

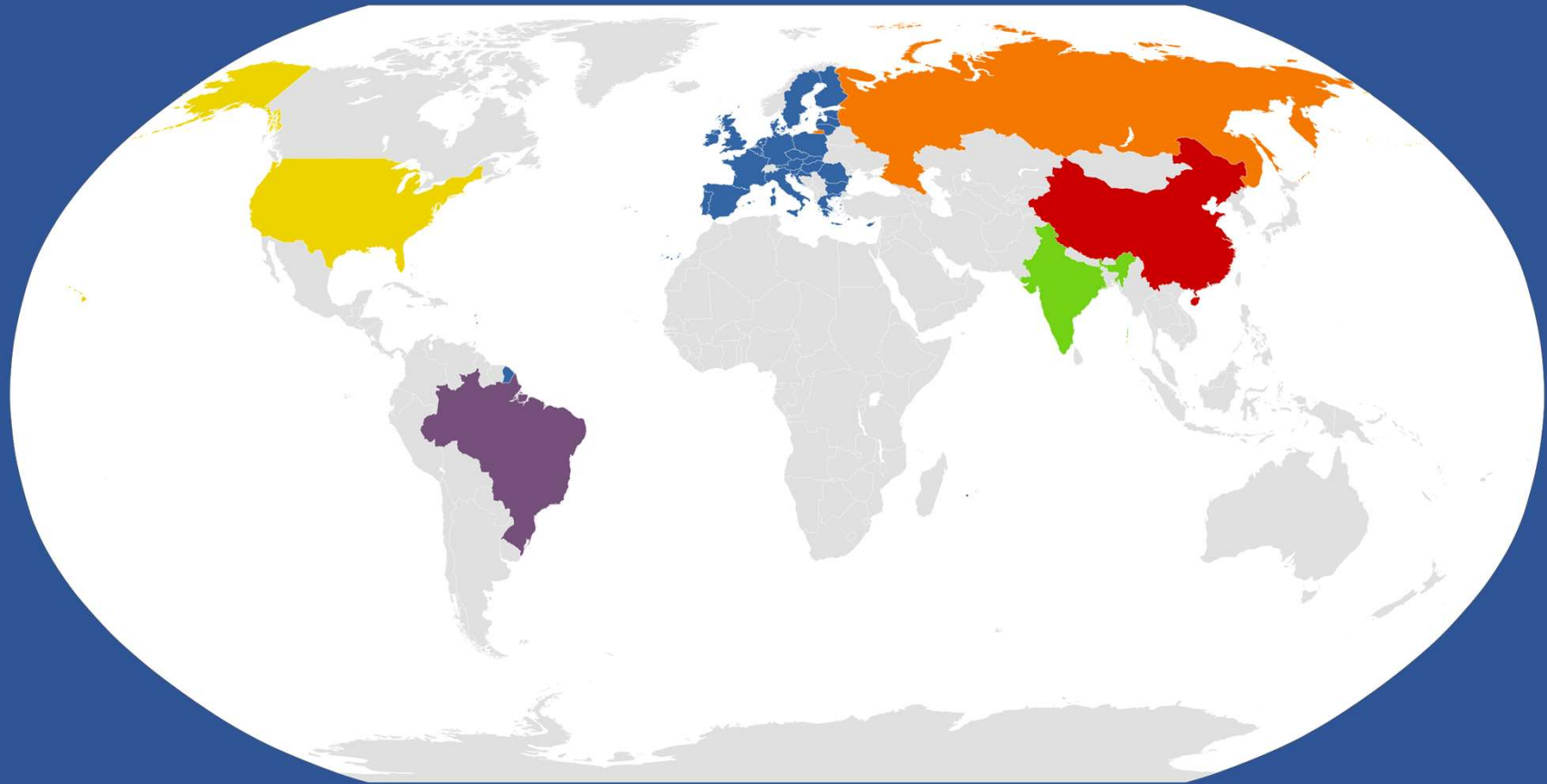
Geopolitical Situation: United States, China and Vietnam

Emeritus Professor Carlyle A. Thayer
Keynote Presentation to
4th Vietnam Investment Professionals Forum 2019
co-hosted by
MB Securities, Dragon Capital and VinGroup
Vinpearl Nam Hoi An, Vietnam
November 15-17, 2019

