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U.S.-Vietnam Relations

Since the establishment of diplomatic relations between the United States and Vietnam in 1995, overlapping strategic and economic interests have led the two countries to expand ties across a wide spectrum of issues. Particularly since 2010, the two governments have formed partnerships on many regional security and economic issues, prompted in part by shared concerns about China's increased assertiveness in the region. In 2021, the United States was Vietnam's second largest trading partner (after China), and Vietnam was the United States' ninth largest trading partner. A potential agreement under the U.S.-led, 14-country Indo-Pacific Economic Framework for Prosperity (IPEF) initiative, which includes Vietnam, may further deepen U.S.-Vietnam economic ties.

The pace and extent of the improvement in bilateral relations is limited by several factors. First, Vietnam usually does not undertake large-scale diplomatic moves—especially with the United States—without first calculating China's likely reaction. Second, although opinion polls show the Vietnamese public holds positive views of the United States, many Vietnamese officials suspect that the United States' long-term goal is to utilize a “peaceful evolution” strategy to end the Vietnamese Communist Party's monopoly on power. Third, U.S. concerns about Vietnam's human rights record, which has deteriorated over the past decade, remain a barrier to improving relations.

Congress has played a significant role in influencing the course of U.S.-Vietnam relations during the more than three decades since the two countries began normalizing relations in the early 1990s. Some Members have been at the forefront of efforts to highlight human rights conditions in Vietnam, as well as unresolved issues remaining from the Vietnam War.

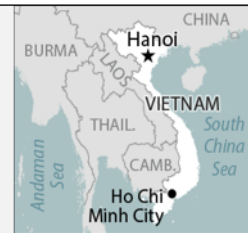
Vietnam's Political Structure

Vietnam is a one-party, authoritarian state ruled by the Vietnamese Communist Party (VCP). In practice, the VCP sets the general direction for policy, leaving most of the day-to-day implementation to the government. The two top leadership posts are the VCP General Secretary and the Prime Minister, positions currently held by Nguyen Phu Trong (age 78) and Pham Minh Chinh (63), respectively. Trong has been General Secretary since 2011, making him the longest-serving leader of the VCP since the 1980s.

Under Trong and Chinh, the VCP and government are continuing the anti-corruption campaign Trong first launched a decade ago. Vietnam's leaders have tried to diversify the country's export markets and sources of foreign direct investment as they pursue stated goals of becoming an upper middle-income economy by 2030 and a high-income developed country by 2045. On foreign policy,

Vietnam's approach has included boosting its defense capabilities and expanding its security relationship with the United States—as well as with Japan, India, and Australia—as a hedge against China's increasing influence in Southeast Asia. However, a stated principle of Vietnam's approach since the late 1980s has been to maximize its freedom of action by avoiding an over-dependence on any one country or group of countries. This pursuit of balance, combined with a wariness of alarming China, has resulted in Vietnam expanding relations with the United States incrementally and in a non-linear fashion.

Size: slightly larger than New Mexico (127,881 sq. miles)
Population: 103.8 million (2022 est.)
Fertility Rate (Births/Woman): 2.1 (U.S. = 1.8; 2022 est.)
Life Expectancy at Birth: 75.5 years (U.S. = 80.6; 2022 est.)
Infant Mortality: 14.8 deaths/1,000 live births (U.S. = 5.2; 2022 est.)
GDP Per Capita (PPP): \$8,200 (U.S. = \$60,200; 2020 est.)



Source: Map, CRS; Other information, Central Intelligence Agency, *The World Factbook*, 2022.

China-Vietnam Relations and South China Sea Tensions

China is Vietnam's most important bilateral relationship. The two countries have Communist Party-led political systems that provide a party-to-party channel for communication and engender similar official world-views. China is Vietnam's largest trading partner. The Sino-Vietnamese relationship, however, is prone to occasional tension. For over a decade, disagreements have flared over the two countries' competing claims in the South China Sea, particularly China's claims to much of Vietnam's claimed Exclusive Economic Zone (EEZ). China's actions in the South China Sea prompted the VCP at its 2021 Party Congress to initiate a thorough modernization of Vietnam's military forces. Vietnam also has sought to boost relations with maritime powers. The U.S. government has sought to improve Vietnam's ability to maintain maritime domain awareness and patrol its coastal waters. The Obama, Trump, and Biden Administrations have provided Vietnam with 24 new coast guard patrol vessels, unmanned aircraft systems, coastal radar, and two decommissioned U.S. Coast Guard Hamilton-class cutters, Vietnam's largest coast guard ships.

