

A Balancing Act between Closeness and Independence

Vietnam's Relations with the United States under Trump 2.0

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In a Nutshell

Since the end of the war in 1975, Vietnam has evolved from a war-torn country into a dynamic export nation. With its *doi moi* reform policy, launched in 1986, the country opened to the global market economy and set its sights on becoming a high-income industrial nation by 2045.

Relations with the US evolved from post-war reconciliation to close economic and strategic cooperation. Under President Biden, these relations reached a high point in 2023 with the establishment of a Comprehensive Strategic Partnership.

After largely positive experiences during Trump's first term, Hanoi initially viewed Trump's re-election with

cautious optimism – only to be quickly disappointed. When Washington imposed a 46 per cent tariff on Vietnam, the Southeast Asian nation reacted swiftly and negotiated a reduction to 20 per cent.

However, the abrupt suspension of USAID programmes endangered projects aimed at addressing the war's lingering effects and undermined the trust between the two countries.

Vietnam is now pursuing a policy of economic diversification and technological progress. With its so-called bamboo diplomacy, it continues to balance skilfully between the major powers – determined, if necessary, to withstand setbacks in trade with the US.



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When the forces of communist North Vietnam entered Saigon in April 1975 and broke through the gates of the US Embassy, the United States as a superpower was decisively humbled. The Democratic Republic of Vietnam – proclaimed by Ho Chi Minh in 1945 – had succeeded in winning one of the 20th century's most brutal wars. This marked the end of more than a century of colonial rule and foreign intervention. However, even as Hanoi celebrated, the reunification of North and South into the Socialist Republic of Vietnam in 1976 brought little immediate relief. Due to the war, the country was left heavily bombed, contaminated, and deeply traumatised. Determined to isolate communist Vietnam, the US imposed a trade embargo immediately after the war. During the ensuing years of socialist central planning, much of the population lived at subsistence level, and food shortages were common.

In 1986, Vietnam laid the foundations for market-oriented development with its *doi moi* (“renovation”) reforms, modelled on China's opening-up policy. Once stronger incentives had been introduced in order to make agriculture more efficient, the country produced a rice surplus within just a few years. This marked the beginning of Vietnam's foreign trade. As the country opened further to global markets, the US – under President Clinton – lifted its embargo in 1994, and diplomatic relations between Washington and Hanoi were established the following year. As the country opened to the world, Vietnam made it clear that the nation would not again allow itself to be caught between rival powers. In its 1998 defence white paper, Vietnam formally adopted the so-called Three Nos policy: no military alliances, no foreign military bases on Vietnamese territory, and no use of the country or its resources against any third party. In 2019, Vietnam added a fourth “No”, declar-

ing its rejection of all use or threat of force to advance national interests.

50 years after the end of the conflict – known in Vietnam today as the “American War” – the country has become a dynamic economy. After 1985, when per capita income stood at just 238 US dollars, this figure increased twentyfold to 4,717 US dollars in 2024.¹ Encouraged by four decades of rapid growth, the political leadership in Hanoi has set itself the goal of transforming Vietnam into a high-income industrial nation by 2045, which is the centenary of the state's founding. The driving force behind these ambitions is Vietnam's export-oriented manufacturing sector. In this field, the country is almost without equal: In 2023, exports of goods and services accounted for 86.47 per cent of GDP according to the World Bank – that is, nearly double the global average of 45.02 per cent, which is roughly where Germany ranks. A clear vulnerability of this model lies in Vietnam's dependence on the US, which accounts for around 30 per cent of its GDP through exports.² At the same time, Vietnam relies heavily on China as a source of raw materials and components for its manufacturing industries. The resulting dependence runs in both directions.

The year 2025 also marks the 30th anniversary of diplomatic relations between Vietnam and the US. In the early years, the relationship centred on coming to terms with the war the US had waged between 1965 and 1973, which left vast destruction in its wake. This focus included humanitarian cooperation and efforts to address the lasting effects of Agent Orange, the defoliant used during the war.³ From the 2000s onwards, trade became an increasingly central element of bilateral relations, with the first port call by a US Navy ship in 2003 signalling a further

step towards normalisation. Under President Obama, the two countries established a Comprehensive Partnership in 2013 that covers a wide range of areas ranging from education to climate policy, including maritime security. Although this is only the third-highest level in Vietnam's diplomatic hierarchy, it laid the foundation for deeper cooperation. In 2015, Nguyen Phu Trong became the first General Secretary of the Communist Party of Vietnam to visit the US.⁴ By 2016, mutual trust had grown sufficiently for President Obama to lift the long-standing US arms embargo on Vietnam.

