

The Increased US-Vietnamese economic trade relations improved the diplomatic
and political relations between the two countries since the diplomatic
normalization in 1995

By

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Abstract

Interdependence theory of liberalism with the core meaning that economic interdependence can foster peace had explained many case studies in the world. The purpose of this thesis is to prove that interdependence theory also explains best the Vietnam-US economic trade relations after the two countries normalized their diplomatic relations in 1995 with the meaning that the US-Vietnam's increased economic trade relations improve their political and diplomatic relation. After the Vietnam War ended, Vietnam-US relations were completely frozen. By 1995, the two countries normalized their diplomatic relations and they started to trade with each other. Up until now, the two countries achieved great trade development through both bilateral economic relations and international organizations. The strong development of US-Vietnam trade economic relations has improved their political and diplomatic relations. Based on interdependence theory of liberalism, this argument is proved by five main points: First, since 1995 the economic trade relations provided more valuable benefits than the wartime so that the two countries want to trade with each other and avoid conflicts. Second, the development and expansion of trade and economic relations have positive effects which spillover to other sectors, creating a favorable environment to promote military and diplomacy relations between the two countries. Third, increases in the trade and economic relations lead to enhance communication, cooperation, trust, dependency between the two countries thus reduce misunderstanding and the likelihood of conflicts. Then, when trade relations increase, common economic interests between the US and Vietnam also enhance, making the two countries closer to each other and likely to use negotiations and diplomacy to solve problems that do arise between the relations of the two countries. Finally, the economic trade relations of the two countries through international organizations provides forums for the US and Vietnam to communicate and solve problems that do arise between them. In future, it is predicted that the economic dependence between the two countries will develop further. Therefore, the US-Vietnamese political and diplomatic relations continue to be strengthened in the future.

Introduction

Globalization is the principal tendency within the contemporary world economy. It is not a single process, but the economic dimension is critical. Economic globalization defines the primary trend in the contemporary global economy (McGrew, 2008). In the context of globalization, international economic integration is a very important foundation for the sustainable integration of other areas, especially political integration, and considered as a priority of countries to push their development and cooperation (Tru, 2011). Increases in capital flows in the form of foreign direct investment (FDI) and in international trade are potentially vital means to enhance development opportunities (Reinert, 2012). International trade can be a powerful force for positive developments, but it also brings problems and uncertainties. It may not be the most important factor determining the prosperity of countries but prosperity has rarely if ever been achieved or sustained without it (Lattimore, et al., 2009). Enhancing international trade, as a priority of a country to integrate into the world economy, promotes its comparative advantage and takes advantage of capital and technology from outside. When the economic and trade relationship between states thrives, in scholars, there was a debate, which has emerged since the last decades, about the impact of economic trade interdependence and its political implications. (Pevenhouse, 2004)

There are two different viewpoints of liberalism and realism in this debate. According to the interdependence theory of Liberalism, they believe that the increasing interdependence of trade between countries will lead to increase political cooperation between them because increasing contact among traders and consumers located in various countries fosters a sense of international community, as well as the development of mutual respect and harmonious relations. Increasing levels of trade create more interaction, thus creating more potential for positive interactions. Higher level of trade increases state cooperation and dialogue, reducing

the possibility of conflict through misunderstanding. For these theorists, trade and exchange are avenues for increased cooperation through mutual recognition, as much as a deterrent to future conflicts. Moreover, liberalist theorists such as Rosecrance, Oneal, and Russett also claim that higher level of trade dependence between states will reduce the likelihood of political-military conflicts. They assert that economic trade replaces conquest as a means of exchange, thus lowering expected levels of conflict. What would formally be gained through war can now very often be traded. Therefore, higher levels of trade can reduce the economic-based incentives for conflict, leading to a more peaceful international environment. Open trade encourages specialization in the production of goods and services, making states depend on each other's markets. They try to avoid wars with trading partners, because disruptions in commercial relations would be costly. Contrary to the views of liberalism, realism argues that higher level of trade dependence between states may lead to a greater probability of conflicts between states due to gains from trade may not be proportional across all states that this disparity in relative gains can be a source of leverage of one state over another. Another reason for the realist view is that as trade increases, so do the range of economic issues over which disputes can emerge (Pevenhouse, 2004). Furthermore, Realists believed that economic interdependence could enhance the likelihood of war, since when countries trading with each other they worry about their vulnerability because crucial imported goods such as oil and raw materials could be cut off during a crisis. This problem could severely affect to or collapse their economies. Therefore, countries depend on others for vital goods have an increased incentive to go to war to assure themselves of continued access of vital goods supply (Copeland, 1996).

For Vietnam, a medium-power country in South East Asia, if it wants to integrate and develop prosperity, it is also inevitable to expand their international economic relations. In early of the 1990s, Vietnamese leaders have realized that no countries - regardless of its high degree of development - can close its door to the world (Center, 2011 p. 22). For example, the former Soviet Union and the US pursued the traditional military-political option for a long time, thereby burdening themselves with high levels of military expenditure. However, that has changed. The end of the Cold War has made that traditional option less urgent and

attractive. The trading-state option is increasingly preferred even by the very large states (Jackson, et al., 2001 p. 114). Having a very low starting point like Vietnam, it was very essential to gain outside sources of strength (Center, 2011 p. 22). Especially, in the context that Vietnam was under pressure from The Association of Southeast Asian Nations (ASEAN), which contains many countries including Singapore, Malaysia and Indonesia which have also experienced high economic growth through reform from the late 1970s until the East Asia crisis in 1997 (Tru, 2010). In its foreign policy, at seventh National Party Congress in 1991, Vietnam defined economic development as the top priority and leverage for other goals. Therefore, the Vietnamese government initiated the foreign policy of diversification and multilateralization under the motto: Vietnam wants to be a friend to all countries in the international community, striving for peace, independence and development (Hoang, 2012). On the basis of that policy, Vietnam determined that normalizing its relations with the US is an important policy, because the US not only assists Vietnam in creating an opportunity to access the large American market with high level of science and technology and strong economic potential, but also creates an international environment of peace and stability, allowing Vietnam to focus on its important task of domestic economic development while attracting more attention of the international community to Vietnam. Moreover, the US-Vietnam relation also promotes Vietnam's international relations with other countries, raises its position in the international arena, and balances its relations with the major powers in the Asia-Pacific (Huong, 2013).

US-Vietnam relations is one of the most complicated and turbulent relationships in Vietnam's foreign relations (Minh, 2012 p. 85). Before the diplomatic normalization, US-Vietnam relations can be summarised as follows: On May 2, 1975, after the Democratic Republic of (North) Vietnam defeated the American-allied Democratic Republic of (South) Vietnam, US President Gerald R. Ford extended President Richard M. Nixon's 1964 trade embargo on North Vietnam to cover the reunified nation. Ford was of the view that Vietnam had fallen to the communist camp, therefore treated Vietnam like any other hostile non-capitalist state and did not care about economic ties with Vietnam. Under the Ford embargo, bilateral trade and financial transactions were prohibited (Martin, 2011). The first years after

the war were very difficult period in relations between Vietnam and the US. In 1977-78, initial attempts to normalize bilateral relations between the US and the reunified Socialist Republic of Vietnam took place under President Jimmy Carter. After three formal sessions, negotiations failed in October 1978 (Anonymous, 2010). The main reasons led to miss opportunities to normalize Vietnam-US relations during this period are believed as follows: First, while the US has worked closely with China against the Soviet Union after the early 1970s, reunified Vietnam signed a security pact with the Soviet Union. Americans assumed that normalization with Vietnam would affect its process of normalizing relations with China (Thuy, 2006), but the more important thing was that the US viewed Vietnam as a spearhead for the expansion of Soviet influence in Southeast Asia, so it has cooperated with China and ASEAN to confront Vietnam in Cambodia (Hung, 2010); The other reasons were issues of refugees and Cambodia profile.

