regional dynamics by refusing binary alignments, building multialigned partnerships, and anchoring itself in multilateral norms. Through an examination of its political economy, external relations, and four strategic domains — geopolitics, trade, technology, and energy — this analysis shows how Vietnam pursues development goals while cautiously leveraging its position in the global balance of power.
- Half a century after its reunification and nearly four decades since launching its “Doi Moi” reform, a series of open-door policies, Vietnam stands at a critical juncture. Despite impressive economic achievements, the country’s domestic growth engines — investment and consumption — are losing momentum. As a result, Vietnam must rely heavily on foreign direct investment (FDI) and international trade, raising concerns about its ability to sustain high growth and avoid the looming “middle-income trap.” This prospect threatens the legitimacy of the Vietnamese Communist Party (VCP), which has long tied its authority to economic performance and aspires to achieve advanced economy status by 2045. Complicating this ambition is the VCP’s ongoing effort to build a globalized market economy while preserving socialist ideology as both legacy and political instrument.
- Growing great-power competition — most notably between the United States and China — is exacerbating these internal challenges, making it harder for states to remain neutral.<sup>1</sup> Vietnam, with its historically complex relationships with both powers, must strike a delicate balance to avoid entanglement. This paper addresses the central question of how Vietnam can pursue its long-term development goals while maintaining a socialist orientation in an increasingly polarized geopolitical environment, analyzing Vietnam’s foreign policy and domestic political economy, with a particular focus on its evolving identity as a “middle power” and its strategic priorities.<sup>2</sup>
- Vietnam’s domestic political and economic foundations shape its international behavior. As a one-party state, it has built a socialist-oriented market economy that is deeply integrated into the global system. Over the past three decades, the VCP has gradually shifted its focus from ideological purity to performance-based legitimacy.<sup>3</sup> Peace and political stability are viewed as essential to development, while the leadership sees endemic corruption and entrenched patronage networks as existential threats. The resulting “blazing furnace” anti-corruption campaign has driven major leadership reshuffles without altering core strategic directions.
- Economically, Vietnam has been widely recognized for sustained growth, poverty reduction, and structural transformation. Public investment, exports, and FDI have served as the main engines of the economy. Yet serious structural weaknesses persist: a weak domestic private sector, an overreliance on FDI for exports, and inefficient state-owned enterprises. These vulnerabilities jeopardize the country’s long-term ambition of escaping the middle-income trap.
- Vietnam’s international posture has evolved through careful learning from its Cold War experience and pursuit of three core principles: political autonomy, deep international integration, and expanded global influence. Political independence remains a top priority. To avoid choosing sides in great-power rivalries, Hanoi practices what it calls “bamboo diplomacy” — firm on core interests and principles, but flexible in strategies and tactics.

- Vietnam’s strategy of self-protection through integration has led to a web of interdependent relationships across ideological lines. It maintains friendly ties with all major powers as well as countries like Iran, Cuba, and North Korea. It is a member of nearly all major multilateral institutions — from the UN and WTO to ASEAN, APEC, CPTPP, RCEP, and IPEF — and has signed over 20 free trade agreements. Vietnam’s high level of FDI penetration and proactive integration into global supply chains reflect this outward-facing strategy.
- Since the 1990s, Vietnam has steadily increased its influence, maintaining diplomatic relations with 193 countries and taking on active roles in multilateral bodies such as the UN Security Council, UN Peacekeeping, and the UN Human Rights Council. Notably, Hanoi has expanded its network of high-level diplomatic partnerships, including comprehensive strategic partnerships with China, the United States, Russia, Japan, India, Australia, Korea, France, New Zealand, the U.K., and four ASEAN states, along with strategic or green partnerships with South Africa, Germany, Brazil, and Denmark, among others.
- Today, the most salient areas in Vietnam’s foreign policy lie at the intersection of geopolitics, economic modernization, technological upgrading, and climate adaptation. Key challenges include navigating mounting U.S.-China tensions, building a resilient economic model for the 2045 target, driving future growth through digital transformation and the semiconductor sector, and ensuring a sustainable energy transition that aligns with climate goals.

## Vietnam’s Role and Importance as a Middle Power

For over 2,000 years, Vietnam’s history has been marked by the involvement of great powers, predominantly China. Before 1945, Vietnam fought for independence against foreign invaders — first China and then France — in a long nationalistic struggle that lacked a clear ideological system. Starting in 1950,<sup>4</sup> Hanoi aligned with the communist bloc, a position it maintained throughout the North-South national division in the Vietnam War until the end of the Cold War. During this period, there was a clear distinction between comrades and enemies, though front lines sometimes shifted due to great-power calculations. For instance, from 1950 to 1975, North Vietnam allied with the Soviet Union and the People’s Republic of China in the war against France, and later against the United States and South Vietnam. However, after the U.S.-China rapprochement to counter the Soviet Union and China’s shifting strategy toward Vietnam in the mid-1970s — particularly after Vietnam’s reunification in 1975 — Hanoi decided to side with Moscow against Washington and Beijing.

Subsequently, Vietnam suffered from the Western and Chinese economic embargo and political isolation following its intervention in Cambodia to overthrow the genocidal Pol Pot regime and hence its border war with China, both in 1979. By the mid-1980s, the country plunged into a severe economic crisis that challenged the survival of the Vietnamese Communist Party (VCP). The situation worsened in 1988 when Vietnam lost several islets to China after a brief military clash in the Spratly Islands. Despite a 1978 mutual defense pact with the Soviet Union and the presence of a Soviet naval base in the Cam Ranh Bay, not far from the disputed islets, Vietnam received no assistance from its communist ally during the conflict.

Following these painful lessons and the collapse of the communist bloc in the early 1990s, Vietnamese leadership made a historic decision to shift its strategic direction from one based on ideology to one centered on international integration, regardless of a partner’s political regime. As a result, Vietnam sought to avoid taking sides in international conflicts, develop relations with as many states and partners as possible, and join multinational institutions, thereby preventing isolation while leveraging collective power.

Thanks to this pivotal shift, Vietnam is now ranked 12th out of 27 nations in the Asia Pacific in terms of comprehensive power, including diplomacy, economy, defense, culture, resilience and resources, with the second greatest gains in 2025, according to the Lowy Institute Asia Power Index.<sup>5</sup> It is estimated to overcome Thailand and rise to the 11th position in 2026.<sup>6</sup> Globally, Vietnam rose to 30th out of 89 nations on U.S. News & World Report's "Most Powerful Countries" and 24th out of 190 nations as per CEOWORLD Magazine's "World's Most Powerful Countries." It was also ranked 23rd out of 145 nations in military strength by Global Firepower.<sup>7</sup> Economically, Vietnam is one of the fastest growing economies in Asia, with its gross domestic product reaching \$484 billion in U.S. dollars in 2025, making it the 34th largest economy in the world according to the International Monetary Fund.<sup>8</sup>

### ***Vietnam's Relationships with Other Middle Powers***

Due to its domestic conditions and complex history with the United States and China, Vietnam has little leeway to maneuver on its geopolitical tightrope. Logically, an effective pathway for the country is to engage bilaterally and multilaterally with other states, particularly those in the same middle ground, to create a synergy of collective power, as implied by Hanoi's bamboo diplomacy.

Bilaterally, Vietnam strengthens its ties with other large or middle powers by upgrading its diplomatic relations. For instance, it has established comprehensive strategic partnerships (CSPs) with India, Japan, Australia, New Zealand, Malaysia, Indonesia, Singapore, Thailand, and the U.K.; strategic partnerships with Brazil, South Africa, Finland, the Czech Republic, Bulgaria, Kazakhstan, Azerbaijan, Kuwait, and Algeria; and comprehensive partnerships with Switzerland and Egypt.<sup>9</sup> Additionally, it maintains strategic or friendship relations with other middle states, including the United Arab Emirates (UAE), Saudi Arabia, and Turkey.

Among these partners, India, Singapore, and Australia have emerged as strong allies in many areas. Since the 1950s, India and Vietnam have nurtured a long-standing friendship rooted in bilateral strategic trust, as demonstrated by the two countries' comprehensive ties in diplomacy, trade, education, and defense. Since upgrading the partnership to a CSP in 2016, Vietnam has deepened its relations with India across several areas vital to its maritime capabilities, particularly in the South China Sea. This cooperation includes military hardware, specialized training, and technical assistance from India to Vietnam.<sup>10</sup> In the energy sector, Vietnam benefits significantly from the continued presence of ONGC Videsh, India's flagship overseas oil firm, within its South China Sea Exclusive Economic Zone (EEZ).<sup>11</sup> Diplomatically, the two countries share a fundamental stance on international law, particularly the UN Convention on the Law of the Sea (UNCLOS) enhancing Vietnam's legal position against China's defiance of UNCLOS in the South China Sea. .

More broadly, India and Vietnam have intensified defense cooperation alongside other ASEAN nations sharing their South China Sea interests in upholding UNCLOS, protecting littoral states' fishery and energy industry and countering Chinese assertiveness, such as the Philippines, Indonesia, Singapore, and Malaysia. This collaboration includes missile purchases, joint exercises, naval port calls, and military training.<sup>12</sup> Notably, the inaugural ASEAN-India Maritime Exercise in 2023, held in the South China Sea, signaled a collective effort by ASEAN nations in alignment with India to counter Chinese maritime pressure.<sup>13</sup> For India, these burgeoning collaborations not only advance its Act East and Security and Growth for All in the Region (SAGAR) policies but also complicate Beijing's strategic calculations in maritime disputes, implicitly aligning the country with Vietnam and other South China Sea disputants in challenging China's regional dominance.

Given its smaller size relative to India, Singapore is the Asian nation that Vietnam looks up to as an inspiring, relevant, and applicable model of development. With its miraculous transformation "From Third World to First" over three decades, as detailed in Lee Kuan Yew's memoir of the same name, Singapore is now the

only Southeast Asian country that has escaped the middle-income trap, offering many lessons for Vietnam. Markedly, both countries have no territorial conflicts and share significant similarities: de facto one-party rule, multidirectional foreign policy without treaty alliance with great powers, and a commitment to upholding international law. Additionally, both occupy regionally strategic locations, maintain an openness to trade and FDI, and share common culture values. For decades, Vietnam and Singapore have fostered their strategic partnership across diplomacy, trade, investment, education, and technology.<sup>14</sup>

In March 2025, the two nations elevated their relations to CSP, with new focal areas of cooperation including the green economy, renewable energy, digital domains, and emerging technologies. Today, they embrace ongoing and new initiatives such as the Green-Digital Economic Partnership and export of offshore wind energy from Vietnam to Singapore.<sup>15</sup> The latter partnership develops Vietnam's abundant renewable energy resources, such as offshore wind power, to integrate the country into the ASEAN Power Grid. This demonstrates Vietnam's vision of becoming a Southeast Asian renewable energy hub.<sup>16</sup> Alongside energy, Vietnam collaborates with Singapore and other regional nations on underwater data transmission. Aiming to become a regional data hub, Vietnam has partnered with Singapore to develop the Vietnam-Singapore Cable System (VTS), which directly connects Vietnam and Singapore and may be extended to Cambodia, Malaysia, and Thailand once operational in 2027.<sup>17</sup>

Australia has emerged as a prominent regional player that extensively assists Vietnam in navigating great-power competition. Hanoi upgraded its relationship with Canberra to CSP in 2024, emphasizing cooperation in climate change, energy, digital transformation, and defense. As a close U.S. ally, Australia helps facilitate Vietnam's interactions with key Western partners, particularly in sensitive domains such as intelligence sharing and maritime security, ensuring these engagements are managed prudently to prevent any strain on relations with China.<sup>18</sup>

Significantly, Australia is one of the few Western nations to have provided substantial assistance to strengthen Vietnamese defense capabilities for more than a decade. Canberra has trained over 4,000 Vietnam People's Army officers and supported Hanoi's international peacekeeping efforts by providing strategic airlift assistance for deployments to the UN Mission in South Sudan. By 2023, Australia had provided air transport for Vietnamese personnel, equipment, and rotating medical staff at a field hospital in South Sudan for five consecutive years.<sup>19</sup> The partnership also includes cooperation on Women, Peace, and Security initiatives.<sup>20</sup> Under the CSP, the two countries agreed to elevate this collaboration to a formal Peacekeeping Partnership Arrangement, expanding Vietnam's defense capabilities and its long-term role in international peacekeeping.<sup>21</sup>

Multilaterally, Vietnam also proactively engages with other middle states via multinational organizations and ASEAN and ASEAN-led fora, such as BRICS, G20, Non-Aligned Movement (NAM), and Group of 77 (G77). Vietnam has strategically anchored its multilateral endeavors in ASEAN, leveraging its membership to boost regional stability and cooperation. Vietnam's proactive chairmanships in 1998, 2010, and 2020, when it introduced innovative online meeting protocols during the COVID-19 pandemic, highlight this strategic engagement, setting a new standard for ASEAN's operational collaboration. Moreover, the creation of the ASEAN Defence Ministers' Meeting Plus (ADMM-Plus) has significantly enhanced defense cooperation within ASEAN and with major global powers, like the United States, China, and Russia.

