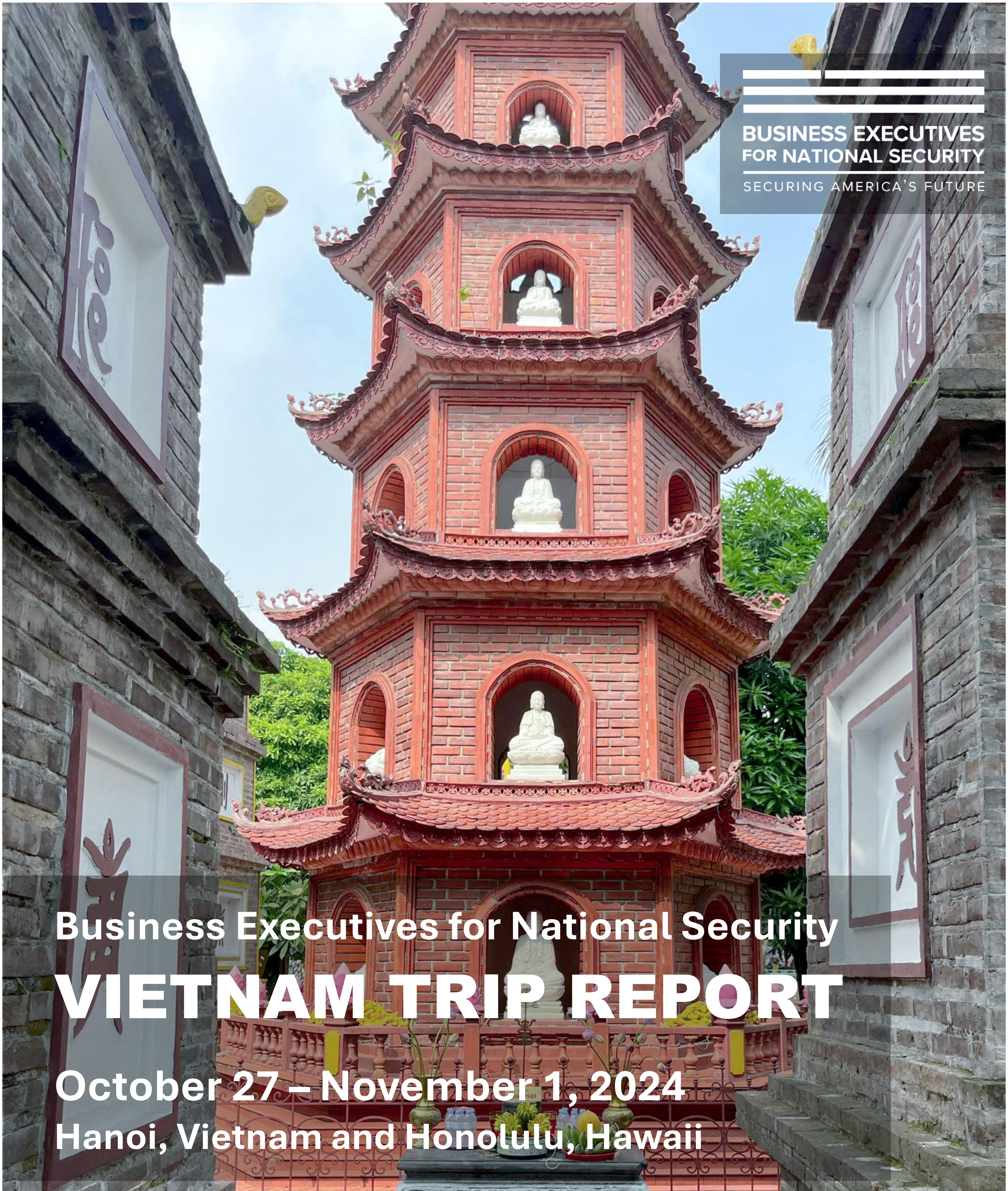

BUSINESS EXECUTIVES FOR NATIONAL SECURITY

SECURING AMERICA'S FUTURE

Business Executives for National Security

VIETNAM TRIP REPORT

October 27 – November 1, 2024

Hanoi, Vietnam and Honolulu, Hawaii

ABOUT BENS

Business Executives for National Security is a nationwide network of elite business leaders who are united in the belief that private-sector expertise and best practices can help the Department of Defense and other national security agencies execute their missions to keep America secure.

Founded in 1982, BENS brings the best talent in business together with senior national security leaders to tackle the Nations' most complex and pressing national security challenges. Operating as a nonpartisan, nonprofit organization, BENS does its work at no cost to the government.

Disclaimer: The member delegation as listed on this report, BENS staff, and the authors and editors of this report have no business dealings in Vietnam. To maintain independence and objectivity, BENS delegates travel at their own expense, and the organization does not seek any US government approval of itineraries or findings. The intent of this report is purely advisory. BENS planned this trip given US partners' strategic regional interests.