According to the views of US, China and some others, Vietnam invaded Cambodia in 1978, installing a government backed by 200.000 Vietnamese troops and expelled hundreds of thousands of its citizens, including many ethnic Chinese, who then became refugees throughout Southeast Asia under Vietnam's harsh reunification program. These actions had a long-term negative effect on US-Vietnamese relations (Manyin, 2013). The Carter Administration halted consideration of improved relations with Vietnam (Manyin, 2006). He saw Vietnam's action as being pushed by the Soviet Union. Then the US moved to normalize relations with China and cooperated with ASEAN in isolating Vietnam (Anonymous, 2010). In short, this period Vietnam aligned itself economically and militarily with Soviet Union and was isolated on both economic and diplomatic by US embargo policy with abetting of western and Asian countries.

The obstacles in the relations between the two countries began to be cleared, in part, due to Vietnam's 1986 decision to shift from a Soviet-style central planned economy to a form of market socialism. The new economic policy, known as *DoiMoi* ('change and newness'), ushered a period of over 20 years of rapid growth in Vietnam (Martin, 2011). *DoiMoi* is the name given to a series of economic reforms, which aimed at opening up in foreign relations

and implementation of market economy with state-owned enterprises as a leading sector (Cuong, et al.). Since the *DoiMoi* policy of opening international relations in 1986, the two sides resumed contacts. They began to cooperate to solve the problems caused by the war, especially 'Missing In Action' (MIA) issues; and Vietnam completed its military withdrawal from Cambodia in 1989. These activities had a positive effect on US policy adjustments towards Vietnam.

In 1991, the US has given Vietnam a roadmap for normalization, in which the two important issues were American soldiers missing in action (MIAs) and the status of Cambodia (Thuy, 2006). Due to the progress made in addressing the main issues in the roadmap, the US gradually made important decisions leading to diplomatic normalization of Vietnam and the US. In 1993, President Bill Clinton decided to allow financial institutions such as the World Bank, and IMF to issue loans to Vietnam. On 3 February 1994, the US administration of President Bill Clinton decided to lift fully the embargo on Vietnam (Anonymous, 2010). Eventually, on 7 November 1995, the US administration of Bill Clinton stated that the US normalized diplomatic relations with Vietnam (Trinh, et al., 2010). This significant event opened a new chapter in relations between the two countries in all fields.

After the diplomatic normalization, overlapping security and economic interests have led the US and Vietnam to improve relations across a wide spectrum of issues (Manyin, 2013), in which economic and trade relations between the two countries are the most mature and successful aspect of the bilateral relations. The two sides signed a bilateral trade agreement (BTA) on July 13, 2000, which went into force on December 10, 2001. As a part of BTA, the US extended to Vietnam conditional most favored nation (MFN) trade status, now known as normal trade relation (NTR). The US granted Vietnam permanent normal trade relations (PNTR) status on December 29, 2006, as part of Vietnam's accession to the World Trade Organization (WTO). Since the mid-2000s, the US has been Vietnam's largest export market, to the point where in 2011, exports to the US represented about 17% of Vietnam's total exports. US firms have become one of Vietnam's largest sources of FDI (Martin, 2011). Vietnam's large population of over 90 million people and emerging economy made it very

attractive to US businesses (Manyin, 2013). Now the US is ranking at seventh among countries and territories investing in Vietnam (Sang, 2013). According to statistics from Vietnamese General Statistic Office showed that Vietnam's exports to the US in 2012 was 116 times higher than that of the same period in 1995, with average annual growth of 32%. Vietnam saw 29 staple goods exported to the US with turnover of more than 10 million USD each, of which 14 items had a turnover of over 100 million USD. Garments and textiles took the lead with turnover of 3.2 billion USD, followed by footwear, wood and wooden products (VOV, 2013). Since the signed BTA became effective on December 10, 2001, two-way trade increased very quickly from US \$1.5 billion to more than US \$20 billion in 2011 (Monitor, 2011). In 2012, this number reached US \$24.9 billion (MOPI, 2013).

By the end of 2012, Vietnam became the 29th largest trade partner of the US, the 46th export market of exports from the US, and the 23rd economy exporting into the US (Minh, 2013). In addition, Vietnam's participation in forums and international organizations such as the ASEAN Regional Forum (ARF), Asia-Pacific Economic Cooperation (APEC), WTO, East Asia Summit (EAS) and Trans-Pacific Strategic Economic Partnership Agreement (TPP) negotiations is also important for the US-Vietnamese cooperation. These organizations provide more avenues for the two countries to talks to each other. They add to direct bilateral ties between the US and Vietnam sources of problem solving, communication, and cooperation. For example, in APEC meetings, leaders of the member countries, includes Vietnam and US, can sit down and meet each other to discuss issues of mutual concern. Obviously, the economic and trade relations between the two countries is the most prominent in bilateral relations since the normalization. Although there are many challenges like Vietnamese suspicions that the US' long-term goal is to end the VCP's monopoly on power through a "peaceful evolution" strategy; disagreements over Vietnam's human rights (Manyin, 2013) as well as freedom of expression for political and religious purposes (Auslin, 2012), achievements in the economic trade relations after 18 years of normalizations are extremely impression for the two countries, which have been former enemies.

In the current international context, many scholars believe that in the next decades, the US will continue as the world's No. 1 power. In terms of economy, the US will continue to have the largest proportion in the global trade and investment. Therefore, the development of trade relations with the US, a country with remarkable potential, is very important for the development of international economic integration of Vietnam in the next decades (Minh, 2010). Moreover, in the strategic calculations of the US, Vietnam with its strategic position is an important link in the regional security of Southeast Asia. The changing strategic security structure with more complex movements in Asia increasingly asserts the important role of Vietnam in the international relations of the region (Tuan, 2009 p. 27). Right now, East Asia is one of the few parts of the economy experiencing high growth. The World Bank said that the developing economies in East Asia and the Pacific continues to be the leader of the global economy, driven by strong domestic demand, growth at 7,5% in 2012, higher than any other region in the world (Linh, 2013). The Asian Development Bank forecasts that East Asia has the highest growth rate in Asia in 2013 and 2014 (Hue, 2013). Therefore, the US would like to strengthen ties with as many Asian economies as possible.

The US increasingly appreciates Vietnam's role in its rebalancing strategy in the Asia-Pacific region, considering Vietnam as an important partner in ASEAN and in the TPP negotiations (Luc, 2013). At the Shangri-La Dialogue May 2013 in Singapore, Vietnamese Prime minister Nguyen Tan Dung emphasized a profound confidence in the bright future of development and cooperation in the Asia-Pacific region, where now enjoys dynamic development and is home to the world's three biggest economies, and many emerging ones. Yet the trend of increased engagement and competition, particularly by big powers, not only offers positive elements but also involves negative risks. If this region falls into instability and especially, armed conflicts, there will be neither winners nor losers. Rather, all will lose. In other words, he means that trade is win-win (positive-sum) game, conflict is a zero-sum or even a lose-lose one. Therefore, He called for building and reinforcing strategic trust for peace, cooperation and prosperity. Once there is sufficient strategic trust, we could advance and expand cooperation and find solutions to any problem, even the most sensitive and difficult one. He also agreed with the view that cooperation and trust responsibility between

the United States and China will actively contribute to the common interests of the region. The countries in the region attach special importance to the roles played by a vigorously rising China and by the United States - a Pacific power. They would expect and support the roles of the United States and China, once their strategies and actions conform to international law and respect the independence and sovereignty of nations, to not only bring about benefits to them, but also to contribute genuinely to our common peace, cooperation and prosperity (Dung, 2013). Those suggest that in the case of US-Vietnam relations, economics and security are very closely tied and the US-Vietnamese economic trade relations will continue to have many more opportunities to improve in the near future.