Benefiting from the rivalry of others

As in many other contexts, Donald Trump's first presidency also marked a turning point in US-Vietnam relations. In retrospect, Vietnam emerged as one of the winners of this period, which was shaped largely by tensions between China and the US. Bilateral trade surged from around 52 billion US dollars in 2016 to more than 112 billion US dollars in 2021,⁵ while the US trade deficit widened steadily: US exports stagnated at about 11 billion US dollars, while Vietnamese exports soared. This boom greatly expanded the range of Vietnam's manufacturing industries. When Trump withdrew from the long-prepared Trans-Pacific Partnership shortly after taking office, Hanoi expressed disappointment but quickly threw its weight behind the alternative without the US. The 2017 APEC summit in Da Nang paved the way for the signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in Chile in 2018. Negotiations with the European Union also bore fruit: The EU-Vietnam Free Trade Agreement was signed in 2019 and entered into force in August 2020, becoming the EU's second free-trade agreement in Southeast Asia after that of Singapore.

Relations between Hanoi and Washington reached their highest point under President Joe Biden when the two countries established a Comprehensive Strategic Partnership in 2023. The move followed visits by then-US Defence Secretary Lloyd Austin and Vice President

Kamala Harris as well as a strong presence of US defence companies at Vietnam's first international arms fair in December 2022.⁶ This new level of diplomatic relations reflected not only growing economic interdependence, but also deepening trust in security and defence matters. At the same time, this diplomatic upgrade also reflected Vietnam's now-well-known "bamboo diplomacy".⁷ Having already established comprehensive strategic partnerships – the highest level of its diplomatic framework – with China (2008), Russia (2012), and India (2016), Hanoi dramatically accelerated the pace of such agreements from 2022 onwards. South Korea joined the circle before the US, followed by Japan. Since then, Malaysia, Indonesia, and Singapore have been added as Southeast Asian partners, Australia and New Zealand as Indo-Pacific representatives, and France as the first European country. At the end of October 2025, the United Kingdom followed suit after General Secretary To Lam was received in London by Prime Minister Keir Starmer.

Major and regional powers recognise Vietnam's role as an economic engine and political stabiliser.

This careful balancing act reflects Hanoi's determination to reduce dependencies and anchor its claim to neutrality. At the same time, the growing number of comprehensive strategic partnerships indicates that both major and regional powers have a strong interest in close relations with Hanoi while recognising Vietnam's role as an economic engine and political stabiliser in Southeast Asia. This is particularly true of the US, which – in upgrading relations – skipped the intermediate stage of a "strategic partnership" altogether. Vietnam's growing diplomatic weight was clearly visible in a series of high-level visits: Between 2023 and 2024, the country achieved the unique distinction of welcoming Presidents Biden, Putin, and Xi for state visits within just nine months.

Vietnam's place in Trump's tariff universe

In order to understand Vietnam's position in the Trump 2.0 trade policy, it helps to recall how the country benefited during Trump's first term. While he used tariffs as a political weapon during this time, Trump's measures were directed primarily at China. As a result, many Chinese and international companies shifted production elsewhere, and Vietnam stood out with its low labour costs and stable conditions. Buoyed by Trump-era trade dynamics, Vietnam increased its share of US imports – especially in mobile phones and other electronic goods – from 4.6 to 15.5 per cent between 2018 and 2022. By contrast, China's share in the same category fell from 63 to 48 per cent.⁸ Diplomatically, too, Hanoi gained visibility during Trump's first term. In February 2019, the Vietnamese capital hosted the second summit between Trump and North Korean leader Kim Jong Un. Although the meeting yielded no tangible results and ended early, it underlined Vietnam's image as an independent, stable, and reliable actor.

The shock over Trump's 46 per cent tariff was considerable.

Because Trump's first term had coincided with a period of economic progress, his re-election in 2024 was met with far greater optimism in Vietnam than in Europe. By then, the US had become a key export market – the backbone of Vietnam's industry – while China remained an essential supplier of raw materials and components. In order to achieve its goal of becoming an industrialised, high-income nation by 2045, the Communist Party must not only sustain this

export-driven momentum, but also climb further up the value chain. The country depends heavily on investment that brings technical know-how and that enables complex, value-added manufacturing processes, which are essential when it comes to boosting GDP beyond a certain threshold and to avoiding the so-called middle-income trap.⁹ One notable example is Nvidia's 250 million dollar investment in Vietnam's emerging semiconductor supply industry.¹⁰ This and other investments coincided



An important pillar of US-Vietnamese relations: 50 years after the end of the Vietnam War, mines and unexploded ordnance are still being cleared – as in Quang Binh.

US support for such projects has been crucial in recent decades for building trust between the two countries.

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with the strengthening of relations between Hanoi and Washington and followed closely on the upgrade to a comprehensive strategic partnership in 2023.