EXECUTIVE SUMMARY

A BENS delegation visited Vietnam to assess the country within a China Plus One (China+1) framework and offer industry insights to the US government which may help strengthen bilateral ties, address mutual challenges, enhance regional stability, and solidify Washington's position in the Indo-Pacific. China+1 is a business strategy that, amid increasing tensions between Washington and Beijing, shifts production and sourcing away from China to reduce the risks inherent with over-reliance on a single nation. To enhance regional stability, solidify the US position in the Indo-Pacific, and foster resilient US supply chains, BENS delegates urge American policymakers to:

- Encourage private investment by US businesses into Vietnam by identifying specific opportunities for industry, implementing tax incentives or deferred capital gains frameworks modeled after US Opportunity Zones, and streamlining US regulatory processes.
- Develop strategic industry partnerships that include the energy industry where the US should promote liquified natural gas (LNG) sales to Hanoi and support the country's renewed interest in developing small nuclear reactors.
- Focus US development assistance to Vietnam on programs that support small- and medium-sized enterprises (SMEs) in a wide range of industries, including growth industries such as biotechnology.
- Deepen ties with Vietnam by further developing the already strong American-Vietnamese educational partnership and assisting in models and programs that will enable Vietnam to meet the human capital challenges associated with its growth.
- Expand foreign military sales to Vietnam in non-combative areas and take advantage of Vietnam-Russian supply chain shortages to lessen Vietnam's dependence on Russian military equipment.
- Provide government assistance and exchange programs that promote market-oriented regulation and governance, starting with areas of common interest, such as domestic banking and capital-markets improvements that would facilitate increased foreign direct investment and economic success.

- Develop US trade and security tools and capabilities that include technological solutions to detect and prevent the rerouting or relabeling of Chinese, and a China+1 scorecard template to objectively evaluate and compare countries in the region. Incentives and alternatives to negative practices should be considered in parallel to these efforts.

As reflected in the following Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis chart, BENS delegates assessed Vietnam's economic landscape, noting its rapid growth, privatization initiatives, and Comprehensive Strategic Partnership (CSP) with the US. This analysis is from the perspective of American businesses. Delegates identified other strengths such as Vietnam's burgeoning education sector and industrial growth in key sectors. However, the delegation also noted critical weaknesses such as state ownership requirements, slow regulatory processes, and lack of energy infrastructure. Therefore, Vietnam's opportunities lie in increasing foreign direct investment (FDI), provincial development, and educational partnerships. Vietnam's threats to this mission include policy enaction, projected reliance on Chinese energy suppliers, and Beijing's circumvention of tariffs.

STRENGTHS	WEAKNESSES
• Industry success • Privatization • Regional power shifts • Western education	• Credit ratings • Lack of energy infrastructure • Foreign investment precedents • Inconsistent transparency • Slow approvals • State ownership requirements
OPPORTUNITIES	**THREATS**
Opportunities • Continued Western Education • FDI • Provincial Development • Military Sales	**Threats** • China tariff circumvention • Expedited policy • Partnership with China • Projected reliance on Chinese energy

BENS DELEGATES TO VIETNAM

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BENS President & Chief Executive Officer

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BENS Chairman

Mr. Peter Dordal, Jr.
GardaWorld Federal Services President

Mr. Edwin Kania, Jr.
FarField Partners Managing Partner

Mr. David C. McDonald
The McDonald-Anderson Foundation President

Dr. Roger S. Shedlin
WINFertility President and Chief Operating Officer

Mr. James Smith
TheInc Lab President

Ms. Katherine Gliwa – Director, Travel and BENS Director of Travel and Engagement

Ms. Sofia Olgado
BENS Partnerships Associate

KEY MEETINGS

- Ministry of Planning and Investment
  - Deputy Minister Mr. Đỗ Thành Trung
  - Deputy Director for Economic Zone Management
  - Deputy Director for Industrial, Service Economy
  - Foreign Investment Agency
  - International Innovation Center
- Military Commercial Joint Stock Bank (MB Bank)
  - Chairman Mr. Lưu Trung Thái
- Lao Cai, Da Nang, and Hue City Provinces
- Ministry of Science and Technology
  - Deputy Minister Hoang Minh
- US and Foreign Commercial Service
  - Assistant Secretary for Global Markets and Director General Arun Venkataraman
- People's Committee of Bac Ninh Province
- Ministry of Industry and Trade
  - Deputy Minister Nguyễn Hoàng Long
- US Embassy
  - Deputy Chief of Mission in Vietnam Courtney Beale
  - Economic Counselor Lynne Gadkowski
  - Defense Attaché Colonel TJ Bouchillon

- Young Presidents' Organization (YPO) Vietnam, a nonprofit organization that connects over 35,000 young chief executives and business leaders worldwide. Met with leaders from finance, banking, e-commerce, hospitality, and technology/electronics industries.

- US Indo-Pacific Command (USINDOPACOM)
  - Admiral Sam Paparo, Commander

- Scholar Lien-Hang Nguyen

CONTEXT

The US National Security Strategy emphasizes deploying all instruments of national power to promote stability and prosperity for the US, our partners, and our allies. To constrain and counter competitors such as China that seek to undermine the international rules-based order, the US must approach bilateral relationships in the context of regional dynamics. As the US attempts to de-risk its economic involvement with China, Washington strives to strengthen bilateral partnerships across East Asia. In support of this strategy, a BENS delegation visited Vietnam 10.27.24-11.01.24 for discussions with officials, industry, and civil society. They addressed the economic and strategic context of our bilateral relationship, and opportunities to enhance commercial partnerships. BENS coordinated this visit with USINDOPACOM, the Department of State, and the Department of Commerce.

As manifested in the CSP agreement, Vietnam's historical challenges with China, coupled with its strategic location and population growth, make it strategically interesting for Washington. The US-Vietnam relationship must be viewed through two lenses: as economic and security partners. Focusing on economic partnership, rather than formal security partnership, affords the Government of Vietnam greater flexibility to engage and address common areas of interest. Moreover, economic engagement offers relatively fast pathways towards building mutual trust.