Outline of Presentation

1. Framework for Vietnam's Foreign and National Security Policy
2. Vietnam-China Relations
3. Vietnam-United States Relations
4. U.S. – China Relations
5. Vietnam between China and the United States
6. The Future – Multipolarity or Multiplex Order

1. Framework for Vietnam's Foreign and National Security Policy

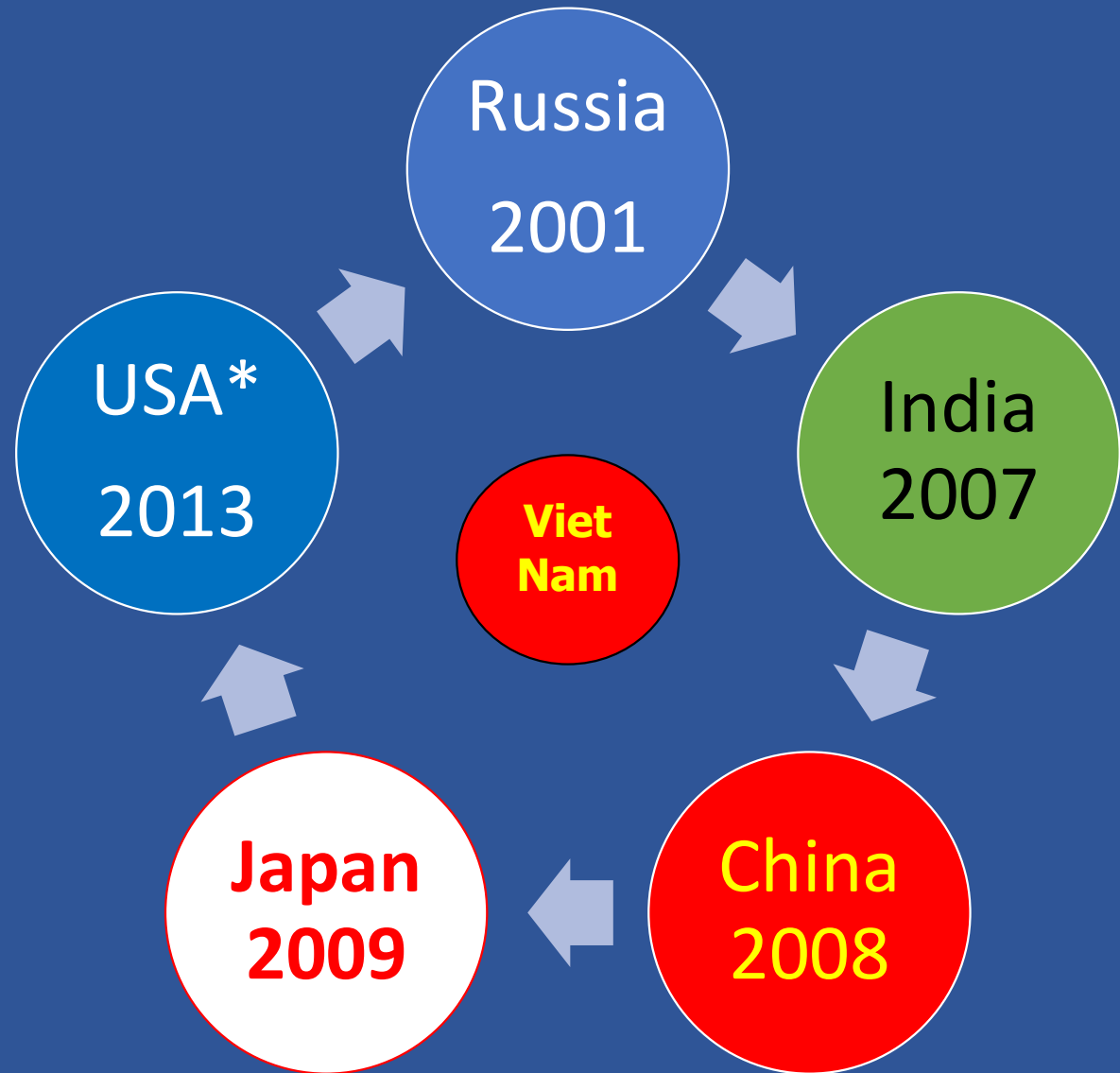


Framework

- Diversification and multilateralization
 - 7th National Party Congress (1991)
 - *Vừa hợp tác, vừa đấu tranh*
 - Cooperate and struggle
 - Resolution No. 8 (July 2003 revised 2013)
- Proactive and active international integration
- Independence, self-reliance, co-operation and development

16 Strategic and 12 Comprehensive Partnerships

South Korea,
Spain, UK, Germany,
Italy, Singapore,
Thailand, Indonesia,
France, Malaysia,
Philippines, Australia



*comprehensive partner

Partnership
Hierarchy

Comprehensive Strategic
Cooperative Partnership

Comprehensive Strategic
Partnership

Strategic Partnership

Comprehensive Partnership

Maritime Strategy Towards the Year 2020 (Chiến lược biển Việt Nam đến Năm 2020).