With the above characteristics, US-Vietnamese economic and trade relations, since the normalization of diplomatic relations, has attracted the attention of Vietnamese and international researchers. Vietnamese researchers have been focusing on analyzing and evaluating Vietnam-US trade relations since the normalization. Their studies include, but not limited to challenges of the bilateral trade relations; the basis of US foreign policies; main factors affect the trade relations of the two countries; prospects of the trade relations; assessing how did Vietnam-US trade relations improve through the important milestones in bilateral relations in general and economic relations in particular, like signing BTA, granting PNTR; joining the WTO, signing TIFA, etc.; trade disputes and solutions to help Vietnam to understand the US market better and get the best from this relationship. Most of these studies come from the Vietnamese periodical journals named *America Today*, *American Studies*, *International Studies* or *The East Sea Studies Institution*. Globally, some researchers from the US Congressional Research Service (CRS) and others were interested in and have studied annual issues of the US-Vietnam's trade relations to provide data for the US Congress; reviews of Vietnam-US trade relations through its special stages (i.e., after signing bilateral agreements, after joining the WTO, APEC, ARF); factors which affect US-Vietnamese trade relations; etc. These relations were also assessed, providing statistics through some handbooks about Vietnamese financial-trade and diplomatic policies. There are also some books on economic relations, political and diplomatic relations of the US and Vietnam. However, almost all these studies and books assessed these relations between the two countries

separately and did not evaluate the influence of economic relations to political and diplomatic linkages between the US and Vietnam.

As a student studying international relations and very interested in Vietnam-US relations, I realized two major things. First, studying the influence of the US-Vietnam's trade relations to their political and diplomatic relations is very important and necessary. Because it not only helps Vietnamese and international researchers further understand one important aspect of US-Vietnamese relations, but is also useful for Vietnamese policymakers or planners to be informed of the important roles of the economic trade relations. This will facilitate them to make more accurate and appropriate decisions on important issues related to US-Vietnam relations therefore achieving goals set out when opening the trade relations with the US, and promoting the international economic reform process of Vietnam. This is happening at a time when global and regional security issues are now quite complicated. The American strategy of rebalancing to the Asia-Pacific and addressing maritime security problems between China and Southeast Asian countries in the East Sea (South China Sea) including Vietnam, are matters of daily occurrence. Vietnam will be affected very much by the behavior of the two super powers in the world, China and the US. Finding the best solutions that can ensure its interests of economy, politics, and national security are extremely important issue for Vietnam. To do that, it is indispensable to understand deeply impacts of the economic trade relations. Second, as mentioned above, international scholars studying the effects of economic trade relations to political and diplomatic ties has appeared and been a quite lively debate since the last decades between liberalism and realism. However, there were no studies that focused on assessing the impact of US-Vietnam's economic trade relations to the political and diplomatic relations between the two countries, except some short evaluations in general articles that are not really in-depth studies.

Moreover, between the opposing views of liberalism and realism, there are also two main reasons for me to have opinions that in assessing the impact of trade relations to the political and diplomatic relations between Vietnam and the US. Interdependence theory of liberalism explains more fully comprehensive and better than realist's views. The first reason

is that since the diplomatic normalization of the US and Vietnam, economic ties are the most mature aspect of the bilateral relationship. Along with increases in economic trade ties, the political and diplomatic relations between the US and Vietnam, although have some challenges such as human rights and democracy, human trafficking, Prisoner of War/Missing in Action (POW/MIA) issues, have created positive changes in general. Two countries have mutual visits of top leaders of the two sides as well as meetings during regional summits like APEC. In the middle of the last decade, leaders in both Hanoi and Washington sought new ways to upgrade the bilateral relationship. Secretary Hillary Clinton has said that the Obama administration is prepared to take the US-Vietnam relationship to the next level (Manyin, 2012). Vietnamese Prime minister Nguyen Tan Dung said that Vietnam always considers US as one of Hanoi's leading important partnerships in its foreign policy (Diep, 2012). It is clear that both the economic trade relations and the political and diplomatic relations of the two countries increased altogether. This signal is in accordance with the view of liberalists, but contrary to the view of realists who believe that higher level of trade and economic relations may lead to a greater probability of conflicts between states. The second reason is realism considers states largely as unitary actors in international relations, while international relations and organizations are primarily relations of states, often dominated by great powers. All other actors in world politics- individuals, international organizations, NGOs, etc. - are either less important or unimportant (Jackson, et al., 2001). Therefore, they do not analyze the effects of international organizations and other actors to economic trade relations between states. Conversely, liberalism focuses either upon the individual or upon a wide range of actors from the states to the cooperation of interest groups. Liberalism does not see the states as unitary actors, but influenced by numerous factors (O'Brien, et al., 2004). It means that economic interdependence theory of liberalism sees that the trade relations between countries is not only the state-to-state relationship but also includes other linkages between the two countries such as the international organizations, people, and business, etc. When considering Vietnam-US trade relations as a case study, it is obvious that trade relations of Vietnam and the US is not only through the US to Vietnam trade relations, but also through multilateral institutions or international organizations in which the two countries participated or involved such as APEC,

ARF, and ASEAN, WTO, and the TPP. Therefore, it is clear that interdependence theory of liberalism explains the bilateral relationship more fully and comprehensively than the views of realist, which considers US-Vietnamese trade relations based solely on state-to-state relations.

From the above analysis, I am interested in studying the influence of US-Vietnamese economic and trade relations to their political and diplomatic relations. In my point of view, the US-Vietnam's increased economic trade relations, since the normalization of the diplomatic relations 1995, have strengthened the political and diplomatic relations between the two countries and interdependence theory of liberalism best explains this influence. Therefore, through this thesis my aim is to use the interdependence theory of liberalism to prove the argument that the US-Vietnamese trade relations improved their political and diplomatic relations since their diplomatic normalization.

To support this argument, I will take steps to answer some relevant questions as follows: (1) why does interdependence theory best explain the impact of trade relations on political and diplomatic relations between the two countries? (2) What are the main reasons for the two countries to agree to open and strengthen the bilateral economic and trade relations after 1995? (3) What is the role and importance of trade relations to the US and Vietnam? (4) How strongly have economic trade relations increased since 1995? (5) How did the US-Vietnamese trade relations enhance the diplomatic and political relations between the two countries since the diplomatic normalization? (6) What main factors will affect trade relations between the two countries? (7) How will the economic and trade relations between the two countries affect diplomatic and political relations between Vietnam and the US in the future?

Research Methodology: To accomplish this thesis, I have first searched and gathered information from different sources relating to US-Vietnamese trade relations, Vietnamese and international scholars' related studies, and scientific journal articles using Google Scholar and resources accessed via the University of Wellington portal over the 1994 -2013 period. Key words used for searching information included 'US-Vietnam economic trade relations', 'US-Vietnam relations', 'Vietnam-US political and diplomatic relations', etc. Then, I focused on

reviewing, analyzing, and comparing information to answer to all the research questions and explain my argument.

My thesis will be presented as the following structure:

Chapter I: Interdependence theory and empirical basis for developments of the US-Vietnamese economic trade relations.

This chapter is divided in two sections. Firstly, I introduce the interdependence theory of liberalism that will be used to explain the influence of the US-Vietnamese trade relations to their diplomatic and political relations. Secondly, I explain the empirical basis for the genesis and development of trade relations after the normalization of the diplomatic relations.

