

A detailed illustration of bamboo stalks and leaves, rendered in various shades of green. The stalks are thick and segmented, while the leaves are long, narrow, and pointed. The background is white, making the green bamboo stand out.

VIETNAM

The Bamboo

Holding Strong

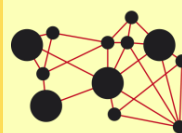
against the Winds

of a Multipolar World

STRATEGIC ANALYSIS REPORT

MAY 2024

Paula Las Heras, Nathalia Lozano Murphy, Ana Sofía Ramos



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***Vietnam. The Bamboo Holding Strong
against the Winds of a Multipolar World***

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May 2025

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Map: US Central Intelligence Agency

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EXECUTIVE SUMMARY

As tensions increase in the Indo-Pacific region, Vietnam navigates between an assertive China and a strategically engaged US to safeguard its stability, independence and ensure its own economic development. Leveraging its strategic location and economic potential, Vietnam plays a key role in shaping regional dynamics and spearheading the ASEAN way.

Regarding its foreign policy, Vietnam's most probable course of action remains walking a fine line between the two powers, maintaining strategic autonomy while benefiting from both relations. Despite rising US-China tensions, an overt shift toward one side remains impractical. Its *Bamboo Diplomacy* and *Four No's* policy will guide its hedging strategy, allowing deeper defense ties without fundamentally changing its policy stance. Regarding Taiwan, Vietnam is likely to maintain its independent stance —cooperating in trade, education and healthcare— while adhering to the *One-China* Policy. In a Taiwan crisis, Vietnam is likely to take a cautious and balanced approach that seeks to protect its national interests while maintaining its long-held policy positions.

Moreover, Vietnamese leaders view political stability as an essential precondition for economic development, and they are unwilling to accept any changes that could put the stability of the political system at risk. Thus, politically, certain reforms may be explored, but mainly to streamline economic openness and increase the efficiency of the political system, not to democratize it. In the coming decades, Hanoi will likely become a further liberalized economy, but, politically, it is unlikely to undergo a significant transformation.

Internationally, Vietnam is very likely to maintain close ties with Russia while diversifying its arms suppliers and ensuring its relations with Moscow do not jeopardize its partnership with the US. However, Russia's growing ties with China, reinforced by Western sanctions, limit its role as a strategic counterweight to Beijing for Vietnam. On the other hand, Vietnam-India strategic cooperation is likely to grow due to shared concerns over Chinese expansionism, but may be limited by India's regional security priorities.

Furthermore, Vietnam will not replace China as a manufacturing and technology hub in the short term due to its underdeveloped infrastructure, unskilled labor force and lack of established business practices. Instead, Vietnam is more likely to complement China, benefiting from the

China-plus-one strategy, while it seeks to strengthen its underdeveloped sectors. However, sustainable development will allow Vietnam to eventually replace China in industries like textiles, electronics, and high-tech manufacturing.

Regarding its non-traditional security concerns in the Mekong Delta, Vietnam is unlikely to directly challenge China. Instead, Hanoi is likely to pursue a multifaceted strategy. In one scenario, Vietnam would intensify its engagement in multilateral frameworks to foster information sharing and equitable distribution of resources. Alternatively, Vietnam may turn away from a rice-centered agricultural model towards an adaptive approach.

Within a 2035-2040 time-frame, the dispute between China and Vietnam over the Spratly islands will continue to shape regional dynamics. The construction and prospective analysis of scenarios reveals that the dispute is not the cause but the consequence of tensions. For Vietnam, access to resources is crucial, making the continuation of the dispute strategically beneficial despite occasional but impactful skirmishes with China.

Regarding regional dynamics, whereas Vietnam did not enter ASEAN seeking to become a leader, its flexibility and pragmatism embody the values of the organization. The figure of Vietnam is expected to obtain an unsearched-for leadership in the short term thanks to the role it has undertaken as a hinge, seeking internal cohesion and representing ASEAN interests on the territorial disputes of the South China Sea as a direct claimant. These circumstances have allowed Vietnam to exert greater regional influence.

In the long term, Vietnamese borders are likely to be modified, be it by the tensions in the South China Sea, the incomplete borders' demarcation with Cambodia or the internationalization of an internal conflict. The first two are the most likely to occur, though only implying border modifications. The third one is rather a *black swan* that would stem from the aggravation of human rights violations leading to the disruption of national unity.

The CSPs with South Korea and Japan are recent frameworks for cooperation, deepening ties is still plausible in the medium term, particularly because of China's assertiveness. This is not the case with North Korea, with whom, despite holding ideological similarities, little would be gained in power terms. In sum, it is unlikely that Hanoi will abide by a formal alliance given that it could be interpreted as the establishment of a united front to counter China. This decision would imply losing the very well worked years of *Bamboo Diplomacy* and *Four No's* policy that have positioned Vietnam as a reliable partner and a potential Asian Tiger.

INTRODUCTION

“Vietnam always regards the maintenance of peaceful and stable environment for socio-economic development, industrialization and modernization, building the socialism-oriented market economy as the top national interest, and the consistent goal of its national defense policy.” —Ministry of Foreign Affairs, Socialist Republic of Vietnam

The Socialist Republic of VietNam is emerging as an increasingly significant actor in the Indo-Pacific region. Located at the shores of the Rimland, Vietnam stands at the crux of a strategic maritime area, skillfully navigating the complex dynamics of the great power rivalry between the established power and the Asian giant. As the world’s attention narrows towards the Indo-Pacific, Vietnam finds itself at the crossroads of global stability, constantly hedging between the United States (US) and China while maintaining the strength of its foreign policy. Hanoi has managed to maneuver between the major powers to safeguard its stability, independence and, as a consequence, ensure its own economic development. Its development takes place within the framework of the Century of Asia, where Asian countries are gaining momentum as the Indo-Pacific becomes the most strategically important area of the world. Within this context, Vietnam plays a critical role as a regional actor, leveraging its strategic location and economic potential to spearhead the ASEAN Way and shape regional dynamics in the decades to come.

To understand the dynamics of the region, the lens of Western perspective shall be removed. It is necessary to understand that Vietnam is characterized by its Confucian legacy. The Vietnamese mindset is codified by the collective memory of its people. As such, Vietnam is a product of its own history. The country’s development and evolution is deeply influenced by its history, characterized by a strong nationalist identity and resilience against foreign domination.

The earliest known Vietnamese state was born in the region of the Red River Delta around 2879 BCE. Nowadays, with Hanoi at its center, the northern region of the country remains deeply rooted in traditions and is often considered as the cultural heart, being a source of national pride. As a cohesive society it holds a strong sense of spirituality, which proudly honors its ancestors.

These social features will shed light on the attitudes expected from Vietnamese society and almost certainly be projected in the State's foreign action.

Throughout the process of nation-building, the Vietnamese people had to face various foreign aggressions, which are also a driver of national identity. Chinese domination began in 111 BCE under the Han Dynasty and lasted over a millennium, deeply influencing Vietnam's culture, governance, and philosophy. It imposed Confucian governance, bureaucratic systems, and the Chinese language. Vietnam achieved independence in 938 CE, marking the start of self-rule under different dynasties that expanded south and transformed the country. Later on, the 19th century brought Western interference to the region.

After World War I, the movement for national liberation against French colonial rule intensified, and after resisting Japanese invasion in World War II, Vietnam fought a war of independence against the French under the leadership of Ho Chi Minh. He is considered the architect of Vietnam's independence from colonial rule. However, the Vietnamese had to fight another 30 years to gain independence and achieve reunification. Cold War politics intervened through the continued presence of the US in South Vietnam, and the Vietnam War was fought between the Chinese and Soviet supported North and the US supported South until 1975. In 1978, Vietnam invaded Cambodia with support from the Soviet Union, which had backed the Vietnamese throughout the two resistance wars. In 2001, Vietnam signed its first Comprehensive Strategic Partnership (CSP) with Russia. Nowadays, Russia is Vietnam's largest provider of military arms, supplying the country with high-tech weapons for security and defense.

This historical background, marked by resilience, nationalism, and struggles for independence, has shaped Vietnam's national identity and governance. However, while history serves as a source of pride and unity, it must not become an obstacle to the country's future development. The perceptions of collective memory —such as the strong anti-Chinese sentiment— are deeply assimilated in Vietnam's society, and may counter or directly clash with the pragmatic foreign policy of the government regarding relations with major powers. Unlike its past struggles, today's challenge is not external aggression but the ability to sustain economic progress while safeguarding its sovereignty in an increasingly polarized world. Vietnam has survived great power rivalry before, and as a country which has endured colonial rule, war, and economic hardship, Hanoi's main focus is to preserve its independence, political unity and economic development.

To ensure its long-term economic development, Vietnam has undergone a decades-long transformation shaped by its vital interests. The Sixth congress of the Communist Party of Vietnam (CPV) hosted in 1986 marked a significant shift in the country's economic outlook towards a "socialist-oriented market economy." At its core, the *Doi Moi* policy intended to embrace a semblance of market liberalization by reducing government intervention through a series of measures which included: land reforms, trade liberalization, foreign direct investment, and market reforms that fostered investments in the private sector. As a result, Vietnam witnessed unparalleled economic growth evidenced by import and export expansion, poverty reduction and foreign direct investment. By 2024, Vietnam had witnessed a GDP growth of approximately 79.41 percentage points in comparison to its 1986 figures.

It is important to note that the policies implemented through *Doi Moi* created a favorable environment under which Vietnam's population was able to grow and thrive due to enhanced agricultural practices, improved living conditions and increased access to healthcare. Population figures in Vietnam today stand at 100.77 million —up from 46 million in 1975— of which 67.7% are between the ages of 15-64. This, in addition to the economic reforms promulgated by the government, served as a crucial contributing factor to the country's sustained economic growth following its reunification in 1975. This scenario provides Vietnam with a significant comparative advantage over the other countries in the region who struggle with population stagnation or decline.

Moreover, the ongoing US-China trade war coupled with the major disruptions in the global supply chain as a result of the COVID-19 pandemic, exposed significant vulnerabilities in the global reliance on Chinese exports. These challenges triggered the diversification of the global supply chain where Vietnam has emerged as a key alternative to China. A number of factors have contributed towards this shift. Firstly, stable economic conditions foster a favorable environment for foreign companies to shift their periphery towards Vietnam. Over the past decade, Vietnam has witnessed a stable GDP growth of 6-7% annually, with the exception of the COVID era that saw a decrease of 2 percentage points in annual growth. Vietnam quickly recovered from the pandemic and, in 2022, reported a GDP growth rate of 8.1%. Secondly, Vietnam's demographic advantage, characterized by its large working-age population, coupled with its cheap labor costs significantly enhances the country's appeal to foreign investors and manufacturers. For context, the average hourly minimum wage in Vietnam is \$0.87 while China's is \$3.61.

In terms of its strategic resources, Vietnam faces a rare opportunity to diversify its economic sectors and enhance its economic competitiveness both regionally and globally. Vietnam possesses the second largest reserves of rare earth minerals, accounting for approximately 19% of global reserves, only second to China who holds 36.7% of global reserves. However, Vietnam's current production capacity is minimal compared to China. To mitigate the current imbalance, the Vietnamese government has set a series of ambitious goals to expand its rare earth extraction and production capacities to process 2 million tons of rare earth minerals annually by 2030. This strategic initiative underscores Vietnam's commitment to leverage its strategic resources and diversify its domestic economic landscape that is heavily reliant upon agriculture, industry and tourism.

Furthermore, Vietnam possesses substantial hydrocarbon deposits, ranking 28th globally with approximately 4.4 billion barrels of crude oil reserves and 0.6 trillion cubic meters of natural gas reserves. While the domestic crude oil industry is key for the country's energy security, Vietnam still imports significant amounts of crude oil due to technical and industrial insufficiencies that prevent the country from exploiting its own reserves. To elevate production, the government has incentivized foreign direct investment in the oil and gas sector in the hopes of increasing its exports and reducing its import dependency. Nevertheless, Vietnam faces a series of challenges in their efforts to fully exploit its reserves. Firstly, ongoing tensions with China over disputed territories in the South China Sea have prevented the efficient and uninterrupted exploration and exploitation of oil and gas reserves in the region. Secondly, technical and industrial insufficiencies hinder the country's goals for energy independence and Vietnam remains heavily reliant on foreign investment and expertise to develop its offshore oil and gas reserves effectively.

China, despite being a major economic partner, represents the greatest threat to Vietnamese sovereignty. The factors that bring Vietnam closer to China are two of their core interests, namely, the stability of the regime and its economic development. Nevertheless, sovereignty is jeopardized by the tensions in the South China Sea. The Sino-Vietnamese relations have gone back and forth, mainly because of boundary disputes. By 2002, China subscribed to the Declaration on the Conduct (DoC) of the Parties in the South China Sea. However, this declaration is not enforceable. While Vietnam officially stands for a peaceful settlement in accordance with the United Nations Convention on the Law of the Sea (UNCLOS), Chinese lack of abidance to international law and unwillingness to compromise to a binding Code of Conduct (CoC) in the region threatens Vietnamese integrity.

Whereas the closeness to China finds its roots in the similar ideology of the Vietnamese political regime, the communist system is by no means a limitation to engage with countries holding different economic, social or political stances. This explains the tight relations with the United States. By being the main destination for Vietnamese exports, the relevance of the relations with the American power remains of high importance, to the extent of the categorization of their relations as a Comprehensive Strategic Partnership in 2023. The overcoming of the atrocities of the American War were facilitated by the adoption of the *Doi Moi* policy. However, relations were not normalized until 1995. Despite being economically centered, the US-Vietnam relations have high impact strategic implications towards the future of the region and this is reflected in the update of defense cooperation agreements and in the frequent identification of Vietnam as a Quad Plus member.

In general, the Vietnamese foreign policy has evolved through decades amounting to the creation of a set of four cut-off points, widely known as the *Three No's* Policy. This implies no joining military alliances, no hosting foreign bases, no using one country to balance against another and, finally, no use or threat of violence in international relations. These boundaries, however, have become increasingly flexibilized following the demands of the regional geopolitical developments. A resilient Vietnamese foreign policy, embodied by the *Bamboo Diplomacy*, is key to protect their core interests, namely, political unity, independence and economic development.

Vietnam joined the Association of Southeast Asian Nations (ASEAN) in July, 1995 marking a pivotal moment in the country's strategic and economic trajectory geared towards regionalism. The organization serves Vietnam as a forum to project itself by managing the complex relations of the organization with both difficult member states and powerful neighbors. Thus, Vietnam's relations are well beyond the Southeast Asian threshold. Its large diplomatic network includes major regional economies, such as Japan or South Korea. Furthermore, Vietnam's pragmatism is key when it comes to addressing the international community. So far, Hanoi has managed to address tensions with Cambodia in the Mekong Delta and with China in the South China Sea, while safeguarding the stability of the regime and ensuring its rise in the global landscape.

Vietnam's trajectory over the past few decades indicates its unwavering commitment to the maintenance of its three vital interests: unity, independence and economic development. This strategic report will assess all the stipulations mentioned above as well the major concerns affecting Vietnam and the region. This report will examine all the challenges discussed above as

well as analyze all the complex and dynamic elements that may influence Vietnam's foreign policy trajectory in the short, medium and long term. Chapter 1 will analyze Vietnam's pragmatic approach to foreign policy under its *Bamboo Diplomacy* and how such a balancing strategy is expected to develop and shape its relations with major powers. Chapter 2 will delve into the nature of and complexities stemming from Sino-Vietnamese relations as well as examine the challenges and opportunities these suppose for Vietnamese traditional and non-traditional security. Finally, Chapter 3 will explore Vietnam's regional dynamics, including challenges and opportunities with its closest neighbors to pave the ASEAN way.

To look towards the future, this report will formulate five different scenarios that have significant implications for the region in a 2035-2040 timeframe as well as the possible consequences and repercussions these could have for Vietnam and the security apparatus of the region. Considering the conflicting territorial claims between Vietnam and China as well as the vast amount of natural resources in the Spratly Island Chain, five possible scenarios were envisioned: heightened Chinese assertiveness over the islands; greater adherence to UNCLOS and the rules-based global order; the establishment of a new order imposed by China; increased cooperation through joint exploration initiatives; and outright neglect for rising sea levels.

In the coming years, Vietnam's ability to address major challenges and threats posed will be pivotal to ensuring the continuation of its core interests: economic development, national unity and independence. This strategic analysis report posits that by embracing *Bamboo Diplomacy*, *Doi Moi*, the *Four No's* policy and its hedging strategy, all under the wing of a pragmatic approach, Vietnam is likely to emerge as a key regional actor able to leverage relations with rival powers. However, failure to do so is likely to place Vietnam in a disadvantageous position, posing a threat to its long-term economic sustainability and political independence amidst the great power competition.

1. THE BAMBOO HEDGE / VIETNAM'S STRATEGIC BALANCING ACT AMIDST MAJOR POWER RIVALRIES

Vietnam, a nation recognized for its rich history of resilience and strategic adaptability, finds itself at the center of major power competition. As tensions increase in the South China Sea, Vietnam faces the challenge of balancing its foreign policy with a more assertive China and a strategically engaged US. Rather than completely siding with either power, Vietnam has chosen a hedging approach —improving its defense capabilities, promoting partnerships in the region, and also growing economic and security connections with multiple parties. By maintaining a careful equilibrium and navigating the principles of Bamboo Diplomacy, Vietnam seeks to safeguard its political stability, independence, and ensure its economic development. All while avoiding direct confrontation. However, geopolitical rivalries are escalating. The effectiveness of this balancing act will, therefore, be critical in further shaping Vietnam's future role in the South China Sea.

1.1 Bending Without Breaking: Bamboo Diplomacy in the Shadow of Giants

“Vietnamese diplomacy is soft and wise but still persistent and resolute; flexible and creative but consistent, valiant and resilient against all challenges and difficulties facing national independence and people's happiness; and united and humanitarian but resolute, persistent and patient in safeguarding the national interest” —Nguyen Phu Trong, former Secretary General CPV

In recent years, the US-China strategic rivalry has intensified, drawing the eyes of the world to Southeast Asia, one of the key domains where this “cold war” is playing out. Vietnam is the only Southeast Asian country that has suffered from direct military confrontations with both major powers. Historical relations with the US and China are difficult, and collective memories endure. The country's strong sense of nationalism and resilience against foreign domination are key influences on its societal and political evolution.¹ Additionally, Vietnam is particularly aware of the risks that come with rising tensions between these powers and remains highly attentive to

¹ Consulate of the Socialist Republic of Vietnam, “Brief History of Vietnam.” Consulate of the Socialist Republic of Vietnam, 2019. <https://www.vietnamconsulate-ny.org/about/2/brief-history-of-vietnam.html>.

how these dynamics affect its own foreign relations. Therefore, understanding Vietnam's history is essential to grasp its modern strategic and policy decisions.