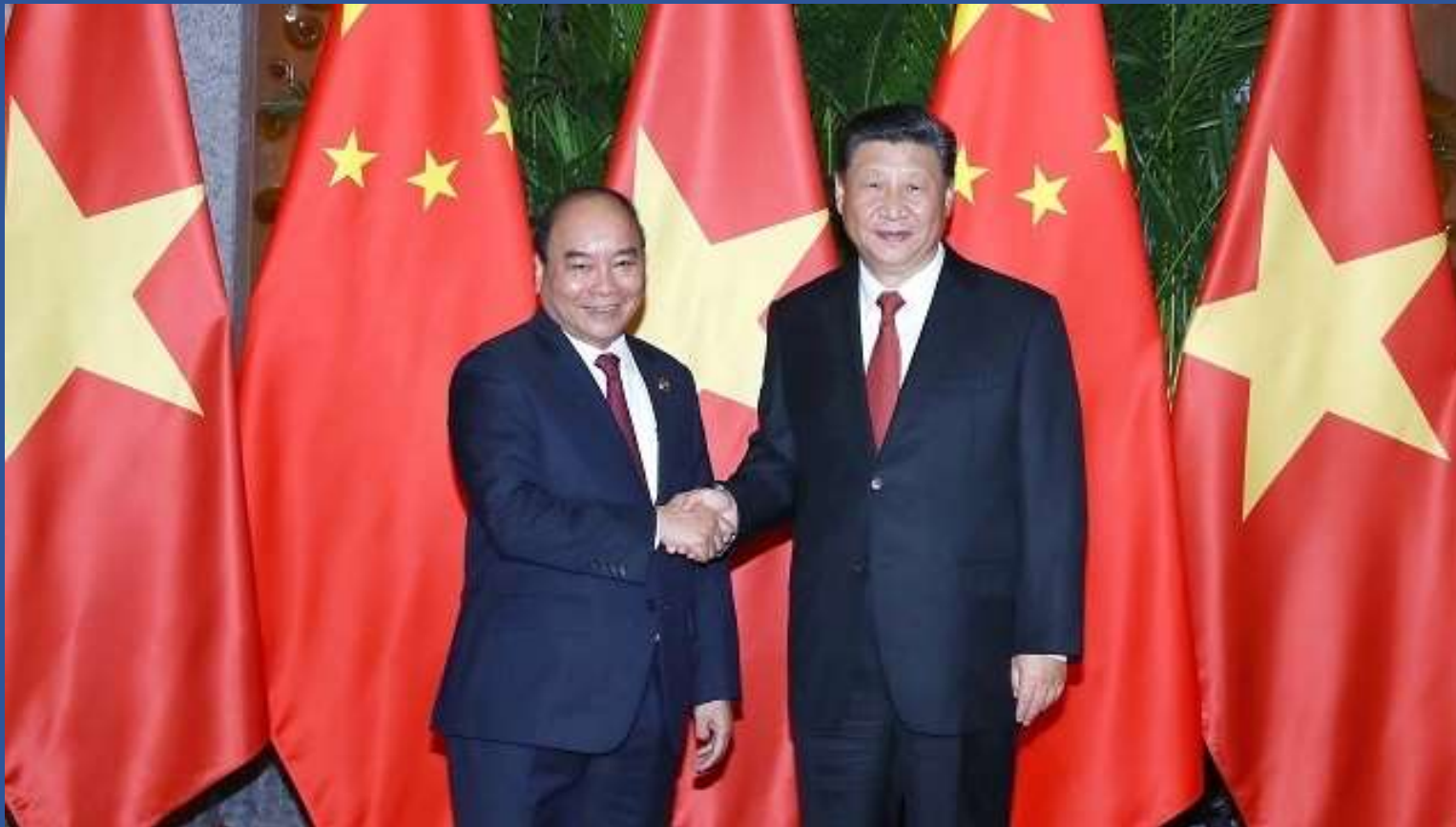
- Fully integrate the economic development of Vietnam's coastal provinces and territorial sea with marine and hydrocarbon resources in Vietnam's Exclusive Economic Zone (EEZ) and continental shelf.
- Economists estimate that by 2020 Vietnam's maritime economy will contribute
 - 53-55% of GDP and
 - provide 55-60% of Vietnam's exports