Vietnam and the War in Ukraine

Vietnam has maintained a low-profile position on Russia's 2022 invasion of Ukraine and has abstained on votes at the United Nations to condemn Russian aggression. Russia supplied around 80% of Vietnam's arms imports from 2000

to 2021. Moreover, straining relations with Moscow could violate Hanoi's strategic commitment to maintaining balance in its relations with the world's major powers. Despite Vietnam's purchases of Russian defense articles, neither the Trump nor Biden Administration has determined that Vietnam has engaged in a "significant transaction" with Russia's security sector, a determination that under U.S. law would require the President to impose sanctions.

Human Rights

The VCP maintains an extensive country-wide organization that allows it to monitor the daily activities of citizens. For the past three decades, the VCP appears to have followed a strategy of permitting many forms of personal and religious expression, while selectively repressing individuals and organizations that it deems a threat to the party's monopoly on power. While the VCP has allowed people to engage in private enterprise and religious observance, it has cracked down on what it labels as anti-government activity. Over the past several years, according to many observers, repression against dissenters and protestors has worsened, and the government has increased its legal and technological capacity to monitor Vietnamese citizens' social media activity. In the 117th Congress, the Vietnam Human Rights Act (H.R. 3001) would, among other things, prohibit U.S. assistance to Vietnam's Ministry of Public Security, and require the executive branch to put more emphasis on ensuring internet freedom in Vietnam.

In its 2022 Trafficking in Persons Report, the State Department downgraded Vietnam to "Tier 3," the lowest level, for no longer making "significant efforts" to meet "the minimum standards" for eliminating trafficking. President Biden later waived restrictions on bilateral aid that could have been imposed due to the Tier 3 ranking.

Economics and Trade

Over the last decade, Vietnam has emerged as a major manufacturing center and has risen to become one of the top 10 trading partners for the United States. Rising production costs in China and the entry into force of regional trade agreements among Vietnam and key trading partners in the Asia-Pacific contributed to shifts in regional supply chains and increasing investment in Vietnam. Based on U.S. Census Bureau data, bilateral trade in goods was nearly \$113 billion in 2021, up 26% from 2020. The United States' bilateral trade deficit in goods with Vietnam in 2021 (\$90.9 billion) was the United States' third largest. Vietnam is a major source for electrical machinery, furniture, mechanical appliances, apparel, and footwear imports. Notably, it is the second-largest source of U.S. clothing imports, after China. Top U.S. goods exports to Vietnam are electronic integrated circuits, cotton, electronic and communication devices, and soybeans. The United States maintains a surplus in bilateral services trade, which in 2021 was around \$1.4 billion.

Ongoing U.S.-China trade tensions and supply chain vulnerabilities have increased U.S. business interest in Vietnam as an alternative supplier. Vietnam's relatively low

wages, recent economic reforms, and political stability make the country an attractive place for foreign direct investment (FDI). U.S. companies are among the largest sources of FDI in Vietnam. At the same time, some U.S. business leaders assert that Vietnam's weak infrastructure, lack of regulatory transparency, weak labor rights, inadequate protection of intellectual property rights, restrictive data policies, and other trade barriers poses challenges.

The U.S.-Vietnam 2007 Trade and Investment Framework Agreement (TIFA) is the primary bilateral platform for discussing bilateral trade and investment issues. The IPEF, launched in 2022, could provide another such forum. In 2020, the Trump Administration launched investigations of Vietnam's timber trade and designated Vietnam as a currency manipulator. The two governments have since reached agreements on both matters. Vietnamese companies have accused the United States of discriminatory trade restrictions designed to reduce Vietnam's exports to the United States. U.S. labeling regulations, along with U.S. antidumping and countervailing duties on imports of Vietnamese catfish, have been a longstanding source of friction, and the subject of ongoing dispute settlement at the World Trade Organization (WTO).

U.S. Foreign Assistance to Vietnam

Congress appropriated just over \$180 million in U.S. assistance for Vietnam for FY2022, about 6% more than the Biden Administration requested and about \$10 million more than it appropriated in FY2021. One component of this assistance is remediating the Vietnam War-era damage from the U.S. military's use of Agent Orange and its accompanying dioxin defoliant over Vietnam between 1961 and 1971. A 2003 study estimated 2.1 to 4.8 million Vietnamese were exposed to Agent Orange and/or dioxin. Since 2007, Congress has appropriated over \$380 million for dioxin removal and related health care services. About 70% has been used for dioxin removal. A joint dioxin cleanup project in Da Nang was completed in 2017. In 2020, the two governments developed a 10-year remediation plan for cleaning up the Bien Hoa airbase, with an estimated cost of up to \$450 million. The Vietnamese government has pressed the United States to do more to remove dioxin and help victims of Agent Orange.

In addition, the FY2021 NDAA (P.L. 116-283) authorized \$2 million for the Defense Department to help Vietnam's Defense Ministry account for some of the approximately 300,000 Vietnam War-era Vietnamese military personnel missing in action. Bilateral cooperation in locating U.S. MIA, a program that has been in operation for over three decades, has been one of the centerpieces of the bilateral relationship.

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