Since the adoption of *Doi Moi* in 1986, Vietnam's foreign policy has undergone significant transformations, shifting from an ideologically driven approach to a pragmatic, economy-focused strategy with the aim of integrating into the global system.² Later on, Vietnam introduced the idea that it should be “a friend and reliable partner” to all countries, reinforcing its commitment to diplomacy. This approach in Vietnam's foreign policy has consolidated during the 21st century as the *Bamboo Diplomacy*. Nguyen Phu Trong, former Secretary General sent a clear message in the 2016 Vietnam Diplomatic Conference. Like bamboo, Vietnam should glide along with changing “winds” and adapt pragmatically to shifting regional and international “gusts” without breaking.³ Equally, like bamboo's resilience, Vietnam should ensure it is never uprooted and maintain a non-aligned policy. As a result, Hanoi has continued to develop its traditional — though complicated— ties with China and Russia as well as pursuing relations with a more diverse mix of powers, including Australia, India, Japan, South Korea and the United States.⁴ In addition, Vietnam is signatory of free different trade agreements, including new-generation ones such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-Vietnam Free Trade Agreement (EVFTA), and the Regional Comprehensive Economic Partnership (RCEP).⁵

Furthermore, to achieve a high-income status by 2045, Vietnam needs advanced technology from the US as well as infrastructure support and investment from China's BRI —both of which it currently has access to.⁶ However, the competition for critical minerals further complicates this trilateral dynamic. With the world's second largest rare earth reserves, Vietnam holds strategic importance in the US-China rivalry.⁷ The US sees Hanoi as a key partner in rare earth extraction

² Le Hong Hiep and Anton Tsvetov, “*Vietnam's Foreign Policy under Doi Moi*” (Singapore Iseas–Yusof Ishak Institute Singapore, 2018).

³ Prashanth Parameswaran, “Vietnam's Foreign Policy Faces Balancing Act,” *Geopolitical Intelligence Services (GIS)*, May 28, 2024, <https://www.gisreportsonline.com/r/vietnam-bamboo-diplomacy/>.

⁴ Ibid.

⁵ Linh Ha and Hong Nhung, “Vietnam's Bamboo Diplomacy: From Tradition to Innovation,” *Vietnam+ (VietnamPlus)*, May 18, 2023, <https://en.vietnamplus.vn/vietnams-bamboo-diplomacy-from-tradition-to-innovation-post251418.vnp>.

⁶ Marina Yue Zhang, “Vietnam's Pivot,” *The Interpreter*, January 15, 2024, <https://www.lowyinstitute.org/the-interpreter/vietnam-s-pivot>.

⁷ Charlotte McLeod, “Top Rare Earth Reserves by Country,” *Investing News Network*, May 22, 2019, <https://investingnews.com/daily/resource-investing/critical-metals-investing/rare-earth-investing/rare-earth-reserves-country/>.

to reduce its dependence on China, while Beijing aims to maintain its control over the rare earth supply chain.⁸

Thus, despite the successes and consolidation of Vietnam's foreign policy, the *Bamboo Diplomacy* has now entered a phase focused on ensuring its long-term resilience and continuity amid evolving regional challenges. Geopolitically, ongoing conflicts like the Russia-Ukraine war expose the delicate balancing act Hanoi must maintain between traditional allies like Russia and relatively newer partners such as the United States.⁹ Closer to the border, and most critically, China's growing assertiveness and influence in Southeast Asia threatens Vietnam's own interests, as well as regional security and economic prosperity. This is demonstrated in the South China Sea or with some of Cambodia's Beijing-backed initiatives. Even if China and Vietnam share centuries of history, Confucian values and political system, it is of great importance to explore whether the shared ideologies can prevent the deterioration of bilateral relations during dynamic territorial disputes.

First, regarding the disputes in the South China Sea, Vietnam advocates for a peaceful resolution on the basis of international law under the UNCLOS.¹⁰ However, the complex nature of these disputes, coupled with China's unwillingness to adhere to these rules and its continued use of gray zone tactics has prompted Hanoi to pursue a "hard balancing" strategy through its comprehensive program of military modernization and enhancing its military cooperation with other actors in the region.¹¹ Vietnam seeks to transform its armed forces from a primarily guerilla-based structure to a more technologically sophisticated and conventional military, capable of handling diverse threats and scenarios.¹² Along with Malaysia and Indonesia, Vietnam has emerged as one of the fastest-growing nations in Southeast Asia in terms of military capabilities and defense investment.¹³ Vietnam's current defense budget is \$7.8 billion and is forecast to register a robust Compounded Annual Growth Rate (CAGR) of 9.4% during 2025-2029,

⁸ Ibid.

⁹ Le Hong Hiep and Anton Tsvetov, "*Vietnam's Foreign Policy under Doi Moi*" (Singapore Iseas-Yusof Ishak Institute Singapore, 2018).

¹⁰ International Crisis Group, "Vietnam Tacks between Cooperation and Struggle in the South China Sea," *International Crisis Group*, December 7, 2021, <https://www.crisisgroup.org/asia/north-east-asia/china/318-vietnam-tacks-between-cooperation-and-struggle-south-china-sea>.

¹¹ Le Hong Hiep and Anton Tsvetov, "*Vietnam's Foreign Policy under Doi Moi*" (Singapore Iseas-Yusof Ishak Institute Singapore, 2018).

¹² Shalom Bayo, "Vietnam's Evolving Military Modernization and Defense Strategies," Research Gate, May 31, 2024, https://www.researchgate.net/publication/381011044_Vietnam.

¹³ Asian Military Review, "Modernization Initiatives to Spur Vietnam Defense Budget at 5.6% CAGR over 2025-29, Forecasts GlobalData," Asian Military Review, March 5, 2024, <https://www.asianmilitaryreview.com/2024/03/modernization-initiatives-to-spur-vietnam-defense-budget-at-5-6-cagr-over-2025-29-forecasts-globaldata/>.

increasing its defense budget to an estimated \$10.2 billion by 2029.¹⁴ Newly appointed President Luong Cuong, a high-ranking military general, has reaffirmed his commitment to this trajectory, emphasizing efforts to strengthen the nation's security and modernize the country's armed forces. However, this effort is neither a recent development nor a significant shift in policy but rather a continuation of a long-standing strategy driven forward over time. From 2020 to 2024, Vietnam had already experienced a strong CAGR of 12.6%.¹⁵ Thus, this growth has been primarily driven by territorial disputes in the South China Sea, rather than Cuong's military background. However, it is undeniable that strong military figures now occupy key powerful leadership positions, specifically, three out of the *Four Pillars*: General Secretary of the CPV, President, Prime Minister and Chairman of the National Assembly. Lam came from the ranks of the police, Cuong is from the military and Prime Minister Pham Minh Chinh previously served in the Public Security Ministry. This is very likely to develop into a consolidation of political power from members of the security apparatus and a shift toward a more security-oriented governance model.¹⁶

Moreover, Vietnam has been actively participating in diverse multinational military exercises and security initiatives as part of its efforts to enhance regional cooperation and strengthen its defense capabilities. These include the ASEAN led exercises, the *IN-VI* exercises with India, and the Rim of the Pacific (RIMPAC) exercise in 2018, the world's largest international maritime warfare exercise, hosted by the US. This implied a significant milestone in Vietnam's engagement with the US and other major powers in the region.¹⁷

Building on the 2019 White Paper, these engagements are expected to expand and deepen while remaining consistent with its *Bamboo Diplomacy* and *Four No's* policy. The latter establishes Vietnam's core defense principles and limits, including refraining from joining military alliances, siding with one country against another, prohibiting foreign military bases or activities on its territory and rejecting the use or threat of force in international relations—an addition introduced in the 2019 White Paper. At the same time, the document leaves room for enhanced military cooperation, stating that Vietnam may consider increasing defense cooperation with other

¹⁴ Global Data, "Vietnam Defense Market Size, Trends, Budget Allocation, Regulations, Acquisitions, Competitive Landscape and Forecast to 2029," Market Research Reports & Consulting, GlobalData, February 7, 2024, <https://www.globaldata.com/store/report/vietnam-defense-market-analysis/>.

¹⁵ Ibid.

¹⁶ Tommy Walker, "Vietnam's New President Confronts Turmoil," DW (Deutsche Welle, November 4, 2024), <https://www.dw.com/en/can-vietnams-new-president-end-months-of-turmoil/a-70684226>.

¹⁷ Shalom Bayo, "Vietnam's Evolving Military Modernization and Defense Strategies," Research Gate, May 31, 2024, https://www.researchgate.net/publication/381011044_Vietnam.

countries “depending on circumstances and specific conditions.”¹⁸ This nuanced approach represents an evolution, a new interpretation of Vietnam’s defense policy rather than a departure from it. Vietnam aims to discourage and deter China from continuing its violations of UNCLOS in the South China Sea and establish itself on higher moral ground by adopting a less confrontational approach.¹⁹ At the same time, Vietnam advanced its hedging strategy by providing itself with greater strategic flexibility, enabling the country to navigate its own policy constraints if necessary. This flexibility in their approach to military relations and the element of conditionality allows Vietnam to extend its relationships with other countries to balance China without fundamentally changing its policy stance.²⁰

A clear illustration of this flexibility is Vietnam’s strengthened ties with Quad Plus. Hanoi has already established strong defense partnerships with most Quad nations —India, the US, and Japan. Although participation does not fully imply alignment or overarching support, it does signal the presence of common interests.²¹ First, the Quad’s 2024 joint statement highlights strengthening maritime security in Southeast Asia as the Quad main strategic goal, connecting closely with Vietnam’s needs.²² The Quad promotes a rules-based order, which Hanoi also advocates for in countering China’s territorial assertiveness. Additionally, Quad countries possess advanced expertise in unmanned maritime systems, which Vietnam seeks to develop.²³

As the Quad is not a formal military alliance but rather a “diplomatic partnership”, Vietnam would not violate its *Four No’s* policy. However, full Quad membership is a politically sensitive issue and, therefore, highly unlikely. The challenge is to benefit from the Quad’s compromise and goal to a “free and open, stable and prosperous Indo-Pacific that is inclusive and resilient” without being formally tied to a cooperation that Beijing has criticized for encouraging a “cold

¹⁸ Ministry of National Defense of the Socialist Republic of Vietnam, “2019 Vietnam National Defense (2019) Vietnam National Defense White Paper,” Ministry of National Defense of the Socialist Republic of Vietnam, 2019, <https://mod.gov.vn/en/intro/vnd/sa-en-dod-dp/sa-en-dv-mf-stqp/17493317-e8da-4830-ba9d-75d7b39df332>.

¹⁹ Jeff Zeberlein, “Vietnam’s Four Nos Policy and Implications for Vietnam-China Relations,” *Naval War College Review* 77, no. 1 (October 20, 2023), <https://digital-commons.usnwc.edu/cgi/viewcontent.cgi?article=8401&context=nwc-review>.

²⁰ Ibid.

²¹ Manoj Harjani, “Envisioning a ‘Quad Plus’ in Southeast Asia,” Wilson Center, August 20, 2024, <https://www.wilsoncenter.org/blog-post/envisioning-quad-plus-southeast-asia>.

²² Australian Minister for Foreign Affairs, “Joint Statement from the Quad Foreign Ministers Commemorating the 20th Anniversary of Quad Cooperation the 20th Anniversary of Quad Cooperation,” Australian Government Department of Foreign Affairs and Trade, December 31, 2024, <https://www.foreignminister.gov.au/minister/penny-wong/media-release/joint-statement-quad-foreign-ministers-commemorating-20th-anniversary-quad-cooperation>.

²³ Prakash Panneerselvam and Van T. Pham, “Enhancing Vietnam’s Maritime Security and the Role of Unmanned Maritime Systems,” Pacific Forum, December 13, 2024, <https://pacforum.org/publications/pacnet-94-enhancing-vietnams-maritime-security-and-the-role-of-unmanned-maritime-systems/>.

war mentality and bloc confrontation.”²⁴ Hence, in the short-medium term, a Quad Plus arrangement is expected to be an informal one while simultaneously maintaining a substantive level of engagement. This appears to involve ad-hoc participation in Quad working groups focused on areas like climate, health security, and infrastructure.²⁵ As a result, Hanoi’s foreseeing gradual partnership approach will allow Vietnam to engage without compromising its *Four No’s* policy.

It is not the first time Vietnam has had to navigate and balance between great powers. During the Cold War, aligning itself with the Soviet Union damaged relations with its neighbor and led to the Chinese invasion in 1979.²⁶ The memories of the 1980s still shape Vietnam’s careful approach to great power politics. Today, Hanoi is very likely to deepen its ties with Washington to counter Beijing’s pressure, but also is expected to remain cautious of jeopardizing its economic and strategic relationship with China, which is vital for Vietnam’s peace, stability, and prosperity. However, China’s persistent and coercive efforts to assert its territorial claims in the South China Sea are testing Vietnam’s strategic patience. If Beijing continues to escalate tensions, Vietnam may be forced to reassess its balancing act, weighing the benefits of maintaining stable ties with China against the need to enhance its security by aligning more closely with Washington.

Therefore, the strengthened relationship with the US appears to be a logical development in Vietnam’s foreign policy, as it provides additional leverage to counter Chinese pressures. However, in the medium and long term, any deepening of ties with Washington risks being perceived by Beijing as Vietnam siding with American efforts to contain China rather than merely addressing its own maritime security concerns. In the short and medium term, Vietnam’s most probable course of action remains walking a fine line between the two powers, maintaining its strategic autonomy while extracting benefits from both sides. The growing rivalry between China and the US will make this balancing act increasingly difficult, but an overt shift toward one side remains too risky and impractical for Hanoi. As a consequence, the *Bamboo Diplomacy* is very likely to still guide Vietnam’s foreign policy, as well as the *Four No’s* policy. In the coming years, Vietnam’s ability to navigate this complex dynamic will be a defining feature of its foreign policy, with the South China Sea remaining at the heart of its strategic calculations.

²⁴ Asia Society Policy Institute, “China’s Response to the Quad,” Asia Society, May 16, 2023, <https://asiasociety.org/policy-institute/chinas-response-quad>.

²⁵ Ibid.

²⁶ Le Hong Hiep and Anton Tsvetov, “*Vietnam’s Foreign Policy under Doi Moi*” (Singapore Iseas–Yusof Ishak Institute Singapore, 2018).

Given this strategic framework, a Chinese invasion of Taiwan could put Vietnam's balancing act to the test. However, the following factors and interests indicate that Vietnam's reaction is very likely to be characterized by a cautious, multifaceted approach that seeks to protect its national interests while maintaining its long-held policy positions. For the purposes of this analysis, an "invasion" refers to a large-scale, unprovoked military offensive by the People's Republic of China against Taiwan. This would involve coordinated land, air, and naval operations aimed at seizing control of the island and enforcing reunification, thereby undermining Taiwan's current *de facto* autonomy.

With around 255,000 Vietnamese nationals residing in Taiwan and deepening economic cooperation —especially in high-tech and renewable energy sectors— one of Hanoi's interests is ensuring the safety of its citizens and maintaining economic ties.²⁷ In the event of a crisis, developing contingency plans for the appropriate evacuation and protection of its diaspora would be a priority, while also ensuring that trade flows and investments remain as undisturbed as possible.²⁸

Despite the significant growing economic ties with Taiwan, Vietnam continues to adhere to the *One-China* Policy and maintains only unofficial relations with Taipei. In a joint statement issued in August 2024 to further enhance their comprehensive strategic cooperative partnership, Vietnam affirmed its support for the peaceful development of cross-strait relations and China's great cause of reunification, opposing any dividing act for "independent Taiwan" in all forms and the development of any state-level relations with Taiwan.²⁹ In the wake of a Chinese invasion of Taiwan, Hanoi would almost certainly reiterate this policy in public statements. Vietnam's policy of non-interference in the internal affairs of other states would compel it to distance itself from direct military involvement in the Taiwan conflict.³⁰

Nevertheless, the South China Sea remains pivotal to Vietnam's strategic interests. A Taiwan crisis would lead to heightened security concerns over maritime routes and territorial claims. In response, Vietnam would likely bolster its naval capabilities and increase surveillance in disputed

²⁷ Tran Thi Mong Tuyen, "The Future of Taiwan-Vietnam Economic Relations," Global Taiwan Institute, May 1, 2024, <https://globaltaiwan.org/2024/05/the-future-of-taiwan-vietnam-economic-relations/>.

²⁸ Ngeow Bing, "How Southeast Asia Might React in a Potential Military Conflict over Taiwan," *carnegieendowment.org*, June 17, 2024, <https://carnegieendowment.org/research/2024/06/how-southeast-asia-might-react-in-a-potential-military-conflict-over-taiwan?lang=en>.

²⁹ Vietnam Law and Legal Forum, "Vietnam, China Issue Joint Statement," *Vietnam Law Magazine*, August 21, 2024, <https://vietnamlawmagazine.vn/vietnam-china-issue-joint-statement-72412.html>.

³⁰ Tomotaka Shoji, "Vietnam's China Policy — Deference and Check," *Sasakawa Peace Foundation*, March 13, 2024, https://www.spf.org/iina/en/articles/shoji_19.html.

areas, all while maintaining a defensive posture designed to deter any spillover of hostilities into its own waters.³¹ In addition, Hanoi would very likely engage in back-channel diplomacy with both Beijing and Washington with the objective of ensuring that the conflict remains confined to the Taiwan Strait and does not escalate into a broader regional war that would jeopardize Vietnam's security and economic stability.

As China tries to pressure Vietnam and other ASEAN members to restrict economic relations with Taiwan, Vietnam is likely to maintain its independent and autonomous stance while adhering to the *One-China* Policy.³² Thus, Hanoi is expected to continue its cooperation with Taiwan in areas like trade, culture, education, and healthcare, while carefully navigating diplomatic sensitivities in order to promote economic diversification and growth.

1.2 Growing Tall, Anchored Deep: Economic Aspirations Stem of Legitimacy

Vietnam's external relations are mainly influenced by its Communist Party's political leadership. Unlike democratic countries where government changes may lead to foreign policy shifts, Vietnam's foreign policy is stable thanks to the continuity maintained under the country's one-party system.³³

Newly appointed Secretary General Tô Lâm is expected to follow a pragmatic rather than ideological style of leadership, focused on economic development and political stability over doctrinal campaigns.³⁴ His first foreign visit as party chief was to Beijing, but he then traveled to the US, reinforcing the continuation of the *Bamboo Diplomacy* and desire to maintain equidistance between the two superpowers.

Besides, defending Vietnam's national sovereignty and territorial integrity is not just the most important goal of Hanoi's South China Sea strategy but also a central plank of the CPV's political

³¹ Ngeow Bing, "How Southeast Asia Might React in a Potential Military Conflict over Taiwan," Carnegie Endowment, June 17, 2024, <https://carnegieendowment.org/research/2024/06/how-southeast-asia-might-react-in-a-potential-military-conflict-over-taiwan?lang=en>.

³² Tran Thi Mong Tuyen, "The Future of Taiwan-Vietnam Economic Relations," Global Taiwan Institute, May 1, 2024, <https://globaltaiwan.org/2024/05/the-future-of-taiwan-vietnam-economic-relations/>.

