

Vietnam: New Thinking, New Risks, New Opportunities

by Le Dinh Tinh

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The Vietnam “story” has changed over time. First, it was a war story; then Vietnam became “a country” in the run-up to the normalization of US-Vietnam relations in 1995. Now the country is moving forward with a new narrative, a strategy of active and proactive international integration.

The country’s top foreign policy makers have decided it is time for Vietnam to fully launch itself into the international arena. In a conversation with the Council on Foreign Relations last year, Foreign Minister Pham Binh Minh said, “This was a turning point in our foreign policy, because before we focused on economic integration, but now we also integrate in all areas such as not only economic but politics, diplomacy, security, defense, culture and social effects.”

This “active and proactive integration” will include the market’s “invisible hand” with all the resultant spillover effects. Vietnam’s trade volume now exceeds 160 percent of GDP. Being a member of the WTO and APEC, having concluded many free trade agreements and being part of the Trans-Pacific Partnership (TPP), Vietnam sees the world as a myriad of markets and business opportunities. Trade with China, for example, has increased 900 times since 1992. Vietnam has also become an attractive market for many other countries. In July, the US 2011 National Export Strategy added Vietnam to its list of “next tier” markets, identifying the five important markets as Colombia, Indonesia, Saudi Arabia, Turkey, and Vietnam. Singapore alone has invested more than \$23 billion in Vietnam. Vietnamese businesses have begun their own projects abroad, and they are now worth \$11 billion.

Vietnam’s term as a nonpermanent member of the United Nations Security Council during 2008 and 2009, and its chairing of ASEAN in 2010 are two vivid examples of a country becoming more confident in international affairs. Deepening and upgrading relations with leading partners have been prioritized. Vietnam has had strategic partnerships with Russia, China, India, Japan, ROK, Germany, the UK, Spain, the Netherlands, and is working to arrive at a relationship of that level with the United States. Relations with traditional friends and international organizations are also being strengthened.

Two security issues that have risen to the fore recently, the dispute over the East Sea (South China Sea) and tensions over Mekong water resources. In both cases, Vietnam’s sustained position is one of peace and negotiation. At the same time, it advocates adherence to international law, including the United

Nations Convention on the Law of the Sea (UNCLOS) and the Declaration on the Code of Conduct, vis-à-vis the South China Sea, and other collective mechanisms such as the Mekong River Commission to deal with the water resource controversy. Vietnam’s stance on issues of concern is consistent with standards shared by the international community. In other words, the rules of the game are being respected. Vietnam has also shown willingness to work with partners within and outside ASEAN to create new ones as long as they are conducive to the preservation of peace and stability in the region such as the much debated Code of Conduct in the South China Sea. This confirms Vietnam’s commitment to genuine regional integration.

Daunting challenges remain, however. The world is changing so fast and unpredictably that every foreign policy struggles to keep pace. On domestic issues, Vietnam needs to work harder to achieve a higher level of economic development; remarkable progress has been made since the introduction of *Doi Moi* but Vietnam is still a poor country. This requires responses of Himalayan magnitude, which in turn demands quality policies and people.

Quality requires having the right direction. Vietnam’s policymakers have been guided by the principle of self-reliance and internal strength. That is now coupled with the tapping of nonindigenous resources via international cooperation.

Enhancing economic capability is critical and therefore issues like restructuring state-owned enterprises (SOEs) top the national agenda. Prime Minister Nguyen Tan Dung says this is one of the three major targets for restructuring the national economy. Thus, some 1,300 SOEs will be restructured in the next five years, of which 573 will be privatized, according to an announcement by the Steering Committee for Restructuring State-owned Enterprises late last year. Significantly, the revamping of the economy must be done in a way that is consistent with Vietnam’s commitments to the international business community.

Strengthening defense capability is another important policy. In 2009, Vietnam issued its third White Paper on National Defense, which emphasizes a defense policy of peace and self-defense. That policy also attaches greater importance to international cooperation. Vietnam now has bilateral defense relations with 65 countries and participates actively in regional security and defense forums such as the Shangri-La Dialogue, the ASEAN Defense Ministers Meeting Plus (ADDM+), and the ASEAN Regional Forum (ARF). Since 2008, Vietnam has talked about joining peacekeeping operations (PKOs) within the UN framework and specific actions have been taken. This is another important indicator as analysts of foreign policy often use PKOs as an index of political integration into the international community.

One could argue that full integration is a must for any country in today's globalized world. But others argue that this might be too ambitious a plan for Vietnam, which faces real domestic obstacles and lags behind many international partners. For instance, every round of negotiation within the TPP forces Vietnamese negotiators to think about what they can do to protect and/or promote industries at home, especially when no small number of domestic enterprises and associations are not yet ready for competition. Several sticky issues emerging from the TPP for Vietnam include labor relations, government expenditure, and market access to some key industries.

Integration is not only a natural development but is also a political decision. Cost and benefit calculations are therefore to be expected. The adoption of an active and aggressive integration strategy shows that Vietnam is well on its way, looking for opportunities and ready to take risks.

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