The shock was all the greater when on 2 April 2025, Donald Trump imposed a “reciprocal” tariff of 46 per cent on Vietnamese goods.¹¹ Although Vietnam had already begun easing trade barriers with the US ahead of Liberation Day, the country suddenly found itself near the

top of Trump’s new tariff hierarchy – harder hit than almost any other ASEAN state except Laos (48 per cent) and Cambodia (49 per cent), both of which are far less economically intertwined with the US. Just two days after the announcement, General Secretary of the Communist Party of Vietnam To Lam spoke to Donald Trump by phone. Lam’s swift response and assurance that Vietnam would introduce further trade concessions for the US signalled how keen Hanoi was to reach an agreement. The call – which Trump



praised on Truth Social¹² – also underscored Vietnam’s determination to assert its own interests confidently and to avoid falling behind its competitors. In early April, ASEAN finance ministers had been scheduled to hold consultations on the region’s economic outlook. However, instead of taking the opportunity under Malaysia’s chairmanship to coordinate a joint stance on Washington, Vietnam’s leadership seemed intent on securing the best-possible terms for a bilateral deal with the US.

In early July – immediately after the expiration of the 90-day grace period during which a 10 per cent rate applied – Vietnam became the third country after the United Kingdom and China to reach an agreement with the US. Instead of the

threatened tariff of 46 per cent, which would have had a disastrous impact, Vietnam now faced a reduced tariff of 20 per cent.¹³ Although negotiators and business leaders in Vietnam had reportedly hoped for a better outcome,¹⁴ the new agreement served an important purpose: In terms of regional competitiveness, the country emerged largely unscathed. However, the US government reserved the right to impose a higher duty of 40 per cent on so-called transhipped goods, which have traditionally been defined as products that are imported into Vietnam, re-labelled, and then re-exported. Observers of US trade policy, however, expect Washington to broaden the definition of transhipped exports to include goods subject to stricter rules of origin – meaning that products whose main components



Bamboo diplomacy: Vietnam signed a comprehensive strategic partnership with Russia in 2012 and has recently entered into similar partnerships with a variety of other countries. Russian President Vladimir Putin and his Vietnamese counterpart Luong Cuong met in September 2025 for a bilateral meeting in Beijing.

Photo: © Zuma Press, Imago.

come from a third country could also be affected, even if the final processing and assembly take place in the exporting nation.¹⁵ For Vietnam, this creates two clear imperatives. First, the country must continue moving up the value chain from basic assembly to a broader manufacturing base for components. Second, it needs to reduce its dependence on the US as a consumer market. To that end, Prime Minister Pham Minh Chinh announced in September that Vietnam would conclude new trade agreements with Mercosur and the Gulf Cooperation Council by the end of the year.¹⁶

When transactionalism falls short

Beyond trade policy, two developments have stood out during the first months of Trump's second term. The first concerns Trump's transactional approach to foreign policy, which he has pursued even more aggressively since January 2025 than during his first presidency. The second lies outside formal foreign policy and relates to the President's personal and business interests.

The Trump administration's decision to scale back the US Agency for International Development (USAID) has undermined several programmes in Vietnam aimed at addressing the lingering consequences of the war. For decades, projects designed to clear mines and unexploded ordnance had been a cornerstone of bilateral relations, playing a vital role in rebuilding trust between Hanoi and Washington during the early years of diplomatic engagement. One particularly significant initiative was a programme designed to remove dioxin contamination at the former US airbase in Bien Hoa. It was from this base – located near the metropolis of Saigon (now known as Ho Chi Minh City) – that the US military transhipped much of the Agent Orange it used during the war. In total, more than 40 million litres were sprayed across Vietnam, with the devastating long-term effects on people and the environment still being felt today. It was therefore a step of immense importance when in 2019, the US government pledged to work with Vietnam's Ministry of Defence on a 430 million US

dollar project designed to decontaminate the site through a complex and lasting remediation process.¹⁷

The drama surrounding the Bien Hoa episode reflected ignorance and indifference on the part of the Trump administration.

When all USAID contracts were abruptly terminated on 24 January 2025, work at Bien Hoa came to a standstill. The project was not about defusing bombs one by one, but about excavating and treating large quantities of contaminated soil through several processing stages. When the work was forced to stop, open treatment pools were only partially covered and were left exposed to wind and rain. Alarmed by the risk of pollution in the surrounding waterways and by the potential danger to local residents, US diplomats in Vietnam urged Washington to reconsider.¹⁸ Vietnam chose not to publicise the incident widely, but on 13 February 2025, the Ministry of Foreign Affairs expressed concern about the suspension of remediation programmes, explicitly naming Bien Hoa.¹⁹ In early March, the Trump administration relented and allowed work to resume. By September, the project had reached a milestone: After six years, the US Embassy handed over certificates to Vietnam's Ministry of Defence confirming the decontamination of six hectares of land – about half of the affected area.²⁰ It remains uncertain whether the project will continue.