Chapter II: Rapid development of the US-Vietnam's trade relations since 1995.

First, this chapter describes overall picture of Vietnam's economic situation and Vietnam-US's economic relations before 1995. Then, it focuses on presenting how the US-Vietnam's economic trade relations increased since 1995 through three dimensions: First, milestones and outstanding achievements of the economic trade relations; Second, the development of the economic trade relation through international institutions; Third, outstanding achievement in the US-Vietnam's economic trade relations.

Chapter III: Assessing the influence of the increased trade relations to US-Vietnamese diplomatic and political relations based on interdependence theory.

This chapter seeks to analyze, evaluate, and demonstrate the influence of the increased trade relations between the two countries on their political and diplomatic relations accordance with interdependence theory.

Chapter IV: Prospect of US-Vietnamese trade relations and the influence on their diplomatic and political relations of the two countries in the future

This chapter will explain the main factors that will affect the bilateral trade relations, and will predict the prospect of the economic trade relations and its influences to US-Vietnamese political and diplomatic relations in the future.

CHAPTER I – INTERDEPENDENCE THEORY AND THE EMPIRICAL BASIS FOR THE DEVELOPMENT OF VIETNAMESE-US ECONOMIC TRADE RELATIONS

In order to use interdependence theory of liberalism to prove the argument that the US-Vietnam's increased trade relations promoted their political and diplomacy relations since the diplomatic normalization, first of all, we need to understand the interdependence theory and basis for the development of Vietnam-US' economic trade relations. Therefore, this chapter will clarify these contents. The first part explains about interdependence theory which best explains influence of Vietnam-US' increasing trade relations to the political and diplomatic relations between the two countries and some related important concepts such as international trade and interdependence. The second part, then, presents factual basis for opening and boosting the economic trade relations between the US and Vietnam, including factors from Vietnam; factors from the US; and factors from international environment.

1. Theoretical basis:

International Trade:

US-Vietnam trade relations are in essence international trade relations between the two countries. Therefore, before clarifying interdependent theory of liberalism, firstly I will briefly present the concept of international Trade. Trade refers to the exchange of one commodity for another. Whenever two or more individuals exchange goods and services, they are engaged in

trade. International trade arises when the exchange is conducted across national borders. Within the contemporary global economic international trade touches many societies and communities through direct and indirect effects. We can find daily reminders of the importance of international trade through the consumption patterns of our families and friends. (O'Brien, et al., 2004 pp. 138-139).

Interdependence Theory of Liberalism.

International relation is thought to be formally recognized as a separate discipline after the First World War. So far, the nature and purpose of International Relation theory have been reflected in a number of theories such as liberal internationalism, realism, Marxism, constructivism, feminism and green political thought (Burchill, et al., 2005). “Liberals focus upon either the individual or a wide range of actors from the state to the cooperation to interest groups. They do not see the states as a unitary actor, but as influenced by numerous factors. Rather than stress the inevitability of conflict, liberals search out the conditions for cooperation. They tend to underplay the role of force and coercion in human affairs and emphasize the ability of individuals to choose between attractive courses of action. They see the world system as one of interdependence rather than anarchy. States and people can cooperate for mutual benefit in the liberal view. Rather than zero-sum game where one’s gains are the other’s losses, liberals see a positive-game where the pie grows bigger and everyone gains. Liberal theorists view international relations and the international political economy as essentially cooperative, market relations will lead to positive outcomes for all, trade between the two countries will benefit both countries and increased international interaction as a source of prosperity and peace” (O'Brien, et al., 2004 p. 18).

Definition of interdependence.

Interdependence is loosely defined as mutual dependence between two entities. Within international relations, interdependence refers to situations characterized by reciprocal effects among countries or among actors in different countries (J.Brenner, 2000). Peoples and governments are affected by what happens elsewhere, by the actions of their counterparts in

others countries. Thus, a higher level of transnational relations between countries means a higher level of interdependence. That also reflects the process of modernization, which usually increase the level of interdependence between states (Robert Jackson, 2001 p. 114). Interdependence has indeed been popularized as a means to bring peace and security to troubled regions based on the view that increased trade and economic ties would create disincentives for conflict. It has been used synonymously with openness, integration and mutual sensitive. According to Richard Rosecrance and Arthur Stein “there are at least three main definitions of interdependence; first, interdependence can be a relationship of interests so that if one state's position changes another would be affected; second, interdependence can increase national sensitivity to external economic development; third, there is Kenneth Waltz's definition in terms of a relationship which is costly to break. Baldwin identified interdependence in terms of both sensitive and vulnerability; sensitive means responsiveness to developments or policies and the creation of mutual effects, vulnerability stresses the opportunity cost and the benefits that would be lost if a relationship were disrupted. In this sense, interdependence can be understood as mutual vulnerability where two states find themselves in a relationship, which would entail significant costs to break. Sensitivity is possible without a significant degree of vulnerability in a relationship, but vulnerability assumes sensitivity” (Buszynski, 2009)

Interdependent theory.

Interdependence theory arrived in the 1970s as a major argument against realist theory, which had been dominating international relations studies since the end of the World War II. Keohance and Nye's 'Power and Interdependence' articles and book led the theory, which argued that economics could not and should not be divorced from international politics, especially since more states were starting to trade with each other. Interdependence theory suggest that increasing levels of trade dependence between states will result in increasing political cooperation among those states and higher levels of trade dependence between states will lessen the probability of political-military conflict (Pevenhouse, 2004). These views were justified by following arguments:

Firstly, one set of claims asserts that economic trade replaces conquest as a means of exchange, thus lowering expected level of conflict. What would formally be gained through war can now be traded or when states trading with each other, they can get what they want through trade rather than conflict and creating empires. Therefore, interdependence theory suggested that conflict would become rarer, especially wars over resources. Higher levels of trade can reduce the economic-base incentives for conflict, leading to a more peaceful international environment (Pevenhouse, 2004)

Moreover, economic interdependence lowers the likelihood of war by increasing the value of trade over the alternative of aggression: interdependence states would rather trade than invade. As long as high levels of interdependence can be maintained, we have reasons for optimistic. The core liberal position on economic dependence is that trade provides valuable benefits, or gains from trade, to any particular state. A dependent state should therefore seek to avoid war, since peaceful trading gives it all the benefits of close ties without any of the cost and risks of war. Trade pays more than war, so dependent state should prefer to trade not invade. This argument is often supported by the auxiliary proposition that modern technology greatly increases the cost and risks of aggression, making the trading option even more rational. The argument was first made popular in the 1850 by Richard Cobdend, who asserted that free trade unites states, making each equally anxious for the prosperity and happiness of both. Norman Angell restated this view in *The Great illusion* just prior to World War I and again in 1933 (Angell, 1933). Angell saw states having to choose between new ways of thinking, namely peaceful trade, and the old method of power politics. Even if war was once profitable, modernization now makes it impossible to enrich oneself through force; indeed, by destroying trading bonds, war is commercially suicidal. Richard Rosencrance provided the most extensive update of the Cobden-Angell thesis to the nuclear era. State must choose between being trading states concerned with promoting wealth through commerce, and territorial states obsessed with military expansion. Modern conditions push states toward a predominantly trading mode: wars are not only too costly; but with the peaceful trading option, the benefits that one nation gains from trade can also be realized by others. When the system is highly interdependent, therefore, the "incentive to wage war is absent" since "

trading states recognize that they can do better through internal economic development sustained by a worldwide market for their goods and services than by trying to conquer and assimilate large tracts of land. Rosecrance thus neatly summarizes the liberal view that high interdependence fosters peace by making trading more profitable than invading. (Copeland, 1996).