³³ Le Hong Hiep and Anton Tsvetov, "*Vietnam's Foreign Policy under Doi Moi*" (Singapore Iseas–Yusof Ishak Institute Singapore, 2018).

³⁴ Nguyen Khac, "Vietnam's New Helmsman: What to Expect from Tô Lâm?," Fulcrum, September 23, 2024, <https://fulcrum.sg/vietnams-new-helmsman-what-to-expect-from-to-lam/>.

legitimacy.³⁵ The CPV derives part of its authority and public support from its ability to defend national interests, specifically against external threats. If the Party fails to uphold Vietnam's territorial claims and sovereignty, it risks undermining its political credibility and domestic support. Moreover, rising nationalism in Vietnam means that a shift in policy that entails yielding under China's pressures is very likely to do a prominent damage to the CPV's political legitimacy.

Thus, in the short term, Vietnam's approach to the South China Sea, as previously analyzed, is expected to remain consistent. In addition, the Communist Party's emphasis on stable leadership and collective decision-making means that Vietnam is likely to maintain its strategic balancing act—safeguarding national interests while ensuring stable relations with China.³⁶ The Party's Politburo and Central Committee continue to make policy decisions collectively, incorporating input from key ministries such as foreign affairs, defense, and public security. This consensus-based decision-making process ensures that any policy changes regarding the South China Sea—if any—will be gradual and carefully considered, even in the face of rapidly evolving developments on the ground.

Even if generational differences and varying threat assessments exist within the Party—with some older members (hard-liners) inclined to put relations with Beijing first and some younger others (reformists) more oriented towards the West—collective decision-making process mitigates the impact of individual perspectives on overall policy.³⁷ However, in the long term this might have certain implications that will be explored further on.

In the short term, the new leadership is expected to maintain Vietnam's strategy of *hard balancing* and *soft-balancing* against China by deepening ties with other powers and regional multilateral arrangements. This approach allows Vietnam to protect its interests, guaranteeing security and, above all, ensuring economic development.

Furthermore, regarding internal politics, Vietnam is undertaking one of the most ambitious bureaucratic reforms since the 1986 *Doi Moi* reforms began, with plans to merge ministries,

³⁵ International Crisis Group, "Vietnam Tacks between Cooperation and Struggle in the South China Sea," *International Crisis Group*, December 7, 2021, <https://www.crisisgroup.org/asia/north-east-asia/china/318-vietnam-tacks-between-cooperation-and-struggle-south-china-sea>.

³⁶ Ibid.

³⁷ Ibid.

streamline agencies, and reorganize party institutions at an unprecedented level.³⁸ Even if he might face resistance from established power structures at both central and local levels who perceive these reforms as a threat to their interests, this initiative has been pushed by Tô Lâm and Prime Minister Pham Minh Chinh in a strategic timing: after other factions have been weakened by the decade-long anti-corruption campaign.³⁹ Lâm's goal is to broaden his legitimacy by achieving success in governance and economic development.⁴⁰ By reducing bureaucratic obstacles that have long hindered the country's economic growth and delivering visible results, in the short term, Tô Lâm is likely to consolidate power ahead of the Party Congress in 2026. He would then likely assume the post of General Secretary for a full term, ensuring the continuation of his political leadership and the one-party system.

However, in the long term, concerns arise about the potential erosion of the current single-party system, either as a result of social improvements resulting from economic growth or due to economic stagnation failing to meet social expectations. As Vietnam navigates these potential changes, the evolving political and economic landscape could push the country towards a model more aligned with either China's authoritarian capitalism or the U.S. liberal democratic framework.

To analyze both possible outcomes, two futures wheels have been developed within the time frame of 2025-2040. This prospective technique helps identify the direct, indirect, and long-term consequences of a specific event or trend. It will analyze the possible long-term impacts of Vietnam's economic performance on its political system evolution.

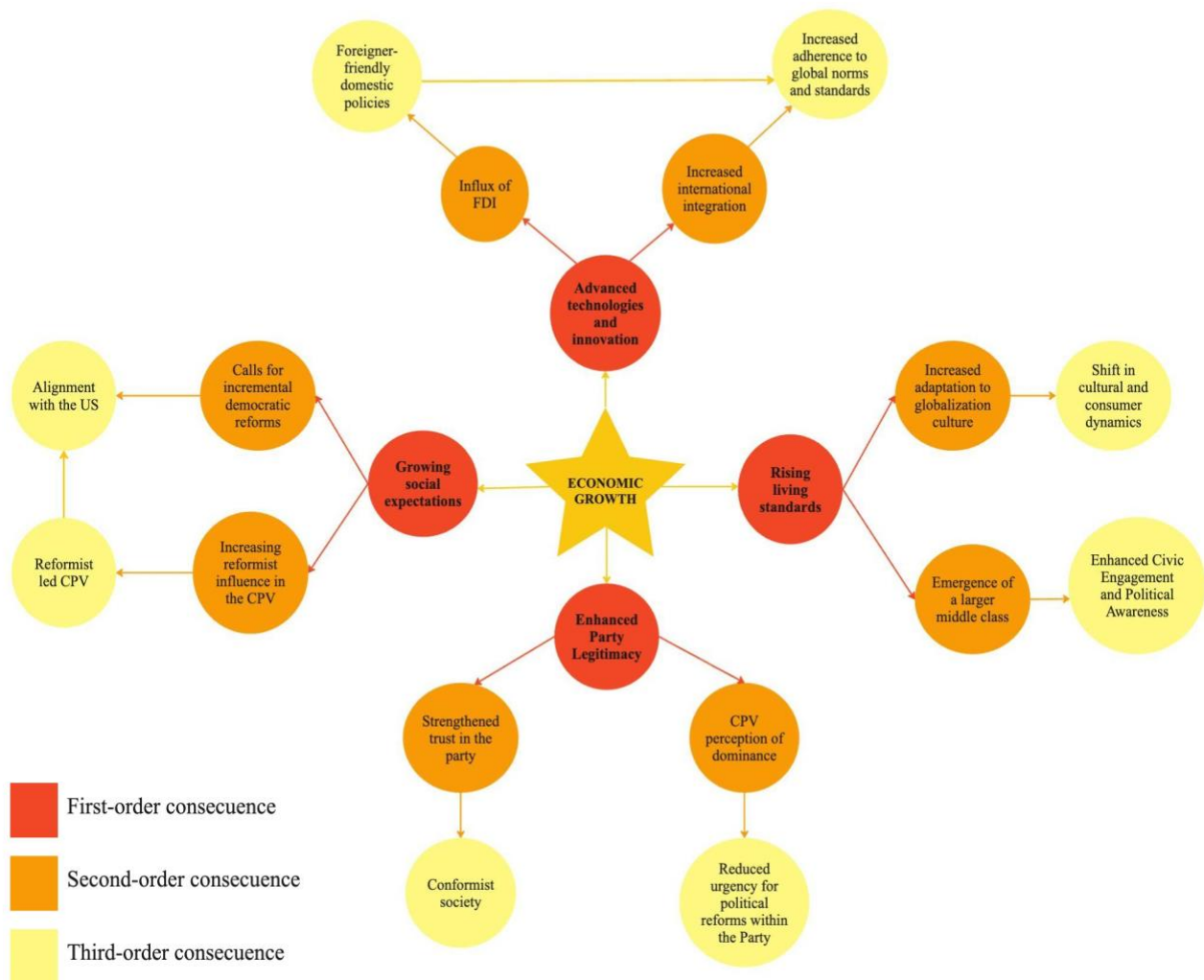
Futures Wheel 1: Economic Growth

The first future departs from economic growth as the central trend. In this context, the first-order consequences —rising living standards, growing social expectations and advanced technologies and innovation— lead to a series of second-order and third order consequences that could gradually lead to a transformation of the political system. For the most part, rising living standards can generate a strong middle class, which has historically proved to be a driver of political change.

³⁸ Nguyen Khac Giang, "Vietnam's Bureaucratic Reforms: Opportunities and Challenges in 'the Era of National Rise,'" *ISEAS – Yusof Ishak Institute.*, February 20, 2025, https://www.iseas.edu.sg/wp-content/uploads/2025/01/ISEAS_Perspective_2025_14.pdf.

³⁹ Phan Xuan Dung, "Vietnam's Era of 'National Rise': Great Expectations," *Fulcrum*, January 31, 2025, <https://fulcrum.sg/vietnams-era-of-national-rise-great-expectations/>.

⁴⁰ Ibid.

FIGURE 1. Consequences of economic growth in Vietnamese society and politics

Besides, as economic growth leads to growing social expectations, people demand incremental democratic reforms, increasing pressure within the CPV, in which reformist factions would gain influence, gradually pushing the party towards controlled political changes. This shift leads to a reformist-led CPV, fostering closer alignment with the US through economic and diplomatic ties. Moreover, economic growth fosters the development and acquisition of new technologies and leads to innovation, which attracts FDI and increases international integration. As a result, foreign-friendly domestic policies are adopted and there is a greater adherence to global norms and standards.

On the other hand, economic growth enhances the CPV legitimacy. This is another first direct consequence of the trend. Ensuring economic development is the basis of the legitimacy of the CPV power —a legitimacy not based on origin, but on its exercise— a concept rooted in

Confucian principles. Vietnamese leaders view political stability as an essential precondition for economic development, and they are unwilling to accept any changes that could put the stability of the political system at risk. Thus, politically, certain reforms may be explored, but mainly to streamline economic openness and increase the efficiency of the political system, not to democratize it. As a result, in the coming decades, Hanoi will likely become a further liberalized economy, but, politically, it is unlikely to undergo a significant transformation, as long as the CPV can handle the potential social tensions derived from economic and not political reforms.

Futures Wheel 2: Economic Stagnation

A contrasting future could arise if economic stagnation takes hold. Therefore, the following futures wheel represents the consequences of this new central trend.

FIGURE 2. Consequences of economic stagnation in Vietnamese society and politics



The first-order consequences —widening income disparities, unsettled social expectations, potential investor concerns, and erosion of the party’s performance legitimacy— trigger a series of second and third-order consequences that could abruptly destabilize the political system.

Widening income disparities exacerbate divisions between social groups and increase the likelihood of labor strikes and civil unrest. These lead to a weakened social cohesion and also reduce output and economic productivity, creating a vicious cycle that further entrenches stagnation. Simultaneously, unsettled social expectations translate into rising demands for political accountability and transparency, fostering social unrest and eroding trust in the party. In this scenario, public dissatisfaction could manifest in different ways, ranging from protests to a fracturing of societal consensus, with factions emerging that challenge the ruling party's authority.

At the economic level, stagnation deters foreign investment, prompting capital flight and increasing offshore operations. Reduced FDI limits economic opportunities, exacerbating unemployment and fiscal pressures. Over time, these economic challenges exacerbate perceptions of governmental inefficacy, further undermining legitimacy. As performance-based legitimacy weakens, the CPV may react with greater authoritarian measures to maintain order, intensifying tensions between the government and civil society.

While economic stagnation alone is unlikely to cause an immediate political rupture, prolonged social unrest could escalate into a broader institutional crisis. If grievances among the disenfranchised and impoverished population reach a breaking point, the risk of widespread upheaval—including violent uprisings— would grow, potentially destabilizing the single-party system beyond repair. This scenario represents a black swan event—a development that is highly improbable yet plausible— due to the fact that the CPV has a long standing record of political repression, human rights violations, and its reliance on tight control mechanisms to preserve stability, even at the expense of growing social discontent.⁴¹

1.3 Bamboo Groves Beyond Borders: Russia’s Shadow and India’s Sunlight

Even if the US-China rivalry is generally considered as the main major power competition in the region, Russia is also seen as an important power. This triangular and rival relationship, rooted

⁴¹ Tommy Walker, “Vietnam’s New President Confronts Turmoil,” DW (November 4, 2024), <https://www.dw.com/en/can-vietnams-new-president-end-months-of-turmoil/a-70684226>.

in the Cold War, still continues to shape the global landscape to some extent today, with important implications for Southeast Asia.⁴²

Notably, Russia was the first country with which Vietnam established a strategic partnership in 2001, later upgrading it to a CSP in 2012.⁴³ Moreover, since 2014, a signed agreement between both countries granted Russian warships preferential access to Cam Ranh Bay military base.

In the South China Sea, Russia initially supported Vietnam's territorial claims before suddenly shifting to support China in 2015.⁴⁴ This was largely driven by Russia's perception of the US as a geopolitical rival and the need to counterbalance it. Russia also accused the US of aggravating the conflict in the South China Sea by intervening in the region. However, even if Moscow backs China's claims publicly, it still continues to cooperate with Vietnam in other areas. First, Russia is Hanoi's largest provider of military arms, equipping the country with high-tech weapons for defense and security. Additionally, Russian oil companies collaborate with Vietnam to extract resources within China's claimed nine-dash line. China has complained about this cooperation and has sent coast guard ships to shadow Russian-Vietnamese oil and gas operations, and has even made Russia remove vessels out of these zones. Chinese scholars argue that Russia is using Vietnam to balance against China's rise.⁴⁵

Adding to this energy cooperation, Moscow has committed itself to help Vietnam develop its nuclear power sector and provide it with crude oil and liquified natural gas.⁴⁶ Hanoi's nuclear energy program has been suspended since 2016, but aims to re-start it with Russia's help.

With regards to the Russian-Ukraine war, Vietnam has been carefully balancing trying not to antagonize either side. It claims to be committed to principles of territorial integrity and the UN Charter, but has refused to condemn the Russian invasion. Vietnam has suffered a drop of arm imports from Russia amid international sanctions over its invasion, which has exposed the

⁴² Nguyen Hung Son, "U.S.-China Competition Presents Vietnam with Risks and Opportunities," United States Institute of Peace, September 12, 2023, <https://www.usip.org/publications/2023/09/us-china-competition-presents-vietnam-risks-and-opportunities>.

⁴³ International Crisis Group, "Vietnam Tacks between Cooperation and Struggle in the South China Sea," *International Crisis Group*, December 7, 2021, <https://www.crisisgroup.org/asia/north-east-asia/china/318-vietnam-tacks-between-cooperation-and-struggle-south-china-sea>.

⁴⁴ Robert E. Hamilton, "Setting the Stage: An Overview of Chinese and Russian Interests and Influence in the Indo-Pacific," *Foreign Policy Research Institute*, 2025, <https://www.fpri.org/article/2025/01/setting-the-stage-an-overview-of-chinese-and-russian-interests-and-influence-in-the-indo-pacific/>.

⁴⁵ Ibid.

⁴⁶ Francesco Guarascio and Thanh Nguyen, "Vietnam Signs Nuclear Cooperation Deal with Russia's Rosatom," Reuters, January 14, 2025, <https://www.reuters.com/business/energy/vietnam-signs-nuclear-cooperation-deal-with-russias-rosatom-2025-01-14/>.

vulnerabilities of relying too heavily on Russian arms.⁴⁷ Following Vietnam's pragmatic approach under the *Bamboo Diplomacy*, this diversification presents an opportunity for Vietnam to obtain more advanced systems from countries like South Korea, Czech Republic and Israel.⁴⁸ Besides, Washington has a long-standing record of being one of the major arms suppliers to Southeast Asian states in order to maintain influence in the Indo-Pacific region, counter China's growing influence and preserve regional stability.

As observed, this trilateral dynamic is complex, yet feasible for Vietnam. The US remains watchful of Vietnam's military cooperation with Moscow, especially in light of sanction treating Russian defense exports. If Vietnam deepens defense ties with Russia, it could raise concerns in Washington and potentially complicate US-Vietnam security cooperation. However, given Vietnam's pragmatic foreign policy, Hanoi is likely to ensure that closer ties with Russia do not jeopardize its growing partnership with the US. At the same time, Russia's deepening economic and political ties with China, particularly as a result of Western sanctions, limit Moscow's willingness to antagonize Beijing on Vietnam's behalf. While Russia may continue to supply arms and maintain energy cooperation, it is unlikely to act as a strong strategic counterweight to China.

All things considered, Hanoi's pragmatic foreign policy suggests it will continue balancing these relationships. Vietnam is likely to keep its close ties with Russia, while maintaining its diversification strategy—seeking advanced military systems from countries like South Korea, the Czech Republic, and Israel—demonstrates a broader effort to reduce dependence on any single defense supplier while maintaining flexibility in its foreign policy.

Furthermore, India is also considered a strategic partner for Vietnam and plays an important role in the South China Sea and Indo-Pacific dynamics due to its relations with China and the US. Notably, Vietnam and India share a pragmatic approach in their foreign policy and hedge between major powers. They both have a close historical relationship with Russia, being their major arms supplier, and both face active and unresolved territorial disputes with China, a key trading partner for Hanoi and New Delhi.

⁴⁷ France 24, "US, European, Chinese Firms Seek to Draw Vietnam Arms Deals from Russia," France 24, December 19, 2024, <https://www.france24.com/en/live-news/20241219-us-european-chinese-firms-seek-to-draw-vietnam-arms-deals-from-russia>

⁴⁸ Rahman Yaacob, "Southeast Asia's Arms Suppliers, by the Numbers," Lowy Institute, January 21, 2025, <https://www.lowyinstitute.org/the-interpreter/southeast-asia-s-arms-suppliers-numbers>.

Defense cooperation is considered an “important pillar” in Vietnamese-Indian relations, which includes enhanced military-to-military exchanges, training and capacity-building programs. This cooperation is expected to grow as tensions in the Indo-Pacific and South China Sea increase due to Chinese assertiveness. In addition, and despite opposition from Beijing, Hanoi has engaged with Indian oil firm ONGC Videsh Limited, a subsidiary of India’s largest public-sector company, to participate in oil and gas exploration operations in the South China Sea.⁴⁹ As a state-owned firm, ONGC is very likely to look not only at commercial but also strategic interests while conducting its work. Unlike some private investors who have yielded to Chinese pressure, ONGC is unlikely to submit to Beijing’s objections.

However, while Vietnam and India are strategic partners, Vietnam’s growing advantage over India in both geopolitical and geoeconomic spheres could be a destabilizing factor in their relationship. Vietnam has outpaced India in attracting foreign investment and integrating into global supply chains through agreements like RCEP and CPTPP, while India remains more protectionist.⁵⁰ This disparity has positioned Vietnam as a more attractive alternative for companies diversifying away from China. As India grapples with trade barriers and stalled agreements, Vietnam’s rapid ascent may create friction in their strategic partnership.

Nevertheless, as long as their common interest in countering Chinese expansionism remains, bilateral strategic cooperation is likely to grow. It may, however, be constrained by India’s limited strategic interests in the South China Sea and more pressing security issues closer to home.

⁴⁹ International Crisis Group, “Vietnam Tacks between Cooperation and Struggle in the South China Sea,” *International Crisis Group*, December 7, 2021, <https://www.crisisgroup.org/asia/north-east-asia/china/318-vietnam-tacks-between-cooperation-and-struggle-south-china-sea>

⁵⁰ Chietigj Bajpae, “Vietnam, Not India, Is in a Geopolitical and Geoeconomic Sweet Spot,” *The Diplomat*, July 5, 2024, <https://thediplomat.com/2024/07/vietnam-not-india-is-in-a-geopolitical-and-geoeconomic-sweet-spot/>.