Additionally, Vietnam's diligent diplomacy in negotiating the Declaration on the Conduct of Parties in the South China Sea (DOC) and the ongoing Code of Conduct in the South China Sea (COC) underscores its dedication to a peaceful, rules-based resolution of disputes, reinforcing its role as a crucial mediator and architect within the ASEAN framework. Economically, Vietnam is deeply integrated into the regional economy, with ASEAN collectively serving as its second-largest trading partner after China. Its active engagement in the ASEAN Free Trade Area (AFTA) and key ASEAN-led free trade agreements — including those with China,

South Korea, and Japan — has broadened Vietnam’s trade prospects and cemented its position within the regional economic landscape.<sup>22</sup>

Beyond Southeast Asia, Vietnam has strategically engaged with BRICS nations to strengthen economic ties and explore development opportunities, all while maintaining a balanced stance in global power dynamics. At the 2024 BRICS summit, Vietnam expressed its willingness to collaborate with the bloc in the digital economy, green development, and innovation but intentionally avoided full membership.<sup>23</sup> The next year, Vietnam was formally recognized as a “partner country” and subsequently attended the 17th BRICS summit in July 2025.<sup>24</sup> This calculated approach enables Vietnam to explore potential benefits, like a proposed BRICS currency to enhance economic resilience and reduce exposure to financial weaponization,<sup>25</sup> without straining its critical relationship with the United States.<sup>26</sup>

Through its growing partnership networks, Vietnam is dedicated to enhancing regional security and advocating a rules-based order in Southeast Asia and beyond. By fostering deeper economic integration, enhancing defense ties, and consistently upholding international law, this network not only boosts Vietnam’s position but also strengthens Southeast Asia’s collective resilience against external pressures, both in the South China Sea and from trade tensions involving the United States and China.<sup>27</sup> This strategy establishes Vietnam as a critical bridge-builder and stabilizer in the region while balancing its interactions with major powers, notably China and the United States.<sup>28</sup> Still, Vietnam’s proactive engagement with its fellow middle powers is predicated on defending its own national interests and raising its international position, demonstrating its diplomatic focus on political independence and international integration without challenging the clout of great powers.

## Ties with the United States and China

Vietnam’s neutral but assertive positioning demonstrates how a smaller state can subtly shape its strategic environment. By refusing to choose sides, remaining anchored in multilateral norms, and cultivating diversified partnerships, Vietnam encourages both Washington and Beijing to compete for influence through incentives rather than threats.

However, Vietnam’s capacity to maintain equidistance is not guaranteed. A sharp escalation in the Taiwan Strait or a crisis in the South China Sea could compel Hanoi to adopt a more decisive alignment, especially if maritime access or territorial sovereignty were under direct threat. Likewise, the U.S. imposition of punitive tariffs — particularly those offering little room for negotiation — could restrict Vietnam’s trade flexibility and drive it to diversify toward alternative markets. As a result, Vietnam’s strategic goal is not just to avoid entrapment but to shape an environment where such binary choices remain avoidable.

### ***Vietnam’s Relationship with the United States: From Enemy to Comprehensive Strategic Partner***

The Vietnam-U.S. relationship has developed dramatically over the past several decades, with the United States transforming from Vietnam’s historical foe to a close partner. Notably, Vietnam is among the few Southeast Asian countries that tend to favor the United States over China. This is reflected in the 2024 and 2025 State of Southeast Asia reports, where a majority of Vietnamese with experience in policy favored alignment with Washington.<sup>29</sup> This spectacular shift has been particularly evident in the booming trade volume between the two nations over the past 20 years.<sup>30</sup> As of 2025, Vietnam ranks as the United States’

eighth-largest trading partner, while the United States is Vietnam's top export market and second-largest trading partner worldwide.<sup>31</sup>

Interestingly, a recent study by two renowned Singaporean scholars found that Vietnam is the only Southeast Asian nation that has shifted toward closer alignment with the United States rather than China from 2010 to 2024. In contrast, the rest — including U.S. allies like the Philippines and Thailand — moved toward China in the same period.<sup>32</sup> This is particularly significant as the United States appears to be losing influence in Southeast Asia. Vietnam and the United States also share a close alignment on regional security, especially concerning the South China Sea, where both oppose China's territorial claims. Despite this strategic cooperation, friction remains between the two, particularly regarding escalating tariffs, recognition of Vietnam's market economy,<sup>33</sup> and human rights and religious freedom.

As bilateral ties have developed over time, Hanoi's view of its relationship with the United States has evolved significantly. Initially, Vietnam considered the United States a major security and political threat, perceiving Washington's actions as efforts to overthrow the communist regime by supporting anti-government forces at home and abroad. This threat perception was reinforced by Washington's persistent antagonism towards other authoritarian regimes such as China, North Korea, Laos, Iran, or Cuba. Additionally, Hanoi was concerned about the United States' focus on movements promoting human rights, religious freedom, and democratic reform, often labeling them as "color revolutions."

However, since the early 2010s, Vietnam has gradually shifted its perspective. Now viewing the United States more as a close partner, particularly in business and regional security, there is a growing sense of strategic trust between the two countries. This transformation has been marked by frequent high-level diplomatic visits by Vietnamese leaders, beginning in 2012, and the formal upgrading of bilateral relations to a comprehensive partnership in 2013. The relationship further deepened through notable milestones, such as VCP General Secretary Nguyen Phu Trong's formal visit to the White House in 2015, U.S. Presidential visits to Vietnam in 2016 and 2017 (Barack Obama and Donald Trump, respectively), the 2016 U.S. removal of its arms embargo on Vietnam, and visits by U.S. aircraft carriers to Vietnam in 2018, 2020, and 2022. The strengthened partnership culminated in 2023, when VCP General Secretary Nguyen Phu Trong and President Joe Biden announced that the relationship had been upgraded to a CSP during a meeting at the VCP Office in Hanoi — an unprecedented symbolic milestone.<sup>34</sup>

From Washington's perspective, Vietnam has evolved from a post-war adversary into a strategically valuable — if diplomatically cautious — partner. The United States views Vietnam as a critical node in Southeast Asia's supply chains, a fast-growing market, and a potential strategic counterweight to Chinese dominance in the region. Vietnam's refusal to enter formal alliances is not seen as an obstacle but rather a condition that the United States has learned to work around. This explains Washington's increasing willingness to offer economic and technological incentives — semiconductor cooperation, digital infrastructure support, and elevated defense engagement — all without demanding formal security commitments.

### ***Vietnam's Relationship with China: More Business, Less Comradeship, Still a Threat***

Vietnam-China relations are characterized by a unique blend of ideological comradeship, historical rivalry, and economic ties. Politically, the two nations share a history of communism and a Cold War alliance, with ongoing delegation exchanges for ideological discussion. Hanoi consistently assures Beijing of its reliability as a close neighbor, particularly as it balances ties with the United States. Over the past decade, however, Vietnam's relationship with China has subtly evolved from ideological comradeship to a more pragmatic partnership. This shift is reflected in a decline in ideological engagement, with fewer high-level discussions on

communism, socialism, or Western ideologies.<sup>35</sup>

At the same time, China remains Vietnam's leading source of imports and largest overall trade partner as of 2025.<sup>36</sup> Vietnam also serves as a key destination for multinational businesses operating cross-border supply chains or risk-diversifying models in the "China Plus One" strategy. Additionally, Chinese investment in Vietnam is growing rapidly, driven by factors such as the diversification of supply chains amid rising production costs in China and U.S.-China trade tensions. As a result, in 2025 mainland China was the second-largest investor in Vietnam, only after Singapore, with newly registered capital reaching US \$3.6 billion for the year. If Hong Kong is included, China is the largest investor, with investments totaling \$5.3 billion for 2025.<sup>37</sup>

Despite growing economic ties, Beijing remains the most significant security threat to Vietnam, particularly in terms of territorial and maritime conflicts. Vietnam's historical legacy, shaped by centuries of Chinese invasions, continues to influence both government policy and public sentiment. The South China Sea disputes remain a critical point of tension, encompassing contested islands and a vast maritime zone, including underwater territories and airspace regulated by international law. For Vietnam, the East Sea (its term for the South China Sea) is vital for national security, international trade, and access to maritime resources.<sup>38</sup>

Vietnam is also increasingly concerned about China's growing influence in neighboring countries, particularly Laos and Cambodia. In Cambodia, Beijing has become a significant player, with major investments in infrastructure and security-related projects, such as the Ream Naval Base and the Funan Techo Canal. The two countries have also conducted joint military exercises. Additionally, Vietnam is worried that upstream hydropower dams in China and Laos — largely controlled by China — threaten the Mekong River's flow and sediment levels. These disruptions could jeopardize Vietnam's water resources downstream, exacerbating regional tensions and posing environmental and geopolitical challenges.

Beijing regards Vietnam with a combination of ideological fraternity, strategic concern, and historical rivalry. China is acutely aware that excessive pressure could drive Vietnam closer to the Western orbit, particularly in technology and security. This tempers Beijing's tactics, balancing economic inducements with maritime assertiveness, while avoiding overt provocations that could alienate Hanoi. For example, Vietnam cooperates with high-tech firms from the West, particularly the United States, in critical technology infrastructure sensitive to security risks, such as semiconductors and 5G hardware. Notably, there is no involvement from Chinese telecommunication giants like Huawei and ZTE, as discussed in the technology section below. Vietnam's strategic ambiguity thus compels both great powers to moderate their approaches, incentivizing constructive engagement over coercion.

## **Policy Objectives: Domains Shaping Vietnam's International Posture and Its Relations with Great Powers**

Vietnam's international posture and its relations with major powers, notably the United States and China, are shaped by critical policy domains, particularly in geopolitics, economic growth, technology, and sustainable energy. These interconnected priorities define Vietnam's approach to both domestic development and foreign policy.

# Navigating Growing Great-Power Pressures

Like many Asian nations, Vietnam does not want to take sides in the U.S.-China competition. Instead, it tries to maintain close and balanced ties with both through diverse channels, including diplomacy, trade and investment, defense and security, technology, energy, and climate change.<sup>39</sup> Drawing on painful Cold War lessons, Hanoi understands more than anyone that “when a buffalo hits a bull, the flies staying on them will get crushed accidentally.”<sup>40</sup> Conversely, Vietnamese policymakers know from experience that when great powers get too close, smaller nations can also fall victim, as seen following the U.S.-China rapprochement in the 1970s.