As with all nations in the region, Vietnam competes to attract manufacturing, investment (especially to fund infrastructure), and energy companies. Hanoi's young workforce – approximately 38 percent of Vietnam's population is under the age of 25[1] – has moved the country beyond Vietnam War-era grievances, and created an energetic, forward-looking atmosphere across the country.[2] Vietnam's GDP reached $429.72 billion in 2023, massive growth from $31.17 billion in 2000 and even $334.37 billion in 2019.[3, 4]

Vietnam is at a pivot point and the question becomes, "Will the government use its new wealth to become more authoritarian and capricious or more democratic and transparent?" Newly elected Vietnamese President Luong Cuong convened the 15th National Assembly at the end of October 2024. On November 29, with only a month of consideration for laws with dramatic economic implications, including for US commercial partnerships, the Assembly adopted new laws governing data, securities, accounting, independent auditing, local infrastructure financing, the management and use of public assets, tax administration, use of the national reserves, and electricity.[5] As we wait to observe how Vietnam will implement these laws, their rapid adoption is indicative of how the Communist Party of Vietnam (CPV) can fast track major changes to the business and regulatory environment.

STRENGTHS

Driven by industrial successes, privatization, regional power shifts, and Western education, Vietnam's economic growth has been remarkable, with GDP growing by an average of 7 percent annually during the past three decades.[6] Today, GDP is $429.72 billion, compared to $16.29 billion in 1994, when the US trade embargo with Vietnam was lifted.[7] This success is remarkable when considering Vietnam as an alternative to China for FDI.

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[1] "Vietnam Age Structure." IndexMundi. Accessed November 13, 2024. https://www.indexmundi.com/vietnam/age_structure.html.

[2] Although it has maintained some form of a one or two-child policy for almost 50 years, Vietnam's population has grown to 101 million, becoming the third most populous nation in the region, behind only Indonesia (280 million) and the Philippines (115 million). Compare this to Thailand (70 million), Malaysia (34 million), Singapore (6 million), and South Korea (51 million). Vietnam also has one of the younger working-aged populations in Asia, with a median age of around 33 years old, similar to Indonesia (31 years) and Malaysia (31 years), but somewhat behind the Philippines (25 years). In contrast, older populations in Singapore (39 years), South Korea (45 years), and Thailand (41 years) are future labor forces and economic growth. Vietnam's per capita energy consumption ranks lower than that of highly industrialized neighbors such as Malaysia and Thailand, but higher than more-populous neighbors Indonesia and the Philippines.

[3] "Vietnam GDP," n.d. https://tradingeconomics.com/vietnam/gdp.

[4] Despite Vietnam's GDP reaching $429.72 billion in 2023, the legacy of the Vietnam War has slowed industrialization in Vietnam compared with its neighbors. To speed up industrialization while de-risking its own relationship and supply chain with Beijing, Vietnam has adopted a "China Plus One" business strategy. Hanoi's former General Secretary of the Communist Party of Vietnam (CPV), Nguyễn Phú Trọng, championed "Bamboo Diplomacy," that combines tactical flexibility and firmness in principles to enhance resilience. While this serves Vietnam's efforts to balance its delicate position between China and the United States, "Bamboo Diplomacy" failed to achieve much in the way of economic security. As a result, in 2016, the CPV launched the "Blazing Furnace" anti-corruption campaign, which pushed out approximately one-third of Hanoi's top leadership. It is unclear whether trust and transparency has increased within the CPV. While Hanoi may have wanted Blazing Furnace to showcase change, it did not do enough to increase stability from international business' perspective and therefore has not attracted significant new foreign investment. That said, Vietnamese businesspeople told BENS visitors that careers in the CPV are no longer considered paths to success, and the party has had recruitment challenges with younger generations. Today, business is seen as a more attractive career path.

[5] Vu Nguyen Hanh, "Vietnam National Assembly Approves Amendments to 9 Laws: Major Changes to Financial Regulations," Vietnam Briefing News, December 5, 2024, https://www.vietnam-briefing.com/news/vietnam-national-assembly-approves-amendments-to-9-laws-major-changes-to-financial-regulations.html.

[6] World Bank Group, "GDP Growth (Annual %) - Vietnam," World Bank Open Data, accessed November 8, 2024, https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=VN

[7] World Bank Group, "GDP (current US$)-Viet Nam," *worldbank.org*, World Bank Group, https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=VN&most_recent_value_desc=true, Accessed November 13, 2024.

Industrial Successes: The animal feed, banking, chemical, and electronic sectors are especially noteworthy. Animal feed businesses expect to benefit from the state's rapid urbanization and population growth, with American companies like the Archer-Daniels-Midland Company opening a $22 million livestock feed plant in Ha Nam.[8]

Banks remain largely state-owned. The BENS delegation held meetings with one of the largest multi-segment banks, the Military Commercial Joint Stock Bank ("MB Bank"). MB Bank established a strong foothold in the Vietnamese financial landscape within the past 30 years. It is currently the fourth largest bank in terms of total assets and the first in terms of transaction volume.[9,10, 11] While the state-owned status of leading banks, including MB Bank, may be problematic from a capitalist perspective, Vietnam uses it as a tool to stabilize the economy. It has reduced the risks to the banking sector as the government has a propensity to provide financial support for this industry as needed.[12] For example, the State Bank of Vietnam directed MB Bank to take over Ocean Bank in October 2024 for debt restructuring.[13]

Tech is also a large economic driver. Thanks in large part to Samsung Electronics Vietnam (SEV) which accounts for 25 percent of Vietnam's total export turnover – electronics are another bright spot in Vietnam's industrial base. Fifteen years ago, Samsung invested $670 million across multiple electronic

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[8] Expert Market Research, "Vietnam Animal Feed Market Size and Share Outlook- Forecast Trends and Growth Analysis Report (2024-2032)," *expertmarketresearch.com*, Expert Market Research, 2023, https://www.expertmarketresearch.com/reports/vietnam-animal-feed-market, Accessed November 8, 2024.