2. A DANCE OF DRAGONS / THE RISING VS THE RESILIENT

Vietnam's relationship with China encompasses the precarious duality of economic synergism and strategic complexity. As one of Southeast Asia's fastest growing economies, Vietnam has captured global attention while facing a series of multifaceted challenges. In the sphere of traditional security, Vietnam must navigate geopolitical tensions, spanning from the disputed territories in the South China Sea to the transnational Mekong River Basin. In the sphere of non-traditional security, Vietnam must balance its appeal as a destination for foreign investment against existential threats ranging from geopolitical to ecological. To survive in a highly contentious region, Vietnam must adeptly address these challenges while fostering a business-friendly environment for foreign direct investment, advocating for cooperation in regards to transboundary hydro-politics and ensuring the continuity of the South China Sea conflict to safeguard its long-term interests. By doing so, Vietnam is almost certain to emerge as the most competitive player in the region.

2.1 Outpacing the Aging Dragon: Vietnam's Supply Chain Renaissance

Vietnam has emerged as a compelling alternative to China in terms of manufacturing distribution in the eyes of global investors who have raised concerns regarding the reliability of Chinese supply chains. Such a shift is the result of two highly impactful events that exposed severe vulnerabilities stemming from an over-reliance on a single market. The first is the ongoing trade war between the US and China. Major stakeholders dependent on US-China supply chains found themselves in the midst of a power struggle, suffering substantial shipping delays and revenue losses. The second was the COVID-19 pandemic that triggered a crisis in the global supply chain management industry as its lack of flexibility revealed critical weaknesses within the system. Thus, Vietnam emerged as the most compelling alternative resulting from: a favorable business environment and a strategic geographic location.

Firstly, as Vietnam pursues an export-oriented strategy, its economy has become increasingly dependent on foreign trade. Additionally, since 2000 Vietnam has seen a stable GDP growth rate

of approximately 7% annually. It took a hit during the pandemic as GDP growth decreased by 4.1 percentage points. However, by 2022 it had once again risen to 8.1%.⁵¹

Secondly, situated at the crossroads of the world's most important trade routes, Vietnam remains a critical player in enhancing global supply chain resilience. As corporations seek to relocate and diversify their manufacturing operations, their strategy is one of nearshoring where they relocate to a geographically close location to minimize transportation and transfer costs while retaining access to crucial resources and inexpensive labor markets.⁵² Vietnam is the perfect alternative because China is no longer considered a low-cost market. For context, the average hourly minimum wage in China is \$3.61⁵³ while Vietnam's is \$0.87.⁵⁴

In the short term, Vietnam will certainly not replace China as a manufacturing and technology hub due to its inability to compete with China's well-established and highly functioning manufacturing, logistical and digital infrastructure. Vietnam is more likely to serve as a complement rather than a rival or replacement for China. While Vietnam is the most promising manufacturing destination in Southeast Asia, it lacks the infrastructure capacity, skilled labor force and established business practices to effectively rival and eventually replace China as the global manufacturing hub.

Another factor to take into consideration is the fact that over 70% of the Vietnamese labor force consists of untrained workers.⁵⁵ This poses a challenge for manufacturers of capital-intensive goods given that their nearshoring to Vietnam requires additional investment in training and development to bridge the existing skills gap. In the short term, Vietnam is most likely to strengthen its underdeveloped sectors, benefiting from the *China-plus-one* strategy, which allows businesses to maintain their investments in China while simultaneously diversifying their supply chains towards other Asian countries.⁵⁶

⁵¹ IMF, "Vietnam: Datasets," International Monetary Fund, 2024, <https://www.imf.org/external/datamapper/profile/VNM>.

⁵² Karolína Maderová, "Production Shifting from China to Vietnam: Implications for Global Value Chains," *Charles University* (Master's Thesis, 2023), <https://dspace.cuni.cz/bitstream/handle/20.500.11956/186231/120458609.pdf?sequence=1#page=1.00&gsr=0>.

⁵³ Vietnam Briefing, "Salary and Wages in Vietnam - Vietnam Guide | Doing Business in Vietnam," Vietnam Briefing, 2023, <https://www.vietnam-briefing.com/doing-business-guide/vietnam/human-resources-and-payroll/minimum-wage>.

⁵⁴ Eos Global Expansion, "Understanding Minimum Wage China 2024: A Guide," July 7, 2024, <https://eosglobalexpansion.com/minimum-wage-china-2024-guide/>.

⁵⁵ Vu Nguyen Hanh, "Vietnam Labor Market Report for H1 2024," ASEAN Briefing (Vietnam Briefing, 2024), <https://www.aseanbriefing.com/vietnam-news/vietnam-labor-market-report-for-h1-2024-outlook&sa=D&source=docs&ust=1742328168825003&usg=AOvVaw12GV1nPBMLuETfrG805SPf>.

⁵⁶ Md. Tareque Rahaman et al., "COVID-19 Pandemic and the Future of China-Plus-One Strategy in Apparel Trade: A Critical Analysis from Bangladesh-Vietnam Point of View," *Open Journal of Business and Management* 09, no. 05 (2021): 2183–96, <https://doi.org/10.4236/ojbm.2021.95116>.

In the long-term the country is well positioned to complement and eventually replace China as the key manufacturer of some sectors. Key industrial sectors where Vietnam could emerge as the dominant force are: textiles, electronics, and high-tech manufacturing. Currently, Vietnam is making significant progress in developing its logistical and digital infrastructure, it remains in a transitional phase. Urban centers like Hanoi and Ho Chi Minh City (Saigon) provide a foundation to host tech corporations, but further development is needed in rural areas to compete with established hubs. The government's commitment to its growing infrastructure, workforce, trade agreements and accessible business environment are likely to position Vietnam as a beneficiary of trade diversion and a critical player in these sectors.

Prima facie, Vietnam appears to have a medium to long-term comparative advantage. While China's workforce is larger in total terms, the consequences of the one-child policy coupled with a low fertility rate had detrimental effects. However, as of 2025, Total Fertility Rate (TFR) in Vietnam dropped to 1.91. Although Vietnam is currently in its golden population period, if Hanoi does not rebalance the population distribution, Vietnam is expected to reach aged-population status by 2036.⁵⁷ A shrinking workforce would cause significant challenges, leading to labor shortages and lower productivity in comparison to its regional competitors.

In the long-term, sustainable investment in infrastructure, logistics operations, workforce development and key industrial sectors will certainly enable Vietnam to replace China in two industries: textile and manufacturing production. It is highly likely that Vietnam will replace China as the manufacturing production hub of the Indo-Pacific. However, this is unlikely to stem from Vietnam's superiority, but rather because China will evolve into a post-industrial society focused on technology and sustainable innovation.⁵⁸ This development will position Vietnam as the most attractive destination due to the absence of its primary competitor.

Vietnam, however, faces yet another challenge in the form of President Trump's 46% tariffs on imports from Vietnamese goods.⁵⁹ As the highest tariffs imposed in Asia —only second to China— this new development is likely to severely undermine Vietnam's competitive position as the most compelling alternative for the *China-plus-one* strategy. This is due to the fact that the

⁵⁷ Vietnam News, "Vietnam's Population Ageing Faster than Ever, Experts Warn," Asianews Network, 2025, <https://asianews.network/vietnams-population-ageing-faster-than-ever-experts-warn/>.

⁵⁸ Dario Venier, "Global Supply Chain Shifting: The Decoupling from China and the Identification of Vietnam's Future Role" (Final Thesis, 2021), <https://www.scribd.com/document/662585510/Global-supply-chain-shifting-The-decoupling-from-China-and-the-identification-of-Vietnam-s-future-role>.

⁵⁹ Lam Le, "Why Vietnam Is in the Middle of the U.S.-China Trade War," Rest of World, April 18, 2025, <https://restofworld.org/2025/vietnam-manufacturing-tariffs-china-us-trade-war/>.

country's largest export sectors —textiles, garments, footwear, electronics, seafood, and furniture— are all reliant on the US market. The introduction of tariffs is very likely to trigger an erosion of price competitiveness as well as a massive migration of manufacturers and investors elsewhere.⁶⁰

In response to President Trump's increasingly protectionist policies aimed at various Asian countries, Xi Jinping embarked on a lengthy journey —that included an official visit to Vietnam— to sign numerous strategic partnerships and socio-economic cooperation agreements. In line with China's objective of promoting regional peace and stability, Xi portrayed China as a stable and reliable long-term partner committed to maintaining economic integration and regional peace amidst hostile actors.⁶¹ In this sense, Vietnam is most likely to continue its hedging strategy by deepening economic ties with China to counterbalance the initial shock of US tariffs while at the same time continue leveraging its diplomatic prowess to address US concerns and seek the reduction and eventual elimination of tariffs. If Vietnam does not manage to significantly reduce or eliminate the US-imposed tariffs, Hanoi risks losing its momentum to emerge as one of the leading economic powerhouses in Southeast Asia.

2.2 Damming the Dragon's Tail: Vietnam's Mekong Dilemma

The Mekong River, spanning over 4,000 kilometers from its source in the Tibetan Plateau, flows through Myanmar, Thailand, Laos, and Cambodia before reaching its mouth in Vietnam and emptying into the South China Sea. Over 70 million people in the Lower Mekong Basin (LMB), composed of Thailand, Cambodia, Laos and Vietnam, rely on the river and its resources for their livelihoods. But at its southernmost tip, the Mekong Delta, Vietnam's *rice bowl*, serves as the backbone of the Vietnamese rice industry, feeding approximately 145 million people across the continent.⁶² The agriculture, forestry and fishing industries are a pivotal pillar of the Vietnamese economy. In conjunction, these three sectors account for 11.86% of total GDP output.⁶³ The critical nature of these industries underscores Vietnam's strategic vulnerabilities to external pressures.

⁶⁰ Chu Thanh Tuan, "Vietnam Faces US Tariff Shock: What's next for Exporters and the Broader Economy?," Theinvestor.vn, 2025, <https://theinvestor.vn/vietnam-faces-us-tariff-shock-whats-next-for-exporters-and-the-broader-economy-d15142.html>.

⁶¹ Li Mingjiang et al., "How Southeast Asia Sees Xi Jinping's Regional Push amid U.S.-China Tensions," Carnegie Endowment for International Peace, 2025, <https://carnegieendowment.org/research/2025/04/how-southeast-asia-sees-xi-jinpings-regional-push-amid-us-china-tensions?lang=en>.

⁶² Ron Corben, "Vietnam Rice Industry Faces Threat from Climate Change, Mekong Dams," Voice of America, November 2016, <https://www.voanews.com/a/vietnam-rice-industry-faces-threat-from-climate-change-mekong-dams/3574158.html>.

⁶³ General Statistics Office of Vietnam, "Socio-Economic Situation in the Fourth Quarter and 2024," National Statistics Office, 2024, <https://www.gso.gov.vn/en/highlight/2025/02/socio-economic-situation-in-the-fourth-quarter-and-2024/>.

The survival of the Mekong Delta is threatened by the upstream construction of hydroelectric dams on behalf of China, Laos and Cambodia —the latter often with significant funding from the former.⁶⁴ The disruption in the natural flow of water prolongs dry seasons which hinders the development of aquaculture and increases the salinization of the soil. China's strategic control also poses a significant threat to Vietnam's security and sovereignty by disrupting crucial water supplies, treating water as a sovereign resource rather than a shared one, leaving Vietnam vulnerable to geopolitical coercion.⁶⁵ Although multilateral frameworks, such as the Lancang-Mekong Cooperation (LMC) and the Mekong River Basin Commission (MBC), have been established to promote collective decision-making, they fail to address the fundamental differences between China's interests and those of the LMB states.

The countries along the LMB benefit from the seasonality of the river. Rice production peaks during the dry season and aquaculture peaks during the wet season. Contrarily, China's use of the river for the generation of electricity requires a steady and stable flow of water.⁶⁶ This discrepancy in interests creates an inherent conflict, making it unlikely for the stakeholders to reach a common ground.

In order to conduct a prospective analysis of Vietnam's response to transboundary water challenges, it is firstly necessary to recognize the evolution of China's Mekong policy. China has increasingly embraced water diplomacy as a strategic tool to leverage its relations with the LMB countries, moving from unilateral development and management towards a more cooperative approach.⁶⁷ In 2020, it agreed to share annual hydrological data with the other MRC states.⁶⁸ Moreover, China's implicit rejection of the Funan Techo project underscores its strategy of compelling other regional actors to embrace a policy of collaboration and equitable allocation of transnational resources.⁶⁹

⁶⁴ Human Rights Watch, "Cambodia: China's 'Belt and Road' Dam Is a Rights Disaster," August 10, 2021, <https://www.hrw.org/news/2021/08/10/cambodia-chinas-belt-and-road-dam-rights-disaster>.

⁶⁵ Brian Eyler and Courtney Weatherby, "New Evidence: How China Turned off the Tap on the Mekong River," Stimson Center, April 13, 2020, <https://www.stimson.org/2020/new-evidence-how-china-turned-off-the-mekong-tap/>.

⁶⁶ Chi Gao, "China and the Mekong River Disputes: Can a New Framework Bring New Compromises?," China Focus, April 9, 2021, <https://chinafocus.ucsd.edu/2021/04/09/china-and-the-mekong-river-disputes-can-a-new-framework-bring-new-compromises/>.

⁶⁷ Brahma Chellaney and Frederick Kliem, eds., *The Displaced: Disrupted Trade, Labour and Politics in the Mekong River Basin*, Foundation Office Japan / Regional Economic Programme Asia (SOPAS) (Japan: Konrad-Adenauer-Stiftung's Regional Economic Programme Asia, 2021), <https://www.kas.de/en/web/japan/single-title/-/content/the-displaced>.

⁶⁸ Reuters, "China Commits to Share Year-Round Water Data with Mekong River Commission," October 22, 2020, <https://www.reuters.com/article/world/china-commits-to-share-year-round-water-data-with-mekong-river-commission-idUSKBN277122/>.

⁶⁹ Sokvy Rim, "Cambodia and China: Is the 'Ironclad Friendship' Starting to Rust?," The China Global South Project, February 7, 2025, <https://chinaglobalsouth.com/analysis/cambodia-and-china-is-the-ironclad-friendship-starting-to-rust/>.

China's reluctance to openly support and fund a canal that would destroy the Delta's ecosystem, coupled with its willingness to promote open-source information sharing is likely a sign of good faith towards Vietnam aimed at promoting peace and stability. This strategic recalibration is a direct reflection of Vietnam's strategic engagement with the US and its Western allies, as China recognizes the potential costs of antagonizing its southern neighbor.⁷⁰ China, who is already facing straining relations with the West, is keen on avoiding any further isolation, particularly from within its own sphere of influence. China is most likely to continue appeasing to the needs of the southern riparian states to counterbalance growing US influence in the region. This is likely to offer Vietnam some sort of reassurance regarding its short term upstream challenges. But it is still not enough to ensure the country's food security and economic resilience. It is highly unlikely that Vietnam will directly challenge China's dominance as the former is well aware of the power imbalance in the region. Based on the current geopolitical context and Vietnam's position as a high-interest, low-power state in the Mekong region, Vietnam is likely to pursue a multifaceted strategy to address its food security concerns in the short term. For this, two scenarios are possible.

In the first scenario, Vietnam is likely to intensify its strategic engagement in multilateral frameworks such as the LMC and the MBC to foster inter-regional dialogue, cooperation, information sharing and an equitable distribution of transnational resources. This strategy is likely to lead to more stable agricultural conditions in the Mekong Delta which would ensure economic stability for Vietnam in the short term. The success of this scenario is heavily dependent on China's intentions to promote regional peace and stability as well as other states' willingness to practice the international principle of equitable and reasonable utilization of transnational resources.

In the second scenario, Vietnam is likely to turn away from a rice-centered agricultural model towards a more diverse approach that encapsulates aquaculture, fruit farming and adaptive rice production that yields salinized rice.⁷¹ This diversification strategy would very likely lead to increased sustainable resilience in food production as it would reduce the dependency on a single crop and a specific set of conditions for farming. But this transition would not be free of its own set of challenges. Rice farmers in the Mekong Delta would need to develop a specific skill set, acquire the necessary technologies and gain market access for their products. If implemented,

⁷⁰ Ibid.

⁷¹ Nguyen Thuy Mien, "'New Normal' in the Mekong Delta," Heinrich Böll Foundation: Southeast Asia, February 22, 2022, <https://th.boell.org/en/2022/02/22/new-normal-mekong-delta>.

this is likely to ensure food security by establishing a robust and adaptable agricultural system free of the ripple effects of external shocks to the Mekong River. Here, the challenge for Vietnam manifests itself in the form of medium and long-term climate change that could render the Mekong Delta uninhabitable. This scenario will be developed further in the upcoming section.

Projected Situation 1: The Drowning Delta

Rising sea levels have two major consequences in the Mekong Delta: the displacement of nearly 12 million people who inhabit the delta⁷² and the intrusion of saline into which would have catastrophic consequences on fish biodiversity and the productivity of rice paddies.⁷³ Under these circumstances, a scenario was developed between a 2035-2040 timeline, posing that by 2040, sea levels are likely to rise by at least 3.3 feet, resulting in the inundation of 40% of the Delta.⁷⁴ What once was Vietnam's *rice bowl* is likely to turn into a vast aquatic landscape, with saline intrusion pushing inland at an alarming rate, inhibiting agricultural practices and displacing millions. In response, Vietnam is likely to pivot one of two ways.

In the first scenario, Vietnam is likely to radically transform its agricultural practices and economic structure. The government would accelerate the implementation of the Mekong Delta Regional Masterplan and adaptive farming practices to diversify food production and increase reliance on salt-tolerant aquaculture and fishing. Massive amounts of government-sponsored and foreign investment flood into the country to develop the necessary infrastructure to reshape the landscape and mitigate the encroachment of the sea water. The millions of displaced persons would most likely migrate north towards less affected areas. This scenario would most certainly disrupt food production and hinder economic growth in the short to medium term as Vietnam adapts to the changing geographic landscape and manages large-scale population displacement. In the long term, if successful, the adaptive strategy could transform Vietnam's agricultural and fishing sectors into more resilient industries, adeptly equipped to withstand unpredictable weather events.

⁷² The World Bank and Asian Development Bank, "Climate Risk Country Profile: Vietnam," 2021, <https://climateknowledgeportal.worldbank.org/sites/default/files/2021-04/15077-Vietnam%20Country%20Profile-WEB.pdf#page=1.00&gsr=0>.

⁷³ Cosslett, Tuyet L. and Cosslett, Patrick D., *Water Resources and Food Security in the Vietnam Mekong Delta*, vol. 44 (Cham: Springer International Publishing, 2014), <https://link.springer.com/content/pdf/10.1007/978-3-319-02198-0.pdf#page=1.00&gsr=0>.