For Hanoi, a state of competition without direct confrontation between great powers — being “not too hot, not too cold”<sup>41</sup> — brings strategic opportunity.<sup>42</sup> Consequently, Vietnamese decision-makers believe they do not face a binary choice between Washington and Beijing but can flexibly engage with a matrix of options tailored to specific areas and contexts.<sup>43</sup>

Unlike most Asian middle powers, however, Vietnam must also consider Russia in its U.S.-China strategy, due to Moscow’s critical role in Vietnamese defense capabilities, particularly in countering Chinese maritime ambitions. As a legacy of the Cold War, most of Vietnam’s military assets come from Russia. This includes strategic weaponry to defend its territory and deter armed interventions, such as submarines, fighter aircraft, long-range missiles, and surface warships. Despite recent efforts to diversify its arms through other nations such as Israel, South Korea, and even the United States, it may take years — if not decades — for Vietnam to transition away from its dependence on Russian arms. As a result, Vietnam may suffer if Russia aligns with China in the event of a conflict in the South China Sea.<sup>44</sup>

To mitigate potential adverse impacts from the great-power rivalry, Vietnam has sought to strengthen security relations with other major powers, including Japan, India, the U.K., Canada, Australia, and Korea. Additionally, it has deepened its engagement with multinational institutions such as the European Union (EU), ASEAN, BRICS, and the Quadrilateral Security Dialogue (the Quad), consisting of the United States, Japan, Australia, and India. For instance, in June 2025 — not long after President Donald Trump announced that he was instating sweeping tariffs — Vietnam was recognized as a BRICS partner alongside peers including Belarus, Bolivia, Kazakhstan, Malaysia, Nigeria, Thailand, and Uzbekistan. Additionally, Vietnam is the second nation in ASEAN (after Singapore) to conclude a free trade agreement with the European Union. The EU-Vietnam Free Trade Agreement (EVFTA), which took effect on August 1, 2020, almost entirely eliminates bilateral tariffs.<sup>45</sup> Hanoi proactively engages in regular meetings with the Quad, particularly in the wake of the COVID-19 pandemic. Vietnam has become involved in the “Quad-plus,” a regular convention between the Quad and potential future partners.<sup>46</sup>

## Economy and Trade: How to Escape the Middle-Income Trap

Vietnam has set an ambitious goal to overcome the middle-income trap and achieve high-income status by 2045, a goal outlined in its “2045 Vision.”<sup>47</sup> This requires the country’s gross national income (GNI) per capita to increase from \$4,490 in 2024 to approximately \$22,000 by 2045, based on World Bank’s Atlas method. To meet this target, Vietnam’s GNI per capita would need to grow at an average annual rate of about 8% between 2024 and 2045. Although Vietnam attained upper-middle-income status in early 2025, it now faces the pressures of a rapidly aging population, making it challenging to maintain this recent growth.<sup>48</sup>

From a geopolitical perspective, a peaceful and secure regional environment is essential to achieve the 2045 Vision. Military conflicts, such as escalating tensions in the South China Sea and the Taiwan Strait, could disrupt Vietnam's momentum. Conversely, the ongoing geo-economic conflict between the United States and China may offer opportunities for Vietnam, particularly in attracting FDI and boosting exports — two critical pillars of Vietnam's economic growth model.

Addressing this challenge depends on Vietnam's ability to strengthen internal capacities, particularly by removing barriers to the domestic private sector and narrowing gaps in science and technology, education and training, and modern infrastructure relative to developed economies. These tasks are formidable. In the two decades since the 1999 Enterprise Law took effect, the private sector's contribution to Vietnam's GDP has stagnated at around 10%, representing less than two-thirds of the FDI sector's contribution and roughly one-third of the informal sector's share.

In education and training, Vietnam boasts a relatively strong K-12 education system, but its universities fall short. Neither of Vietnam's national universities in Hanoi and Ho Chi Minh City ranks among the top 1,000 universities globally, according to the Times Higher Education rankings.<sup>49</sup> In science and technology, Vietnam's investment in research and development was only 0.4% of GDP in 2020, far behind India (0.6%), Malaysia (1.0%), Thailand (1.2%), and China (2.4%). Similarly, Vietnam's rate of scientific publications per 1,000 people was only 0.04, compared to India (0.1), Thailand (0.17), China (0.37), and Malaysia (0.69).

Infrastructure investment in Vietnam remains relatively high, averaging about 7% of GDP annually, second only to China within the East Asia region. However, most of this investment is directed toward traditional infrastructure, such as roads, bridges, airports, and seaports, rather than modern infrastructure, such as 5G networks, data centers, cloud computing, and digital public systems. To meet its 2045 Vision objectives, Vietnam must not only maintain its current investment levels but also shift toward infrastructure that supports the digital economy.

## **Technology: Digital Transformation, Supply Chain, and the Semiconductor Industry**

Amid growing geopolitical tensions and global supply chain disruption, Vietnam has sought a more balanced strategy for sustainable growth without dependence on foreign players, exploring a model of economic self-reliance based on internal resources. However, domestic pillars like agriculture and labor-intensive industries with uncompetitive Vietnamese firms can maintain only moderate growth, so Vietnamese leaders have turned to technology as the country's main economic engine. To implement this strategic focus on innovation and technology, the government launched the National Program on Digital Transformation in 2020.<sup>50</sup> To achieve the program's ambitious goals, Vietnam recognizes the vital role of partnerships with advanced nations and leading global technology companies.

Semiconductors play a significant role in Vietnam's science and technology strategy. The recent AI revolution—coupled with global semiconductor supply chain disruptions caused by the pandemic and geopolitical tensions, most notably the U.S.-China tech rivalry—has created new opportunities for countries like Vietnam to serve as an alternative to China in technology-related manufacturing. Vietnamese leaders see these global shifts as a strategic opening to move further up the global chip production value chain.

Following the U.S. CHIPS and Science Act of 2022 and the upgrade of U.S.-Vietnam relations to a CSP, Vietnamese decision-makers accelerated the domestic advancement of the semiconductor industry. Since

late 2023, the sector has surged in Vietnam, largely due to foreign partners — primarily from the United States — such as Cadence, Synopsys, Lam Research, and Marvell – investing in chip design, semiconductor manufacturing equipment, and assembly, test and packaging (ATP). Vietnamese leaders have welcomed top U.S. technological giants such as Apple, Intel, NVIDIA, Google, Amazon, and Meta to Vietnam. Additionally, leaders have met with Apple CEO Tim Cook and NVIDIA President and CEO Jensen Huang, both in Vietnam and in the United States. To build the semiconductor workforce and enhance supply chain resilience, Vietnam joined the International Technology Security and Innovation (ITSI) Fund, created under the CHIPS Act.<sup>51</sup>

Geopolitically, Vietnam’s digital transformation and burgeoning semiconductor industry are also a gateway to enter the Western-led technology supply chain. Technologically, however, it may prove challenging to build a hybrid system with parts from different companies or nations. Over the past decades, Vietnam have selected European, US or South Korean partners to build their 4G and 5G telecommunication network, excluding Chinese firms, due to the technological advantage of upgrading existing European facilities as well as the security risks posed to Vietnam’s critical infrastructure and warned by the US.<sup>52</sup> For example, the Vietnamese telecommunication giant Viettel collaborated with Qualcomm, a U.S. chipmaker, to develop the Open RAN 5G base station, making Vietnam — unlike other nations — free from Huawei, one of the world’s largest 5G suppliers, in building its 5G infrastructure.<sup>53</sup> Remarkably, in 2020 Vietnam was among a few Asian countries that joined the US-led Clean Network initiative excluding Chinese vendors in critical infrastructure such as telecommunication network or undersea cables.<sup>54</sup> Likewise, despite their shared ideology, governance and political regime, Vietnam stood out among several Asian nations that did not adopted China’s surveillance and public security technology platforms.<sup>55</sup> Even when Vietnam twisted its policy by awarding minor contracts of 5G equipment to Huawei and ZTE following Trump’s tariffs on Vietnamese goods in 2025, it received multiple concerns and warnings by Western officials about the risk of undermining Western trust in Vietnam’s platform and jeopardizing access to American technology.<sup>56,57</sup>

To enter the global value chain, Vietnam pursues a diversified approach to technological collaboration, reaching out to both developed and emerging nations, including other middle powers. As an example of technological diversification and physical integration to the global telecommunication network, Vietnam launched its own segment of the subsea Asia Direct Cable (ADC) in April 2025, connecting Singapore, China, Hong Kong, Thailand, the Philippines, and Japan.<sup>58</sup> Its CSP with Japan now covers cutting-edge fields like semiconductors, AI, quantum computing, blockchain, robotics, and 5G/6G, bolstered by research and development, startup support, strengthened ties between scientific communities, and supply chain integration.<sup>59</sup> Similarly, Vietnam is rapidly deepening digital cooperation with South Korea, especially in AI, training engineers, and university partnerships. Seoul is also investing significantly in Vietnam’s electronics value chain, with plans for AI data centers.<sup>60</sup> At the same time, Vietnam is actively exploring opportunities with India in electricity and electronics, further diversifying its Asian tech partnerships.<sup>61</sup> Collaboration also extends to Australia, focusing on digital transformation and integration into technology value chains. A key example is the Australia-Vietnam Strategic Technologies Centre launched in 2025, which focuses on 5G/6G, AI applications, and cybersecurity.<sup>62</sup> The EU is another vital partner for Vietnam’s green and digital transformations, with the European Union-Vietnam Free Trade Agreement (EVFTA) facilitating greater trade and upgrading partnerships in sustainable development, science-technology, digital infrastructure, and resilient global supply chains.

Vietnam actively engages in the Indo-Pacific Economic Framework (IPEF), a multilateral initiative built on the four pillars of trade, supply chains, climate, and rule of law and related concerns.<sup>63</sup> Through IPEF, Vietnam seeks to refine its policy frameworks and enhance capabilities in critical digital areas while promoting a level playing field. IPEF’s Trade Pillar focuses on establishing high-standard rules for secure cross-border data flows, cybersecurity, and AI development. Simultaneously, the Supply Chains Pillar is vital for resilient supply chains, especially for semiconductors.

Within ASEAN, Vietnam actively champions regional digital transformation and norm-setting, participating in the negotiation and implementation of the ASEAN Digital Economy Framework Agreement (DEFA). In January 2026, it hosted major technology events, such as International Digital Week and the ASEAN Digital Ministers' Meeting. Under Vietnam's leadership, the region is developing the ASEAN Digital Masterplan 2030 (ADM2030) to harmonize digital trade rules, ensure data security, and foster a common understanding of AI governance.<sup>64</sup>

Ultimately, Vietnam is pursuing a multifaceted approach that underscores its ambition to build a resilient, innovative, and independently capable technology sector — one that is deeply integrated globally but less vulnerable to any single power. By strategically focusing on digital transformation, and robust supply chains, Vietnam and its partners are not necessarily forming a new bloc, independent from the United States or China. Instead, they are pursuing a “de-risking” strategy through diversification and collective action, striving to create a more inclusive digital ecosystem that encourages the great powers to engage rather than dominate.

## Energy and Climate Change

Over the past three decades, Vietnam has consistently ranked among Asia's fastest growing economies. This rapid development has necessitated a substantial increase in energy—a need that will only grow if Vietnam is<sup>65</sup> to transition into an advanced economy by 2045. Furthermore, the country's newfound focus on the technology sector for economic growth will necessitate even more energy for AI, data centers, and semiconductors. At the same time, ongoing and proposed megaprojects, including urban mass rapid transit systems in Hanoi and Ho Chi Minh City and the electrified North-South high-speed railway, will amplify electricity consumption. This soaring demand is one of the biggest challenges to Vietnam's development, given current constraints in domestic power sources.<sup>66</sup>

Vietnam's energy problem is made even more complex because it must be solved in tandem with the climate change factor. Vietnam is among the five nations most affected by climate change,<sup>67</sup> particularly in the Mekong Delta. Notably, the country's energy sector accounts for more than half of its greenhouse gas emissions — more than the agriculture, industry, and waste sectors.<sup>68</sup> Moreover, at the 2021 UN Climate Change Conference (COP26), Vietnamese Prime Minister Pham Minh Chinh made an ambitious commitment to reach net-zero emissions by 2050.<sup>69</sup>

To tackle the complex conundrum of energy and climate change, while avoiding overreliance on any one power, Vietnam has ramped up its collaboration in green energy and climate adaptation through a network of international partnerships. For instance, USAID has supported Vietnam through various projects and programs related to climate change and renewable energy.<sup>70</sup> In 2022, Vietnam also collaborated with the International Partners Group — including the United States, the EU, the U.K., France, Germany, Italy, Canada, Japan, Norway, and Denmark — in the Just Energy Transition Partnership (JETP), with \$15.5 billion in funding to support the country's green transition.<sup>71</sup>

Other Asian nations are also essential to Vietnam's green energy and climate strategy. Japan has pledged \$20 billion for low-carbon energy projects,<sup>72</sup> while South Korea is boosting hydrogen cooperation and fostering green industrial development.<sup>73</sup> Australia is allocating AUS \$105 million (about US \$75.35 million) for sustainable infrastructure and clean energy, supporting large-scale renewable projects and climate resilience efforts.<sup>74</sup> India is exploring collaborations in renewable energy, green agriculture, and circular economy initiatives.<sup>75</sup> Additionally, the trilateral cooperation between Vietnam, Singapore, and Malaysia in a project

to export 2,000 MW of renewable offshore electricity to Singapore and Malaysia via subsea cables has connected Vietnam to the ASEAN Power Grid.

