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U.S.-Vietnam Relations

Since the establishment of diplomatic relations between the United States and the Socialist Republic of 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 2022, 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. Congress has played a significant role in charting the course of U.S.-Vietnam relations during the more than three decades since the two began normalizing relations in the early 1990s. In particular, Members have been at the forefront of efforts to improve relations, highlight human rights conditions, and address unresolved issues from the Vietnam War.

In September 2023, President Joseph Biden traveled to Hanoi, where he and Communist Party of Vietnam (CPV) Secretary-General Nguyen Phu Trong elevated the U.S.-Vietnam relationship from a "comprehensive partnership" to a "comprehensive strategic partnership," the highest level of Vietnam's hierarchy of official partnerships. Four other countries—China, India, South Korea, and Russia—hold the designation, which provides top-down blessing inside Vietnam for the government and ruling party to deepen and expand areas of cooperation with the United States. The upgrade was accompanied by a host of new and expanded initiatives and other announcements, including plans for the Secretary of State and Foreign Minister to meet annually. The U.S. pledged to support Vietnam's development of its semiconductor industry (including with \$2 million in U.S. government funds) and digital infrastructure (\$12 million), as well as physical infrastructure construction and climate change mitigation efforts (\$11 million). Following the summit, a U.S. news outlet reported the two sides had begun discussing a possible large-scale arms deal, which likely would be subject to congressional review.

The pace and extent of further 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, and Hanoi and Beijing share interests on many issues. Second, although opinion polls show the Vietnamese public holds positive views of the United States, many Vietnamese officials suspect that the United States' goal is to end the Vietnamese Communist Party's monopoly on power through "peaceful evolution." Third, U.S. concerns about Vietnam's human rights record, which has deteriorated over the past decade, historically

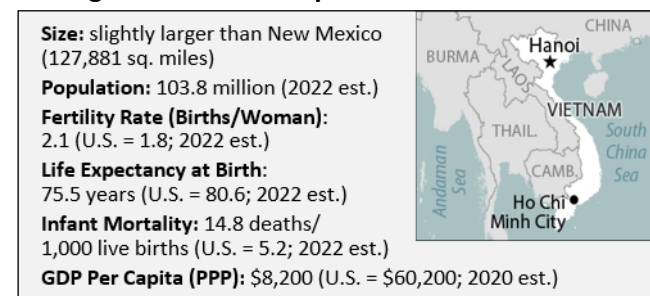
have limited the types of cooperation the U.S. government is willing to undertake, particularly in the security sector.

Vietnam's Political Structure

Vietnam is a one-party, authoritarian state ruled by the CPV. In practice, the CPV sets the general policy direction, leaving most of the day-to-day implementation to the government. The two top leadership posts are the CPV General Secretary and the Prime Minister, positions currently held by Trong (age 79) and Pham Minh Chinh (64), respectively. Trong has been General Secretary since 2011.

Under Trong and Chinh, the CPV and government are continuing the "blazing furnace" anti-corruption campaign Trong first launched a decade ago. Corruption is viewed by many analysts as a threat to the CPV's legitimacy, though some perceive Trong's campaign also as a way to weaken political rivals. Vietnam's leaders have tried to diversify the country's export markets and sources of foreign direct investment (FDI) 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 its security ties with Japan, India, and Australia—as a hedge against China's increasing influence. A stated principle of Vietnam's foreign policy since the late 1980s has been to avoid 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.

Figure 1. Vietnam Map and Selected Statistics



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

China-Vietnam Relations

Vietnam's relationship with China is its most important bilateral relationship. The two countries have Communist Party-led political systems that provide a party-to-party communication channel and engender similar official world-views. China is Vietnam's largest trading partner.

The Sino-Vietnamese relationship, however, is prone to tension, particularly over the two countries' competing claims in the South China Sea. China's actions in the South China Sea prompted the CPV at its 2021 Party Congress to initiate a thorough modernization of Vietnam's military forces. 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, abstaining on votes at the United Nations to condemn Russian aggression. Russia supplied around 80% of Vietnam's arms imports from 2000 to 2021. 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 CPV maintains an extensive country-wide organization that allows it to monitor the daily activities of citizens. For the past three decades, the CPV 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. Over the past decade, 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 118th Congress, the Vietnam Human Rights Act (H.R. 3172) 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 2023 Trafficking in Persons Report, the State Department upgraded Vietnam from "Tier 3," the lowest level, to "Tier 2 Watch List" for making "achievements" in its efforts to eliminate trafficking, including more investigations, prosecutions, and convictions.

Economics and Trade

Over the last decade, Vietnam has emerged as a major manufacturing center and has risen to become one of the United States' top 10 trading partners. Based on U.S. trade data, bilateral trade in goods was nearly \$139 billion in 2022, up 22% from 2021. The U.S. bilateral trade deficit in goods with Vietnam in 2022 (\$116 billion) was the United States' third largest. Vietnam is a major source for consumer electronics, furniture, semiconductor and parts, apparel, and footwear imports. It is the second-largest source of U.S. clothing imports, after China. Top U.S. goods exports to Vietnam are cotton, civilian aircrafts and parts, semiconductors, and various agricultural goods. The United States maintains a surplus in bilateral services trade, which in 2022 was around \$1.6 billion.

U.S. business interest in Vietnam as an alternative supplier to China has grown, largely due to several trends: rising production costs in China; ongoing U.S.-China trade tensions and supply chain vulnerabilities; and the entry into force of regional trade agreements among Vietnam and key trading partners in East Asia. Vietnam's relatively low wages, market-oriented economic reforms, and political stability make the country an attractive place for 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 pose challenges.

The U.S.-Vietnam 2007 Trade and Investment Framework Agreement (TIFA) is the primary platform for discussing bilateral trade and investment issues. The IPEF, launched in 2022, could provide another forum to address such issues in a multilateral setting. The September 2023 upgrade of the U.S.-Vietnam relationship could increase opportunities to expand bilateral economic engagement, including increasing U.S. investment in Vietnam and expanding Vietnam's manufacturing capacity in sectors of U.S. interest, such as semiconductors and critical minerals.

Following the upgrade of bilateral relations, the Biden Administration has also committed to "expeditiously" review Vietnam's nonmarket economy designation under U.S. trade law. Other trade issues that may be a source of friction include U.S. labeling regulations, along with U.S. antidumping and countervailing duties on imports of Vietnamese catfish, which have been the subject of ongoing dispute settlement at the World Trade Organization (WTO).

U.S. Foreign Assistance to Vietnam

Congress appropriated over \$197 million in U.S. assistance for Vietnam for FY2023, about \$12 million more than it appropriated in FY2022 (\$185 million). One aim 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 2.1-4.8 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.

Bilateral cooperation in locating U.S. military personnel missing in action (MIA), a program that has been in operation for over three decades, has been one of the centerpieces of the bilateral relationship. Since 2020, Congress has appropriated \$7 million for the Defense Department to help Vietnam's Defense Ministry account for some of the approximately 300,000 Vietnam War-era Vietnamese MIA personnel.

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