The drama surrounding the Bien Hoa episode reflected – at best – ignorance and short-sightedness on the part of the decision-makers in Washington and – at worst – indifference. Moreover, it showed how a radical, purely transactional approach to advancing US interests can easily backfire. War remediation efforts have been vital to the two countries' relationship, and the Trump administration eventually recognised their

importance. However, the episode left avoidable diplomatic damage. A clear commitment by the US to all ongoing cleanup programmes in Vietnam would help rebuild trust.

The Trump family's private interests

Since Trump's return to office, world leaders have competed for his personal favour, often through extravagant gifts. Chancellor Merz presented the President with the birth certificate of Trump's German-born grandfather, Prime Minister Starmer produced a personal letter from King Charles in the Oval Office, and Qatar went as far as to offer a Boeing 747 worth 400 million US dollars. However, nothing – it seems – rivals the President's passion for golf. Two major projects by the Trump Organization developed with Vietnamese partners have therefore drawn particular attention.

Vietnam fast-tracked approvals for Trump's golf course.

The first such project is a large golf complex outside Hanoi. In mid-May 2025, Eric Trump – Donald Trump's second son and a senior executive in the Trump Organization – attended the groundbreaking ceremony alongside a host of prominent guests. He had signed the initial documents with a Vietnamese partner company in New York just eight months earlier, in September 2024, with his father present despite the busy campaign season. According to The New York Times, the normal approval process for a project of this scale should take two to four years.²¹ However, the necessary permits were fast-tracked on the Vietnamese side, as Prime Minister Pham Minh Chinh later confirmed. Chinh's attendance at the ceremony clearly underlined the government's support for the project. From Hanoi, Eric Trump travelled straight to Ho Chi Minh City, where his company plans to build a 60-storey Trump Tower in the city's new financial district beginning in 2026.²² With plans underway to

transform Vietnam's largest city and economic centre into an integrated metropolitan region, this investment could not be more timely.

It remains unclear whether these Trump Organization projects have influenced bilateral relations. The White House has stated that ongoing trade talks during this period were unrelated to the family's business ventures. However, it is evident that Vietnam attached considerable importance to the golf development: At the groundbreaking ceremony in May, the prime minister stressed that the project would also serve to strengthen bilateral ties.

Outlook: A boom built on caution

Half a century after 1975, relations between Vietnam and the US have evolved in remarkable ways. The Vietnam War remains a shared trauma that has continued to shape generations on both sides to this day. All the more striking then is the privileged status of the partnership agreed on by President Biden and General Secretary Nguyen Phu Trong in 2023. This milestone was the result of decades of trust-building – from the *doi moi* economic reforms of 1986 and post-war rehabilitation efforts in the 1990s to the first port calls by US Navy ships in the early 2000s. Against this backdrop, the near-total termination of USAID programmes under Trump carried serious risks. The interruption of the Bien Hoa project struck at the foundation of mutual trust: Its resumption was therefore essential.

However, most crucial to rapprochement between the two countries has been economic integration, which has deepened as Vietnam's economy has expanded. This trend was accelerated further by the US-China trade war during Trump's first term. Over the coming two decades, Vietnam faces immense expectations and major challenges. In order to achieve its goal of joining the "club of industrial nations" by 2045, the nation will need to take bold and far-reaching decisions to reform and strengthen its economy. These decisions include the sweeping administrative reform launched by To Lam almost immediately after becoming General Secretary of the

Communist Party as well as vigorous efforts to promote the private sector. The rapid implementation of projects such as those initiated by the Trump Organization also reflects a firm political will to carry out major initiatives aligned with Vietnam's economic and strategic interests.

At the same time, Vietnam has shown remarkable skill in forging pragmatic partnerships and in minimising the risk of one-sided shocks. What stands out most is the nation's ability to generate strong reciprocal interest among a wide range of partners while maintaining balance and avoiding being drawn into geopolitical crosscurrents. Fully aware of its heavy dependence on the US for exports and investment, Hanoi placed a settlement of the tariff dispute at the top of its agenda, securing it swiftly through the use of considerable political capital. At the same time, Vietnam is wasting no time in strengthening its safety nets elsewhere. The country is determined to maintain rapid growth and to consolidate its position in the global economy as an indispensable production hub, including in high technology. A weakening of its economic ties with the US would be painful, but Vietnam intends to be as well prepared as possible. In Europe, France and the United Kingdom have recently laid the diplomatic groundwork for closer cooperation with Hanoi. Germany would do well to follow these countries' lead so as to avoid missing out on one of the most dynamic growth stories of the coming decades.

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– translated from German –

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