Deepening Ties

Prospects for Trilateral Cooperation between the Republic of Korea, the United States, and Vietnam

The Asia Foundation

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Foreword

U.S. and South Korean relations with Vietnam have deepened and evolved since the U.S. and South Korea established formal diplomatic relations with Vietnam more than a quarter century ago. The main driver of these deepening relations has been economic. South Korea and the United States are Vietnam’s second- and third-largest trading partners, respectively, accounting for 26.3 percent of Vietnam’s total trade with the world. People-to-people ties are also significant. In the year before the Covid-19 pandemic, more than 4.2 million South Korean and 750,000 American travelers visited Vietnam. South Korea’s “New Southern Policy” now directs 25 percent of its development assistance to Southeast Asia, and Vietnam is the biggest beneficiary. American development assistance to Vietnam continues in the areas of food, healthcare, and education.

Security links have also deepened among all three countries. South Korea and the United States have been treaty allies since the end of the Korean War in 1953. The United States and Vietnam, once adversaries, are now joined by deepening security links—though largely in the areas of intelligence-sharing and coast-guard assistance rather than outright military cooperation, in keeping with Vietnam’s longstanding principle of not hosting foreign military forces. In recent years, Vietnam’s bilateral ties with the United States and South Korea have been upgraded to reflect the growing strategic dimension of these relationships.

Amid these developments, a review of trilateral relations between South Korea, the United States, and Vietnam is overdue. In December 2021, the first-ever trilateral dialogue
between scholars, policymakers, and government officials (Track 1.5) from South Korea, the United States, and Vietnam was held to discuss the political, security, economic, and trade interests that are central to relations between these three countries. Because of Covid-19, these discussions were held virtually. The Asia Foundation looks forward to continuing this dialogue, either virtually or in person, in Seoul, Hanoi, or Washington, as the Covid-19 pandemic subsides.

This trilateral dialogue was organized by The Asia Foundation’s International Relations Program and its Korea country office in Seoul, in cooperation with the Diplomatic Academy of Vietnam in Hanoi. Participants included H.E. (Dr.) Park Jin, member of the South Korean National Assembly (in April 2022 nominated for Foreign Minister); Ambassador Kathleen Stephens, president of the Korea Economic Institute of America and former U.S. ambassador to Seoul; and H.E. (Dr.) Nguyen Vu Tung, Vietnamese ambassador to Seoul and former president of the Diplomatic Academy of Vietnam. Views shared and recommendations developed from the dialogue blend theory and practice.

The Asia Foundation and the Diplomatic Academy of Vietnam wish to thank all the trilateral dialogue participants for approaching the discussion in a thoughtful and considered manner and with an open and generous spirit. We also wish to extend special thanks to Ms. Shirley Keating for capturing the discussion recounted in this report.
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Introduction

Despite differences in political ideology, relations between South Korea, the United States, and Vietnam have deepened and evolved since formal diplomatic relations with Vietnam were established more than a quarter century ago. Overlapping strategic and economic interests have led the three countries to expand ties across a wide spectrum of issues. While economic cooperation has been the main driver of these deepening relations, security issues, especially nontraditional security issues, are notable avenues for cooperation moving forward. Prospects for trilateral relations between the three countries are likely to expand because of challenges and opportunities brought about by unprecedented global and regional dynamics following the Covid-19 pandemic.
Global and Regional Dynamics

Regional Dynamics

The cross-border challenges of Covid-19 and climate change have exacerbated existing tensions in the region caused by escalating U.S.–China competition and the increasing use of economic statecraft that complicates the economic interdependence that has become commonplace in the region.

As a way to safeguard critical U.S. supply chains in the face of this “weaponized” interdependence and the vulnerabilities revealed during the Covid-19 pandemic, the United States has been looking to bring home or “reshore” the manufacturing of products critical to American prosperity. This focus can be seen in the America COMPETES Act, passed by the House of Representatives in February 2022, and the United States Innovation and Competition Act, passed by the Senate in June 2021, which are currently being reconciled in conference committee. The House bill includes $52 million to subsidize U.S. research and production of semiconductors and an additional $45 billion for supply chain resilience.

While an admirable goal, some of the dialogue participants agreed that reshoring is unlikely to be successful for many U.S. industries, as there were economic reasons why those industries left in the first place. This economic consideration has led the Biden administration to promote “ally-shoring” or “friend-shoring” as an economically viable way to protect critical supply chains. In this endeavor, there are opportunities for the United States to work
more closely with both South Korea and Vietnam. Infrastructure and investment exist in South Korea to produce some of the critical technology needed by the United States, while Vietnam can offer a solid alternative for low-cost manufacturing.