⁷⁴ United Nations Development Programme, "New Climate Change Report Highlights Grave Dangers for Vietnam," 2018, <https://www.undp.org/vietnam/new-climate-change-report-highlights-grave-dangers-vietnam>.

In the second scenario, Vietnam is likely to implement an international collaborative approach to address the crisis. Hanoi would leverage the mutual interest of the relevant stakeholders to foster transboundary solutions for flood management and resource preservation. The government would likely prioritize the construction of dykes to prevent wide-scale flooding. This, however, would certainly lead to a second challenge when the dykes prevent fresh water from emptying into the sea during wet season.⁷⁵ With this in mind, Vietnam would likely increase its cooperation with China to build dams and reservoirs in the Mekong Delta to mitigate the challenges brought by the dykes and stabilize the delta's ecosystem. In the long term, the building of dams, reservoirs and dykes would mitigate the humanitarian crisis and allow rice farmers and fishermen to practice adaptive farming and fishing techniques.

2.3 Dragons at Sea: Territorial Sovereignty and Strategic Resources

The South China Sea encompasses a complex maritime nexus of geopolitical, economic, social and legal challenges for Vietnam. The semi-enclosed sea serves as one of the most critical sea trade routes, hosting over 60% of global trade. At the same time, it harbors substantial hydrocarbon deposits and natural resources crucial to Vietnam's non-traditional security. In conjunction, these factors make the South China Sea one of the most strategically important maritime locations in the world and has triggered a complex web of overlapping territorial claims and competing interests on behalf of a multitude of stakeholders. This multifaceted dispute encompasses maritime sovereignty, territorial claims based on historic titles, resource exploitation rights, the interpretation of international law, and the incompatibility of national interests. For Vietnam, the South China Sea remains a vital interest as well as a significant challenge to national security, which calls for the implementation of a delicate balancing strategy between cooperation and struggle to maintain regional stability and promote economic and geopolitical interests.

Vietnam's existential threat in the South China Sea is the result of China's assertive territorial claims and aggressive military and coercive action. China's territorial claims, manifested as the nine-dash line, encompasses almost 80% of the sea and encroaches upon Vietnam's territorial waters, contiguous zone and Exclusive Economic Zone (EEZ). Furthermore, Vietnam and China both claim a series of island chains, the Paracel and the Spratly islands —the latter also claimed

⁷⁵ HSBC, "Mekong River in the Economy," *World Wide Fund for Nature* (Pegasys Consulting, November 2016), https://www.fasia.awsassets.panda.org/downloads/mekong_river_in_the_economy_final.pdf#page=2.39&gsr=0.

by the Philippines, Malaysia, Brunei and Taiwan— which have served as the main stage for the ongoing military tensions and strategic maneuvering.

For the purposes of this prospective analysis, within the broader context of the South China Sea and its multitude of disputes, this section will narrow the focus on the contested Spratly islands. Specifically, this section will examine the existing dynamic between China and Vietnam in relation to the island chain, analyzing territorial claims, strategic maneuvers, military action and coercive measures to assess the potential implication for domestic and regional stability and security within a 2025-2040 timeline.

The Spratly islands are one of the most valuable territories to hold a claim over in the South China Sea, offering both geographical leverage and vast resource wealth. Situated between Vietnam and the Philippines, the island chain provides a critical position potentially enabling or blocking naval and commercial vessels navigating through the sea. Recognizing this, regional and global stakeholders remain highly aware of the strategic implications that *de facto* sovereignty could have towards the future of trade routes and freedom of navigation.⁷⁶

Beyond their strategic geographic location, the island chain is speculated to hold significant reserves of hydrocarbon deposits and natural resources. Estimates suggest that the Spratly islands and their nearby waters contain deposits of up to 3 billion barrels of oil and up to 16.2 trillion cubic feet of natural gas.⁷⁷ In terms of fishing, it is estimated that the waters surrounding the Spratlys contain approximately 7.5 tons of fish per square kilometer. Finally, the islands are speculated to contain vast amounts of rare earth minerals under the seabed.⁷⁸

Both China and Vietnam's territorial claims on the Spratly islands are founded upon the historic rights provision of UNCLOS which they argue are based on the "continuous exercise of sovereignty" over the islands during a span of a particularly determined number of decades. Vietnam bases its claims on the argument that the Vietnamese claims are a direct successor to the French claims of French Indochina based on the principle of *uti possidetis juris*.⁷⁹ China, for

⁷⁶ Brian K. Murphy, "Dangerous Ground: The Spratly Islands and International Law," *Ocean and Coastal Law Journal* 1, no. 2 (1995), <https://digitalcommons.maine.gov/oclj/vol1/iss2/3/>.

⁷⁷ Sarbhanu Nath et al., "Scenarios: South China Sea Security Report," Janes, December 9, 2024, <https://www.janes.com/osint-insights/defence-and-national-security-analysis/post/scenarios-south-china-sea-security-report>.

⁷⁸ Imran Altaf, "Geo-Strategic Significance and Importance of South China Sea for China, Vietnam and Philippines – Analysis," *Eurasia Review*, January 17, 2022, <https://www.eurasiareview.com/17012022-geo-strategic-significance-and-importance-of-south-china-sea-for-china-vietnam-and-philippines-analysis/>.

⁷⁹ Brian K. Murphy, "Dangerous Ground: The Spratly Islands and International Law," *Ocean and Coastal Law Journal* 1, no. 2 (1995), <https://digitalcommons.maine.gov/oclj/vol1/iss2/3/>.

its part, bases its claims on the argument that Chinese merchants have effectively occupied the islands and exercised *de facto* sovereignty over them for over a millennia.⁸⁰ The People's Republic of China (PRC) has also revealed a series of historic documents (19th century treaties and the eleven-dash line map, predecessor to the nine-dash line) to reinforce the longevity of its claim, to no avail. However, neither country has been able to exercise effective continuous sovereignty over the islands. This has contributed to the ongoing escalation of the dispute as Vietnam and China race to establish permanent military outposts throughout the islands to reinforce their respective claims.

This ongoing struggle for sovereignty and territorial gains has exacerbated Sino-Vietnamese tensions, with China's assertive actions posing an existential threat to Vietnam's security and long-term economic sustainability. The fishing industry in the South China sea accounts for 42% of Vietnamese total fishing outputs.⁸¹ China's *little blue men* which operate under the façade of fishing vessels while in reality navigating as militarized fishing fleets routinely violate Vietnam's EEZ as they engage in illegal, unreported and unregulated fishing (IUU). Chinese and Vietnamese fishing fleets have repeatedly engaged in armed skirmishes with each other as the former attempts to prevent the latter from operating within the region. Aside from threatening Vietnam's maritime sovereignty, these severely reduce fishing production and undermine the country's economic stability.⁸² Furthermore, Vietnam's reliance on hydrocarbon deposits to ensure its energy security in the medium and long term heightens its vulnerability and willingness to engage in armed skirmishes to ensure its access to such.

Vietnam's strategic response reflects both its diligent balancing act and the very nature of its relationship with China. Firstly, Vietnam's actions in South China are driven by its hedging strategy in which Hanoi balances between "cooperating and struggling" with China. Vietnam cooperates with China and some of the other claimants —the Philippines— in an attempt to reduce tensions but also struggles with them to preserve and pursue its interests. This is evidenced by the fact that even though Vietnam is one of the most vocal advocates for the CoC proposed by ASEAN, at the same time, Vietnam is increasing its military and maritime capabilities, fortifying and building outposts in reefs and rocks in the Spratlys as well as strengthening its

⁸⁰ Ibid.

⁸¹ Vietnam Association of Seafood Exporters and Producers, "Fishery Profile," accessed March 11, 2025, <https://seafood.vasep.com.vn/why-buy-seafood/fishery-profile>.

⁸² Viet Tuan, "Vietnam Fisheries Society Condemns China Attack on Boat, Demands Compensation," VnExpress International, June 13, 2020, <https://e.vnexpress.net/news/news/vietnam-fisheries-society-condemns-china-attack-on-boat-demands-compensation-4115245.html>.

strategic ties with the US and other major allies through the establishment of CSPs in matters related to maritime security and defense.⁸³ Vietnam has effectively managed to defend its interest and pursue its objectives, leveraging diplomatic and military measures.

The very nature of Vietnam's relationship with China is reflected through their interactions in the Spratly islands. *Prima facie*, both appear to have a strong and steady bilateral relationship. However, at its core, the relationship is fueled by a mutual sense of distrust. In Vietnam's case, this distrust and their consequent assertiveness is rooted in their pragmatic approach to bilateral relations and shared history with China. Vietnam endured centuries of Chinese invasion, domination and occupation of which they emerged with a deep sense of pride and nationalism.⁸⁴ In this sense, for Vietnam, the Spratly islands dispute goes beyond territorial integrity and access to resources, it is a matter of national identity and "historical vindication."⁸⁵

Hanoi is well aware of the regional power imbalance, and thus, seeks to counter-balance. Vietnam's reciprocal assertiveness stems from its willingness to engage in armed skirmishes, at the risk of provoking the Asian Giant, to secure access to resources essential for its security. Hanoi has managed to leverage diplomatic measures with military engagement to counter Chinese aggression while still maintaining a mutual level of understanding.

Projected Situation 2: Spratly Islands Chain Dispute Between Vietnam and China

The significance of the Spratly islands in the South China Sea's larger geopolitical stage can be understood through three levels: economic vitality, geopolitical tensions, and plausibility for cooperation. For the purposes of this strategic report, the development of scenarios will focus on all three levels in conjunction. To assess the future in the medium and long term the scenarios will operate under a 2035-2040 time-frame. All five scenarios are rooted in the baseline condition of the conflicting territorial claims between Vietnam and China in the Spratly islands given that the conflicting territorial disputes offer greater leeway for the construction of scenarios than the Paracel islands —which China already holds *de facto* control over. Furthermore, the Spratly islands offer greater access to crucial shipping lanes due to its geographic location at the heart of the South China Sea. This, in addition to the vast amount of natural resources within the islands

⁸³ Mustafa Tüter, "Vietnam's Policy over South China Sea: Potential for Conflict Escalation?," *International Journal of Political Studies* 8, no. 2 (August 31, 2022): 63–74, <https://doi.org/10.25272/icps.1145238>.

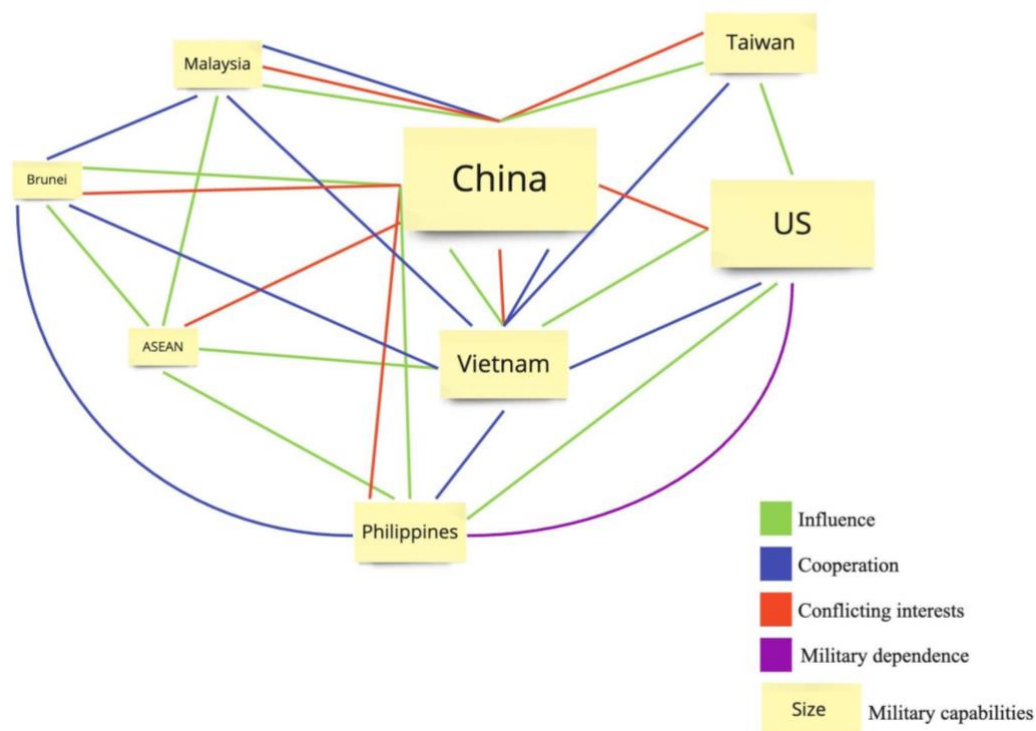
⁸⁴ Radio Free Asia, "Vietnam Builds Islands in South China Sea amid Tension, Challenges," *Eurasia Review*, February 7, 2025, <https://www.eurasiareview.com/07022025-vietnam-builds-islands-in-south-china-sea-amid-tension-challenges/>.

⁸⁵ James Borton, "Vietnam Quiet, Firm and Resilient in the South China Sea," *Asia Times*, December 4, 2024, https://asiatimes.com/2024/12/vietnam-quiet-firm-and-resilient-in-the-south-china-sea/%23&sa=D&source=docs&ust=1742225053200955&usg=AOvVaw0rjeHzE-NudWVHENEe_Vku.

and in its waters set the perfect stage for the development of conflicting, collaborative and balanced scenarios. Finally, at the end of section, a scenario pivoting from a future seed and a black swan scenario will be represented to stress Vietnam's underlying interests.

Prior to the construction of scenarios, a map of actors was developed to convey the major stakeholders stemming from the baseline assumption. These relations influence regional dynamics, not only shaping interactions between Vietnam and China but also their respective engagement with other relevant actors. Figure 3 categorizes them to convey the complex web of relationships that will come to play during the scenario-building section of this analysis.

FIGURE 3. Map of actors relevant to the Spratly islands dispute

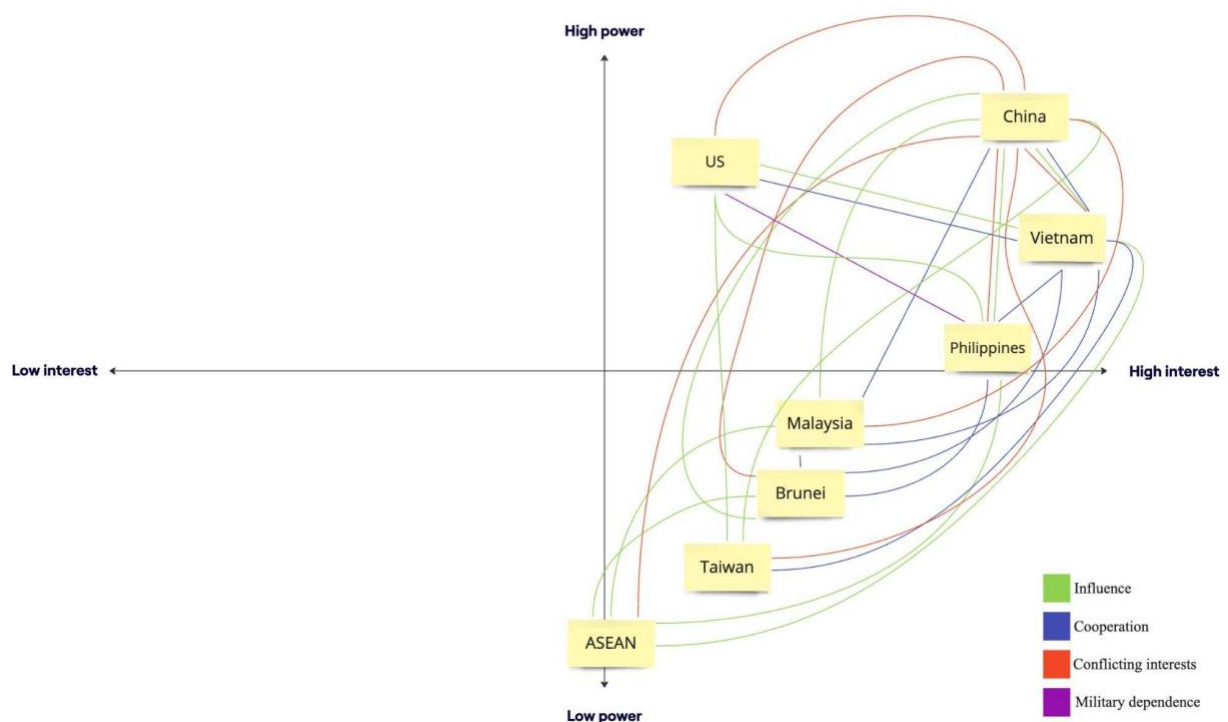


The map of actors highlights China's role (with the biggest military capabilities) at the center of conflict who has open disputes with Vietnam, the Philippines, Malaysia, Brunei and Taiwan as well as open conflicts with the US. The US, the only external actor in the map, plays a key role in counter-balancing China's military and economic superiority by forging alliances and fostering cooperation. For the purposes of this analysis, only relationships stemming from and affecting Vietnam will be considered relevant. The map underscores the ongoing geopolitical

tensions regarding the current situation and the balancing strategies smaller actors are likely to adopt to mitigate threats and assert sovereignty.

After a determination has been made regarding the most relevant actors to the object of study, a map of stakeholders is made in which the relevant actors are categorized based on their interests and power within the context of the current situation. Figure 4 depicts the power dynamics and stakeholder relationships to the current situation. The positioning of the stakeholders suggests that the two most relevant actors —Vietnam and China— are both high-power, high-interest actors which underscores the complexity of the dispute and potential for conflict to escalate with ease.