Driven by its ambitious net-zero pledge and acute vulnerability to climate change, Vietnam has been taking a larger leadership role among emerging economies in global climate forums. This is evidenced by Hanoi's consistent participation in and hosting of high-level international climate discussions, such as the second ASEAN Future Forum, which was held in Hanoi in February 2025. Prime Minister Pham Minh Chinh used the event to underscore Vietnam's commitment to its green transition goals.<sup>76</sup> Moreover, Vietnam hosted the 4th Partnering for Green Growth and Global Goals (P4G) Summit in April 2025, a critical platform for international collaboration on global climate.<sup>77</sup>

Building on its growing leadership role, Vietnam is collaborating with other committed partners to collectively request increased climate financing and technology transfer from major global actors.<sup>78</sup> As the third country to launch a JETP — following South Africa and Indonesia — Vietnam is directly involved in a mechanism designed to mobilize substantial climate finance from developed nations. Complementing this, within the P4G framework, Vietnam has established partnerships with Japan, South Korea, the UAE, Bangladesh, Indonesia, Denmark, Netherlands, South Africa, Ethiopia, Kenya, Columbia, Mexico, and Chile to “channel global climate finance into national climate transitions” through innovative public-private partnerships.<sup>79</sup> At the 2025 P4G Summit, Prime Minister Chinh called upon developed countries to “promote their pioneering role in providing financial support, technology, and management experience to help developing and least developed countries make green transition.”<sup>80</sup> At the expanded G7 Summit in 2023, Chinh urged members to strengthen support for developing countries in “technology transfer, capacity building in institutions, infrastructure, human resources, and governance methods, and building an ecosystem for clean energy development.”<sup>81</sup> Vietnam's leadership is further underscored by its role in the core group of nations advocating for the UN General Assembly resolution calling for the International Court of Justice's advisory opinion on national climate obligations. By championing this legal framework, Vietnam reinforced its commitment to climate justice and equitable support for vulnerable nations.<sup>82</sup> In July 2025, the International Court of Justice delivered its landmark advisory opinion on state obligations regarding climate change, marking the conclusion of the process Vietnam joined in early 2024.<sup>83</sup>

## How These Domains Position Vietnam Amid Great-Power Competition

Vietnam has managed the escalating U.S.-China great-power rivalry by broadening its economic engagement with both powers, deepening cooperation with other regional middle powers, and using geoeconomic competition to further its own development objectives.

Officially, Vietnam refuses to take sides; practically, it adopts issue-based alignments. In terms of trade and investment, Vietnam clearly avoids taking sides amid growing U.S.-China competition. On the contrary, it requires engagement with both powers — and as many other economic partners as possible, regardless of political alignment — to reach its ambitious development goals for 2030 and 2045.<sup>84</sup>

Unlike its dual approach to trade and investment, Vietnam tends to align with the United States and its allies when it comes to technology and innovation.<sup>85</sup> Notably, Vietnam's critical infrastructure — such as telecommunication networks, the internet industry, 5G equipment, data centers, power transmission systems, banking, and utilities — relies primarily on Western hardware and software.<sup>86</sup> Reasonably, Vietnamese leaders remain wary of the security risks and technological dependence associated with China, given their complex

history and ongoing territorial disputes.

A less sensitive area where Hanoi demonstrates its bamboo diplomacy is transportation infrastructure. In this sector, Vietnam has shown greater willingness to welcome Chinese investment over the past several years.<sup>87</sup> Recently, the Vietnamese government, including authorities in Hanoi and Ho Chi Minh City, has engaged with Chinese partners regarding the development of urban subway systems.<sup>88</sup> This move signifies a strategic shift in Vietnam's approach, transitioning from cautious participation in the Belt and Road Initiative (BRI) to a more proactive stance aimed at fostering essential infrastructure development and enhancing connectivity within the regional railway network. This shift can be attributed to top VCP leaders' motivation to sustain high GDP growth by boosting public investment and building infrastructure. Leaders aim to deliver widely recognized achievements ahead of the upcoming VCP Congress in 2026; however, these megaprojects demand enormous capital at a time of budget constraints and overreliance on FDI and exports amid global economic uncertainties.

While climate change and environmental protection remain sectors where Vietnam collaborates primarily with the United States and other Western nations, the energy sector has emerged as critical ground for competition and partnership with both the United States and China. Based on its international integration strategy and China's progress in its energy transition, Vietnam is increasingly open to collaboration with China through a number of projects involving thermal, solar, and wind energy. Nevertheless, the Trump administration's retrenchment from multilateral institutions and climate- and environment-related commitments has reduced U.S. engagement in this domain, creating greater scope for China to expand its influence and accelerate energy cooperation with Vietnam.

Such "adaptive siding" grants Vietnam significant flexibility, allowing it to navigate complex geopolitical currents without provoking confrontation from any great power. Moreover, Vietnam's ability to remain on good terms with global powers encourages these actors to recalibrate their competitive strategies, aiming to gain influence without pushing this crucial middle power into a rival camp. Particularly, China has sought to strengthen relations with Vietnam, increasing high-level visits, driving trade and investment, facilitating agricultural exports, and, most recently, discussing railway projects. Notably, despite ongoing Chinese patrols in Vietnam's Exclusive Economic Zone, Beijing remained quiet during Hanoi's significant land reclamation in the South China Sea throughout 2023-2024 — a stark contrast to its aggressive actions against the Philippines.<sup>89</sup> Similarly, the United States has rapidly deepened its ties with Vietnam over the past decade, with visits by all presidents from Bill Clinton to Joe Biden. The United States has accelerated trade, rescinded lethal weapon sales bans, increased naval ship dockings, and included Vietnam in its IPEF strategy, culminating in the unprecedented milestone of upgrading relations to CSP.<sup>90</sup>

In short, Vietnam has tried its best to walk the tightrope of relations between the United States and China by engaging both powers in trade, investment, and energy. Strategically, Hanoi has selectively aligned with the United States and the West in advanced technology and environmental initiatives while welcoming Chinese investment in transport infrastructure. The country leverages the rivalry for its own strategic development while offering opportunities for both powers to win influence and solidify their position in Southeast Asia. However, given its lack of internal resources and ambitious goal to achieve developed nation status by 2045, Vietnam has neither the intention nor the capability to substantially influence the U.S.-China contention. Still, Vietnam's position and policies may incentivize the great powers to adjust their regional strategy and tactics, seeking to mobilize supportive nations and secure a long-term competitive advantage.

## ***How These Domains Position Vietnam in Its Relations with Other Middle Powers***

As noted, pressure from the U.S.-China competition motivates Vietnam to expand and intensify relations with other middle powers. This enables Hanoi to strengthen its international position through collective power without joining an alliance against any great power. At the same time, other middle powers, such as India, Brazil, Singapore, Indonesia, Malaysia, the UAE, Saudi Arabia, Turkey, South Africa, and Nigeria, may find that Vietnam shares many of their goals. In a globalized world, partnership networks in trade, investment, technology, energy, and environmental protection have the potential to benefit everyone involved. Consequently, when Vietnam strengthens its geopolitical position, increases trade and FDI, achieves higher economic growth, hastens its digital transformation, grows its role in global supply chains, and augments its sustainable energy sources, it will offer political and economic opportunities for other middle powers. For instance, the country's 20 free trade agreements with the world's largest trading partners or its growing integration into China's supply chains could be gateways for other middle powers to benefit from investment in or trade with Vietnam.

## **Areas in Which Vietnam Is Most Interested in Seeking Autonomy**

Vietnam's overarching goal for the next two decades is to foster industrialization and modernization to build an independent, autonomous, and self-reliant economy capable of achieving developed, high-income status by 2045. However, this ambitious goal faces a range of structural and geopolitical challenges across two critical domains: first, international trade and investment, and second, industrialization.

### ***Pursuing Trade and FDI Autonomy to Mitigate Strategic Risks***

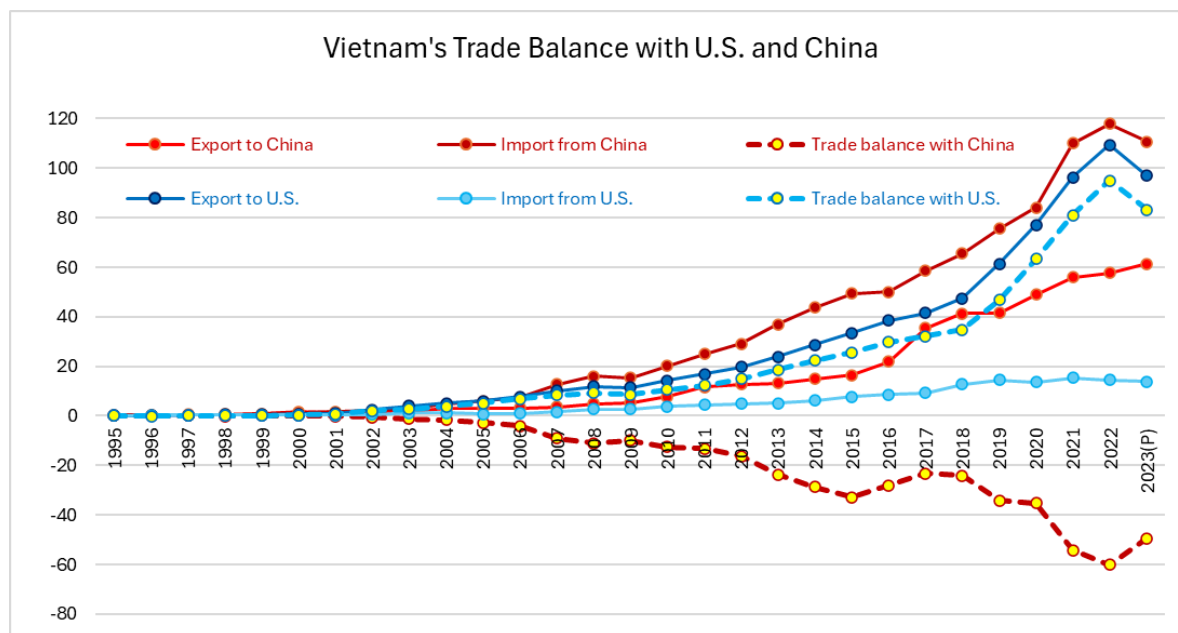
Vietnam seeks greater autonomy in trade and foreign direct investment (FDI) to mitigate vulnerabilities arising from its dual dependencies on China for imports and FDI, and on the United States for exports. While China is Vietnam's largest supplier of raw materials and intermediate goods, the United States purchases nearly 30% of Vietnam's total exports, making both relationships critical yet also poses risks of overdependence. The ongoing U.S.-China rivalry underscores Vietnam's need to diversify its economic partnerships to improve resilience and protect its strategic autonomy.

FDI is extremely important to Vietnam's economy. As of 2024, FDI accounted for 20.5% of GDP, 16.5% of total investment, and 71.7% of total exports. Moreover, Vietnam's strategic economic priorities, including digital transformation, green transition, semiconductors, and artificial intelligence (AI), are heavily influenced by the geopolitical and investment climate surrounding the FDI sector. This creates a critical dilemma for Vietnam: while achieving high-income status requires deeper international economic integration, excessive reliance on external factors poses risks. Balancing economic interdependence with autonomy will be a crucial factor in realizing Vision 2045.