Three No's Defence Policy

Thus, Vietnam consistently advocates neither joining any military alliances nor giving any other countries permission to have military bases or use its soil to carry out military activities against other countries.

- *Defence White Paper 2009*

2. Vietnam-China Relations



Vietnam-China Strategic Partnership 2008

- 2009 – Comprehensive Strategic Partnership
- 2013 – Comprehensive Strategic Cooperative Partnership
- Joint Steering Committee
- Joint patrols in Gulf of Tonkin
- Strategic Defence Dialogue
- Border Defence Friendship Exchange Program

Economic and Commercial Relations

Key Indicators

- Bilateral trade \$106.71 bn 2018 up 12.71% year on year
- Vietnam's imports from China rose 11.7% to \$65.44
- Vietnam's exports to China rose 16.6% to \$41.27 billion
- FDI jumped 4.6 times to \$1.56 bn (first half 2019)

Challenges

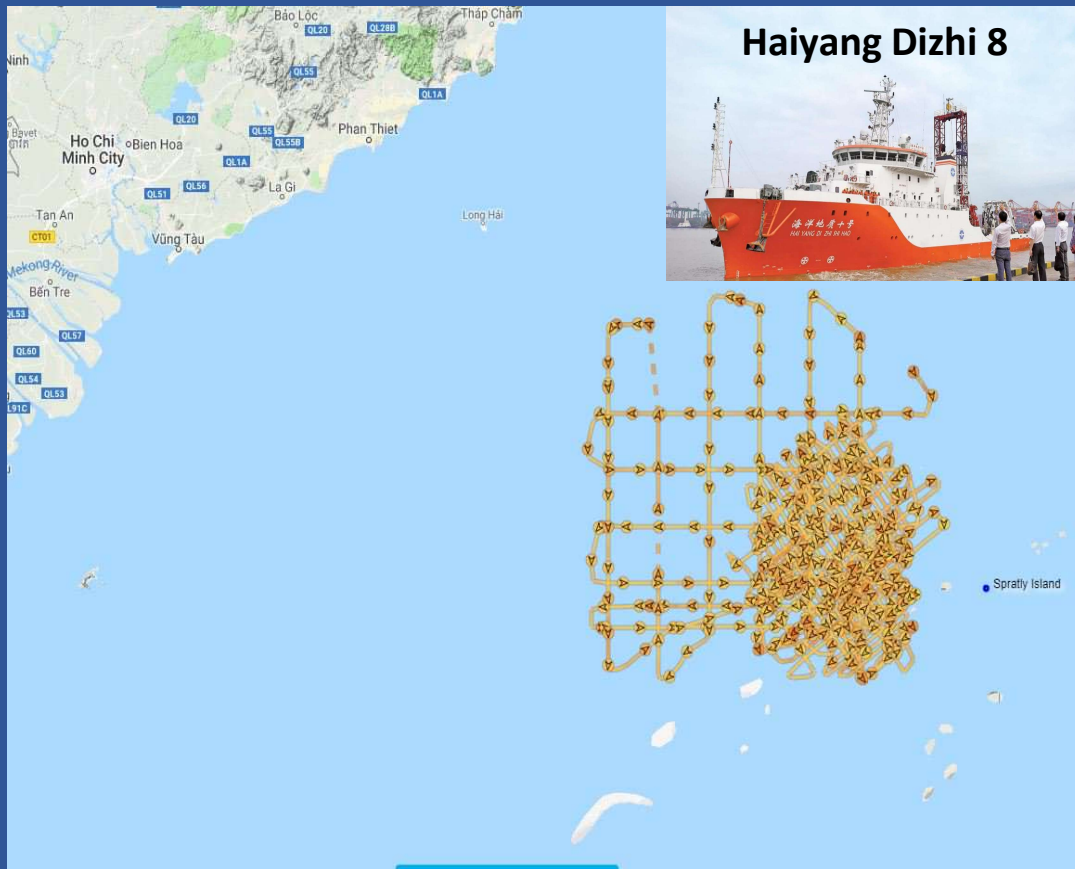
- Trade deficit of \$24.17 bn 2018
- Market access in China
- Anti-China sentiment in Vietnam
- Aligning China's Belt & Road Initiative/ASEAN connectivity
- East Sea (South China Sea)
- Asymmetric power relationship