Both South Korea and Vietnam have found themselves caught in the crosshairs of U.S.-China competition. Following the 2016 decision to deploy the a U.S. Terminal High Altitude Area Defense (THAAD) antimissile battery, South Korea faced economic retaliation from Beijing, with Chinese regulators withholding approval for South Korean entertainment, banning the sale of some South Korean products, such as cosmetics, home goods, and food products, and canceling the sale of tour packages to South Korea. The economic backlash ultimately cost South Korea approximately $7.5 billion.

Unlike South Korea, Vietnam has not been the target of such a direct campaign of economic coercion, but it still has been hampered by China’s economic power in the region. In 2018 and 2020, Vietnam had two offshore drilling projects, one with Spanish drilling company Repsol and one with British company Noble Corp., canceled, reportedly due to Chinese government pressure. Vietnam’s state-owned PetroVietnam allegedly owes Repsol and Noble Corp. over a billion dollars in cancelation and termination fees.

Dependence on Chinese markets and the threat of economic retaliation have encouraged countries like South Korea and Vietnam to limit their exposure to China and explore new policy options and areas of cooperation with the United States. In the wake of these incidents, however, allies and partners have questioned the ability of the United States to provide support in the face of economic coercion.

The dialogue participants noted that hedging between the United States and China is not as easy as it once was, with both China and the United States trying, to some degree, to force smaller countries in the region to choose between them, at least on particular issues such as 5G. The United States may be gaining ground in multilateral and diplomatic power, but it is still trailing China’s economic influence, and although participants acknowledged that the United States is still seen as a major economic player, the region does not see it pulling its weight in terms of economic resources, power, or influence. They also noted that this competition is occurring at a time when the regional middle powers, like South Korea
and Vietnam, are perhaps stronger than they have been at any point since World War II. Therefore, the United States can no longer dictate outcomes to its partners and allies the way it could in the past.

The participants noted that strategic competition is not a goal for the United States, but rather a result of choices that Beijing has made consistently over the past two decades. One participant also noted that, despite its name, strategic competition is not about making a choice between the United States and China, but a choice to support an Asia, and more broadly a world, that is governed by the liberal international order.

**Covid-19**

Despite their initial success at containing the pandemic, as of this writing both South Korea and Vietnam are facing rising Covid-19 infection rates, with South Korea currently reporting the highest daily average number of new infections globally. While rates of infection in the United States are falling, they are still only 4 percent below their peak.

The Covid-19 pandemic’s cost to the global economy has been projected to reach $12.5 trillion by 2024. Although the economic cost of each successive wave has lessened, in all likelihood Covid will pose a continuing challenge to global economic and health security with the emergence of new variants. While the global economy has begun an uneven recovery from a sharp pandemic-driven recession, countries are still facing significant effects of the pandemic, including changes in labor markets and disrupted global supply chains.

The pandemic has exacerbated the growing economic and social inequalities throughout the Indo-Pacific. With their high level of integration in the global economy, countries like Vietnam were hit especially hard by the pandemic. The ASEAN region alone lost 7.8 percent of its labor income in 2020. Despite their different economic and market circumstances, the United States, South Korea, and Vietnam all saw women and younger workers bear the brunt of the pandemic.

Growing demand, coupled with manufacturing shutdowns and shipping backlogs, has altered trade flows around the world. In the beginning of 2022, global freight shipping rates
were **140 percent** higher than the year before and eight to nine times higher than pre-pandemic rates.

As global supply chains are highly decentralized and operate under market forces, it will be difficult to get them back up and running in a coordinated way. There is no structure with centralized coordinating capability other than market incentives.

*Climate Change*

The concept of national security has evolved beyond protecting states and borders to maintaining the coherent and autonomous functioning of a society in the face of a broad range of traditional and nontraditional security threats. The past few years have moved these nontraditional security threats to center stage. The growing challenge of climate change threatens economic security and therefore political stability. Extreme climate events are becoming more frequent and more severe, and their effects are being felt more broadly around the globe. Inaction on climate change is projected to cost Southeast Asian economies **$28 trillion** by 2070. Vietnam is ranked globally among the top five countries likely to be most affected by climate change, and faces an average annual loss to GDP of **1.5 percent** solely from climate-related disasters. In 2020, the United States recorded **22 separate billion-dollar weather and climate disasters**, cumulatively costing the nation $95 billion. While climate change will not be as singularly dire for South Korea, that nation will still have to pay costs from the global consequences of climate change to the tune of approximately **$200 billion by 2050**.
Domestic Determinants of Foreign Policy