[9] Statista. "Major Banks Based on Total Assets in Vietnam 2024," November 11, 2024. https://www.statista.com/statistics/755846/biggest-banks-by-total-assets-vietnam/.

[10] "MB Chào Bán 73 Triệu Cổ Phiếu Riêng Lẻ Cho Viettel Và SCIC - Vietnam.vn." *Vietnam.vn - Nền tảng quảng bá về Việt Nam (blog)*, March 18, 2024. https://www.vietnam.vn/en/mb-chao-ban-73-trieu-co-phieu-rieng-le-cho-viettel-va-scic/.

[11] Tuan, Ahn. "70% of VN Adults Use Banking Services but Many Lack Access to Credit." *VietNamNet News*, n.d. https://vietnamnet.vn/en/70-of-vn-adults-use-banking-services-but-many-lack-access-to-credit-740825.html.

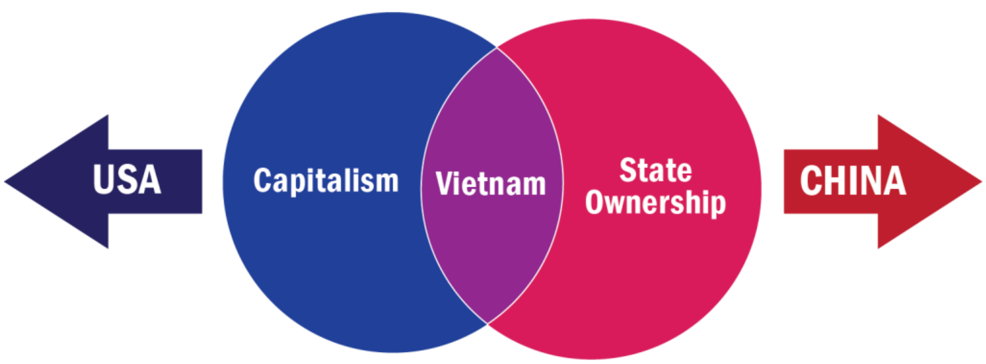
[12] "Fitch Upgrades Vietnam's Military Bank to 'BB'; Outlook Stable." Fitch Ratings, December 13, 2023. HYPERLINK "https://www.fitchratings.com/research/banks/fitch-upgrades-vietnam-military-bank-to-bb-outlook-stable-13-12-2023"https://www.fitchratings.com/research/banks/fitch-upgrades-vietnam-military-bank-to-bb-outlook-stable-13-12-2023

[13] Ha, Thai. "OceanBank Taken Over by MB in 'mandatory Transfer.'" *Theinvestor.Vn*, October 17, 2024. https://theinvestor.vn/oceanbank-taken-over-by-mb-in-mandatory-transfer-d12933.html.

manufacturing facilities. Today the company's investment in Vietnam totals $20 billion. SEV contributed $306 billion in exports between 2018-2022 and created 150,000 jobs.[14] Within its lifetime thus far, SEV has contributed just over $1 billion to the state budget. Beyond manufacturing, SEV recently marked a significant milestone by establishing a $220 million R&D center in Hanoi, signaling a strategic shift from viewing Vietnam as a low-cost production base to a potential innovation hub. The company aims to develop Vietnam's technological capabilities, with plans to expand into semiconductor production and create opportunities for local talent to engage in high-level research and development.

Privatization: Vietnam is a Socialist Republic operating under the CPV authoritarian rule. Hanoi describes its economic system as a "socialist-oriented, market economy." The CPV plays a decisive role in economic development and most other aspects of society including control of the media. However, economic reforms during the last 30 years advanced privatization in Vietnam. Between the 1990s and 2022, the number of state-owned enterprises (SOE) dropped from 12,000 to around 2,100 SOEs today.[15] While SOEs declined, they still represent about 30 percent of Vietnam's GDP (down from 39 percent prior to these reforms) indicating that the number of entities is not reflective of the large role SOEs continue to play.

Vietnamese officials told BENS that only industries considered critically important to national security would be maintained under state control. However, limited transparency makes it impossible to verify this claim. A recent article posted by the government titled, "State owned enterprises must be the 'iron fists' in the economy," suggests that the new government may signal Vietnam is not prepared to move to a fully market-based economy anytime soon.[16]



[14] "Samsung Vietnam: Where Dreams Come True." *Vietnam Investment Review*, June 19, 2023. https://vir.com.vn/samsung-vietnam-where-dreams-come-true-102739.html.
[15] rep., *OECD Review of the Corporate Governance of State-Owned Enterprises in Viet Nam* (Organisation for Economic Co-operation and Development, October 15, 2022), https://www.oecd.org/en/publications/oecd-review-of-the-corporate-governance-of-state-owned-enterprises-in-viet-nam_a22345d0-en.html.
[16] "Doanh Nghiệp Nhà Nước Phải Là Những 'Nắm Đấm Thép' Trong Nền Kinh Tế - Vietnam.vn." Vietnam.vn - Nền tảng quảng bá về Việt Nam (blog), November 14, 2024. https://www.vietnam.vn/en/doanh-nghiep-nha-nuoc-phai-la-nhung-nam-dam-thep-trong-nen-kinh-te/.

Regional Power Shifts: Amid the Great Power Competition, Vietnam is a location of interest for American companies trying to relocate from China. The CSP with the US, signed in 2023, is an evolving relationship that fosters numerous opportunities for economic growth. Both countries agreed on billions in business deals and partnerships led by companies including Boeing, Microsoft, and Nvidia. Major US-based technology companies, like Apple, Google, and Dell, expanded their presence in Vietnam, reflecting attempts to diversify supply chains traditionally reliant on China.