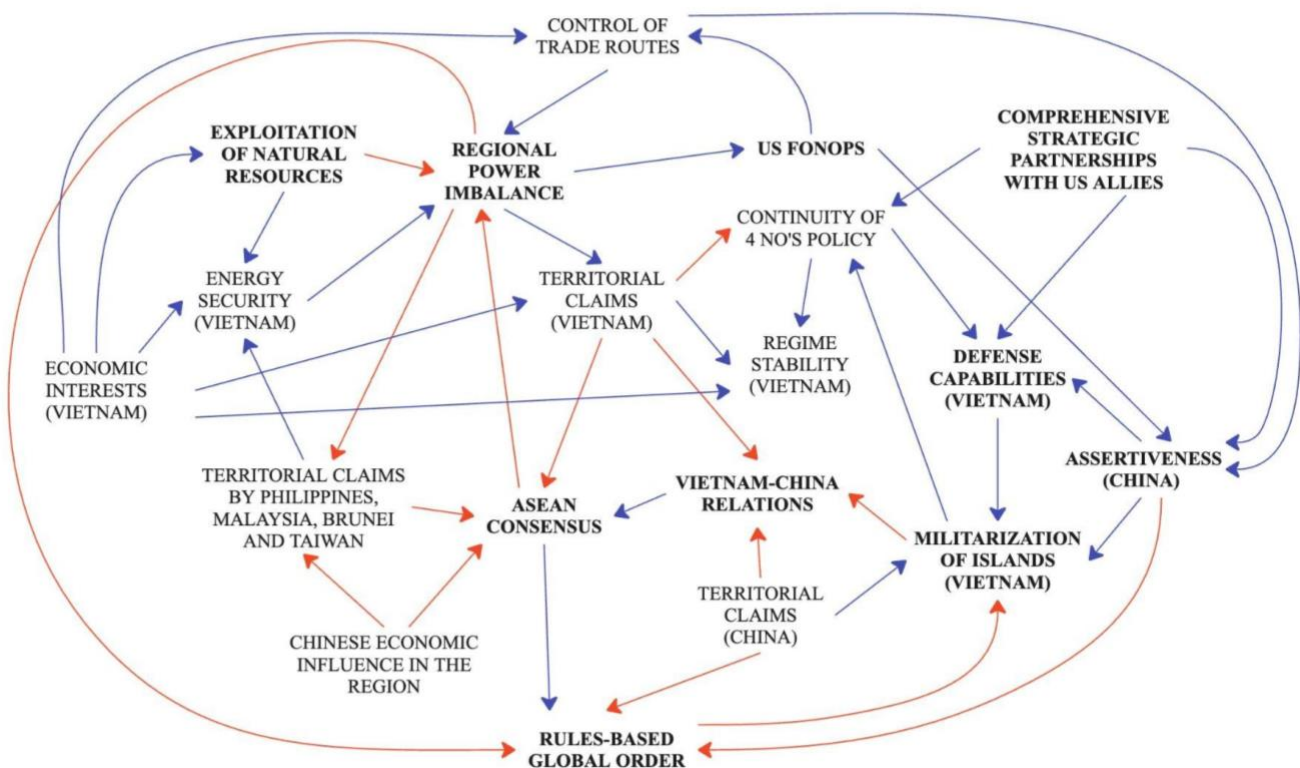
FIGURE 4. Map of stakeholders relevant to the Spratly islands dispute



Next, a diagram of influences is developed to convey key independent and dependent variables relevant to the analysis as well as the relationship between them. Figure 5 illustrates the complex geopolitical dynamics surrounding the Spratly islands dispute and differing interests and influences that are at play which only serve to aggravate the conflict and escalate the risks associated with the pursuit of territory and resources. In the diagram, proportional relations are depicted in blue and inversely proportional relations are depicted in red. It's also important to

note that in this diagram only the relevant influences regarding Vietnam and China's claims were taken into consideration to narrow the scope of the analysis.

FIGURE 5: Diagram of influences relevant to the Spratly islands dispute between Vietnam and China



The diagram of influences depicts the most important variables pertinent to the object of study and the analysis which aims to understand and explain the current situation of the conflict in order to assess possible future implications. The independent variables (highlighted in bold) represent the causes or influences that dictate the actions of the relevant stakeholders. These variables will turn into the key drivers in the scenario-making process. On the other hand, the dependent variables rely on the independent variables. These typically emerge as the outcome of the independent variables and are essential to the diagram because they convey the current dynamics of the conflict.

The technique used to identify the independent and dependent variables, as well as determine the key drivers, was a PESTEL analysis. This approach created a comprehensive assessment of the current situation in the Spratly islands with a narrow focus towards the conflict between Vietnam

and China. This allowed for the categorization of the drivers by assessing which of the independent variables could play a significant role in shaping future developments within the established time-frame as well as those that would serve as future seeds.

Based on the analysis of the diagram of influences, the variables in bold were identified to be drivers because they are the primary forces dictating the actions of Vietnam and China (the most relevant stakeholders) and shaping the trajectory of the conflict. The drivers were identified to be those who have the largest amount of arrows directed at them. In this sense, the drivers are the variables who exercise the largest amount of influence and fuel the largest number of outcomes. The diagram illustrates how territorial claims, military assertiveness, access to crucial resources and sea routes, and the interests of external actors influence Vietnam's strategic framework of operations. Additionally, the diagram highlights how the broader geopolitical landscape contributes to the ongoing tensions and inhibits its effective resolution. By examining the complex interplay between these drivers, these drivers can be categorized in a way that will aid in the development of elaborate but plausible scenarios.

Next, the drivers were split into two main categories: megatrends and game changers. Megatrends are relatively stable and due to the fact that they condition the present situation, their variations are somewhat predictable. On the other hand, game changers are less predictable and more dependent on their interaction with other variables. Game changers will dictate the high-impact implications of the different scenarios.⁸⁶ Figure 6 conveys the most relevant drivers in the Spratly islands dispute between Vietnam and China and categorizes them into megatrends and game changers, highlighting the economic, geopolitical and military dimensions of the conflict.

After identifying the megatrends and the game changers, a morphological matrix can be elaborated to aid in the construction of scenarios. Figure 7 represents this matrix, conveying the relevant variables and their respective values, which combine to form the scenarios.

⁸⁶ Javier Jordán, "La técnica de construcción y análisis de escenarios en los estudios de seguridad y defensa," Global Strategy, September 28, 2016, <https://global-strategy.org/construccion-escenarios/>.

FIGURE 6: Identification and description of megatrends and game changers

Spratly Island Chain Dispute: Vietnam and China 2035-2040		
Megatrends	Sea level rise	The South China Sea is highly vulnerable to the effects of climate change, particularly rising sea levels. Many of the disputed islands, reefs, and artificial structures in the Spratly Islands are at risk of submersion or increased erosion, which could alter territorial claims, resource extraction mechanisms as well as affect currently standing military outposts. This is highly likely to drive Vietnam to reinforce its maritime security and defense capabilities to protect its claims.
	Regional power imbalance	China is almost certainly going to keep increasing its military and economic power in the region. As a response, Vietnam and other regional stakeholders are highly likely to try to maintain the balance of power by establishing strategic partnerships.
	Defense capabilities (Vietnam)	Vietnam is most likely to continue its modernization process of their military defense capabilities in response to China's militarization of the South China Sea. In response, Vietnam is most likely to continue developing its naval assets, cybersecurity, and enhanced maritime surveillance in the Spratly islands to reinforce its security concerns and counter-balance China's presence in the island chain.
	Comprehensive Strategic Partnerships with US allies	This trend points towards an increased cooperation between Vietnam and the US, as well as other regional allies such as Japan and Australia as a way to counter-balance Chinese aggression in the Spratly islands while still maintaining the four no's policy.
Game changers	Militarization of the islands (Vietnam)	Will Vietnam continue to expand military infrastructure on the Spratly Islands? Will this military buildup trigger or deter a direct armed confrontation with China? Will it trigger a direct armed response from the other stakeholders in the region who also have territorial claims on the Spratlys?
	ASEAN Consensus	Will this consensus be reached to create a common front to face China provided the diversification trend of regional pro China actors such as Cambodia and Laos? Will diversification of economic ties among ASEAN members strengthen collective resistance to China's maritime claims?
	Rules-based global order	Will China continue to disregard international law, generating a space for reform of the US led global order? Will the rest of countries with territorial claims in the Spratlys disengage with the RBGO?
	Assertiveness (China)	Will China's artificial island-building and naval patrols escalate clashes with Vietnamese fishing/coast guard vessels? Will China's <i>gray zone tactics</i> (e.g., militia ships) normalize de facto control over disputed areas without direct conflict? Will these islands end up under effective and legal Chinese control in the medium or long term?
	Exploitation of natural resources	Will Hanoi exert any kind of pressure to prevent illegal fishing fleets from China frequently operating in Vietnam's EEZ? Will Vietnam or China resume oil exploitation activities in the medium term? Or will there be joint exploitation of offshore hydrocarbon deposits?
	US FONOPS	Will increased US FONOPS deter China's assertiveness in the South China Sea? Will China respond to US naval patrols with military action or other counter-measures? Will continued US involvement in the region shift the balance of power in favor of Vietnam?
	Sino-Vietnamese relations	Will diplomatic efforts between Vietnam and China ease tensions over the Spratlys? Will economic cooperation between the two countries reduce military confrontations?

FIGURE 7: Morphological matrix for the Spratly islands chain dispute between Vietnam and China

Militarization of the islands (Vietnam)	Rules-based global order	Assertiveness (China)	ASEAN Consensus	Comprehensive Strategic Partnerships with US allies	Exploitation of natural resources	Regional power imbalance	US FONOPS	Sea level rise	Defense capabilities (Vietnam)	Sino-Vietnamese relations
A1 Increased	B1 Increased	C1 Increased	D1 Increased	E1 Strengthened	F1 Increased	G1 Increased	H1 Increased	I1 Adapted	J1 Increased	K1 Improved
A2 Continued	B2 Status Quo	C2 Continued	D2 Continued	E2 Maintained	F2 Status Quo	G2 Status Quo	H2 Continued	I2 Mitigated	J2 Sustained	K2 Status Quo
A3 Reduced	B3 Reduced	C3 Reduced	D3 Blocked	E3 Reduced	F3 Reduced	G3 Reduced	H3 Reduced	I3 Neglected	J3 Reduced	K3 Deteriorated
A4 Decreased	B4 Ceased	C4 Ceased			F4 Ceased	G4 Ceased	H4 Ceased			

Out of the morphological matrix, five pivot points were selected as the foundation for each of the scenarios. Specifically, C₁, B₁, F₁, I₃, and B₃ were selected to yield a conflictive scenario, a collaborative scenario, a neutral scenario, a scenario involving a future seed and a black swan scenario. For each of the pivot points various factor values throughout the matrix were combined and analyzed in conjunction to determine the most plausible and coherent scenario. Figure 8 represents the combination of the drivers and the values that yield five different scenarios.

FIGURE 8: Combination of drivers that yields five different scenarios

	Scenario	Name	Description
1	C ₁ , A ₁ , B ₃ , D ₂ , E ₁ , F ₁ , G ₁ , H ₁ , J ₁ , K ₃	Armed confrontation in the Spratly islands	Chinese assertiveness triggers Vietnamese militarization, regional alignments and swift resource exploitation, escalating tensions into a regional armed conflict.
2	B ₁ , A ₂ , C ₃ , D ₁ , E ₃ , F ₃ , G ₃ , H ₄ , J ₂ , K ₁	Adherence to the rules-based global order	Adherence to UNCLOS, engagement in multilateral frameworks, engagement in diplomacy and collaboration.
3	F ₁ , A ₃ , B ₂ , C ₂ , D ₂ , E ₂ , H ₁ , J ₂ , K ₁	Sino-Vietnamese joint exploration initiatives	Strengthened Sino-Vietnamese relations through resource collaboration and joint exploration. Increased Western presence to counter-balance China.
4	I ₃ , A ₁ , B ₂ , C ₂ , D ₂ , E ₂ , F ₂ , G ₁ , H ₂ , J ₂ , K ₃	Militarization as a result of neglected sea level rise	Rising sea levels shrink the Spratly islands, intensifying Sino-Vietnamese tensions, militarization and erosion of UNCLOS
5	B ₃ , A ₁ , C ₁ , D ₃ , E ₁ , F ₂ , G ₁ , H ₄ , J ₁ , K ₃	Spratly islands under effective and legal Chinese control	Emergence of a Chinese imposed global order. Disregard for UNCLOS and multilateral collaboration. Vietnam is forced to militarize and strengthen Western alliance.

With the preliminary construction of scenarios completed, the different combinations yielded five different outcomes that will be analyzed down below. This analysis will determine the plausible future outcomes of the current situation and assess the potential impact of each of the different drivers. Finally, the plausibility of each of these scenarios will be evaluated and categorized from least likely to most likely to occur within the stipulated time-frame.

The first scenario pivots from an increase in China's assertiveness through the construction of military outposts in the unguarded and uninhabited reefs and rocks. In response, Vietnam increases the militarization of its already existing outposts in the islands as well as its naval patrols in the surrounding waters. The fear of an armed conflict and the increasing power imbalance leads Vietnam to further engage with the US through the strengthening of CSPs. This leads to an increase in the exercise of US-led FONOPS. Simultaneously, ASEAN is unable to reach a consensus regarding the escalating conflict, and Vietnam, seeking support, chooses to engage in minilateralism rather than multilateralism. Vietnam likely benefits from the internationalization of the conflict as the involvement of external powers with superior naval capabilities reduces the power imbalance and effectively counters Chinese aggression. In this scenario, Vietnam scours to protect its investments and secure access to as many resources as possible through illegal exploitation, fishing and island reclamation. China responds by dispatching its naval vessels to the islands to counter Vietnam and prevent them from gaining access to crucial resources. The altercation escalates into an armed confrontation and Sino-Vietnamese relations deteriorate as Beijing refuses to negotiate with Hanoi because it views US involvement as interference.

The second scenario pivots from the strengthening of the internationally imposed rules-based global order. The relevant stakeholders agree to adhere to UNCLOS and the now legally binding South China Sea CoC —because ASEAN has managed to reach a consensus and agree on a common approach. Based on this, legally speaking, Vietnam is not able to exploit the resources in and around the islands as UNCLOS does not recognize Vietnam's claim due its weak legal standing. In this scenario, Vietnam and China reduce militarization efforts as they seek to promote peace and stability through multilateral engagement. The other claimants agree on joint exploration of offshore deposits and fishing activities. The regional power imbalance is reduced, but China still holds the upper hand economically. Finally, Vietnam reduces its defensive capabilities as there is no longer a big threat to mitigate in the Spratly islands and Sino-Vietnamese relations improve as they promote bilateral dialogue and negotiation. US

involvement in the region —through FONOPS— has ceased as the risks to its interests are mitigated —free and open trade routes.

The third scenario pivots from the decision on behalf of China and Vietnam to conduct joint offshore exploration operations to secure access to key resources. Bilateral relations improve as both agree on the mutual pursuit of interests. Militarization is reduced as there is no longer a threat to mitigate. Adherence to the rules-based order is maintained because they still disregard the delimitations of UNCLOS but no longer engage in confrontation to protect their claims. Vietnam maintains its defensive capabilities and continues to modernize at a sustainable rate because even though China is no longer an existential threat, Hanoi is still wary of its long-term interests and benefits from the continuation of the conflict. Vietnam maintains its existing CSPs to reduce the power imbalance. China's assertiveness in the region is also maintained because even though Vietnam is no longer a threat, US involvement through FONOPS is increased as they see Vietnam's increased cooperation with China as the beginning of an alliance. In this scenario, every relevant stakeholder in the Spratly islands dispute retains their claims, so ASEAN remains at a stalemate.

The fourth scenario pivots from one of the identified future seeds: neglected sea level rise which shrinks some of the rocks and reefs in the Spratly islands chain. In this scenario, the high tide causes some of the islands to be reduced to reef or rock status which removes their status as islands and all the benefits entitled to them under UNCLOS. Military outposts also disappear as they are swallowed by the tide and those that remain are rendered uninhabitable due to increased floods. Both Vietnam and China race to build larger and more sustainable islands to protect their claims and militarization increases as they both seek to lay claim to whatever remains. Both countries reinforce their remaining military outposts while naval patrols increase to exploit resources while the area remains exposed and vulnerable. Chinese assertiveness remains the same but the regional power imbalance is strengthened as only China has the capacity to build islands rapidly to mitigate the effects of the rising sea levels. ASEAN remains blocked because the landlocked countries (Laos) have not suffered the consequences of rising sea levels and continue to advocate for China within the organization. As a result, Vietnam turns to the West for help. But as it hedges, CSPs and US FONOPS remain the same. Vietnam's defensive capabilities also remain the same and the country's priority is most likely to mitigate the consequences of rising sea levels in their continental territory rather than in offshore islands. Finally, the rules-based global order probably ceases to exist as islands continue to disappear and territorial integrity is

threatened, meaning that the validity of UNCLOS is called into question. In this scenario, Vietnam has much more to lose than China. In realization of this, Sino-Vietnamese relations deteriorate because Hanoi is not hesitant to engage in armed confrontation to secure access to resources and trade routes.

The fifth scenario pivots from a black swan event in international relations: the collapse of the rules-based global order. China has emerged as the new hegemonic power and a new order has been imposed. UNCLOS and other provisions of international law are bypassed as China lays an effective and legal claim over the Spratlys. In this scenario, To secure its interests, Vietnam most likely increases its defensive capabilities and militarization to deter Chinese aggression. The regional power imbalance is increased and Vietnam most likely abandons its hedging strategy as there are no longer two powers to hedge between. In this scenario, Vietnam abandons its strategic partnerships with the US and its allies and embraces engagement with regional stakeholders. However, ASEAN —an organization that represents the rules-based order— is most likely to transform into a new organization that fits the order imposed by China. The Spratly islands, now under the control of China, are subjected to massive amounts of exploitation by the unchecked hegemon. The US and the West in a final attempt to reassert their influence continue to conduct FONOPS in the region, to no avail. The superior Chinese naval capabilities in addition to its geographic location are more than enough to assert its hegemony over the Spratly islands and the region as a whole.

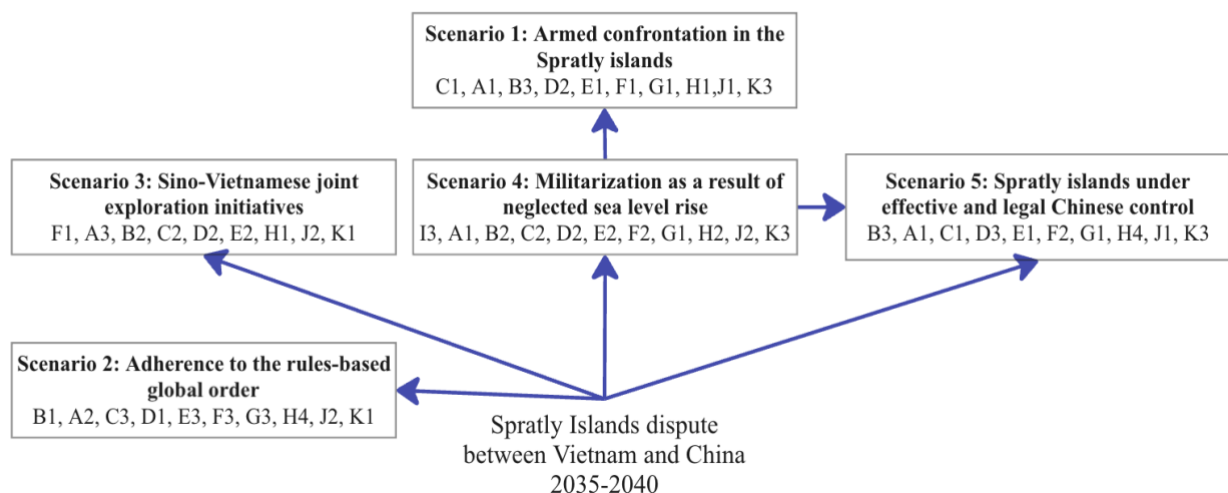
Following the construction and analysis of the different scenarios regarding the Spratly islands dispute between Vietnam and China, several key observations emerge. The most likely scenario is scenario 3 —Sino-Vietnamese joint exploration initiatives— given that China prefers to address regional issues through bilateral negotiations with the relevant stakeholders rather than multilateral frameworks. Vietnam is more likely to exercise its pragmatic approach to foreign policy and reach an agreement with China rather than escalate tensions and risk entering an armed conflict it cannot win. Unlike the other claimants to the Spratly islands, Vietnam is known to follow the Chinese strategy of disregarding international guidelines to pursue its interests. Vietnam supports the CoC legal framework but simultaneously conducts resource exploitation and island-building operations to strengthen its position. This is likely because Vietnam benefits from the long-term continuation of the conflict and is not interested in an effective legal dispute settlement. As long as the dispute remains an open conflict, Vietnam can conduct as much illegal exploitation, exploration and island-building as possible. Additionally, China avoids entering into direct confrontation with Vietnam because it does not want to destabilize bilateral relations

with one of the few relevant actors who does not have an established alliance with the US. This strategy secures access to key resources while avoiding military confrontation —where China is far superior to Vietnam— or legal repercussions —where Vietnam does not hold a strong enough claim to the islands.