Vietnam's National Assembly adopts Law of the Sea of Vietnam July 2012

China National Offshore Oil Company (CNOOC) issues oil blocks for international tender inside Vietnam's Exclusive Economic Zone

Vanguard Bank July-October 2019



Haiyang Dizhi 8

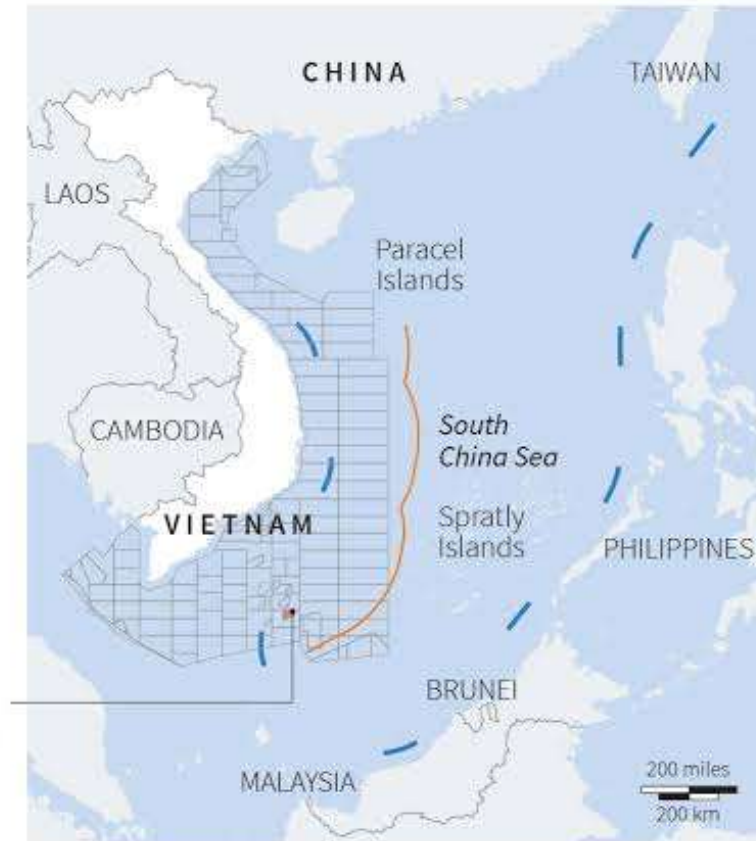


Drilling in contested waters

Rosneft Vietnam BV, a unit of Russian state oil firm Rosneft, is concerned that its recent drilling in Vietnamese waters claimed by Beijing could upset China, two sources with direct knowledge of the situation told Reuters.

Key:

-  China's nine-dash line
-  200 nautical mile arc drawn from Vietnam's coastline
-  Vietnamese oil concession block



Tuesday

Rosneft said its Vietnamese unit had started drilling at the LD-3P well, part of the Land Do "Red Orchid" offshore gas field in Block 06.1

Sources: PetroVietnam; Deloitte; Centre for International Law, National University of Singapore.

C. Inton, W. Foo, 17/05/2018

3. Vietnam-United States Relations



Vietnam-United States Comprehensive Partnership (2013)

- 2015 Joint Vision Statement on Defense Relations
- 2017 Prime Minister Nguyen Xuan Phuc received by President Trump at The White House issues joint statement on **Enhancing the Comprehensive Partnership**
- 2017 President Trump attends APEC Summit
- 2019 President Trump pays official visit to Vietnam before second Trump-Kim Jong-un Summit; invites PM Nguyen Xuan Phuc to visit The White House

Economic and Commercial Relations

Key Indicators

- Bilateral trade reached \$57.8 bn in third quarter 2019 or 31.26%
- Vietnam's imports from U.S. rose to \$8.06 billion or 13.37%
- Vietnam's exports to U.S. rose to \$49.02 billion or 34.75%
- Vietnam has **\$40.96 trade surplus** with the U.S.