China has become increasingly dominant in Vietnam's supply chains, with imports from China rising from \$0.4 billion in 1995 to \$144.2 billion in 2024 (see Figure 1). This dependence exposes Vietnam to supply-side disruptions while entrenching it in low-value manufacturing. At the same time, Vietnam's strong export ties with the United States, driven by goods like textiles and electronics, highlight a demand-driven dependency. This necessitates a delicate balancing act, as overreliance on either nation could jeopardize Vietnam's economic stability and diplomatic flexibility.

Additionally, Vietnam has become increasingly reliant on FDI from China to drive its economic growth. The share of registered FDI from China more than tripled from 2.8% between 2010-2016 to 9.0% between 2017-2023. This reliance has deepened as Chinese investments target manufacturing, energy, and infrastructure — sectors central to Vietnam’s industrialization and modernization strategy. Today, China ranks as one of Vietnam’s top five foreign investors, leading in the number of newly approved projects as its focus shifts from manufacturing and equipment toward high-tech industries and renewable energy.

**Figure 1. Vietnam’s Trade Balance with the United States and China (1995 -2023)**



Source: Authors’ calculation from data published by Vietnam’s General Statistical Office

Vietnam is seeking autonomy for two reasons: reducing exposure to external economic shocks and strengthening its ability to navigate intensifying geopolitical tensions. Geopolitically, autonomy allows Vietnam to maintain sovereignty in contentious areas like the South China Sea while preserving balanced relations with both superpowers. Economically, reducing reliance on China and the United States supports Vietnam’s goal of transitioning to a knowledge-based economy and climbing the global value chain.

To achieve this, Vietnam has adopted a multipronged strategy. First, it is diversifying trade relationships through free trade agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA). It has also participated in the Regional Comprehensive Economic Partnership (RCEP). These agreements reduce dependency on both China and the United States by opening access to alternative markets in the EU, Japan, and other major economies.

Second, Vietnam is attracting FDI from a broader range of sources — including South Korea, Singapore, Japan, and the EU — to reduce reliance on Chinese investments. FDI from these nations supports advanced manufacturing, technology, and sustainability, aligning with Vietnam’s long-term development goals. The government also encourages domestic production to build self-sufficient supply chains and invests in high-tech industries like AI, semiconductors, and renewable energy.

Third, Vietnam leverages its role in the “China Plus One” strategy, positioning itself to attract multinational

companies seeking to diversify production bases away from China. Regionally, Hanoi is deepening economic integration through ASEAN and further expanding its trade and investment networks via partnerships with countries like India, Australia, and Canada.

Domestically, Vietnam is addressing structural weaknesses in its private sector to boost local manufacturing capabilities. At the same time, it is promoting innovation in strategic sectors to reduce reliance on low-value exports and import-heavy industries.

By balancing its trade and investment relationships, Vietnam aims to mitigate risks associated with dependency on China and the United States, enhance its economic resilience, and chart a sustainable path for growth amid intensifying geopolitical competition.

Unlike its East Asian predecessors, such as South Korea or Taiwan, Vietnam has yet to produce global champion firms with advanced technological capacity or global brand recognition. Instead, it has relied heavily on export-oriented FDI. While effective for job creation and trade integration, this model has limited the development of indigenous innovation ecosystems. In this sense, Vietnam's current position more closely resembles that of Malaysia or Mexico, where foreign-led growth has driven integration into global supply chains but not consistently translated into domestic technological upgrading. Going forward, Vietnam must transcend its low-cost, assembly-based growth model by investing systematically in industrial upgrading, research and development (R&D) capacity, and domestic firm capability.

### ***Building a Strong, Independent, and Self-Reliant Economy Through Industrialization***

Vietnam's industrialization and modernization strategy rests on four pillars: science and technology, digital transformation, green transformation, and the semiconductor industry. In his public discourse, "Digital Transformation: An Important Driving Force for Developing Productive Forces, Perfecting Production Relations, and Advancing the Nation," published on the 79th anniversary of Independence Day, General Secretary Tô Lâm emphasized the critical role of digital transformation in propelling Vietnam into a new era. Building on this vision, the Politburo issued Resolution No. 57-NQ/TW on December 22, 2024, outlining a transformative strategy to foster breakthroughs in science, technology, innovation, and digital transformation. A Central Steering Committee, chaired by the general secretary himself, was established to spearhead these initiatives.

The resolution positions digital transformation not only as technological adaptation but as a revolutionary force redefining Vietnam's production mode and restructuring its governance framework ("superstructure"). This paradigm shift seeks to modernize state management, promote innovative economic models, and ensure synergy between governance structures and digital infrastructure. Importantly, it emphasizes maintaining Vietnam's socialist identity, fostering inclusivity, and ensuring equitable resource distribution while navigating this transformative era.

Geo-economic and geopolitical dynamics add complexity to Vietnam's aspirations. Intense global competition for digital leadership demands that Vietnam navigate trade barriers, technological dependencies, and intellectual property challenges. Regionally, it must differentiate itself from established digital leaders like Singapore and Malaysia, all while not relying too heavily on foreign technologies from a single source OR from the United States or China. Geopolitically, Vietnam must safeguard its digital sovereignty and cybersecurity while engaging with global powers such as the United States, China, and the EU, balancing cooperation with the need for strategic independence.

To address these obstacles, Resolution No. 57-NQ/TW advocates investing in cutting-edge digital infrastructure,

such as 5G and AI, reforming legal frameworks to foster innovation, and enhancing human capital through specialized education and training. It also underscores the importance of integrating Vietnam into international digital governance frameworks and cultivating globally competitive domestic tech enterprises.

As General Secretary Tô Lâm asserts, the digital era demands bold reforms to align governance with the evolving “digital mode of production.” This transformation integrates human and artificial intelligence, with data as a key asset, fundamentally reshaping production relations and governance structures. Vietnam’s goal is to harness the potential of this revolution while preserving socialism’s core values, constructing a socialist-oriented market economy that ensures equitable and inclusive development in the digital age. Looking ahead, the country’s most promising windows of opportunity lie in next-generation sectors such as semiconductors, digital services, and clean energy. Its strong manufacturing base, youthful workforce, and expanding digital infrastructure position it well to participate in regional tech supply chains. However, to move beyond contract manufacturing into higher value-added segments, Vietnam will need to reform its innovation institutions, deepen human capital, and ensure regulatory coherence in digital governance. Similarly, while Vietnam’s bold net-zero pledge opens space for technological upgrading and climate finance, realizing its potential depends on overcoming governance fragmentation and strengthening domestic firms’ integration into green value chains.

Collaborative mechanisms with other middle powers — such as joint R&D initiatives with India or South Korea, green tech transfer from Australia or the EU, or coordinated bargaining within multilateral platforms — could support Vietnam’s transition. These partnerships could help Hanoi avoid excessive dependency on any one power while embedding it more deeply in rule-setting processes for emerging sectors.

In sum, while Vietnam’s economic ascent has been impressive, sustaining this momentum will depend on converting FDI-led integration into homegrown innovation. By learning from middle powers that have managed to do so and avoiding the middle-income traps that have stalled others, it can secure its path toward becoming a high-income nation.

## Conclusion and Recommendations

Vietnam’s emergence as a middle power is shaped as much by its internal political economy as by its external geopolitical environment. As the only communist regime among the world’s middle powers — and one navigating a long, historically fraught relationship with both the United States and China — Vietnam occupies a distinct and complex position in the international order. Its central ambition remains developmental: to transform into an upper-middle-income country by 2030 and a high-income, advanced economy by 2045. This long-term aspiration of consolidating its status as a middle power while avoiding middle-income traps shapes Vietnam’s strategic calculus and underpins a diplomatic posture that prioritizes political stability, economic performance, and strategic autonomy.

To pursue these aims, Vietnam has institutionalized a foreign policy centered on political independence and international integration. It resists domination, avoids formal alliances, and engages a wide array of partners across ideological divides. Its approach, often described as “bamboo diplomacy,” is grounded in realism: firm in defense of national sovereignty and long-term interests, but flexible in tactics, partnerships, and diplomatic framing. While this strategy is fundamentally defensive, it has yielded broader influence than Vietnam officially claims or seeks.

In navigating the intensifying U.S.-China rivalry, Vietnam has charted a careful middle path that moves beyond

mere survival or avoidance. By maintaining credible neutrality, building overlapping partnerships, and consistently defending a rules-based order in forums and international free trade agreements (such as ASEAN, CPTPP, and RCEP), Vietnam has subtly reshaped engagement from both Washington and Beijing. The United States has increasingly offered Vietnam asymmetric benefits — economic, technological, and strategic — without requiring formal alignment. At the same time, China has exercised greater restraint than with other neighbors, recognizing that excessive pressure may drive Hanoi toward Western powers. As a result, Vietnam has positioned itself not only as a state to be courted, but as a state whose posture actively influences the behavior of rival powers.

Vietnam's autonomy varies considerably across domains. It has gained strategic space in diplomacy, digital infrastructure, and multilateral climate engagement, often with support from middle-power partners. However, it remains constrained by defense dependencies, an FDI-dominated industrial base, and the formidable resource demands of its energy transition. These structural limits narrow its bandwidth for long-term influence, even as its short-term leverage expands.

Still, Vietnam's case exemplifies the capacity of middle powers to shape their environment, even without force or formal leadership roles. Through deliberate ambiguity and targeted cooperation, Vietnam has helped lower the temperature of regional tensions and carved out influence disproportionate to its size. This influence is not rooted in coercive power but in geopolitical neutrality and developmental focus.

Vietnam's trajectory also highlights the strategic value of “median voter states” in a bifurcating world. By signaling that partnership — not pressure — is the most effective basis for engagement, Vietnam contributes to reshaping the incentive structures that govern great-power behavior in Southeast Asia. When emulated by other middle powers, this posture can help reinforce norms of restraint and pluralism.

The Vietnamese experience raises several questions of broader relevance. Can Vietnam sustain its balancing posture if the U.S.-China rivalry escalates into open confrontation over Taiwan or the South China Sea? What institutional frameworks might allow Vietnam and other middle powers to coordinate more systematically on global issues such as climate change, digital governance, or supply chain resilience? And what forms of middle-power leadership — coalitional, normative, or issue-based — can realistically shape outcomes in a contested order?

Vietnam may not seek to lead or recalibrate global power dynamics, but its consistent neutrality, commitment to multilateralism, and refusal to align with maximalist positions have effectively shaped how the United States and China engage with it — and, by extension, how they engage with the region. Its balancing strategy, especially when mirrored by other middle powers, can incrementally de-escalate major-power rivalry.

### ***Recommendations for U.S. Leadership***

The U.S. government should adopt a calibrated and strategic approach toward Vietnam, treating it as a middle power while recognizing its distinctive political economy and unique geopolitical position, particularly in relation to China and Russia. Strengthening economic cooperation is essential, especially in trade, investment, and technology. Priority should be given to digital transformation and the semiconductor industry, alongside integrating Vietnam into Western-led supply chains and climate change initiatives. In security and defense, the United States should deepen cooperation while respecting Vietnam's policy of nonalignment, maintaining robust support for Hanoi's position in the South China Sea disputes. Regarding trade, Washington must exercise restraint in imposing tariffs due to Vietnam's trade surplus or alleged transshipment of Chinese goods.

Enforcement should be fair and targeted, distinguishing between rerouted Chinese products and those genuinely produced or value-added in Vietnam using Chinese inputs. Finally, it is crucial to manage sensitive political differences, including human rights, religious freedom, and civil society issues, with respect and dialogue rather than coercion.