The most unlikely scenario —apart from the black swan scenario— is scenario 2. Considering China’s increasingly assertive action in the region and its blatant disregard for the rules-based global order established and imposed by the West, it is highly unlikely that China will adhere to the stipulations of UNCLOS and engage in multilateral frameworks. Vietnam is also unlikely to adhere to the stipulations of UNCLOS —despite its open advocacy for it— given that its claim to the Spratly islands is insufficient to grant it efficient and legal sovereignty. Overall, given the pure intra-Asian nature of the conflict it is unlikely that any of the relevant stakeholders involved would submit their claims to an international tribunal in which their claims would not hold hefty legal standing.

Of the remaining scenarios, scenario 1 is unlikely to happen given that in the past Vietnam and China have both engaged in armed skirmishes over resources and control in the Spratly islands and the conflict has never escalated into an internationalized armed conflict. Scenario 4, which was created considering one of the future seeds —rising sea levels— is likely to happen because as sea levels rise and consume the rocks and reefs, Vietnam’s territorial integrity is also highly likely to be compromised. In this sense, it is likely that in a moment of desperation, Vietnam abandons its pragmatic approach to ensure its long-term survival.

FIGURE 9: Scenario possibilities and outcomes for the Spratly islands dispute



The construction of scenarios and the subsequent prospective analysis of the Spratly islands dispute in the region goes to show how the dispute is not the cause of the existing tensions between Vietnam and China. Instead, increasing tensions between Vietnam and China have heightened the Spratly islands dispute and transformed it from a disputed territorial claim to a highly contentious conflict of territorial sovereignty, economic vitality and traditional security. At its core, Vietnam's access to the island chain's resources is very likely dependent on the continuity of the dispute. Hanoi is willing to tolerate the sudden but impactful skirmishes with China if it means permanent access to a gold mine of natural resources it would otherwise not have access to if the conflict were to be resolved.

3. PLOWING THE REGIONAL FIELD

As seen, Vietnam is at the epicenter of the Indo-Pacific, a highly contested region that has served as a scene for the tense interactions between China and the US. However, not all challenges and opportunities are sourced by major powers' rivalry. Regional actors also raise their voice and pose significant weight on Vietnam's role in the regional board. Vietnam has transformed this uncertain and competitive background into an opportunity to reinforce its economic growth. This is very positive for the country, considering that the core interest to be protected is that of economic development and from which political legitimization distills. Because of all the reasons previously developed, Vietnam rises in the regional horizon, where its natural resources, strategic location and demographic comparative advantage signal a key role as a regional actor.

3.1 Sowing the Future of ASEAN

The combination of ASEAN principles and members whose foreign policies are misaligned, result in complex negotiations and a sum of inefficacies. However, the value given to ASEAN by its member states overrides the lack of substantive obligations.⁸⁷ ASEAN is a symbolic institution that allows for dialogue and regional integration, embracing Confucianism and Asian values.⁸⁸ Vietnam has captured its essence and moved accordingly, setting peace, stability and cooperation as premises for success in the regional framework.⁸⁹

Vietnam's accession to ASEAN will turn 30 this year. It was initially motivated by the extension of *Doi Moi* to foreign policy, as it would serve its aims of integration after the Cold War, and would become a significant partnership in terms of economic development safeguarding their long-term strategic interests. Time has proved them right. The relations with ASEAN are of mutual benefit and Hanoi acknowledges the value of belonging to the organization, especially thanks to its economic integration initiatives. In fact, ASEAN became the 4th largest trade partner

⁸⁷ Ian Hurd, *International Organizations*, Fifth Edition (Cambridge: Cambridge University Press, 2024), 287-290 <https://doi.org/10.1017/9781009414104>.

⁸⁸ Foreign Languages Publishing House, "6th National Congress of the Communist Party of Vietnam (15 - 18 December 1986), *Internet Archive*, 2023, <https://archive.org/details/cpv6thcongressdocuments>.

⁸⁹ Dang, Cam Tu, "Vietnam's 25 Years of ASEAN Membership and the Stage Ahead," *Communist Review*, May 24, 2021, https://www.tapchiconsan.org.vn/web/english/international/detail/-/asset_publisher/ZeaSwtFJtMgN/content/vietnam-s-25-years-of-asean-membership-and-the-stage-ahead.

for Vietnam after the United States, China and the European Union. As of November 2024, total import-export turnover rose 13.9% compared to the same period in 2023.⁹⁰ It also represents a significant source of FDI for the country's initiatives, as in the same period of assessment, ASEAN countries —led by Singapore— invested \$9.52 billion in Vietnam, which is a 51.1% increase, year-on-year.⁹¹

While the organization is meant to be ruled by the principles of harmonization, equality and consensus-based decision making, the leading role was, *de facto*, held by Indonesia. It has been argued that this leadership was assigned due to their demographic power and its consequential economic potential.⁹² Since then, Indonesia, a founding member and host to its headquarters, had formulated a foreign policy that positioned ASEAN as its cornerstone. Nevertheless, the last two administrations seemed to have left ASEAN in second gear.⁹³ On the other hand, Vietnam has gained —even Jakarta's—⁹⁴ acknowledgement as an outstanding member that may contest such leadership, especially after its 2020 Chairmanship.

The reasons for the emergence of Vietnamese leadership are not limited to Vietnam's demographic power and economic growth. It has also surpassed Indonesia in bilateral diplomacy and military capabilities within the region.⁹⁵ Hanoi's demonstrated capacity to serve as a hinge between ASEAN and external actors such as China, the US and Japan, without leaving aside the sovereignty disputes that concern many countries of the region, has increased support for this position. Unlike Indonesia, Vietnam does have ongoing sovereignty disputes with China, but this is rather an opportunity to better represent the Southeast Asian interests for an international law-based solution, given the delicate ties it holds with China.

⁹⁰ Vietnam Chamber of Commerce and Industry, "Vietnam and ASEAN: Boosting Cooperation and Sustainable Development," Center for WTO and International Trade - VCCI, December 26, 2024, <https://wtocenter.vn/tin-tuc/26764-vietnam-and-asean-boosting-cooperation-and-sustainable-development>.

⁹¹ Ibid.

⁹² Huong Le Thu, "Vietnam Bolsters ASEAN Position amid U.S.-China, Coronavirus Crises," Foreign Policy, July 31, 2020, <https://foreignpolicy.com/2020/07/31/vietnam-asean-leadership-role-south-china-sea-diplomacy/>.

⁹³ David Camroux and Mahrus Harnadi, "Prabowo's Pivot Away from ASEAN and the Indo-Pacific," East Asia Forum, August 9, 2024, <https://eastasiaforum.org/2024/08/09/prabowos-pivot-away-from-asean-and-the-indo-pacific/>; Huong, Le Thu, "Vietnam Bolsters ASEAN Position amid U.S.-China, Coronavirus Crises," Foreign Policy, July 31, 2020, <https://foreignpolicy.com/2020/07/31/vietnam-asean-leadership-role-south-china-sea-diplomacy/>.

⁹⁴ VietnamPlus, "Indonesian Diplomat Lauds Vietnam's Efforts as ASEAN Chair," Vietnam Plus, July 26, 2020, <https://en.vietnamplus.vn/indonesian-diplomat-lauds-vietnams-efforts-as-asean-chair-post179189.vnp>.

⁹⁵ Lowy Institute, "Asia Power Index 2024 Ky Findings Report" (Lowy Institute, 2024), <https://power.lowyinstitute.org/downloads/lowy-institute-2024-asia-power-index-key-findings-report.pdf>, 13; Lowy Institute, "Country Comparisons - Lowy Institute Asia Power Index," Lowy Institute, 2024, <https://power.lowyinstitute.org/compare/?countries=indonesia>.

The contributions of Vietnam to ASEAN shows an increasingly active role. For instance, the ASEAN Defense Ministers Meeting Plus (ADMM+), starting in 2010, was promoted by Vietnam; in addition to that, important negotiations and conferences, such as the North Korea-US Summit (2019) or the ASEAN Future Forum (2025) were hosted by Hanoi.⁹⁶

The seeds for leadership were present from the very beginning. Vietnam's full membership was followed by efforts for promoting the accession of Myanmar (1997), Laos (1997) and Cambodia (1999), whose entry was of great relevance as it allowed them to seat all Southeast Asian states around the same table.⁹⁷ For the case of Myanmar, bilateral relations with Vietnam are determined by the ASEAN principle of non-interference. While externally Vietnam calls for a pacific solution to Myanmar's issues and has fully supported the initiatives of sending independent experts, it acknowledges the full sovereignty of the Burmese state in this domain.⁹⁸ The said position allows Vietnam to maintain a comprehensive partnership with the military junta, while safeguarding its own political regime from neighbors' criticisms.⁹⁹ These actions do have an impact on its image at a global scale; however, the principle of non-interference has also prevailed among ASEAN member states, hence, the position of Vietnam does not alter its image vis-à-vis its neighbors.

Chinese influence in Indochina worries the region. China's economic and military engagement with Phnom Penh results in ASEAN blockade on common positions regarding tense issues with China.¹⁰⁰ Furthermore, in the case of Laos, there is a common concern among western analysts given the increased Chinese influence in the country, especially through military exchanges, trade and infrastructure investments.¹⁰¹ However, regional analysts seem to hold a different viewpoint. Based on the Lowy Institute Power Index, Thailand accounts for the greatest share of influence over Vientiane.¹⁰² Furthermore, it has been shown that Laos' diplomatic ties with

⁹⁶ Jack Sato, Susannah Patton, and Hervé Lemahieu, "Asia Power Index: 2024 Key Findings Report," *Lowy Institute*, 2024, <https://power.lowyinstitute.org/downloads/lowy-institute-2024-asia-power-index-key-findings-report.pdf#page=27.14&gsr=0>

⁹⁷ Dang Cam Tu, "Vietnam's 25 Years of ASEAN Membership and the Stage Ahead," *Communist Review*, May 24, 2021, https://www.tapchiconsan.org.vn/web/english/international/detail/-/asset_publisher/ZeaSwtFJtMgN/content/vietnam-s-25-years-of-asean-membership-and-the-stage-ahead.

⁹⁸ VietNam News, "Việt Nam Pledges Support for ASEAN's Efforts in Myanmar Situation," *Vietnam News*, February 7, 2024, <https://vietnamnews.vn/politics-laws/1650327/viet-nam-pledges-support-for-asean-s-efforts-in-myanmar-situation.html>.

⁹⁹ Bich Tran, "Can Hanoi Afford the Reputational Costs of Friendship with Myanmar's Military Regime?," *Fulcrum*, December 8, 2022, <https://fulcrum.sg/can-hanoi-afford-the-reputational-costs-of-friendship-with-myanmars-military-regime/>.

¹⁰⁰ Hong Yu, "Riding on the BRI Train: Issues Relating to China's Strengthening Ties with Cambodia," *Asia in Transition* 26 (January 1, 2024): 104-105, https://doi.org/10.1007/978-981-99-9633-9_6.

¹⁰¹ Amelie De Leon, "A Great Power Calculus: Reassessing U.S. Engagement in Laos | New Perspectives on Asia" CSIS (Center for Strategic and International Studies, September 10, 2024), 104-105. <https://www.csis.org/blogs/new-perspectives-asia/great-power-calculus-reassessing-us-engagement-laos>.

¹⁰² Joanne Lin and Wang Yi, "Changing Perceptions in Laos toward China" (Singapore: Yusof Ishak Institute, July 17, 2023), 11. https://www.iseas.edu.sg/wp-content/uploads/2023/06/ISEAS_Perspective_2023_55.pdf#page=1.00&gsr=0.

Vietnam are strengthening through public and traditional diplomacy.¹⁰³ The challenges posed by these countries are navigated partially thanks to Vietnamese pragmatism which serves as a hinge between the Chinese governments and the rest of ASEAN members; thus, becoming a key actor to mediate for internal cohesion.

Nonetheless, friction with China is mostly because of the border disputes over the South China Sea. In this regard, Vietnam has successfully kept its threat close. While standing strong on its own sovereignty disputes, it maintains a continuous channel of dialogue and trade with China through its bamboo diplomacy. ASEAN members may have some gain on being led by a state that knows how to handle such a delicate balance. On the other hand, Hanoi has frequently reinforced its support for peaceful settlement of disputes, through UNCLOS.¹⁰⁴ On multiple occasions it has used the platform of ASEAN to insist on its views despite persistent unwillingness of China to compromise in a Code of Conduct over the contested waters.¹⁰⁵ In this sense, Vietnam has maintained its position, earning the sympathy of Member States involved in the issue of sovereignty against China; however, their economic interests are well above their political statements as Hanoi benefits from illegal resources' exploitation in this area.

It is important to consider that there are also overlapping claims within ASEAN member states. Despite overlapping territorial claims with the Philippines, Taiwan, and Malaysia, Vietnam has managed to safeguard peace in the dynamics with its Southeast Asian neighbors. For instance, Hanoi and Manila maintain amicable relations in facing China's sovereignty by means of defense diplomacy and defense capabilities.¹⁰⁶ Although they are both claimants to Spratlys, they perceive the greatest challenge comes from Beijing and they are well aware that the safest way to face China is strengthening ties with regional actors. In fact, Vietnam positively acknowledged the 2016 award on the territorial issue confronting the Philippines against China and so did Singapore, Myanmar, Indonesia and Malaysia.¹⁰⁷

¹⁰³ Ibid.

¹⁰⁴ Vietnam News Agency, "Vietnam PM Urges ASEAN Members to Maintain Common Stance on East Sea," VnExpress International, October 10, 2024, <https://e.vnexpress.net/news/news/vietnam-pm-urges-asean-members-to-maintain-common-stance-on-east-sea-4802361.html>

¹⁰⁵ Dipanjan Roy Chaudhury, "Vietnam's ASEAN Presidency Marked by Sustained Focus on Rule of Law in South China Sea," The Economic Times, November 26, 2020, <https://economictimes.indiatimes.com/news/defence/vietnams-asean-presidency-marked-by-sustained-focus-on-rule-of-law-in-south-china-sea/articleshow/79421175.cms?from=mdr>.

¹⁰⁶ Tommy Walker, "South China Sea: Philippines, Vietnam Deepen Defense Ties," DW (Deutsche Welle, September 10, 2024), <https://www.dw.com/en/south-china-sea-philippines-vietnam-deepen-defense-ties/a-70181293>; Reuters, AFP, "Philippines, Vietnam Coast Guards Hold First Joint Drills," DW (Deutsche Welle, August 9, 2024), <https://www.dw.com/en/philippines-vietnam-coast-guards-hold-first-joint-drills/a-69901418>.

¹⁰⁷ Center for Strategic and International Studies, "Asia Maritime Transparency Initiative: Arbitration Support Tracker" (Center for Strategic and International Studies, June 16, 2016), <https://amti.csis.org/arbitration-support-tracker/>.

In short, Vietnam signals to be an increasingly relevant player in the region but it must be recalled that Hanoi's presence in ASEAN was not to reach a global power position but rather to satisfy its economic development interests in a way that political stability is ensured. Whereas it does not seek to become a leader, its flexibility and pragmatism seem to embody the shared values of ASEAN. In this sense, the figure of Vietnam is expected to obtain unsearched-for leadership in the short term.

3.2 Protecting the Paddies: Territorial Integrity and National Unity

Threats to national unity in an autocratic government come both from within and from the outside. Among the internal factors, the cleavages between North and South and the social fragmentation among ethnic minorities are sources of internal unrest which could be exacerbated by external actors in order to reshape the borders of the Indochinese Peninsula. As it could be inferred, the external threats come from China given the disputes in the South China Sea, but there is also a history of tensions with Cambodia. These factors have long rendered Vietnam in a situation of double envelopment. In the following lines, these elements will be weighted in a way that allows to determine the plausibility of the modification of Vietnam's territorial delimitation.

On the one hand, Chinese influence in Cambodia has been long standing. Cambodia's closeness to China, has provided her with the role of China's spokesperson to ASEAN, as it blocked several resolutions regarding the Court's rulings on the South China Sea.¹⁰⁸ Phnom Penh's historical economic relations with Beijing also signal a high dependency. As for the garment industry, which holds a significant portion of the Cambodian economy, it relies on Chinese fabric imports. At the same time, China holds the greatest FDI share in this industry and is its largest importer.¹⁰⁹ All this, in addition to the BRI projects explain the siding Cambodia has taken with China. However, this situation is dynamic and recent developments demonstrate Phnom Penh's efforts to diversify its foreign relations.

In May 2024, Cambodia and South Korea decided to elevate their relations up to a Comprehensive Strategic Partnership. In this meeting, Cambodia became Seoul's largest partner

¹⁰⁸ Manuel Mogato, Michael Martina, and Ben Blanchard, "ASEAN Deadlocked on South China Sea, Cambodia Blocks Statement," Reuters, July 26, 2016, <https://www.reuters.com/article/world/asean-deadlocked-on-south-china-sea-cambodia-blocks-statement-idUSKCN1050F6/>.

¹⁰⁹ Association of Southeast Asian Nations, "Garment Industry in CLMV Economies" (Association of Southeast Asian Nations, January 2023), <https://asean.org/wp-content/uploads/2024/12/Textiles-Industry-in-CLMV-Economies.pdf#page=11.09>.

within its Economic Development Cooperation Fund.¹¹⁰ Similarly, they undertook compromises in the area of defense with Japan.¹¹¹ Some have understood these actions as a way to reduce its dependencies on China and rather hedge between the Asian giant and Western powers. While for some it implies that relations between Cambodia and China are a ceasing friendship, the power Beijing exerts over Phnom Penh is undeniable.