Challenges

- Non-market status
- Tariffs on shrimp, catfish, aluminum and steel
- Rising trade surplus
- Renegotiate Bilateral Trade Agreement
- Threat of more tariffs, currency manipulation

4. U.S. – China Relations

- Trade imbalance
- Market access
- State subsidies
- Intellectual property theft
- Commercial hacking
- Interdependence



How will U.S.-China tensions continue to evolve?

China: 'Period of Strategic Opportunity'

- Regional focus
 - Taiwan main priority
 - 2nd island chain, East China Sea, South China Sea
- Belt and Road Initiative (BRI)
- Expanding global interests
 - Sea lines of communications and port access
- Chinese military planners have reached critical point of confidence they can match competitors in combat

United States: Free and Open Indo-Pacific

- U.S. National Security Strategy & National Defense Strategy
 - China and Russia as revisionist powers and strategic competitors
 - Networked alliances and strategic partners
- Free and Open Indo-Pacific
 - Freedom of navigation, free trade, finance to compete with BRI
- US National Defense Authorization Act of 2019
 - Funding for whole-of-government pushback against China's economic, security and political challenges

Trump's Transactional Foreign Policy



Robert C. O'Brien
National Security Adviser



Mark T. Esper
A/Secretary of Defense



Mike Pompeo
Secretary of State

5. Vietnam between China and the United States



**\$24.17 billion
deficit with
China
2018**

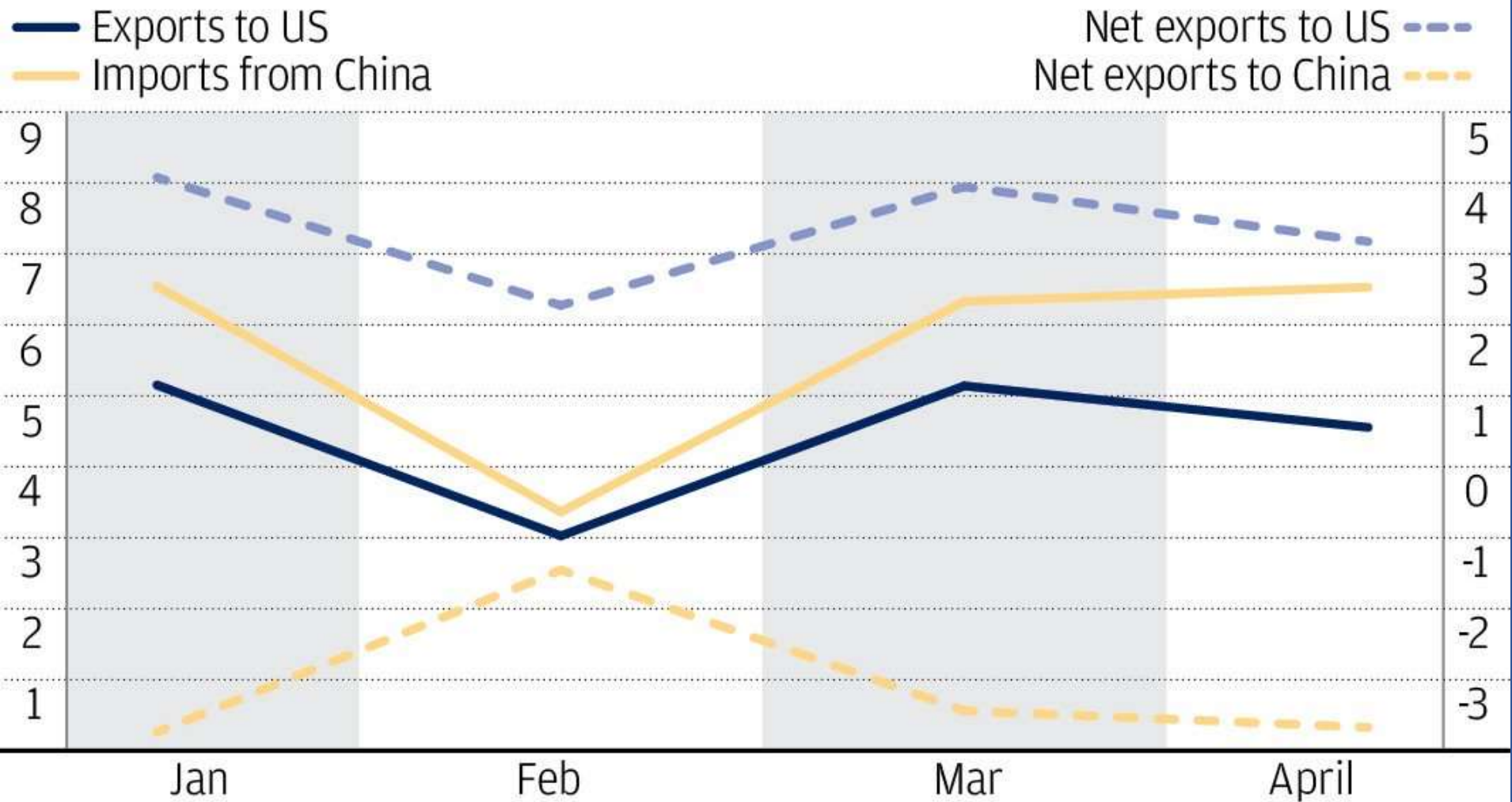


**\$40.96 billion
surplus with
the U.S.
2018**



**Viet Nam
China – US
Trade
Relations**

Vietnam's trade with China and US in 2019 (US\$b)



Source: General Statistics Office of Vietnam

SCMP

Will Vietnam be able to navigate through this conflict?

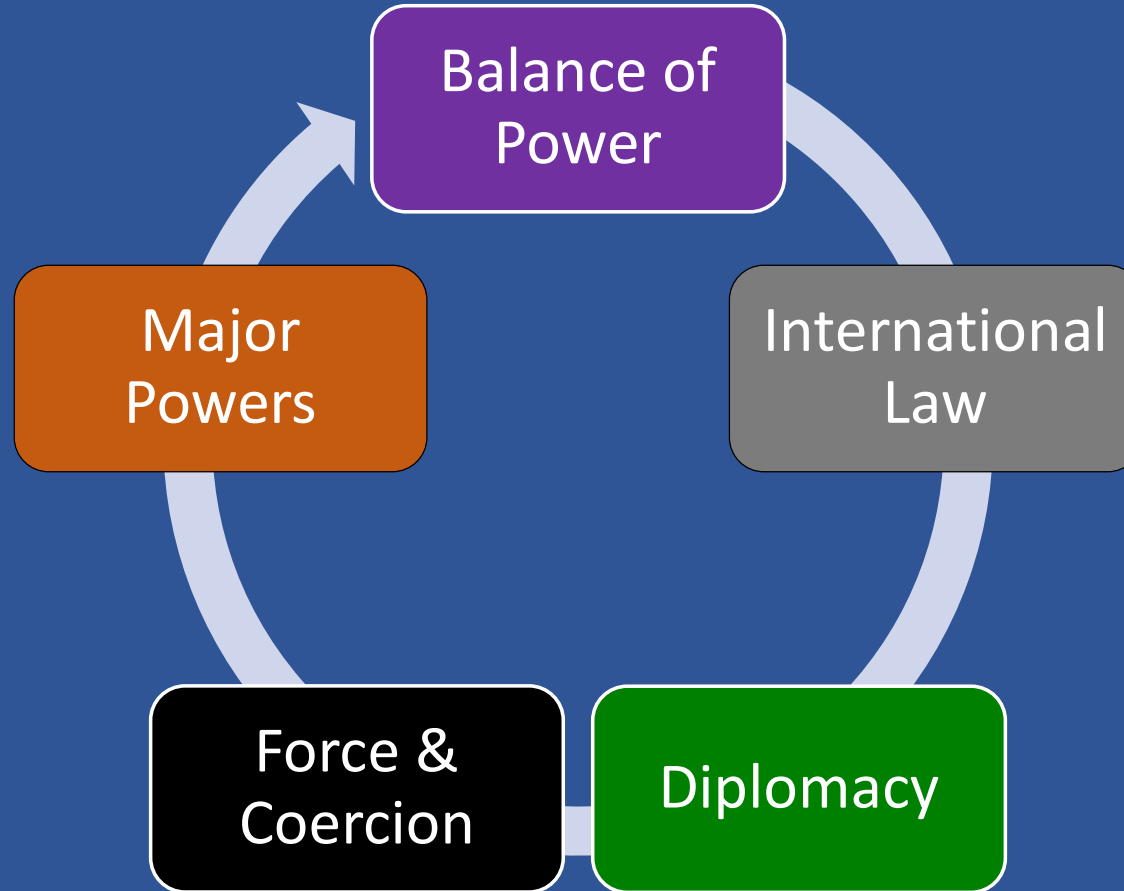
- Expand strategic partnerships
- Upgrade existing strategic partnerships
- Defence self-help
 - Force modernization
 - Defence cooperation
- ASEAN Chair 2020
- Non-permanent member of UN Security Council, January 2020-December 2021
- Maintain dialogues with China and the United States
- Cooperate & Struggle
- Comprehensive and Progressive Trans-Pacific Partnership
- Europe-Vietnam Free Trade Agreement
- Regional Comprehensive Economic Partnership