In other words, commerce promotes peace because violence has substantial costs that nations do not want to pay. Trade provides benefits and profits for both sides that would be lost if the states went to war (Sudula, 2012). Interdependence results from trade partners' mutual emphasis on maximization of gains from trade, which will be lost if conflict interrupts the trade relations. From this point, conflict is viewed as a kind of tariff on trade prices, driving import prices up and export prices down. As the level of trade increase, the cost of conflicts also goes up because of the opportunity cost due to lost gains from trade that follow from the onset of conflict. Optimizing trade partners, therefore, will be less willing to initiate a conflict or increase existing levels of conflict, because as trade increases, the marginal cost of conflict also increases, resulting in a decrease in the marginal benefit of more hostility. (Brett V. Benson, 2007 p. 36)

Franco-German collaboration in the context of regional economic integration in Europe is an example of interdependence theory. During World War II, European countries were divided, many European countries, including France and German fighter each other. However, after World War II, they have traded with each other so much. High levels of trade bring huge benefits for both countries and they become dependent too much on each other's market. So that, today, the capability they get into a war is impossible. All the problems between them can be solved through diplomacy or negotiation. War is unnecessary because war will hurt both of them at the same time. Today, this theory is now being applied to China with Liberalists arguing that conflict with China is unlikely because the country is in positions to buy what it wants and does not want to risk fighting its main trading partners, typically, the relationship between China and the US. The bilateral economic exchange creates shared interests in relations between states. The greater the volume of trade and investment owing

between two countries, the more groups on both sides will have a strong interest in avoiding conflict and preserving peace (Friedberg, 2005)

Secondly, interdependence theory argued that when states trade with each other, they keep in contact through economic relations. Through that, trading states also learn to understand and communicate better with each other. Therefore, conflict over misunderstanding would also become rare. Peace follows economic integration through the establishment of social links. Trade increases communication, a convergence of economic interests, and the establishment of cultural ties that promote relationship of trust and respect between trading partner that will prevent them from resorting to forceful means to resolve disputes (Brett V. Benson, 2007). Liberals argue that the expansion of interstate linkages in one area stimulates further cooperation in other areas. Interstate linkages are thought to improve communication, reduce misunderstanding, and foster cultural and institutional mechanisms capable of mediating conflicts of interest that do arise. (Barbieri, 1996)

Ultimately, the recognition of mutual benefits through cooperation serves to foster peace, as national interests converge (Barbieri, 1996). Increasing contact among traders and consumers located in various countries fosters a sense of international community, as well as the development of mutual respect and harmonious relations. Increasing levels of trade create more interaction, thus creating more potential for positive interaction. Trade and exchange are avenues for increased cooperation through mutual recognition, as much as a deterrent to future conflict. Thus, interdependence leads to qualitatively better relations, rather than simply the absence of bad relations. This line of reasoning leads to the claim that increasing level of trade dependence between states will result in increasing political cooperation among those states (Pevenhouse, 2004).

The European Union is an example of this argument. Countries in the region are trading with each other, they may get into arguments especially since the Eurozone crisis began but the cooperation, mutual understanding, respect and trust obtained from trade and economic relation make them rarely use forceful means to resolve disputes. They would prefer

to talk to deal with the problems rather than fight each other because there are so many forms of communication open to them.

Finally, the theory of "complex interdependence" came out of changing world during the 1970s, when the realist perspective on international relations was failing to take into account many of the new aspects of interstate relations. (J.Brenner, 2000). It was made in the late 1970s in a book of Robert Keohance and Joseph Nye, *Power and Interdependence* in 1977 (Keohane, et al., 1977). They argue that postwar "complex interdependence" is qualitatively different from earlier and simpler kinds of interdependence. Previously, international relations were directed by state leaders dealing with other state leaders. The use of military force was always an option in the case of conflict between those national leaders. The 'high politics' of security and survival had priority over the 'low politic' of economics and social affairs. Under conditions of "complex interdependence", however, that is no longer the case and for two reasons. First, relation between states nowadays are not only or even primarily relation between state leaders. There are relations on many different levels via many different actors and branches of government. Second, there is a host of transnational relations between individuals and groups outside of the state. Furthermore, military force is a less useful instrument of policy under conditions of complex interdependence. Complex interdependence clearly implies a far more friendly and cooperative relationship between states (Robert Jackson, 2001 pp. 116-117).

Interdependence theorists also have an argument that trade can often lead to the creations of regimes or international organizations like EU, ASEAN, APEC, etc. When countries communicate and trade a lot. They will get to the point that why don't we set up an organization so we can have a form to communicate regularly rather than leave each country to talk on their own. That is how regimes or organizations were created. These organizations were designed to improve economic cooperation, while at the same time providing another source for member states to communicate and to solve other problems. This is an example of "complex interdependence", when interdependence creates networks which further promote trade and peaceful dialogue. Military force under those circumstances is no longer the best

means in international politics and there may be several areas of international relations that can be discussed between states, with no set order of priorities.

However, it should be noted that wealthier state players such as the United States have strong influence on the rules that governs interdependency that means conflict is not gone but transformed in a less aggressive way (Burchill, 2005)

The above stated the arguments of interdependent theory with the main point that economic interdependence promotes interstate peace. In Chapter III, base on interdependence theory I will prove my argument about the case study of Vietnam-US economic trade relations that increased trade and closer economic ties between the two countries, since the diplomatic normalization in 1995, improves their political and diplomatic relations. However, in order to prove convincingly this argument we need to know about the factual basis for the beginning and development of US-Vietnamese economic trade relations. Therefore, the next part of this chapter will clarify about that.

2. Empirical basis for the development of the US-Vietnamese economic trade relations:

On 11 July 1995 in Washington, the US President Bill Clinton said that he would announce the normalization of diplomatic relations with Vietnam. Shortly thereafter, Vietnamese prime minister Vo Van Kiet solemnly declared that Vietnamese government and people welcomed the decision by President Bill Clinton and were ready with the US government to negotiate a new framework agreement for the relations between the two countries on the basis of equality, mutual respect for independence, sovereignty, non-interference in each other's internal affairs, mutual benefit and in accordance with the common principles of international law (Son, 2005). Exactly two decades after the end of Vietnam War, this important event had opened a new era of the relations between the two countries and it is the first condition for the two countries can cooperate in many areas, including the development of the trade relations. In this section, I will explain the empirical basis for the opening and development of the US-Vietnam's trade relations since their diplomatic normalization. There are three main approaches to explain f basis for the US-Vietnamese trade

relations to begin and develop. They are factors from Vietnam; factors from the US; and factors from the international environment.

2.1 Factors from Vietnam:

In this section, I will present two main reasons from Vietnam to begin and develop its trade relations with the US. The first is renewal in thinking of Vietnam's foreign policies; the second is benefits for Vietnam from the US-Vietnam's trade relations

- Renewed thinking in Vietnam's foreign policies

A renewal of thinking of Vietnam's foreign policy was one of the fundamental reasons for Vietnam to form and develop US-Vietnamese trade relations. In the 1980s, Vietnam faced with many difficulties. Domestically, there was a serious economic- social crisis. On foreign affairs, Vietnam faced with the situations of politically isolated and besieged, economic embargo by the U.S. and western countries. Meanwhile, aid from the Soviet Union and the socialist countries was no longer available (Nien, 2005). In these situations, Vietnam had to change its policies to overcome the difficult economic situation and diplomatic isolation. This led the country to adopt a more pragmatic line, enshrined in the *DoiMoi* economic reforms (Manyin, 2013). At the Sixth Party Congress in 1986, Vietnam had new foreign policy of peace and friendships; peaceful coexistence among different political-social system; expand relations with all countries. Vietnam has identified the comprehensive renewal line in foreign policies, firstly on economic reform. The Vietnamese Politburo's exclusive resolution No.13 (1986) had defined that Vietnam has to maintain peace for economic development, "more friends will have fewer enemies", cooperation cum competition in peaceful coexistence. The resolution of the central conference VI (1989) specified: Vietnam need strongly shift diplomatic activities from primarily political relations to political-economic relations (Hoang, 2012).