The Republic of Korea

The North Korean threat is an existential issue for South Korea and has dominated South Korean foreign policy since the end of the Korean War in 1953. The hearts and minds of the general public and decision-makers alike in South Korea have long been dominated by tensions on the Korean peninsula, and this preoccupation often results in the neglect of other foreign policy issues. While the marginal utility of investing additional resources and energy in issues on the Korean Peninsula has decreased, other foreign policy issues are suffering from a chronic lack of resources and government attention. This neglect has put South Korea behind other countries with comparable capabilities and resources in dealing with many consequential issues, such as climate change, regional multilateralism, and other regional security challenges.

As dialogue participants noted, part of this isolated focus has to do with South Korea’s uneasy acceptance of its “middle power” status. Although Korean officials and the nation’s media have referred to South Korea as a middle power since as early as the 1990s, participants questioned whether South Korea makes the appropriate contributions to the regional and global community relative to its economic heft. When it comes to strategic and security issues in particular, Korean attention is still pretty much confined to the Korean Peninsula. Any broader strategic or security interests beyond the peninsula are still regarded by many as an overreach for Korea’s capabilities.
This policy focus might be good news for the ROK–U.S. military alliance: as long as there is a threat from North Korea, the United States and South Korea have an obvious focus for security cooperation. However, if South Korea is to cooperate with the United States in the Pacific and devote more resources to its own fledgling Southern Policy, Korean policymakers will need to look beyond their own peninsula.

South Korea could realize great gains by expanding its policy focus. By strengthening relations with Southeast Asia under its New Southern Policy, South Korea would bolster its own autonomy amid intensifying U.S.–China competition.

South Korea’s relationship with China is complex. Seoul’s strategy has been to navigate this relationship carefully, given its proximity to Beijing, its economic interdependence with China, and China’s influence in North Korea. Yet this balancing act will be more difficult to maintain amid the growing divide between the United States and China and the concomitant pressure to choose sides.

The recent presidential elections in March 2022, and the victory of conservative president-elect Yoon Suk Yeol, foretell some significant changes in South Korean policy towards North Korea and many other important alliance issues, such as the future of U.S.–South Korean joint military exercises, relations with China, and the reinvigorated security dialogue between members of the QUAD.

**The United States**

A broad shift is occurring in the United States at the moment, a change in how the two major political parties relate to elements of their electoral coalitions on issues of trade policy and economic engagement in the Indo-Pacific. The United States is still in the midst of a deep governance crisis, and the region is expecting the U.S. to experience political turbulence through at least the 2022 midterm elections and most likely through the 2024 presidential election.
One of the major repercussions of this governance crisis is the difficulty it poses for long-term policy planning. After the U.S. Congress failed to pass a budget for the 2022 fiscal year, the U.S. government was funded through temporary “continuing resolutions” from September 30, 2021, to March 15, 2022, with President Biden only recently signing a $1.5 trillion spending bill to secure government funding through September 2022. Department of Defense officials claim that these continuing resolutions cut $8 billion from the DOD’s budget, but the actual cost is much higher, simply because of the continued uncertainty and the inability to engage in any long-term planning and acquisition.

Dialogue participants noted that U.S. partners and allies in the region are concerned about the future of their relationships and opportunities for cooperation with the United States, even if they are a focus of the current administration. They are apprehensive about a return to the “America First” ideology of the previous administration. Despite the United States’ renewed engagement in the Indo-Pacific, free trade is still not a popular concept in the United States. There was a reason that the Trans-Pacific Partnership was rejected by all the major Democratic and Republican presidential candidates in 2016, and why there seems to be very little enthusiasm in the Biden administration for new bilateral free-trade arrangements.

Despite these concerns, dialogue participants agreed that there is a deep bipartisan commitment to engagement in the Indo-Pacific and a consensus that the United States needs to engage in the region with Asian partners and allies like the Republic of Korea and Vietnam. There is a commitment to meet the challenges posed by a rising China and an understanding that this will require the United States to replenish the domestic sources of its national strength as a starting place for demonstrating that it is a durable Indo-Pacific power. To prove this commitment to the region, however, the United States will need not just a security and military stance towards the region, but a comprehensive posture that includes diplomatic and economic issues. Participants argued that there is no number of carrier strike groups that the United States can float in the western Pacific that can compensate for the lack of a trade strategy or commercial and economic engagement as a measure of U.S. commitment and power. The U.S. withdrawal from the Trans-Pacific Partnership, and the way in which it was done, was a strategic miscalculation of the highest order. It is critically important that the United States demonstrate that it remains engaged
with the emerging economies of the Indo-Pacific.