### ***Recommendations for Chinese Leadership***

China should strengthen economic cooperation with Vietnam through enhanced trade, investment, and transport infrastructure development. Beijing should also recognize that Hanoi's deepening ties with Washington are not an alignment against China, but rather a reflection of Vietnam's historical experience and its pursuit of national interests. Rather than viewing these relations through a zero-sum lens, China should assess the situation carefully and acknowledge the potential benefits, particularly in trade and investment. Crucially, China must de-escalate maritime disputes with Vietnam by ceasing aggressive actions in the South China Sea, such as surveys in Vietnam's Exclusive Economic Zone and harassment of its fishing vessels and energy operations. Any escalation may eventually cost China far more than Vietnam — economically, politically, and diplomatically. Additionally, China should consider Vietnam's concerns over Beijing's increasing dominance in the Mekong region, especially regarding its leverage over Laos, Cambodia, and the upstream Mekong River. A more restrained, cooperative approach will help stabilize China-Vietnam relations and prevent potential tensions from undermining China's broader strategic interests in Southeast Asia.

### ***Recommendations for Vietnamese Leadership***

As global tensions rise, Vietnam faces growing risks of being drawn into the U.S.-China rivalry — or worse, becoming a pawn in a new U.S.-China-Russia triangle. When Washington and Beijing are at odds, Vietnam's development momentum suffers; when they are in harmony, the country risks being sidelined. To avoid both traps, Vietnam must continue practicing agile, principled bamboo diplomacy by rebalancing relationships, repositioning itself as needed, and protecting its autonomy.

At home, the most urgent task is launching a second wave of reform — a “Doi Moi 2.0.” This means unlocking domestic potential by strengthening the private sector, removing institutional bottlenecks, and building a more effective and accountable state. Without stronger internal foundations, Vietnam will remain vulnerable to external shocks and overdependent on foreign capital, markets, and technology.

Vietnam should also invest more in middle-power coalitions — leveraging ASEAN, BRICS+, IPEF, and other issue-based platforms — to hedge smarter, not harder. These networks provide a stage to amplify Vietnam's voice, diversify risk, and offer alternatives to binary alignment. In emerging strategic sectors like semiconductors, clean energy, and digital governance, Vietnam has an opportunity to lead. These are not just economic goals but geopolitical tools. By positioning itself as a trusted partner in regional tech and climate transitions, Vietnam can increase its leverage while minimizing the risk of confrontation.

Above all, Vietnam must shift from merely “not choosing” to selectively leading, clarifying where it stands and what it wants. Strategic ambiguity has served Vietnam well in the past, but in an increasingly fragmented world, clarity — on rules, partnerships, and reform — can be even more powerful. A more confident, coherent Vietnam will not only safeguard its interests but also shape how external powers engage with Southeast Asia.

*Statements and views expressed in this commentary are solely those of the authors and do not imply endorsement by Harvard University, the Harvard Kennedy School, or the Belfer Center for Science and International Affairs.*

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10 Vietnam has finalized the acquisition of India’s BrahMos supersonic cruise missile system, see Indian Defence Research Wing, “India and Vietnam set to Finalize \$700 Million BrahMos Missile Deal Amid Rising South China Sea Tensions,” April 21, 2025, <https://idrw.org/india-and-vietnam-set-to-finalize-700-million-brahmos-missile-deal-amid-rising-south-china-sea-tensions/>. Additionally, New Delhi has provided critical credit lines, delivered 12 high-speed patrol boats, and gifted the INS Kirpan corvette. This cooperation is further bolstered by India’s activation of a satellite imaging and tracking station in Hanoi for monitoring Chinese vessels. For more on the significance of these events, see Sameer Patil, “The Importance of India’s Defence Partnership with Vietnam,” Observer Research Foundation, June 28, 2022, <https://www.orfonline.org/expert-speak/the-importance-of-indias-defence-partnership-with-vietnam>. Beyond hardware, military training and technical assistance are crucial, notably the annual VINBAX exercise for UN peacekeeping activities as well as Indian support for C-295M transport aircraft maintenance for Vietnam’s air force. See Mandeep Singh, “India, Vietnam Expand Defense Ties Across Land, Sea, Air Domains,” *Indo-Pacific Defense FORUM*, May 27, 2025, <https://ipdefenseforum.com/2025/05/india-vietnam-expand-defense-ties-across-land-sea-air-domains/>.

11 The firm’s contract extensions for key blocks, such as O6.1 until 2039 and 128 (within the China-claimed nine-dash-line) until 2026, challenge Chinese maritime claims and coercive behaviors. See “OVL Secures Contract Extension for Vietnam Oil Blocks,” *The Economic Times*, August 14, 2024, <https://economictimes.indiatimes.com/industry/energy/oil-gas/ovl-secures-contract-extension-for-vietnam-oil-blocks/articleshow/112634917.cms?from=mdr>.

- 12 Derek Grossman, "India Is Becoming a Power in Southeast Asia," RAND Corporation, July 19, 2023, <https://www.rand.org/pubs/commentary/2023/07/india-is-becoming-a-power-in-southeast-asia.html>.
- 13 Press Information Bureau (PIB), "Sea Phase of ASEAN-India Maritime Exercise – 2023," May 9, 2023, <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1922815&reg=3&lang=2>.
- 14 Singapore is probably the favorite destination for Vietnamese leadership, ever since the 1980s prior to the country's global integration. Over the last three decades, Vietnam has sent numerous government officials to Singapore to study economic development, technology, education, urban infrastructure, environmental protections, and governance.
- 15 Singapore Ministry of Foreign Affairs (MFA), "Joint Statement on Establishment of the Comprehensive Strategic Partnership Between Viet Nam and Singapore on the Occasion of the Official Visit of His Excellency Mr To Lam, General Secretary of the Central Committee of the Communist Party of Viet Nam to Singapore," March 12, 2025, <http://www.mfa.gov.sg/Newsroom/Press-Statements-Transcripts-and-Photos/2025/03/20250312-Joint-Statement-VN-SG-CSP>.
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- 17 Viettel, "Viettel and Singtel Co-found New Undersea Cable Connecting Vietnam Directly to Singapore," April 11, 2024, <https://viettel.com.vn/en/news-events/news/viettel-and-singtel-co-found-new-undersea-cable-connecting-vietnam-directly-to-singapore/>.
- 18 Nguyen Khac Giang, "Middle-Power Diplomacy: Decoding Vietnam's Recent Diplomatic Endeavours," ISEAS – Yusof Ishak Institute, 2023, <https://fulcrum.sg/middle-power-diplomacy-decoding-vietnams-recent-diplomatic-endeavours/>.
- 19 Australian Department of Defence, "Australia Supports Vietnam in Peacekeeping Mission to South Sudan," July 8, 2023, <https://www.defence.gov.au/news-events/releases/2023-07-08/australia-supports-vietnam-peacekeeping-mission-south-sudan>.
- 20 Australian Department of Foreign Affairs and Trade (DFAT), "Vietnam Country Brief," accessed June 18, 2025, <https://www.dfat.gov.au/geo/vietnam/vietnam-country-brief>.
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- 22 ASEAN Secretariat, "Vietnam in ASEAN: Toward Cooperation for Mutual Benefits," ASEAN, accessed December 26, 2024, <https://asean.org/vietnam-in-asean-toward-cooperation-for-mutual-benefits/>.
- 23 Francesco Guarascio and Phuong Nguyen, "PM Chinh Says Vietnam to Work with BRICS as He Meets with China, Russia Leaders," *Reuters*, October 25, 2024, <https://www.reuters.com/world/pm-chinh-says-vietnam-work-with-brics-he-meets-with-china-russia-leaders-2024-10-25/>.

- 24 Van Nguyen, “Vietnam Attends 17th BRICS Summit as a Partner Country,” *VnEconomy*, January 20, 2025, <https://en.vneconomy.vn/vietnam-attends-17th-brics-summit-as-a-partner-country.htm>.
- 25 Ben Norton, “BRICS Plans ‘Multi-currency System’ to Challenge US Dollar Dominance: Understanding Russia’s Proposal,” *Geopolitical Economy Report*, October 19, 2024, <https://geopoliticeconomy.com/2024/10/19/brics-russia-multi-currency-system-us-dollar/>.
- 26 Maria Siow, “Vietnam’s ‘Sweet Spot’ Strategy Balances Brics Engagement with Western Ties,” *South China Morning Post*, October 26, 2024, <https://www.scmp.com/week-asia/people/article/3284332/vietnams-sweet-spot-strategy-balances-brics-engagement-western-ties>.
- 27 Beyond Singapore, Vietnam elevated ties with Malaysia, Indonesia, and Thailand to CSPs in 2024 and 2025. Such strategic moves provide Vietnam with stronger bilateral backing from key ASEAN members, enhancing diplomatic leverage and practical cooperation in maritime security and regional stability.
- 28 Andrew Erskine, “The Middle Power Dynamic in the Indo-Pacific: Unpacking How Vietnam and Indonesia Can Shape the Region,” *Journal of Indo-Pacific Affairs*, February 8, 2022, <https://www.airuniversity.af.edu/JIPA/Display/Article/2927137/the-middle-power-dynamic-in-the-indo-pacific-unpacking-how-vietnam-and-indonesi/>.
- 29 Sharon Seah et al., *The State of Southeast Asia: 2024 Survey Report* (ISEAS – Yusof Ishak Institute, 2024), <https://www.iseas.edu.sg/wp-content/uploads/2024/03/The-State-of-SEA-2024.pdf>; and Sharon Seah et al., *The State of Southeast Asia: 2025 Survey Report* (Singapore: ISEAS – Yusof Ishak Institute, 2025), 78, <https://www.iseas.edu.sg/centres/asean-studies-centre/state-of-southeast-asia-survey/the-state-of-southeast-asia-2025-survey-report/>.
- 30 Bilateral trade reached nearly \$124 billion in 2022, a 300-fold increase since 1995, and, after a slightly decline to \$111 billion in 2023, reached a \$149 billion in 2024. See See Office of the United States Trade Representative (USTR), “Vietnam,” accessed June 24, 2025, <https://ustr.gov/countries-regions/southeast-asia-pacific/vietnam>.
- 31 ASEMConnectVietnam, “Exports to US Reached Nearly 152 Billion USD in 2025,” January 20, 2026, <http://asemconnectvietnam.gov.vn/default.aspx?id1=2&ID8=146268>.
- 32 Yuen Foong Khong and Joseph Chinyong Liow, “Southeast Asia Is Starting to Choose: Why the Region Is Leaning Toward China,” *Foreign Affairs*, June 27, 2025, <https://www.foreignaffairs.com/china/southeast-asia-starting-choose-khong-liow>.
- I. 33 See details at [Melissa Cyrill](#), “U.S. Chooses to Retain Vietnam’s Non-Market Economy Status Despite Reforms”, August 8, 2024, <https://www.vietnam-briefing.com/news/us-chooses-to-retain-vietnams-non-market-economy-status-despite-reforms.html/#:~:text=Meanwhile%2C%20Vietnam’s%20Ministry%20of%20Industry,missed%20opportunity%20by%20many%20stakeholders>.
- 34 A remarkable demonstration of this CSP is the fast-growing defense relations between the two nations, exemplified by the Vietnamese defense minister’s five-day visit to the United States in September 2024, which produced the “Updated Joint Vision Statement on U.S.-Viet Nam Defense Relations.” Several months after the trip, the United States delivered the first five of 12 committed T-6C Texan II trainer aircraft to bolster Vietnam’s self-reliant defense capabilities in accordance with the CSP. See U.S. Mission Vietnam, “United States Expands U.S.-Vietnam Defense Cooperation with Delivery of T-6C Trainer Aircraft,” U.S. Embassy & Consulate in Vietnam, December 26, 2024, <https://vn.usembassy.gov/united-states-expands-u-s-vietnam-defense-cooperation-with-delivery-of-t-6c-trainer-aircraft/>. Additionally, Hanoi decided to buy three U.S. C-130J Super Hercules military transport aircrafts in an effort to diversify its military assets from Russian suppliers. See “Thứ trưởng Quốc Phòng: Việt Nam thống nhất mua ba vận tải cơ C-130J của Mỹ” [Vietnam Agrees to Purchase Three C-130J Military Transport Aircraft from the U.S.], December 18, 2024, <https://www.rfa.org/vietnamese/news/vietnamnews/vn-mua-may-bay-van-tai-quan-su-c130j-cua-my-12182024094030.html>. By June 2025,

the United States had transferred three high-endurance cutters to the Vietnam Coast Guard (VCG) enhancing Vietnam's maritime capabilities in response to repeated Chinese encroachment on its Exclusive Economic Zone. In a historic move, reports in April 2025 indicated an agreement for Vietnam to acquire at least 24 F-16 fighter aircrafts, the largest defense deal in the history of the two nations. For details on the cutters, see U.S. Mission Vietnam, "United States Transfers Third High-Endurance Cutter (WHEC) to Vietnam Coast Guard as Nations Celebrate 30 Years of Diplomatic Relations," June 18, 2025, <https://vn.usembassy.gov/united-states-transfers-third-high-endurance-cutter-whec-to-vietnam-coast-guard-as-nations-celebrate-30-years-of-diplomatic-relations/>. Regarding the F-16s, see Reuben Johnson, "Vietnam Has Reached An Agreement to Buy U.S. F-16 Fighter Jets," *19FortyFive*, April 18, 2025, <https://www.19fortyfive.com/2025/04/vietnam-has-reached-an-agreement-to-buy-u-s-f-16-fighter-jets/>. While these purchases may partially aim to reduce the trade deficit with the U.S. amid shifting tariff policies, they fundamentally indicate a significant rise in strategic trust between former wartime enemies but current comprehensive strategic partners.