From this renewal in thinking, Vietnam had a lot of efforts to undertake many positive activities to promote its expansion of international economic relations, such as: Withdraw all troops from Cambodia (1989) and active participated in the solutions of Cambodia (1991);

normalize relations with China (1991); become an ASEAN observer (1992); ready to solve the humanitarian problems caused by the war and promote improved relations with the US; especially be patient to advocate and struggle, leading the U.S. to lift economic embargo and then declared to normalized diplomatic relations with Vietnam in 1995.

Although these renewals had started before the two countries normalized diplomatic relations in 1995 but they marked a significant shift in Vietnam's thinking and the achievements of those made Vietnam's economic capacity stronger and had important effects for the development of the US-Vietnam's trade relations after 1995. Moreover, after the normalization of diplomatic relations, Vietnam's foreign policy continued to have positive changes. Particularly, at the ninth Party congress 2001, Vietnam incorporated "a reliable partner" (implies Vietnam's credibility, economic dimension, and sustained win-win cooperation) in the motto, "Vietnam stands ready to be a friend with all countries. Vietnam also launched the policy of "proactive international economic integration" in order to expand market access and attract more capital, technology and management expertise for industrialization and modernization (Nien, 2005). The core of Vietnam's foreign policy focused on creating good domestic and international environments to served national economic construction and development; enhancing Vietnam's position in Southeast Asia and international arena.

The establishment of comprehensive diplomatic strategy and integrating with the international community were the guideline for the development of Vietnam's international economic relations in in generally and thus led to many positive efforts of Vietnam to develop trade relations with the United States after normalization in particularly. Obviously, if Vietnam had not made the renewal in its thoughts, which expand diplomatic relations from mainly political to economic-political; still maintaining hostility attitude to the U.S. and other countries whose political system are different from Vietnam after the collapse of Soviet Union; not expand relations with other countries. US-Vietnamese relations would not be normalized. Thus, there were no important bases for the trade relations between the two countries go further. Therefore, renewal thinking in foreign policy of Vietnam was one of the

important factors to boost the US-Vietnam's trade ties in the first years after the diplomatic normalization.

National benefits for Vietnam from its economic trade relations with US

This is an important basis for Vietnam in deciding to develop the trade relations with the US. Here, I will present the key benefits motivating Vietnam to develop the trade relations with the United States. They are promoting economic development, creating positive conditions for Vietnam to implement the national goals of industrialization and modernization; demonstrating that *DoiMoi* is a properly policy; empowering and strengthening Vietnam's international economic relations and standing; balancing with China in the current maritime security problems; and reducing concerns about serious gap in the balance of trade between Vietnam and China.

First, after recording impressive growth for much of the 1990s following Hanoi's launch of the *DoiMoi* reforms, Vietnam's economy has staggered since the 1997-99 Asian financial crisis, which originated in nearby Thailand. Annual economic growth declined from a peak of 9.5% in 1995 to less than 5% in 1999. FDI, a major stimulus for the country's growth, dwindle from over \$8 billion in 1996 to \$600 million in 1999, the lowest level since 1992 (Manyin, 2001). In addition to that, despite the diplomatic normalization since 1995, but the US has not granted MFN status to Vietnam right after that. The development of economic ties has lagged behind mainly because of the absence of a bilateral trade accord, which Washington says must be negotiated before it grants Vietnam MFN status. In the absence of MFN, trade and investment have remained well below their potential (Analytica, 1998). The difficulties and the deterioration in economics in that time can be seen as one major factor for Vietnam to start the economic trade relations with US in general, or BTA talks with the US in particular. Vietnam saw that opening trade relations with US would increase FDI flows from America into Vietnam and bring chance for Vietnam to get MFN status to access US market. MFN status is the mechanism that promises great prospects for exports from Vietnam to the US because large differences between the MFN and non-MFN tariff rates. In short, economic development was the first goal of Vietnam to start economic trade ties with the US.

Secondly, in the 1990s, while Vietnam's economy was in transition from centralized economy to a market economy under the state management and socialism-oriented, the US was the most developed market economy in the world (Cuong, 2012). So that, besides the goal to improve Vietnam's economic development, enhancing the economic trade relations with US was opportunity for Vietnam to learn how to liberalized trade effectively and consistent with the orientation of its economic development. In addition, opening foreign relations with US was a national strategy in *DoiMoi* reforms and Vietnam's foreign policy from the mid-1980s (Manyin, 2012). Therefore, starting and developing trade relations with US was the way for Vietnamese Government further strengthen the success of *DoiMoi* and demonstrate to the world that *DoiMoi* was working well as well as Vietnam's foreign policy renewal was properly.

Next, the United States is the world's largest economy with a huge market, being a multi-racial country; it has diverse and great demand for many kinds of goods (VCCI, 2013). The country plays a dominant role in the world economy and have outstanding ability in all areas, especially, the US economy has prominent advantages in the level of technical science, information technology. By the end 2012, the country remains the world's largest manufacturer, representing a fifth of the global manufacturing output. About 60% the global currency reserves has been invested in the US dollar and only 24% in the euro. The country is one of the world's largest and most influential financial markets. American investments in foreign countries total over US \$3.3 trillion, which is almost twice that of any other country. In 2012, US GDP reached US \$15,685 thousand billion (Lam, 2013). Therefore, the promotion of economic trade relations with the US, a country with remarkable potentials, is very important for them to access the huge US market. Benefits gained from the economic trade relations are necessary for Vietnam to build and develop the economy. It creates significant opportunities for Vietnam to absorb the US high technology; acquire the advance knowledge of management and marketing skills; encourage competition in the country and improving the quality of life for residents. Vietnamese goods will have opportunity to access the US great market, contributing to create jobs for Vietnamese workers. Vietnam can attract

investment from the US to serve the urgent needs for infrastructure development to contribute to accelerate its process of industrialization and modernization.

Moreover, the US is the largest great power in the world, being a full member and having a voice in many important international organizations and economic global finance institutions, such as the WTO, IMF, WB, etc., strengthening trade relations with the US will encourage investors from the US and other countries around the world to invest in Vietnam. After the two countries normalized diplomatic relations, there was a fact that many western countries have certain dependencies or very closely relationships with the US, so the level of their relations with Vietnam must rely on the relationships and attitudes of Americans toward Vietnam. In order to realize the national goal of industrialization and modernization, Vietnam needs to integrate in international community, setting good relations with other countries, in which good relation with the US plays a strategic role. If Vietnam enhances its economic and trade ties with the United States, it can expand economic relations with other countries in a more comprehensive way, taking advantages of strengths of economics and science development of these countries for improving its economy. It will not only have positive impacts on economic growth and expand Vietnam's foreign economic relations with other countries in the international community but also get more conditions that are favorable for Vietnam to develop economics, as well as enhancing the standing of Vietnam in the regional and international arena. Vietnam needs a favorable international economic environment- for which it sees US support as critical- to enable the country's economy to continue to expand, so it can achieve its goal of becoming an industrialized country by 2020 (Manyin, 2013)

Another reason that pushes Vietnam to develop the trade relations with the United States is the uneven in the balance of trade of Vietnam and China. Vietnam and China normalized relations in 1991. Since the normalization of relations, Vietnam-China's trade and economic relations recovered and developed rapidly. Trade turnover between the two countries increased from more than US \$30 million in 1991 to US \$22.5 billion in 2009, up nearly 700 times (Nga, 2010), but along with ongoing bilateral trade growth, the issue of trade imbalance between the two countries has increasingly revealed. Vietnam extremely concerns

the issues in the trade deficit with China. The statistics shows that since 2001, Vietnam is always in deficit and the trade deficit keeps growing. Vietnam's trade deficit over years as following: In 2007: US \$8.685 billion; in 2008: US \$10.78 billion, in 2009: US \$11.554 billion (Nga, 2010), in 2010: US \$12.7 billion; in 2011: US \$12.47 billion; and in 2012: US \$16.3 billion, a much larger volume compared to the value of US \$12.5 billion of Vietnamese exports to China. The trade deficit of Vietnam in the trade relations with China every year are accounted for 85-90% of Vietnam's trade deficit. It is clear that Vietnam depends heavily on imports from China. This situation can be seen as an economic insecurity for Vietnam. Thus, when looking at the rapid speed of two-way trade between Vietnam and China, Vietnam's concerns is growing increasingly (Truong, 2013). Therefore, strengthening trade relations with the United States is one solution for Vietnam to reduce the trade heavy dependence on China.