Western Education: At 2.1 percent of the total international students, Vietnamese are fifth among international students studying in the US, after China, India, South Korea, and Canada.[17,18] Those students contribute approximately $816 million to the US economy.[19,20] Western-educated Vietnamese study abroad for better employment prospects, competitive salaries, and favorable visa policies in foreign countries.[21] While Vietnam's economic growth remains strong, many students continue to find that their career opportunities, especially in finance and technology, are more significant in the US and Europe as compared to Vietnam. As with the elite in most countries, many government and business leaders send their children to study in the US, which aligns with a preference for Western partnerships.

WEAKNESSES

Despite significant progress, Vietnam still faces challenges that, as outlined below, create economic and business risks. Poor country credit ratings, lack of energy infrastructure, investment precedents, lack of transparency, slow approvals, and state ownership, weaken the landscape.

[17] "Vietnam Ranks 5th Among International Students in US." *Nhan Dan Online*, November 15, 2023. https://en.nhandan.vn/vietnam-ranks-5th-among-international-students-in-us-post131182.html.
[18] International Trade Administration | Trade.gov. "Vietnam - Education and Training," January 30, 2024. https://www.trade.gov/country-commercial-guides/vietnam-education-and-training.
[19] Doan Hung, "More Vietnamese Apply to Study at US Universities," VnExpress International, September 7, 2024, https://e.vnexpress.net/news/news/education/more-vietnamese-apply-to-study-at-us-universities-4789830.html.
[20] Institute on International Education, "Leading Places of Origin," *Open Doors Report on International Education Exchange*, 2023, https://opendoorsdata.org/data/international-students/leading-places-of-origin/.
[21] Phuong Nguyen, "Brain Drain or Brain Mobility: A Shift in Perspective," Vietcetera, November 8, 2024, https://vietcetera.com/en/brain-drain-or-brain-mobility-a-shift-in-perspective.

While Vietnam is attractive as a diversification option for the US, these weaknesses negatively impact Vietnam's viability as an alternative at scale.

Credit Ratings: Vietnam's credit rating is lower than regional peers, and the only one rated below investment grade. Although Vietnam issued local debt bonds in 2022, they were constrained by the country's sovereign ratings. This has limited capital and raised interest rates.

Energy Infrastructure: Because of its rapid population and economic growth, Vietnam faces challenges in meeting a growing demand for energy and climate commitments. Recurring discussions indicated Vietnam may adopt a "clean then green" approach, where the state emphasizes natural gas before fully adopting renewable energy sources.

Vietnam previously implemented an all-of-the-above energy strategy, announcing plans for a significant coal-fired generation capacity relying on domestic supplies. But unlike China, Vietnam was unable to self-fund its coal projects. Reliance on outside investors created delays related to permissions from CPV representatives and global pressure to stop funding fossil fuel projects. Since this project, Vietnam announced new initiatives to convert elements of the coal fired capacity into liquified natural gas (LNG), which aligns with the "clean then green" strategy.

In December 2022, Vietnam and the International Partners Group (IPG) launched the Just Energy Transition Partnership (JETP), aiming to mobilize $15.5 billion over 3-5 years to advance Vietnam's Net Zero 2050 goals by increasing clean energy and reducing fossil fuels, representing a key milestone toward the JTEP's continued implementation.[22]

Foreign Investment Precedents:
As an example of foreign investment disappointments, Intel's investment in Vietnam struggled because of supply chain issues, operational inefficiencies, and a challenging regulatory environment.[23] Likewise, Coca-Cola recently acquired subsidiary companies in Vietnam only after struggling 30 years to secure commitments from Hanoi to purchase bottling plants. Indeed, in 2013, the

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[22] The current funding pot for Vietnam's JETP comprises $8 billion in public finance (from IPG financial institutions and others) and $7.5 billion in private finance from the Glasgow Financial Alliance for Net Zero (GFANZ).[22] Vietnam's JETP faces significant funding challenges; Vietnam needs $135 billion to overhaul its electricity sector, an 89% financing gap. In 2023, Vietnam released its Resource Mobilization Plan (RMP), laying out a comprehensive list of action plans to guide the initial funding, identifying priority investment areas and analysis frameworks to monitor the just aspects of the energy transition.[22] Hanoi is uncertain of how the US presidential change will impact the program.

[23] Francesco Guarascio, "Intel Shelves Planned Chip Operation Expansion in Vietnam-source," *Reuters*, Reuters, November 6, 2023, https://www.reuters.com/technology/intel-shelves-planned-chip-operation-expansion-vietnam-source-2023-11-07/, Accessed November 8, 2024.

Vietnamese public called for a boycott of Coca-Cola after it avoided paying corporate income tax.[24] [25]

At first glance, VinFast, Vietnam's first major automotive manufacturer, might be viewed as a success story. By producing electric vehicles (EV) and aiming to become a global EV brand, VinFast possessed market capitalization of up to $95 billion in 2022 and emerged as one of the world's most valuable automotive manufacturers.[26] However, they have been priced at a market cap of about $9 billion for this year.[27] It posted a loss of $772 million in Q2 and has not turned a profit since its founding. Positive stories about VinFast in Vietnam led many unsophisticated investors to lose out.[28,29] The delegation believes Vinfast cars would not compete in the overseas market due to price and quality, and the local market is more focused on gas-powered vehicles.

Inconsistent Transparency and Accountability: Foreign investors seeking transparency and accountability from the CPV will not find it. Changes in the past few years, however, especially in embracing the CSP with the US, provide hope for economic opportunity in Vietnam.[30]

Slow Approvals: Vietnamese government officials, perhaps overly cautious in the wake of anti-corruption initiatives, are slow to approve business licenses and other private sector projects. This demotivates international businesses that value "time as money."