China Seeks Hegemony Over First and Second Island Chains

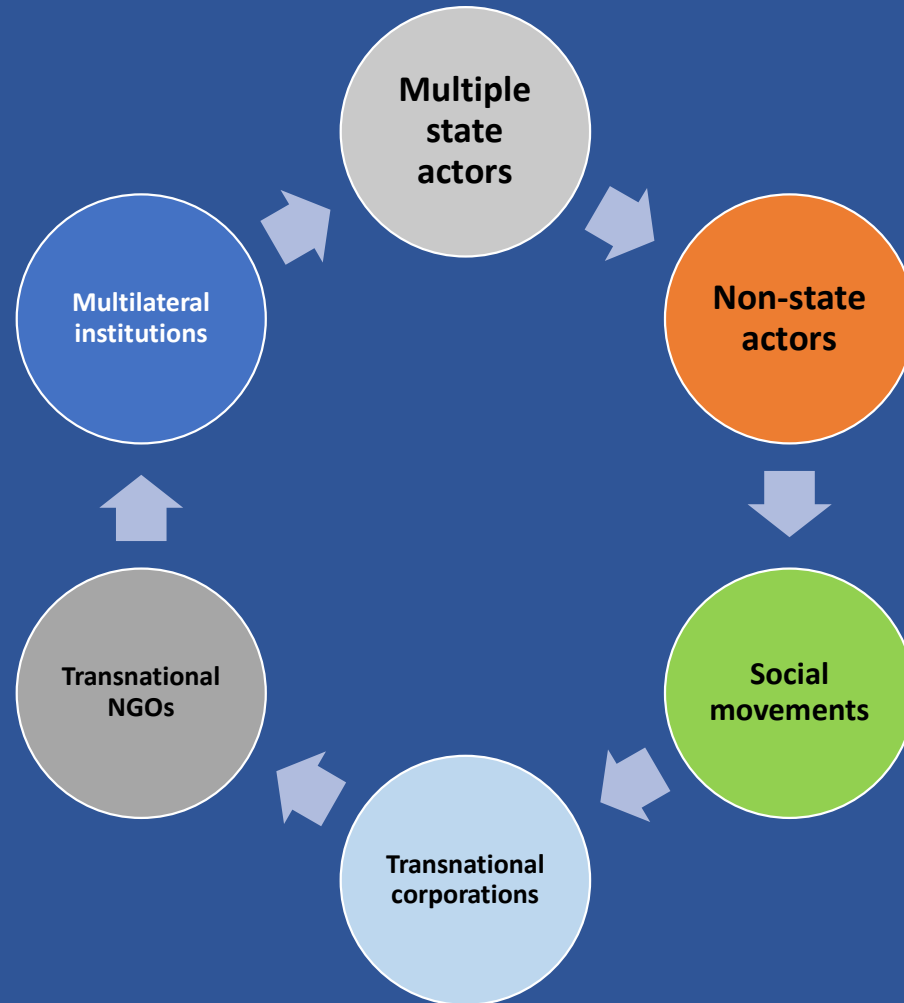


Figure 3. The First and Second Island Chains. PRC military theorists conceive of two island "chains" as forming a geographic basis for China's maritime defensive perimeter.

6. Post-World War 2 Global Order



Emerging Multipolar or Multiplex* World Order(s)?



*Coined by Amitav Acharya

Geopolitical Situation: United States, China and Vietnam

Emeritus Professor Carlyle A. Thayer
Keynote Presentation to
4th Vietnam Investment Professionals Forum 2019
Vinpearl Nam Hoi An, Vietnam
November 15-17, 2019

Email: c.thayer@adfa.edu.au