Regarding the relations between Cambodia and Vietnam, Cambodia appears willing to detach itself from its regional neighbors and pave its own way through the emergent global order. Despite a troubled history, Phnom Penh and Hanoi had reached a relatively friendly relation. However, the imbalance emerged again with the change of leadership in the Cambodian Government back in 2023. The arrival of Hun Manet to power in Phnom Penh has brought several impactful policy changes, rendering Vietnam with less influence over Cambodia. The reality shows Cambodia still fears repeating history, the memories of the Nguyen dynasty invasion in the 19th century are still a trauma to overcome. Under Hun Manet, nationalistic rhetoric has cultivated this fear of Vietnamese encroachment.¹¹² This attitude is portrayed in the withdrawal of the Cambodia-Laos-Vietnam Development Triangle Area (CVL DTA), as public opinion underscored the disparity of gains from the agreement.¹¹³

Furthermore, it shall not be forgotten that the neighbors share a border which has caused many troubles in security terms and that has not yet been fully demarcated. On the other side of the border, Vietnam fears that this policy change will rather constitute a Chinese threat to its sovereignty. In consequence, it decided to establish a Permanent Maritime Unit in Kien Giang, a province next to Cambodia's Kampot, for patrolling and intelligence gathering purposes.¹¹⁴ While Vietnam worries about Chinese influence through Cambodia, the latter's foreign action is still uncertain. However, Cambodian dependency levels on China appear strong enough to say that Phnom Penh would follow instructions coming from Beijing.

¹¹⁰ Ji-Hyoung Son, "S. Korea, Cambodia Forge Strategic Partnership," Korea Herald, May 16, 2024, <https://m.koreaherald.com/article/3394743>.

¹¹¹ Sopheng Cheang, "Japan's Defense Minister Begins Visits to Cambodia and Vietnam, Both under Beijing's Shadow," AP News, August 5, 2024, <https://apnews.com/article/japan-kihara-maritime-disputes-canal-cambodia-vietnam-df1a308f77e1c2bb204e50d67b4efee7>.

¹¹² Markus Karbaum, "Revived Cambodian Nationalism Threatens to Undermine 'Special' Relationship with Vietnam," The Diplomat (The Diplomat, October 16, 2024), <https://thediplomat.com/2024/10/revived-cambodian-nationalism-threatens-to-undermine-special-relationship-with-vietnam/>.

¹¹³ Pengly Horng, "Cambodia Formally Withdraws from CLV-DTA Agreement - Khmer Times," Khmer Times, September 22, 2024, <https://www.khmertimeskh.com/501563909/cambodia-formally-withdraws-from-clv-dta-agreement/>.

¹¹⁴ Rim Sokvi, "Cambodia and China: Is the 'Ironclad Friendship' Starting to Rust?," The China-Global South Project, February 7, 2025, <https://chinaglobalsouth.com/analysis/cambodia-and-china-is-the-ironclad-friendship-starting-to-rust/>.

Having analyzed the external contentious issues with China, Cambodia and Vietnam, the internal factors for territorial integrity shall be evaluated. As it was said before, in autocratic regimes, the internal tensions are almost more worrying than external. This is because of two reasons. The first one is that the security of the State tends to be identified with the stability of the regime.¹¹⁵ In second place, internal forces could be exacerbated by external actors rendering the government in jeopardy.

It has been argued that the North-South divide is a generalization. A study proved through surveys and focus groups that identities between North and South as such are not strikingly different. The actual cleavage is in the attitudes held in the urban centers of each region. Whereas China and the national government are more trusted in Hanoi, Ho Chi Minh City is more critical towards both. This difference is especially significant in their attitude towards China. It is also important to note that, in general, southerners have more of an in-group bias and are less trusting towards northerners. This, however, is not reciprocated. The most important conclusion stemming from this study is that whereas there are differences in attitudes between North and South their identities are intertwined in many aspects that allow for national unity. Moreover, there is a significant migrant population from North to South, allowing for integration and exchange.¹¹⁶ In the short term, it is unlikely that the North-South cleavages hold potential for exacerbation by external actors.

There are also several ethnic minorities that are a source of social unrest in Vietnamese lands. Vietnam's demography counts with 53 ethnic minorities that account for 14% of its population.¹¹⁷ These people live under harsher conditions and account for the greatest poverty share of the country. Despite several advancements through international programs, there is a bureaucratic restriction on foreign investment for these development projects imposed by the government.¹¹⁸ Their rights to education and healthcare have been neglected, generating suspicion for violation of the Convention against discrimination.¹¹⁹ Despite being a source of

¹¹⁵ Nguyen Vu Tung, "Identifying Security Challenges to Vietnam: Hanoi's New Approach to National Security and Implications to Defence and Foreign Policies," *International Studies*, no. 22 (June 2010): 3–21, <https://static.dav.edu.vn/images/upload/2012/04/Identifying%20Security%20Challenges%20to%20Vietnam.pdf>.

¹¹⁶ Mai Truong and Paul Schuler, "The Salience of the Northern and Southern Identity in Vietnam," *Asian Politics & Policy* 13, no. 1 (January 2021): 18–36, <https://doi.org/10.1111/aspp.12567>.

¹¹⁷ Lương Thị Trường, "The Indigenous World 2024: Vietnam," IWGIA - International Work Group for Indigenous Affairs, April 16, 2024, https://iwgia.org/en/vietnam/5375-iw-2024-vietnam.html#_edn3.

¹¹⁸ United Nations, "2023 UN Country Annual Results Report Viet Nam," *United Nations, Vietnam* (UN Publications, April 1, 2024), <https://vietnam.un.org/en/resources/publications>.

¹¹⁹ United Nations Geneva, "In Dialogue with Viet Nam, Experts of the Committee on the Elimination of Racial Discrimination Commend the Representation of Ethnic Minorities in the National Assembly, Ask about the Criminalisation of Political Defectors and of Religious Activities by Minorities," *UN Geneva* (UN Geneva, November 30, 2023),

potential instability, it does not appear likely that external actors will intend to exacerbate these fragmentations.

Despite social discontent has been shown, the government has maintained political stability by means of repression and control. By the end of 2024, 170 activists have expressed their dissent and have been imprisoned by public order institutions.¹²⁰ Furthermore, while the government is overall assured in power and there are no major threats in the near future, this repression could find a point of no return in which social unrest may pose a serious threat to governance by the CPV. If this situation came into being it is very likely to stem from the South, given the values they abide by, as a result of the historical American and French presence in the region. In fact, most of the news of detention and imprisonment of political, environmental or labor activists published by international media channels in recent years have taken place in Ho Chi Minh City. As a consequence, human rights violations, if continued and aggravated in the long term, would constitute a potential factor for exacerbation by external actors. Under this scenario, Responsibility to Protect (R2P) could be invoked as a façade of economic interests provided Vietnam's natural resources and geopolitical value. Although unlikely, if this were the case, a modification of the borders would take place.

In the long term, Vietnamese borders are likely to be modified mainly due to some reasons: tensions in the South China Sea, the uncompleted demarcation of borders with Cambodia and, lastly, the aggravation of human rights violations provoking involvement of the international community. The first two would simply constitute border modifications without disrupting national unity. The last one, meaning, the internationalization of an internal conflict is deemed a *black swan*, i.e., a plausible yet improbable scenario. Among the factors that decrease this probability are the historical memories of the Vietnam War and previous experiences of R2P where major powers have been accused of interfering in internal affairs for the sake of their own economic or geopolitical interests.

3.3 Harvesting regional influence

Vietnam has managed to hedge in the most delicate fashion, resulting in favorable outcomes in terms of security and economic development. Even if holding traditional US allies in the highest diplomatic regard, through the establishment of CSPs, it has kept its relations with China

<https://www.ungeneva.org/en/news-media/meeting-summary/2023/11/examen-du-viet-nam-devant-le-cerd-les-experts-sinquietent-de-la>.

¹²⁰ Tirana Hassan, "World Report 2025: Rights Trends in Vietnam," Human Rights Watch (HRW, December 17, 2024), <https://www.hrw.org/world-report/2025/country-chapters/vietnam>.

undisturbed. The development of economic and defense capabilities have earned Vietnam an increasingly good reputation in the current global order. According to several analysts, it signals to be the next Asian Tiger. Within this section, Hanoi's relations with other Asian economic powers will be assessed. In this sense, a special focus will be given to Japan and South Korea. Alternatively, the relations with hardline communist regimes will be considered through the analysis of North Korea-Vietnam relations.

Vietnam's economic development has brought the eyes of the world to the Indochinese peninsula. While oftentimes considered "the next Asian Tiger", and the CPV's ambition to become a high-income economy by 2045, the title will not arrive all of a sudden. Further policies and reforms shall be integrated in the political and economic field to successfully overcome the middle-income trap. To this end, Tô Lâm enacted the bureaucratic overhaul aforementioned in Chapter 1.2. At the same time, Vietnam has sought to diversify its trade partners. In this regard, Vietnam has signed a total of 12 CSPs with relevant players in the region, namely China, US, Russia, France, India, Philippines, New Zealand, Indonesia, Singapore, Malaysia, Japan and South Korea.

As for the latter, it was the first middle power to sign a CSP with Vietnam in December 2022.¹²¹ It entailed increased cooperation in diplomacy, security and economic development by reciprocal integration of supply chains. Seoul now accounts for the second largest FDI in Vietnam.¹²² Similarly, Vietnam is Seoul's third largest trading partner, as of 2024.¹²³ It shall be recalled that South Korea is also a nation that rose from the ashes of a war and that now figures among the Asian Tigers. Thus, some analysts consider that through targeted reforms, human capital development and investment in innovation, Vietnam will be able to reach its aim of becoming a high income country by 2045, and therefore, become the next Asian Tiger.¹²⁴ However, a possibility for failure is latent if the structural bureaucratic reforms are not set in the right manner, which is, managing public anxiety, centralizing power without muting initiatives and maintaining stability. To put it briefly, in economic terms, Vietnam has acted in accordance with its goals by

¹²¹ Anisha Sharma, "Vietnam-South Korea Trade and Investment," Vietnam Briefing News, July 12, 2024, <https://www.vietnam-briefing.com/news/vietnam-south-korea-trade-and-investment.html/>.

¹²² Vietnam Briefing, "Vietnam's Top Investors and FDI Beneficiaries till November 2024," Vietnam Briefing News, December 9, 2024, <https://www.vietnam-briefing.com/news/vietnams-top-investors-and-fdi-beneficiaries-january-to-november-2024.html/>

¹²³ Vietnam National Trade Repository, "Detail," VNTR, 2024, <https://vntr.moit.gov.vn/news/leverage-and-synergize-bilateral-and-multilateral-ftas>.

¹²⁴ Do Khuong Manh Linh, "Can Vietnam's 'Era of Rising' Break the Middle-Income Trap?," East Asia Forum, March 5, 2025, <https://eastasiaforum.org/2025/03/05/can-vietnams-era-of-rising-break-the-middle-income-trap/>.

signing this CSP with South Korea. If Hanoi wants to overcome the middle-income trap, being accompanied by an Asian Tiger is a must-take opportunity.

On the other hand, the CSP ensured an enhanced cooperation on security matters between South Korea and Vietnam. They have agreed to strengthen ties in maritime security, national defense, and the defense industry.¹²⁵ This is mutually beneficial as Hanoi seeks to diversify its arms sources and Seoul intends to create a regional defense network to lean on.¹²⁶ Furthermore, the defense capabilities are not only a way to deter Chinese assertiveness in these waters, but they are also convenient for both countries' economic prosperity.

Also, Japan, the other major power in the regional stage, signed a CSP with Vietnam by November, 2023.¹²⁷ Recent data shows Japan is Vietnam's number one partner in Official Development Aid, third in investment, and fourth in trade.¹²⁸ Furthermore, and similarly to South Korea, Japan and Vietnam share a set of priorities, meaning, economic development, technological innovation and green energy transition. Thanks to this common ground, Vietnam has integrated into the Japanese supply and value chains.¹²⁹ This economic relation is strengthened by the framework for defense cooperation, after China's disregard for a Free, Open and Inclusive Indo Pacific, which is a strategic priority for both Tokyo and Hanoi. On defense and security matters, the channel of communication is open between both capitals. The focus is on training cooperation, defense industry, technology transfer and the full implementation of ASEAN-Japan CSP.¹³⁰ This implies that, while a close relation is maintained between the two Asian countries, Vietnam hedges in such a way that China does not feel threatened by Vietnam's close cooperation with regional US allies.

As shown, Vietnam has already engaged with both countries through a CSP. While these are very recently established frameworks for cooperation, deepening ties is still plausible in the medium

¹²⁵ Huynh Tam Sang, "National Assembly Chairman Vuong Dinh Hue Holding Talks with Speaker of the Republic of Korea National Assembly Kim Jin," *Yusuf Ishak Institute* Issue: 2023, no. 4 (January 2023): 17, https://www.iseas.edu.sg/wp-content/uploads/2022/11/ISEAS_Perspective_2023_4.pdf#page=6.10.

¹²⁶ Halna Du Fretay, "Vietnam Selects South Korea's K9 Thunder Marking a Strategic Shift in Military Relations in Asia," *Army Recognition*, 2025, <https://armyrecognition.com/news/army-news/2025/vietnam-selects-south-koreas-k9-thunder-marking-a-strategic-shift-in-military-relations-in-asia>.

¹²⁷ Reuters, "Vietnam Upgrades Ties with Japan to Highest Level," Reuters, November 27, 2023, <https://www.reuters.com/world/asia-pacific/vietnam-upgrades-ties-with-japan-highest-level-2023-11-27/>.

¹²⁸ Voice of Vietnam, "NA Chairman Receives Special Advisor of Japan-Vietnam Parliamentary Friendship Alliance," Vov, March 11, 2025, <https://english.vov.vn/en/politics/diplomacy/na-chairman-receives-special-advisor-of-japan-vietnam-parliamentary-friendship-alliance-post1160492.vov>.

¹²⁹ Vietnam Pictorial, "Vietnam, Japan Strengthen Cooperation for Mutual Growth," Vnanet, March 11, 2025, <https://vietnam.vnanet.vn/english/tin-van/vietnam-japan-strengthen-cooperation-for-mutual-growth-389991.html>

¹³⁰ Tran Binh, "Vietnam, Japan Promote Defense Cooperation," SGGP English Edition, August 6, 2024, <https://en.sggp.org.vn/vietnam-japan-promote-defense-cooperation-post111633.html>.

term. This depends on a series of factors, especially, the varying degree of China's assertiveness in the South China Sea. However, it is unlikely that Hanoi will abide by a special or formal alliance on defense with Japan or with South Korea, given that they are both traditional US allies. This alliance could be interpreted as the establishment of a united front with a confrontational attitude towards China. Such a decision would imply losing the very well worked years of Bamboo Diplomacy and *Four No's* policy that have positioned Vietnam as a reliable partner and a potential Asian Tiger.

Alternatively, the relations between Hanoi and Pyongyang do not hold the same relevance. Despite ideological similarities leading to friendly diplomatic relations, Vietnam has designed a pragmatic foreign policy that prioritizes its economic interests. On the other hand, North Korea remains conservative in the choosing of its partners. For instance, relations between both countries have cooled ever since the beginnings of Vietnam's economic liberalization and the establishment of diplomatic relations with South Korea.¹³¹

The CSP with South Korea represents a large source of income for the Vietnamese economy and its integration to global supply chains;¹³² whereas an isolated North Korea has little to offer in economic terms, it complicates the panorama for Vietnam as it would have to implement trade policies that do not breach the established sanctions regime. Furthermore, a close relation with Pyongyang would significantly affect Hanoi's relations with the US and its allies, breaking the delicate balance of the Bamboo diplomacy. Therefore, even if the hardline sector of the CPV were to take control, North Korea is highly unlikely to be an option to bring forward as a significant partner for Vietnam as it would not contribute to its vital interest, which is economic development.

While the capacity to hold some actors in the highest diplomatic regard is compatible with a hedging strategy, the establishment of an alliance implies a deeper commitment among the treaty signatories. The latter entails a compromise for mutual defense, whereas partnerships hold a more utilitarian component and thus more ambiguous duties.¹³³ Therefore, creating a special alliance with any of the aforementioned countries would break Vietnam's pragmatic foreign policy, hindering its ability to nurture from the economic benefits of its relations with a wide array of

¹³¹ Hyonhee Shin, "Who Are North Korea's Military Partners around the World?," Reuters, October 25, 2024, <https://www.reuters.com/world/asia-pacific/who-are-north-koreas-military-partners-around-world-2024-10-25/>.

¹³² World Trade Organization, "Viet Nam Trade in Value Added and Global Value Chains," *WTO* (WTO, 2023), https://www.wto.org/english/res_e/statistics_e/miwi_e/vn_e.pdf.

¹³³ Paul Poast, "US Allies vs. Partners—What's the Difference?," *Global Affairs* (Chicago Council on Global Affairs, 2023), <https://globalaffairs.org/commentary-and-analysis/videos/us-allies-vs-partners-whats-difference>.

local and major powers. Ultimately, Vietnam is not likely to abandon this foreign policy until a hegemon is determined. Acting otherwise would imply jeopardizing its economic growth and, in consequence, its rise as a power in the Indo-Pacific. Even so, Vietnam's greatest asset is its capacity to maintain good relations with actors whose values are misaligned or with whom it holds dissident interests, hence Vietnam's future value depends on the endurance of its foreign policy.

CONCLUSION

As tensions increase in the Indo-Pacific, Vietnam navigates between an assertive China and a strategically engaged US to safeguard its stability, independence and ensure its own economic development. Leveraging its strategic location and economic potential, Vietnam plays a key role in shaping regional dynamics and spearheading the ASEAN way.

Vietnam foreign policy is very likely to hedge between the US and China, maintaining strategic autonomy while benefiting from both relations under its *Bamboo Diplomacy* and *Four No's* policy. It is expected to uphold an independent stance on Taiwan, while adhering to the One-China Policy, and is likely to respond cautiously to any Taiwan crisis. Politically, Vietnamese leaders prioritize stability, pursuing economic liberalization while avoiding major political reforms, ensuring the continuation of the single-party system. Internationally, Hanoi is expected to maintain close ties with Russia while diversifying arms suppliers, though Moscow's growing ties with China limit its role as a strategic counterweight to Beijing. Meanwhile, Vietnam-India strategic cooperation is expected to grow due to shared concerns over China but may be limited by India's regional security priorities.

These dynamics underscore Vietnam's balancing act as it navigates complex challenges. Economically, Vietnam is unlikely to replace China as a manufacturing hub in the short-term. Instead, Vietnam will serve as a complement, benefiting from the *China-plus-one* strategy. In terms of security, Vietnam is unlikely to directly challenge Chinese dominance in the Mekong Basin, opting instead for a multifaceted approach to ensure food security through multilateral engagement or agricultural diversification. Geopolitically, the prospective analysis revealed that the Spratly islands dispute is not the cause but the consequence of tensions. For Vietnam, access to resources is crucial, making the continuation of the dispute strategically beneficial.

Vietnam's emergent leadership in ASEAN reflects its global diversification and pragmatic approach to economic development. Hanoi has cautiously engaged with countries like Japan and South Korea, always respecting its *Bamboo Diplomacy* and *Four No's* policy. This strategy helps balance relations with major powers while preserving its reputation as a reliable partner thus enhancing its economic and geopolitical influence in the Asia-Pacific. However, the local scenario is not without challenges. Besides unresolved border issues with Cambodia and tensions in the South China Sea, despite unlikely, the exacerbation of the human rights situation could impact Vietnam's national unity in the long term.

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