State Ownership Requirements: While there has been a significant shift to privatization in the Vietnamese economy, requirements for state ownership deter foreign investors. Local partners are required in industries such as tourism, marketing, and transportation. Industries like information technology (IT), trading, consultancy, and manufacturing businesses allow for 100 percent foreign

[24] "Vietnamese Boycotting Coca-Cola on the Suspicion About Transfer Pricing." *VietNamNet News*, n.d. https://vietnamnet.vn/en/vietnamese-boycotting-coca-cola-on-the-suspicion-about-transfer-pricing-E73312.html.

[25] "Vietnamese Boycotting Coca-Cola on the Suspicion About Transfer Pricing." *VietNamNet News*, n.d. https://vietnamnet.vn/en/vietnamese-boycotting-coca-cola-on-the-suspicion-about-transfer-pricing-E73312.html.

[26] Mercedes Ruhel, "How a Vietnamese Tycoon Built a Carmaker worth more than General Motors," *ft.com*, The Financial Times, August 31, 2023, https://www.ft.com/content/714a6beb-9815-4efe-b7b4-5c5921e96879, Accessed November 7, 2024.

[27] Miller, Daniel. " Why Are Investors Backing Off VinFast Auto?" *The Motley Fool*, September 22, 2024. https://www.fool.com/investing/2024/09/22/why-are-investors-backing-off-vinfast-auto/

[28] "Loss-making EV firm VinFast to get $3.4 bln more funding from founder, parent company." *Reuters*, November 12, 2024. https://www.reuters.com/business/autos-transportation/loss-making-ev-firm-vinfast-get-34-bln-more-funding-founder-parent-company-2024-11-12/

[29] Ke, Bryan. "Vingroup grants VinFast $1.4 billion loan as losses continue." *Yahoo Finance*, November 14, 2024. https://finance.yahoo.com/news/vingroup-grants-vinfast-1-4-211037884.html?guccounter=1

[30] "Vietnamese Boycotting Coca-Cola on the Suspicion About Transfer Pricing." *VietNamNet News*, n.d. https://vietnamnet.vn/en/vietnamese-boycotting-coca-cola-on-the-suspicion-about-transfer-pricing-E73312.html.

ownership.[31] The Vietnamese government still maintains strict ownership percentage rules, some of which limit company ownership to a minority share.[32] The US Embassy in Hanoi also noted foreign investor companies are also set at a maximum of 49 percent ownership. While much of the energy sector is open to foreign investment, foreign investment in hydropower, offshore wind power, and nuclear power is restricted by the government.

OPPORTUNITIES

Key opportunities to strengthen US-Vietnam relationships include continued Western education, investment opportunities, provincial development, and military equipment sales. Pursuing these opportunities to strengthen ties can increase Vietnam's relevance in the China+1 strategy.

Continued Western Education: As Vietnamese demand for higher education grows, America's world-class educational institutions can step in to help. By partnering with the US to establish technical training programs and exchange initiatives, Vietnam can better meet its demand for skilled professionals, foster innovation, and enhance its economic resilience. US educational institutions and businesses can simultaneously gain access to a fast-growing market and a key regional partner. Fulbright University Vietnam showcases the opportunity for continued partnerships in education with the US.

Foreign Direct Investment: In 2023, 111 countries and territories invested in Vietnam, with Singapore remaining Vietnam's top source of FDI with over $6.8 billion (18.6 percent of total FDI registered in the country). Japan was the second largest contributor with approximately $6.57 billion, and Hong Kong was third at $4.68 billion. Mainland China, South Korea, and Taiwan followed.[33] Vietnam's young workforce,

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[31] "Sector Insights," *vietnambriefing.com*, Vietnam Briefing, 2024, https://www.vietnam-briefing.com/doing-business-guide/vietnam/sector-insights, Accessed November 8, 2024.

[32] "Understanding Vietnam Company Foreign Ownership Policies: A Guide for Companies," August 8, 2023, https://www.tetraconsultants.com/blog/understanding-vietnam-company-foreign-ownership-policies-a-guide-for-companies/

[33] "FDI Attraction Situation in Vietnam and Vietnam's Overseas Investment in 2023," December 29, 2023. https://www.mpi.gov.vn/en/Pages/2023-12-29/FDI-attraction-situation-in-Vietnam-and-Vietnam-s-fh2c25.aspx.

which is growing more skilled, presents a strong opportunity for foreign business in the country.

The visit emphasized the need for more FDI, especially from the US. These sentiments indicate a clear preference motivated by distrust toward China. Vietnam hopes for the US government to encourage business investment in the region, though many US industries view Vietnam as a risky environment. Domestic industry considers measurable success more relevant than policies or bilateral agreements when evaluating investment opportunities in Vietnam. Examples of these successes range from Unilever and P&G to Samsung.

Provincial Development Opportunity: Several Vietnamese cities display opportunities for growth and prosperity, including Lao Cai, Da Nang, and Hue City, which are promoting campaigns to increase investment and tourism. Lao Cai possesses rich natural resources and strategic proximity to China, presenting new opportunities for critical mineral extraction. The port city Da Nang, Vietnam's leading industrial center, is now branded as a new "Silicon Valley" due to its rapidly growing technology ecosystem, strategic location, and government support of innovation. Finally, Hue City is known for its rich cultural heritage, offering opportunities in tourism, cultural preservation, and creative industries.

Military Equipment: American military equipment manufacturers can exploit Vietnam's diminished access to Russian gear, which has diminished since Moscow launched its war against Kyiv. The war in the Ukraine stressed Vietnam's military readiness due to equipment and parts shortages.