**Vietnam**

A hallmark of Vietnam’s foreign policy is pragmatic flexibility. Whereas the United States has the distinct advantage of being a major power in the Indo-Pacific while standing an ocean apart, Vietnam has had to learn to coexist in a constructive and productive way with its northern neighbor. Dialogue participants noted Vietnam’s ability to handle its relationships with diverse countries, particularly the major and middle powers, which accounts for much of its success in achieving both its foreign policy goals and notable domestic support.

Having recently held its 13th National Party Congress in 2021, Vietnam is not expecting domestic political transitions to affect its foreign policy strategy, as the United States and South Korea are. In fact, international partners can expect continuity in Vietnam’s foreign policy priorities, given Secretary General Trong’s reappointment by special resolution for a third term and the return for another term of 120 of the 180 full members of the Central Committee.

While South Korea has been expanding its policy focus beyond the peninsula through its New Southern Policy as way to strengthen its own autonomy and resist economic coercion under intensifying U.S.-China competition, Vietnam has pursued a plethora of globe-spanning free-trade arrangements in pursuit of similar ends. In addition to its membership in ASEAN, CPTPP, and RCEP, Vietnam signed the VJEPA with Japan in 2008, the VKFTA with South Korea in 2015, the VCFTA with Chile in 2015, the VEUFTA with the Eurasian Economic Union in 2015, the EVFTA with the EU in 2019, and the UKVFTA with the UK in 2021.

Vietnam’s ambition is to accelerate its development along the path taken by countries like China and South Korea, to advance from a low-tech, low-value-added manufacturing hub to a high-tech economy. It is still a long way from today’s reality to the fulfillment of those ambitions, and it is in that gap that significant opportunities for cooperation with the United States and South Korea can be found.
Prospects for International Cooperation

Renewable Energy

As the world recovers from the Covid-19 pandemic and countries begin considering ways to rebuild their markets and economies, there is an opportunity to pursue a recovery strategy that prioritizes green policies and climate-friendly markets.

There is already a history of cooperation on clean energy. In 2019, the United States and Vietnam signed an MOU for a comprehensive energy cooperation partnership to further Vietnam’s sustainable energy development. The Joint Leaders’ Statement following the Moon-Biden meeting in 2021 details the countries’ intentions to cooperate on climate change issues, including meeting 2030 and 2050 targets for reducing greenhouse gas emissions and ending public financing for coal-fired power plants.

With the government of Vietnam’s recently released Power Development Plan 8 and its ambitious commitments in the Glasgow Leaders’ Declaration on Forests and Land Use, the Global Methane Pledge, and the Paris Agreement, there is clearly a strong interest in cooperation to take advantage of the economic and social opportunities that await the development of the green economy in Southeast Asia.
**Digital Economy**

While the negative impacts of the Covid-19 pandemic have been clear, the surge in digital commerce during this period cannot be ignored. The Southeast Asian digital economy is projected to reach $363 billion by 2025, and dialogue participants even noted the possibility that it could reach $1 trillion in gross merchandise value by 2030. South Korea and Vietnam have the opportunity to engage in discussions of the digital economy under CPTPP and RCEP, and both South Korea and Vietnam have entered into separate discussions with Singapore to set up bilateral or multilateral digital trade agreements. By not joining these bilateral and multilateral agreements, the United States is missing an opportunity to help shape the regional norms for data governance. The U.S. is not completely absent from this space, however, as it recently announced the **Workforce for an Innovation and Startup Ecosystem (WISE) project**, which will provide up to $2 million to support Vietnam’s transition to a workforce equipped to participate in the global digital economy.

**Global Health**

The Covid-19 pandemic has proven that countries cannot deal individually with cross-border challenges like global health. The United States and South Korea have already announced the **KORUS Global Vaccine Partnership**, with the intent of scaling up the global Covid-19 vaccine supply through the expansion of vaccine manufacturing capacity, collaborative research and development on global health security and pandemic preparedness, and the establishment of a senior-level KORUS Global Vaccine Partnership Experts Group. In addition to the **24 million Covid-19 vaccines** and $23.06 million in Covid-19 assistance the United States has donated to Vietnam, and the **million-plus** vaccine doses that South Korea has provided to Vietnam, the **U.S. CDC** has launched a new Southeast Asia office in Hanoi to promote global health by establishing a consistent and sustainable presence in the region. Given Vietnam’s recent, if somewhat halting, strides in **domestic vaccine production**, and the collaboration between Vietnamese and U.S. vaccine manufacturers, there may be opportunities ahead for trilateral cooperation in this space.
**Infrastructure**