35 Just a decade ago, slogans like the "Four Goods" — Good Neighbor, Good Friend, Good Comrade, Good Partner" — or the 16 Words of "Friendship Neighbors, Comprehensive Cooperation, Sustainable Stability, Future Orientation" were popular in the news regarding bilateral ties. Nowadays, such clichés have mostly faded from public media. Despite millennia of bilateral cultural interchanges and Beijing's global promotion of the Confucius Institute, a state-craft tool of worldwide soft power, there exists only one such institute in Vietnam, which is largely unknown to the public. Diplomatic interactions have become more ceremonial, and after a period of engagement, Vietnam was eventually reluctant to acknowledge the "China-Vietnam Community with a Shared Future," opting instead for the more expansive notion of a "Community of Common Destiny," as seen in China's relations with other nations. See Nguyen Khac Giang, "Xi Jinping in Hanoi: Courting for a Common Destiny?," *FULCRUM*, December 18, 2023, <https://fulcrum.sg/xi-jinping-in-hanoi-courting-for-a-common-destiny/>.

36 ASEMConnectVietnam, "Exports to US."

37 Vietnam News Agency (VNA), "FDI Inflows into Việt Nam Exceed \$38 Billion in 2025," *Việt Nam News*, January 20, 2026, <https://vietnamnews.vn/economy/1743208/fdi-inflows-into-viet-nam-exceed-38-billion-in-2025.html>.

38 These disputes present the most significant obstacle to Vietnam-China relations, involving deep-seated issues of trust (or distrust), nationalism, and public opinion. The outcome of these disputes directly impacts Vietnam's national stability and its broader foreign policy direction. See Dung Huynh, *Facing the Ravenous Sea Dragon: How Weaker Nations Confront Chinese Coercion in the South China Sea* (RAND Corporation, 2022), [https://www.rand.org/pubs/rgs\\_dissertations/RGSDA2470-1.html](https://www.rand.org/pubs/rgs_dissertations/RGSDA2470-1.html).

39 With China, for example, Hanoi maintains frequent exchanges of government and party officials as a symbolic balancing message and act; Vietnamese top leaders often visit China before going to the United States. For instance, the newly elected VCP Secretary General Tô Lâm made his first visit to China in August 2024, just a month prior to his trip to the United States. Frequent consultations or meetings between Vietnamese senior officials and their Chinese counterparts occur before, after, or even during significant engagements with the Washington. A notable example was the Vietnamese prime minister's visit to China on the same day the U.S. aircraft carrier "Ronald Reagan" docked in Da Nang in June 2023.

40 For instance, in a delicate balancing act to avoid possible misinterpretation by China or Russia, mere months after the upgrade of U.S.-Vietnam relationship to CSP, Hanoi seemed to water down the message by elevating its ties with other partners to the same status. The Vietnam's CSP group now extends to 13 members, including Japan (2023); Australia, France, and Malaysia (2024); and New Zealand, Indonesia, Singapore, and Thailand (2025). It would not be surprising if Hanoi expanded this group to candidates such as the Philippines, Brazil, the U.K., or Canada, given their strong partnership with Vietnam.

41 For further clarification, see Carlyle A. Thayer, "Not Too Hot, Not Too Cold: A Vietnamese Perspective on China-U.S. Relations," International Conference on China-US Relations in Global Perspective, October 8-9, 2015, [https://www.viet-studies.com/kinhte/Thayer\\_NotTooHotTooCold.pdf](https://www.viet-studies.com/kinhte/Thayer_NotTooHotTooCold.pdf).

- 42 This scenario occurred during the Vietnam War when both the Soviet Union and People's Republic of China (PRC) threw substantial support behind North Vietnam in a competition for influence against the West.
- 43 For instance, Vietnam may develop 5G telecommunication infrastructure using U.S. semiconductor chips that can be used with Chinese devices. See Nitta Yuji, "Viettel and Qualcomm Launch Open RAN 5G Network in Vietnam," *Nikkei Asia*, November 21, 2024, <https://asia.nikkei.com/Business/Telecommunication/Viettel-and-Qualcomm-launch-Open-RAN-5G-network-in-Vietnam>.
- 44 This explains why Hanoi has frequently cast neutral or favorable votes for Moscow at the United Nations General Assembly regarding the war in Ukraine, while simultaneously issuing public statements respecting sovereignty and territorial integrity in compliance with the UN Charter, an act of implicit support for Ukraine. See United Nations General Assembly (UNGA), "Aggression Against Ukraine," Resolution ES-11/1, March 2, 2022, <https://digitallibrary.un.org/record/3959039>; UNGA, "Territorial Integrity of Ukraine: Defending the Principles of the Charter of the United Nations," Resolution ES-11/4, October 12, 2022, <https://digitallibrary.un.org/record/3990400>; and UNGA, "Principles of the Charter of the United Nations Underlying a Comprehensive, Just and Lasting Peace in Ukraine," Resolution ES-11/6, February 23, 2023, <https://digitallibrary.un.org/record/4003921>.
- 45 European Commission, "EU-Viet Nam Trade Agreement and Investment Protection Agreement," accessed January 20, 2026, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/viet-nam/eu-viet-nam-agreements\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/viet-nam/eu-viet-nam-agreements_en).
- 46 Huynh Trung Dung, "ASEAN and the 'Quad Plus' | 18 | Opportunity in Turbulence?," in *India-Japan-ASEAN Triangularity*, 1st ed. (Routledge, 2022), 21, <https://www.taylorfrancis.com/chapters/edit/10.4324/9781003216766-18/asean-quad-plus-huynh-trung-dung>.
- 47 Thach Lam, "Vision 2045, Vietnam becomes a high-income developed country," Feb 02, 2025, Lao Dong [Labor] News, <https://news.laodong.vn/kinh-doanh/tam-nhin-2045-viet-nam-tro-thanh-nuoc-phat-trien-thu-nhap-cao-1454902.lido#:~:text=According%20to%20Associate%20Professor%2C%20Dr,economic%20models%20and%20sharing%20economy>.
- 48 Tu-Anh Vu-Thanh and Dwight H. Perkins, "Explaining Vietnam's Economic Growth Experience," in *Vietnam: Navigating a Rapidly Changing Economy, Society, and Political Order* (Harvard University Press, 2023), 133–57.
- 49 Times Higher Education, World University Rankings 2026, n.d., <https://www.timeshighereducation.com/world-university-rankings/latest/world-ranking>
- 50 The National Program on Digital Transformation aims to build a digital economy, digital society, and digital government and foster globally competitive digital firms. The goal is for the digital economy to reach 20% of GDP by 2025 and 30% by 2030. Government of Vietnam, "Quyết định số 749/QĐ-TTg của Thủ tướng Chính phủ: Phê duyệt 'Chương trình Chuyển đổi số quốc gia đến năm 2025, định hướng đến năm 2030'" [Decision No. 749/QĐ-TTg: Approval of the 'National Digital Transformation Program up to 2025, Orientation Towards 2030'], June 3, 2020, <http://chinhphu.vn/default.aspx?pageid=27160&docid=200163>.
- 51 In a rare industrial policy priority, the government established the National Steering Committee on the Semiconductor Industry Development, headed by the prime minister. See Government of Vietnam, "Decision on the Establishment of the National Steering Committee for the Development of the Semiconductor Industry," August 2024, <https://datafiles.chinhphu.vn/cpp/files/vbpq/2024/8/791-ttg.signed.pdf>. This was followed by the Vietnam Semiconductor Industry Development Strategy, aimed at becoming a global semiconductor hub by 2040 and a leading electronics and semiconductor nation by 2050. See Government of Vietnam, "Chiến lược phát triển công nghiệp bán dẫn Việt Nam đến năm 2030 và tầm nhìn 2050" [Vietnam's Strategy for Semiconductor Industry Development to 2030 with a Vision to 2050], September 22, 2024, <https://baohinhphu.vn/chien-luoc-phat-trien-cong-nghiep-ban-dan-viet-nam-den-nam-2030-va-tam-nhin-2050-10224092208021662.htm>.

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

53 Moreover, given the critical role of technology in national defense and security, Vietnam will prioritize developing its indigenous technology firms, like Viettel, VNPT, and FPT and partnerships with Western nations, India, or Russia. Additionally, Vietnam is strategically integrating into the global technological chain, evident in its pioneering Law on Digital Technology Industry, passed in June 2025. This law offers crucial fiscal incentives, investment support, and a legal framework for AI and emerging technologies, while encouraging foreign firms to transfer advanced technologies and collaborate with domestic companies.

54 US Department of State, "The Clean Network Safeguards America's Assets," August 11, 2020, <https://2017-2021.state.gov/the-clean-network-safeguards-americas-assets/index.html>

55 Sheena Chestnut Greitens, "Dealing with demand for China's global surveillance exports," The Brookings Institution, April 2020, [https://www.brookings.edu/wp-content/uploads/2020/04/FP\\_20200428\\_china\\_surveillance\\_greitens\\_v3.pdf](https://www.brookings.edu/wp-content/uploads/2020/04/FP_20200428_china_surveillance_greitens_v3.pdf)

56 Francesco Guarascio, "Exclusive: Huawei, ZTE seal 5G deals in Vietnam after US tariffs, as ties with China warm," Reuters, November 28, 2025, <https://www.reuters.com/world/china/huawei-zte-seal-5g-deals-vietnam-after-us-tariffs-ties-with-china-warm-2025-11-28/>

57 Francesco Guarascio and Phuong Nguyen, "Exclusive: Vietnam eyes new 5G deals with Chinese tech firms, sources say, despite US warnings," Reuters, March 6, 2026, <https://www.reuters.com/business/media-telecom/vietnam-eyes-new-5g-deals-with-chinese-tech-firms-sources-say-despite-us-2026-03-06/>

58 Viettel, Vietnam's largest telecom group and the key player in the VTS project, serves as Vietnam's sole investor in the ADC project, owning the entire Vietnam-linked segment of the submarine cable, its landing station in Quy Nhon City, and part of the main international route. For more on how it impacts regional connectivity, see Samaya Dharmaraj, "New Subsea Cable Strengthens Vietnam's Digital Future," *OpenGov Asia*, May 5, 2025, <https://opengovasia.com/2025/05/05/new-subsea-cable-strengthens-vietnams-digital-future/>.

59 Bach Duong, "More Efforts Urged for Deeper Vietnam-Japan Tech Collaboration," *VnEconomy*, June 21, 2025, <https://vneconomy.vn/more-efforts-urged-for-deeper-vietnam-japan-tech-collaboration.htm>.