Last but not least, a reason boosting the development Vietnam-US relations in general and Vietnam's economic trade relations with the US in particular is the current maritime security problems and concerns about China power. Vietnam wants to improve relations with other countries, especially the United States to balance with the rise of China. The maritime territorial disputes between Vietnam and China in the East Sea/South China Sea are heating up in recent years. Although the United States is not a party to the dispute, but the US has two main reasons led to be involved in the East Sea disputes:

First, it is American interests threatened by the disputes in the East Sea. This is the second largest ocean in the world, with an area of 648.000km². The ocean includes many important sea routes connecting the Pacific, Africa, the Middle East and other East Asian countries. Most of the fuel is transported from the Middle East, Africa, to Japan, China and South Korea must go through the East Sea (South China Sea). For the US, the East Sea could bring it a lot of benefits. The first is navigative freedom because it sees trade routes in East sea are the most important; the second one is the security and economic interests due to East Sea is believed to have a large oil reserve, which can meet America's oil needs. The third is military benefits because it is an important traffic routes in the U.S. defense system to deal with traditional and non-traditional security challenges, such as piracy and terrorism (Trang,

2010). Therefore, the conflicts in the East Sea are affecting not only the interests of related countries in the region but also the US's benefits.

Second, there is the growing influence of the China's navy and China increasingly has provocative actions in the Ocean, which forced the U.S. to get involved in the issues of east Sea. The U.S. wants not only to ensure its benefits that come from the East Sea as stated above but also to use the US's involvement as a convenient tool to curb the rise of China in regional and on a global scale and to restore the US's influences and leading role in Southeast Asia (Thong, 2012). This engagement has created a balance in the region, helping Vietnam to have strategic leverage to protect its territorial claims in the east sea (Son, 2005)

Thus, Chinese aggression in the East Sea disputes has threatened American interests and role in Asia. That has contributed to push America and Southeast Asia countries, including Vietnam, closer together; creating incentives to increase the US-Vietnam military cooperation. Vietnam considers the US presence in the region as a hedge against the Chinese growing military strength. In addition, Vietnam's policy in handling East Sea disputes is multilateral negotiations backed by the US. Secretary of State Hilary Clinton urged multilateral negotiations to find solutions to the conflicts in the South East and showed that bilateral negotiations can bring chaos, even confrontational (Duan, 2012). In order to resolve the conflicts in multilateral negotiations, Vietnam needs to strength ties with other countries in which the US's role is extremely important to enlist the support from the international community to protect the Vietnam's interests. Enhancing the relations with the US and encouraging a sustained US presence in the region is an important strategy for Vietnam to balance the conflict with China, preserve its territorial and other benefits in East Sea. To do so, developing economic and trade relation with the US is an effective and favorable way.

2.2 Factors from the US

On the new strategy announcement about the US defense on 5 Feb 2012, the US President Obama announced that we would strengthen the presence in the Asia-Pacific region, as this is vital to the interests of the United States in the twenty-first century. At the end of

2011, in a speech "Pacific Century America's", former foreign Minister H. Clinton said that the next time the US needs to be smart and act in a systematic way to choose locations for investment of time and efforts to keep the upper hand, maintaining the US's leadership, security interests and strengthening American values. Therefore, the focus will be significantly increased investment in the Asia-Pacific region in all areas: diplomatic, economic, strategic and Southeast Asia will be a most important focus for American interests in the region (Son, 2012). Vietnam is located in Southeast Asia's gateway, on arterial roads from Northeast Asia to Southeast Asia and the Indian Ocean. Such important geopolitical position of Vietnam plays an important role in the global strategy of the US economy in Asia. To implement its Asia-Pacific rebalancing policy, the United States wants to enlist Vietnam's important geopolitical position Southeast Asia. In April 2010, deputy Secretary of State Robert D. Hormast delivered a speech saying that the U.S. was committed to strengthening its partnership with Vietnam, as this is the basis for the U.S. presence in the region as well as the US participating in the multilateral institutions of the Asia Pacific such as ASEAN and APEC (D. Hormast, 2010). Thus, the important geopolitical position of Vietnam in Southeast Asia and the aim of strengthening the American presence in the Pacific-Asia as reasons for the US to promote American ties with Vietnam in general and trade relations in particular.

Another reason for the US to develop economic and trade relations with Vietnam is the attractiveness of Vietnamese market. First, Vietnam is is a huge and potential market, with large population. When the two countries normalized relations in 1995, its population was 72 million (giadinh.net, 2007), by 2013, it is predicted to reach 90 million (Anh, 2012). In addition, the market attracts the US by young labor force, having easy access to global supply chains through seaports and stable political status (vietfinancial, 2013). Moreover, Vietnam has rich natural resources, especially the resources that Americans find scarce such as oil and gas. Secondly, besides the abundance of labor, Vietnamese economy has positive changes. Its GDP per capita was at only US \$140 in 1992; in 2012, it reached to nearly US \$ 1,600. Therefore, after 20 years of development, GDP per capita income in Vietnam has increased 11.43 times (Diep, 2012). Vietnam has achieved success in the process of economic reform, opening up a promising market for trade and economic cooperation for the US and the

political – diplomacy voices of Vietnam in ASEAN are increasingly important. The ASEAN countries generally appreciated Vietnam's role in the region (Khánh, 2010). Vietnam is becoming a "middle power" with commensurate influence in Southeast Asia (Manyin, 2013). This creates favorable opportunities for strengthening cooperation between Vietnam with the US and other key partners. Obviously, those attractive features of Vietnamese market promise to bring huge economic benefits to the US.

One of reasons for the US to develop economic trade relations with Vietnam is that the US wants to expand its market in Asia, looking for new markets in order to diversify trading partners and promote exports. Due to the fierce competition between the United States and the major competitors such as the EU, Japan, the trade exchanges of the US with those traditional markets becomes particularly difficult. Meanwhile, in emerging markets, the competitive situation seems much less stressful. The US can easily achieve victory in the race against the manufacturers of the host country due to its dominance in all areas and risks of confrontation against major rivals such as Japan, the EU also reduced, and opportunities for American goods in those markets open much more. (Chi, 2008). Therefore, diversification of trade partners is a major goal of US trade policy today. Asia, China, ASEAN countries are defined as potential markets. In addition, although the value of US exports is increasing, but the US still face trade deficit, especially in the trade relations with Japan and China. According to the US Economic Policy Institute, in 2011, the US trade deficit with China rose to a record of US \$ 295 billion. The serious trade deficit with China since 2001-2011 has made over 2.7 million Americans unemployed (Anh, 2012). Statistics from US department of commercial also pointed out that US trade in goods with Japan is always in deficit in last ten years. The value of US trade deficit in goods with in 2012 was over US \$76 billion (Census, 2013). Therefore, an additional objective of the US is to promote exports, gradually remove trade deficit situation with China, Japan, EU and other countries (Chi, 2008 p. 4). So that, the US wants to upgrade trade relations with Vietnam to diversify its trade partners and promote exports.