THREATS

BENS identified Chinese tariffs, Vietnam's new ability to expedite policy, the existing partnership with China, and future reliance on China for energy as Vietnam's main liabilities. These threats pose additional risks in moving supply chains away from China as part of the China+1 strategy.

China Tariff Circumvention: To avoid antidumping and countervailing duties, China outsourced the processing of solar cells, modules, and steel to Vietnam.[34,35] Vietnam's engagement with China threatens the competing American relationship and undermines American policies. Ultimately, Vietnam's relationship with China is out of economic necessity, as the current American economic relationship does not meet Vietnamese requirements.

[34] Maytaal, Angel. "EU finds Chinese steel sent via Vietnam evaded tariffs," Reuters, November 14, 2017, https://www.reuters.com/article/business/eu-finds-chinese-steel-sent-via-vietnam-evaded-tariffs-idUSKBN1DE281/.

[35] US Department of Commerce. "Department of Commerce Issues Final Determination of Circumvention Inquiries of Solar Cells and Modules From China," August 18, 2023. https://www.commerce.gov/news/press-releases/2023/08/department-commerce-issues-final-determination-circumvention-inquiries.

Fast Tracking Policy: While expediting policies may be beneficial in many situations, within Vietnam's current context, doing so poses some danger. Specifically, now that Hanoi's two legislative bodies can convene simultaneously, legislation can pass straight from one congressional floor to another without adequate time for policymakers to fully consider pertinent risks and rewards. For example, the new Draft Data Law, which introduces regulations for the provision of data-related products and services, has sparked concerns about its potential impact on what has been a largely unregulated sector in Vietnam. In fact, US tech companies warned Vietnam's government that such a law may negatively hamper social media platforms and data center operations from growing in the country.

Partnership with China: Despite regional power shifts, China remains a challenge for Vietnam. While the US is Vietnam's largest export market, China remains the nation's largest trading partner. [36,37,38] Vietnamese exports to the US and China totaled $109 billion and $58 billion, respectively, in 2022; however, in 2023, Vietnam imported $138 billion from China compared to only $10 billion from the US.[39] While Vietnam has a long history with China that will not be erased overnight, its economic dependence on China potentially limits Vietnam's willingness to align with US strategic objectives in the Indo-Pacific. This economic leverage could undermine efforts to counterbalance China's influence and maintain a free and open region critical to US national security interests.

Using China to Meet Energy Demands: Vietnam's preference to work with the US is apparent, but Vietnam's short-term solution will be focused on China if the state drastically needs resources. The US must strengthen its partnership with Vietnam to keep that threat at bay. However, Vietnam's "friend to all" approach may be viewed as threatening to the US when it comes to partnerships. Recently, Prime Minister Pham Minh met with China and Russia at the BRICS Summit, indicating an openness to collaboration. Pham Minh Chinh met with China and Russia at the BRICS Summit, indicating an openness to collaboration.[40]

[38] Ruehl, Mercedes. "US And Vietnam Unveil Billions in Semiconductor and AI Deals." Financial Times, September 11, 2023. https://www.ft.com/content/a162bc92-806f-48f0-adae-367daaf7f982.
[39] TRADING ECONOMICS. "United States Exports to Vietnam - 2024 Data 2025 Forecast 1991-2023 Historical," n.d. https://tradingeconomics.com/united-states/exports/vietnam.
[40] Francesco Guarascio and Phuong Nguyen. "PM Chinh Says Vietnam to Work with BRICS as He Meets with China, Russia Leaders." Reuters. October 25, 2024. https://www.reuters.com/world/pm-chinh-says-vietnam-work-with-brics-he-meets-with-china-russia-leaders-2024-10-25/.

RECOMMENDATIONS

BENS recommends Washington pursue the following actions across biotechnology, energy sales, engaging with SMEs, education, phasing, incentivizing investment, creating a China+1 assessment template, signaling indicators, and foreign military sales.

Biotechnology: In its interim report, the National Security Commission on Emerging Biotechnology recommends that the US leverage international partners and allies when developing guidelines and supply chains for emerging technologies. As a country with strong manufacturing capabilities, Vietnam could serve as an important partner in advancing biotechnology initiatives and fostering resilient, secure supply networks.

Energy Sales: Promoting US development of a small nuclear reactor for deployment in Vietnam (and elsewhere) is recommended to help their growing population and economic (market) demand. Entities like the US Energy Association can work with industry and regulators to create a scalable design that is safe, economical, and deployable. This dissuades Vietnam from turning to China to meet their growing energy needs. Promoting US LNG sales as part of their "clean then green" plan is another shorter-term solution.

Engaging Midsize Vietnamese Companies: Engage with midsize businesses beyond industries that the US government typically interacts with now. This approach would diversify opportunities, spread risk, and be more likely to engage the next generation of business leaders who have even stronger preferences for relationships with the US.

Increasing Educational Partnerships: To meet Vietnam's human capital needs, an expansion of higher education, skill development, and mentoring of the next generation of Vietnamese professionals and business leaders is recommended. Exchange programs, US mentoring, or cooperatives could aid in this effort.

Phasing: While Vietnam has lofty goals for industrial growth, the delegation recommends focusing on more manageable steps to foster incremental victories. Regarding industry focus and investment, Vietnam must prioritize attracting SMEs and industries with more opportunities for growth, like biotechnology. Currently, the focus is on large industries with greater competition and therefore greater barriers, such as AI and semiconductors. Adjusting focus to an industry such as biotechnology may welcome US collaboration and the opportunity to move up the chain.