60 Jan Yong, "S. Korea's KT Plans to Set Up AI Data Center in Vietnam," *W.Media*, May 27, 2025, <https://w.media/s-koreas-kt-plans-to-set-up-ai-data-center-in-vietnam/>.

61 "VN, India Explore Cooperation Opportunities in Electricity, Electronics Sectors," *Việt Nam News*, June 21, 2025, <https://vietnamnews.vn/economy/1719821/vn-india-explore-cooperation-opportunities-in-electricity-electronics-sectors.html>.

62 University of Technology Sydney (UTS), "Launch of Australia-Vietnam Strategic Technologies Centre," June 18, 2025, <https://www.uts.edu.au/news/2025/06/launch-of-australia-vietnam-strategic-technologies-centre>.

63 New Zealand Foreign Affairs and Trade, "Indo-Pacific Economic Framework for Prosperity (IPEF) overview," n.d., <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/indo-pacific-economic-framework-for-prosperity/ipef-overview>

64 ASEAN Secretariat, "ASEAN Digital Senior Officials Call for the Development of a Secure, Innovative, and Inclusive Digital Ecosystem to Shape ASEAN's Digital Future," ASEAN, April 23, 2025, <https://asean.org/asean-digital-senior-officials-call-for-the-development-of-a-secure-innovative-and-inclusive-digital-ecosystem-to-shape-aseans-digital-future/>.

65 From 1995 to 2014, Vietnam became the most energy-intensive economy in the Asia Pacific due to its rapid economic growth coupled with low energy efficiency. See P.D. Hien, “Excessive Electricity Intensity of Vietnam: Evidence from a Comparative Study of Asia-Pacific Countries,” *Energy Policy* 130 (2019): 409–17. Until 1930, Vietnam’s annual power consumption is estimated to grow by 10% to 12%. U.S. Commercial Service, “Vietnam - Country Commercial Guide: Energy,” 2024, <https://doi.org/10.1016/j.enpol.2019.04.025>.

Annual power consumption is estimated by the government to grow between 10% and 12% until 2030, one of the highest rates in Asia. See International Trade Administration, “Vietnam - Power Generation, Transmission, and Distribution,” U.S. Department of Commerce, 2024, <https://www.trade.gov/country-commercial-guides/vietnam-power-generation-transmission-and-distribution>.

66 A notable example was the severe power shortages in Northern Vietnam, including the industrial zones, in the summer of 2023, which raised concerns among foreign investors about the country’s energy security and sustainability for economic growth.

67 International Trade Administration, Vietnam Country Commercial Guide, January 30, 2024, <https://www.trade.gov/country-commercial-guides/vietnam-environmental-technology#:~:text=Overview,highly%20vulnerable%20to%20climate%20impacts>.

68 U.S. Agency for International Development (USAID), “Vietnam Climate Change Country Profile,” 2024, <https://www.usaid.gov/climate/country-profiles/vietnam>.

69 These energy-climate tensions compel Vietnam to transition to renewable power. In 2020, the VCP Politburo issued the National Energy Development Strategy, emphasizing rapid, sustainable energy growth. Accordingly, renewable energy is targeted to comprise 15–20% of total primary energy by 2030 and 25–30% by 2045. See VCP Politburo, “Resolution No. 55-NQ/TW on Orientations of the Viet Nam’s National Energy Development Strategy to 2030 and Outlook to 2045,” Central Committee of the Communist Party of Vietnam, February 11, 2020, <https://vepg.vn/wp-content/uploads/2020/03/CPCs-Resolution-55.NQ-TW-on-Energy-Development-Strategy-to-2030-and-outlook-to-2045.pdf>. Following its net-zero emission commitment, the government also revised the Power Development Plan VIII (PDP8) for 2021 to 2030, approving it in May 2023 with a focus on renewable energy. However, given a lack of renewable energy and surging power demand over the past several years, Vietnam has been forced to maintain its coal power plants, complicating its climate pledge. In 2024, Vietnam became the world’s fifth-largest (and Southeast Asia’s second-largest) coal importer. Furthermore, it must revive abandoned nuclear energy projects to meet the forecasted energy demand over the next two decades. Due to its limited capability, Vietnam will need to consider collaborating with other nations in nuclear energy, such as Russia, China, Japan, South Korea, France, Canada and the U.K.

70 USAID, “Vietnam Country Profile.”

71 U.S. Mission Vietnam, “International Agreement to Support Vietnam’s Ambitious Climate and Energy Goals,” December 15, 2022, <https://vn.usembassy.gov/international-agreement-to-support-vietnams-ambitious-climate-and-energy-goals/>. France, a key JETP member, has committed a €500 million concessional loan and a €67 million credit financing agreement with the Vietnam National Power Transmission Corporation (EVN NPT) for grid upgrades for renewable energy integration. Germany’s GEO Group is investing \$50 million in a renewable energy workforce training center in Binh Dinh, focusing on wind, solar, and green hydrogen with Global Wind Organisation certification. The Green Strategic Partnership (GSP) between Vietnam and Denmark, signed in 2023, has promoted green growth and renewable energy, including support for offshore wind development in Vietnam. Embassy of Denmark, Vietnam, “Vietnam and Denmark Are Now Green Strategic Partners,” November 15, 2023, <https://vietnam.um.dk/en/news/vietnam-and-denmark-are-now-green-strategic-partners>. Additionally, for more than a decade, the Netherlands has provided critical support for climate resilience efforts, especially in the Mekong Delta; see Kingdom of the Netherlands, “Netherlands Commits to Support Vietnam in Realising the Mekong Delta Regional Master Plan,” June 21, 2022, <https://www.netherlandsandyou.nl/web/vietnam/w/netherlands-commits-to-support-vietnam>.

See US Mission Vietnam (2022) “International Agreement to Support Vietnam’s Ambitious Climate and Energy Goals,” 15 December. Available at: <https://vn.usembassy.gov/international-agreement-to-support-vietnams-ambitious-climate-and-energy-goals/>.

72 Quang Minh and Hai Yen, “Japan Pledges \$20 Bln Investment in Clean Energy in Vietnam,” *The Investor*, March 6, 2025, <https://theinvestor.vn/japan-pledges-20-bln-investment-in-clean-energy-in-vietnam-d14774.html>.

73 Vietnam ASEAN Hydrogen Club (VAHC), “Vietnam and Korea to Strengthen Hydrogen Cooperation at Bilateral Workshop in Ho Chi Minh City,” June 20, 2025, <https://vahc.com.vn/en/vahc-activities/vietnam-and-korea-to-strengthen-hydrogen-cooperation-at-bilateral-workshop-in-ho-chi-minh-city.html>.

74 Australian Department of Foreign Affairs and Trade (DFAT), “Harnessing the Power of Distributed Energy Resources in Vietnam,” Partnerships for Infrastructure, March 4, 2025, <https://www.partnershipsforinfrastructure.org/newsroom/harnessing-power-distributed-energy-resources-vietnam>.

75 “Vietnam and India Explore Cooperation in Electricity and Electronics,” *VietnamPlus*, June 18, 2025, <https://www.vietnam.vn/en/viet-nam-va-an-do-tham-do-kha-nang-hop-tac-trong-linh-vuc-dien-va-dien-tu>.

76 “The World’s Future Belongs to the Youth: PM,” *Vietnam Law and Legal Forum Magazine*, February 26, 2025, <https://vietnamlawmagazine.vn/the-worlds-future-belongs-to-the-youth-pm-73637.html>.

77 Additionally, Vietnam is among the first developing nations to legally enshrine greenhouse gas emission reduction obligations and to complete the Nationally Determined Contribution (INDC) submitted to the UN Framework Convention on Climate Change. Vietnam also actively engages in South-South cooperation, sharing its own experiences and collaborating with other developing nations to collectively mobilize climate funds, exemplified by its commitment to the FAO on South-South and triangular cooperation on agriculture.

78 Vietnam consistently advocates for the principle of “common but differentiated responsibilities,” emphasizing that developed nations, as historical major emitters, bear a greater responsibility for providing financial support, technology, and expertise to assist developing and least developed countries in their climate transitions.

79 Thuy Dung, “Fourth P4G Summit Successfully Warps Up,” Vietnam Government Portal (VGP), April 18, 2025, <https://en.baochinhphu.vn/fourth-p4g-summit-warps-up-successfully-111250418092512662.htm>.

80 VNA, “PM puts forth initiatives for sustainable and people-centred green transition”, *VietnamPlus*, April 17, 2025, <https://en.vietnamplus.vn/pm-puts-forth-initiatives-for-sustainable-and-people-centred-green-transition-post317538.vnp#:~:text=He%20affirmed%20that%20determination%2C%20long.Summit%20at%20the%20present%20time>.

81 “PM Chinh Addresses G7 Expanded Summit’s 2nd Session,” *Vietnam Law and Legal Forum Magazine*, May 21, 2023, <https://vietnamlawmagazine.vn/pm-chinh-addresses-g7-expanded-summits-2nd-session-69885.html>.

82 “Vietnam Joins Proceedings of ICJ’s Climate Change Opinion,” *VietnamPlus*, March 3, 2024, <https://en.vietnamplus.vn/vietnam-joins-proceedings-of-icjs-climate-change-opinion-post283541.vnp>. on behalf of the Vietnamese Government, has submitted a request to join the proceedings of the International Court of Justice (ICJ)

83 Lukas Schaugg, Natalie Jones, Jeffrey Qi, “Historic International Court of Justice Opinion Confirms States’ Climate Obligations,” International Institute for Sustainable Development (IISD), July 28, 2025, <https://www.iisd.org/articles/deep-dive/icj-advisory-opinion-climate-change#:~:text=Deep%20Dive-,Historic%20International%20Court%20of%20Justice%20Opinion%20Confirms%20States'%20Climate%20Obligations,Contents>

84 The challenge to Hanoi is the substantial tariff threatened by the Trump Administration 2.0 in early April 2025, due to its surging trade surplus with the United States. Additionally, other barriers or restrictions may be imposed on Vietnamese exports if they are deemed to be primarily produced by Chinese firms to evade the U.S. tariff barrier. Nota-

bly, however, a recent study by Harvard Business School found that in 2021, 16.1% of Vietnamese exports to the United States were designated as rerouting (from China) at the product level and only 1.8% at the firm level, totaling roughly \$15.5 billion and \$1.7 billion respectively, much lower than the common perception; See Ebehi lyoha et al., “Exports in Disguise: Trade Re-Routing During the U.S.-China Trade War,” Harvard Business School Working Paper 24-072, May 2024, <https://www.hbs.edu/faculty/Pages/item.aspx?num=65663>.

85 Over the past couple of years, Vietnamese leaders have welcomed investments and partnerships in science and technology from the United States, EU, the U.K., Japan, and Korea.

86 For instance, as exemplified above, Viettel – the state-owned military telecommunications group – develops its own telecommunication hardware, such as 5G semiconductor chips, or collaborates with Western companies for other products.

87 Clean energy and transport infrastructure have emerged as the two primary areas where Vietnamese leaders are calling for Chinese investment.

88 During the 8th Greater Mekong Subregion (GMS) Summit on November 7, 2024, Prime Minister Pham Minh Chinh proposed to Chinese Premier Li Qiang that China provide capital support, technology transfer, and human resource training. He also called for accelerated cooperation in implementing three key railway projects: the Lao Cai–Hanoi–Hai Phong line (380 km), the Hanoi–Dong Dang line (156 km), and the Hai Phong–Ha Long–Mong Cai line (187 km).

89 Asia Maritime Transparency Initiative (AMTI), “Scaling Up: Vietnam’s Islands (and Harbors) Continue to Grow,” March 21, 2025, <https://amti.csis.org/scaling-up-vietnams-islands-and-harbors-continue-to-grow/>; AMTI, “Holding the Line: China’s Expanding Patrols around Scarborough Shoal,” June 16, 2025, <https://amti.csis.org/holding-the-line-chinas-expanding-patrols-around-scarborough-shoal/>.

90 Moreover, in 2023, Vietnam uniquely hosted the presidents of both the United States and China, followed by Russia’s president several months later, demonstrating its ability to maintain robust relations with all major powers.