Much of China’s ability to build on the Belt and Road Initiative and assert its status as a major economic player in the region was due to the United States reducing its support for hard infrastructure as a key to development. One reason for this retrenchment was the belief that hard infrastructure was not as important as “soft” infrastructure, such as a healthy civil society and transparent governance structures, and that countries would fail if they did not develop this infrastructure. It was felt that hard infrastructure projects, which come with substantial government involvement, were an open opportunity for corruption, and U.S. construction firms were wary of running afoul of the Foreign Corrupt Practices Act. As the United States withdrew from building physical infrastructure, however, others, such as China and Japan, stepped into the gap.

Policymakers in the United States are now recognizing the importance of physical infrastructure projects and the influence they ceded to China, and this is opening new areas for trilateral cooperation. In 2019, the U.S. Treasury Department signed an [MOU](https://www.treasury.gov) with the ROK Ministry of Economy and Finance that furthers infrastructure development in the region. Although [South Korea](https://www.korea.org) has been reluctant to sign on to the U.S.-led Blue Dot Network, [Vietnam’s](https://www.vietnam.gov.vn) need for infrastructure investment, and its reluctance to seek support from China’s BRI, opens a potential avenue for cooperation.
Recommendations

- **The Republic of Korea, the United States, and Vietnam need to develop a common understanding of their trilateral cooperation.** Developing a shared understanding of each other’s goals, outlooks, policies, and priorities will be critical for trilateral cooperation. If the United States wants to strengthen trilateral cooperation, dialogue participants argued, it must recognize and appreciate the risks that countries like South Korea and Vietnam assume when they continue their partnerships or alliances. There needs to be a greater appreciation of national differences in policies and strategies, and policymakers must take care not to mistake different ways and means for different objectives.

- **Form a trilateral consultation mechanism.** The United States, South Korea, and Vietnam can take inspiration from the United States–European Union Trade and Technology Council (US–EU TTC), which started in September 2021. The US–EU TTC coordinates joint approaches to transatlantic issues and supports the growth of the economic relationship between the United States and the European Union. A similar council would allow South Korea, the United States, and Vietnam to coordinate policy on key technology, trade, and economic issues in the Indo-Pacific.
• Expand cooperation to regional middle powers. Look into the role of other regional powers, including Australia, India, Indonesia, and New Zealand. Many countries in the region may align themselves more with China or the United States without being fully committed to one side. The United States, South Korea, and Vietnam can work with regional middle powers to achieve shared goals on areas like global health, the digital economy, or renewable energy.

• QUAD Plus collaboration. Although there are domestic objections to South Korea and Vietnam joining the QUAD as official members, there are opportunities in the QUAD Plus format to address the areas of cooperation mentioned above. Dialogue participants noted the possibility of reorienting the QUAD from strictly security concerns to the provision of public goods more broadly, including climate support, infrastructure, education, and the digital economy.

• The United States needs to develop an Indo-Pacific economic framework with a strong trade policy. The United States needs a strong economic component to complement its overall policy towards the region. The Biden administration is currently developing its Indo-Pacific Economic Framework, which is expected to be launched later in 2022, and participants are concerned that the framework will lack a trade component strong enough to compensate for the U.S. not being a member of the CPTPP.

• Encourage Vietnam to engage with North Korea. Although the Hanoi Summit may not have been successful, Vietnam may be able to serve as a productive interlocutor with North Korea. President Moon has already requested Vietnam’s assistance in restarting dialogue with North Korea, but a role for Vietnam apart from hosting summits has not been widely discussed. As the only country of the three with official diplomatic and party-to-party ties with North Korea and ongoing (albeit pre-pandemic) discussions on development strategies, Vietnam may have the ability to bring North Korea to the table in ways unavailable to the United States or South Korea. At the very least, the three countries should increase knowledge-sharing and consultation on the North Korean situation.
Appendices

Republic of Korea Delegation

• Dr. Park Jin | Member, National Assembly, Republic of Korea
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• Dr. Harry Harding | University Professor and Professor of Public Policy, University of Virginia
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• Ambassador Pham Quang Vinh | Senior Advisor, The Asia Group
• Ambassador Ton Nu Thi Ninh | President, Ho Chi Minh City Peace and Development Foundation
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• Dr. Vo Tri Thanh | Chairman, Vietnam National Committee for Pacific Economic Cooperation; Former Deputy Director-General, Vietnam Central Institute for Economic Management
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