Private Investment Incentives: To capitalize on Vietnam's rapidly growing private sector and deepen US-Vietnam economic ties, the delegation recommends the US implement policies to incentivize private investment, such as tax incentives or deferred capital gains frameworks modeled after US Opportunity Zones. These measures would attract US investors by reducing financial risks and enhancing returns on investments in high-growth sectors like technology, renewable energy, and manufacturing. Collaborating with Vietnamese authorities to streamline regulatory processes and ensure transparency can further encourage participation. Such initiatives would not only foster economic growth in Vietnam, but also strengthen bilateral relations, diversify supply chains, and position US businesses strategically in the Indo-Pacific region.

Regional Assessment Template (China+1): Creating a template to assess regional countries on a China+1 concept is recommended. This assessment could evaluate opportunities, increase economic relationships between the US and regional partners, and subsequently strengthen security partnerships in Asia.

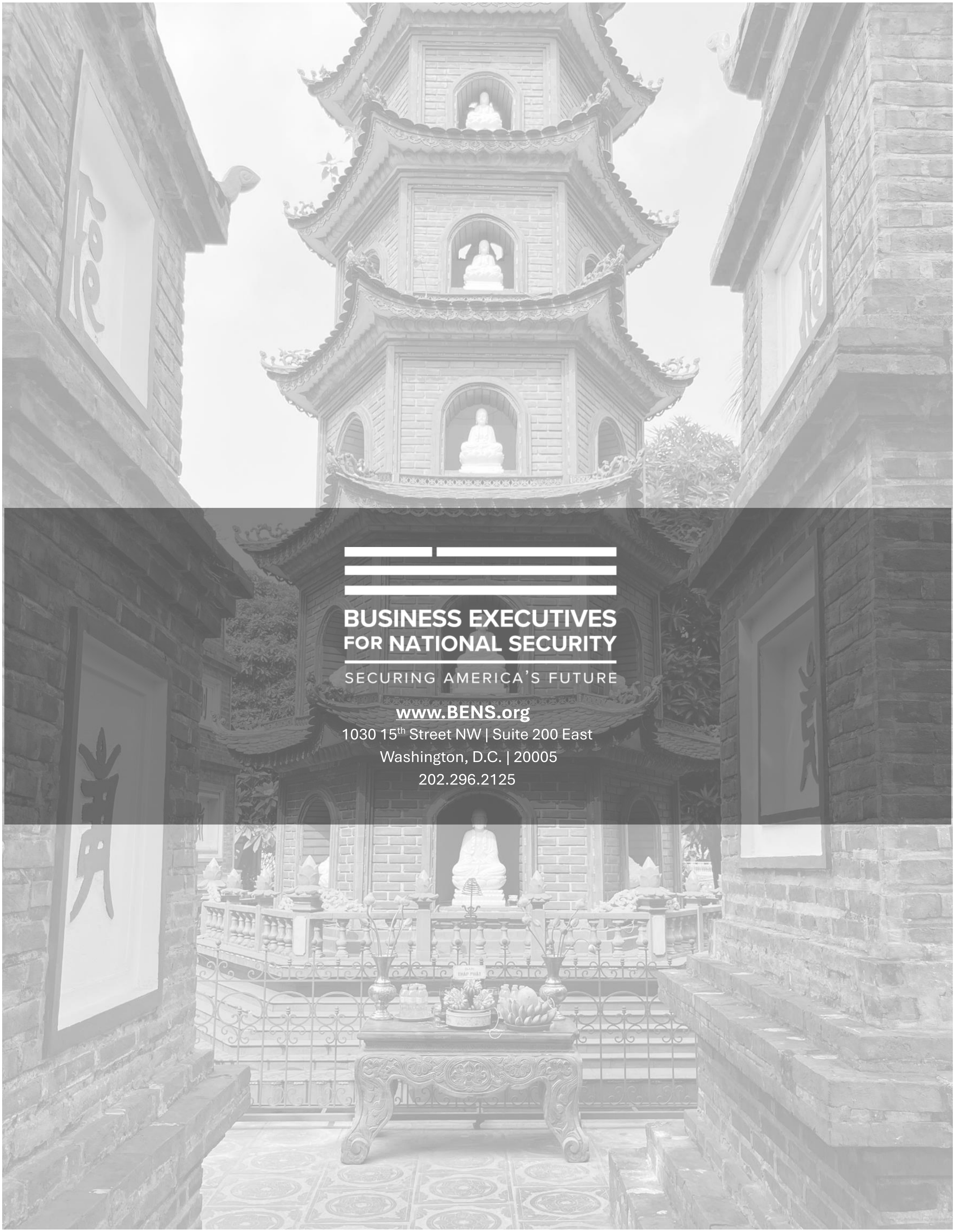
Signaling Indicators: The delegation recommends creating a set of indicators, like the quality of fast-track initiatives, to signal a continued shift away from a one-party state with strong socialist attributes. This will highlight the progression of privatization and help avoid limiting perspectives to a single standard of democracy and free market, encouraging investors that may otherwise be wary.

US Foreign Military Sales (FMS): FMS that focus on non-combative, collaborative efforts such as disaster relief, humanitarian aid, and coastal security are recommended. These initiatives align with Vietnam's interests in maritime safety and regional stability while also supporting its objectives in areas like search and rescue operations, counter-piracy, and illegal fishing prevention. By emphasizing equipment and training for the Vietnamese Coast Guard, the US would provide valuable resources to strengthen Vietnam's self-reliance in maritime security, a shared regional priority. These FMS programs would bolster diplomatic ties between the US and Vietnam while minimizing potential perceptions of aggressive posturing toward China.

FURTHER RESOURCES

Follow-up conversations are available through BENS with the Young Presidents Association (YPO) chapter in Vietnam.

For questions about BENS and this trip, please contact Sofia Olgado (solgado@bens.org)



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