Another reason for the US to promote its trade ties with Vietnam is its goal of increasing American influence in Southeast Asia and restraining China's rising. America has

adjusted the focus of the US global strategy to Asia Pacific. Southeast Asia is the region with the globally strategic location and a central chain in the US' Asia-Pacific strategy. The core objective of the US global strategy is to prevent the occurrence of major countries with the ability to challenge or weaken the US's position of the sole superpower and set a new order in Southeast Asia. Meanwhile, China is much stronger militarily and even economically since the cold war. It is a direct threat to the new world order that America is setting up. Therefore, one of the most important tasks of American global strategy is to restraint China's rising and enhances its influence in Asia-Pacific. Vietnam is a country in Southeast Asia, bordering with China, and plays an increasing important role in ASEAN. It is an America's focus in developing good relations with non-allied countries in Southeast Asia. In the US view, Vietnam is an important force contributing to the security order emerging in Asia-Pacific. The US Deputy Secretary of State in charge of Economic, Energy and Cultural considered strengthening ties with Vietnam as a pillar of our presence in the region (the Pacific Ocean) and our participation in multilateral institutions in Asia-Pacific (Hung, 2010). The US considers its relations with Vietnam and ASEAN as a force that can counterbalance the growing influence of China in Southeast Asia. Therefore, it increasingly has more positive and proactive attitude in strengthening the relations with Vietnam in, including the economic field (Thuy, 2006).

2.3 Factors from international environment

To explain the development of US-Vietnamese economic trade relations, apart from Vietnam's factors, and the US's factors we can not ignore influences and impacts from the international environment. Among factors from international environments, China is an important factor, but it has been mentioned in both factors from the US and Vietnam with the meaning that both countries have common concern about the rise of China. On the US side, it wants to counter China's increasing regional influence, cooperating to ensure freedom of navigation in East Sea, and maintaining if not expanding US influence in Southeast Asia. On the Vietnam side, it seeks to counter Chinese ambitions in Southeast Asia, and preserve its territorial and other interest in the East Sea. A shared wariness of China has been the major

reason for the US and Vietnam to explore closer ties (Auslin, 2012), including economic and trade relations. Therefore, this section explains other main factors from international environment, excluding Chinese factors. They are TPP negotiations, globalization, and the dynamic development of Asia-Pacific regions.

Recent negotiations on Trans-Pacific Strategic Economic Partnership

The Trans-Pacific Strategic Economic Partnership Agreement - also known as the TPP, is a free trade agreement by multiple parties, was signed with the aim of establishing a common free trade space to the countries of Asia-Pacific. This agreement was signed on 3 June 2005, went into effect from 28 May 2006 between four countries: Singapore, Chile, New Zealand, Brunei (WTOcenter, 2010). By the end of 2012, there were 11 countries participating in the negotiations, including the US and Vietnam. TPP is considered as a high-quality agreement, aims to liberalize 100% of tariff lines. It is expected to be a comprehensive free trade framework in the twenty-first century, has a range covering the whole territory of the Asia-Pacific, bringing enormous benefits to countries in the region and plays an important role in the Asia rebalancing strategy of the Obama administration. Through involvement in TPP, the US wants to be involved in FTA network in the region, creating a counterweight to China, controlling the rise of China and reduce economic dependence of Asia-Pacific countries on China's economy. After formally participate in TPP, the U.S. has expressed desire Vietnam participate in TPP to increase trade and investment ties between the two countries. Vietnam has not FTA with the US, so if TPP is successful, it will play as an alternative to free trade agreements between the two countries and a good opportunity for Vietnam, a lower level market comparing with other parties, to approach higher level markets, including the US (Nga, 2013). Therefore, TPP negotiations are an important international factor for the US-Vietnam's trade relation. It certainly influences the trade relations of the two countries in both the present and future.

Besides the recent TPP negotiations, like other economies in the international economic system, the development of the US-Vietnam trade relations definitely affected by

the key trends of the world economy: Globalization, The dynamic development of Asia-Pacific,

Globalization:

Globalization is the process whereby the significance of national boundaries is eroded as international interconnections proliferate and intensify. Globalization has economic dimensions (for example, trade in commodities, international investment, and finance) and social and culture dimension. (Stilwell, 2012). Globalization is an objective trend, attracting more participating countries. This process took place strongly in the last two decades of the 21st century. This is an inevitable result of the development of modern productive forces, especially information technology. Globalization is a complex process that contains both positive and negative, the opportunities and challenges for the countries involved. Global capital, production, and distribute systems produce good opportunities for countries, including Vietnam and US to cooperate more easily and quickly.

The dynamic development of Asia-Pacific region

The Asia-Pacific region is becoming the most dynamic and important center of economic development in the world. The region in the past few decades is mentioned with the emergence of China, Japan and India that challenge superpower status of the United States and its enhancing position compared to other areas in the world. Economic links between the Asian countries develop strongly through the mechanisms like ASEAN +3, ASEAN +1, APEC, EAS, and the bilateral and multilateral free trade agreements (Cuong, 2010). The region now accounts for nearly half of global trade turnover and 60% of total US export value (Khanh, 2012). According to an the United Nations' survey on the economic-society situation of Asia-Pacific, it forecasted that the economic growth rate in the region continue to achieve higher levels than all other areas of the world, put the region become stable anchor and new driving force of the global economy. In 2012, although the rate of economic growth of the Asia-Pacific region decreased, lower than the 7% gained in 2011, but is still the desirable rate for other regions around the world. The robust rising of many economies in the region, typically the rise of China - the second economic power in the world which likely to overtake

the US to win the top spot in the global economy by 2030, have made the US awakened and must look Asian - Pacific region through a different view. The US stated and executed rebalancing policy to strengthen attention to Asia-Pacific. Its argument is that the US is a Pacific power, having rights that cannot be separated from economic, security and politics orders of Asia. Therefore, the success of the US in 21st century associated with the success of Asia (Hanh, 2012). The United States attaches great importance to the Asia-Pacific region not only because a part of its territory belongs to the region but also primarily because the area itself has attractiveness and trends, which cannot be ignored. Harvard University professor Joseph Nye, former Assistant Secretary of Defense said: "Since 1750, Asia accounted for three fifths of the world population and three fifths of global GDP. By 2050, the continent will return to its former status 300 years ago". The Director of Southeast Asia Program at the Center for Strategic International Studies (CSIS), Ernest Bower, believed that if the US wants to get out of the recession or sluggish situation, it needs deeper engagement in Asia. Moreover, an Asian peace and stability (with 4 billion people live in 48 countries) is located in the US interests, both security and non-traditional traditional, economic security and maritime security. The East Sea and the Strait of Malacca in the region are considered as two of the most important shipping lanes in the world. Perspectives on the formation of the ASEAN Economic Community by 2015 and TPP negotiations also are attractiveness of the region (Hung, 2011). That dynamic development of the region along with the US' Asia rebalancing strategy create favorable conditions and promotions to develop Vietnam-US trade relations.

Thus, from the above factors, after the normalization of relations in 1995, the development of the US-Vietnamese economic trade relations is derived from the common desire of the two countries, bring benefits for the both sides, and in accordance with key trends of economic development that are crucial in international relations. Although between Vietnam and the United States, there are still differences, but common interests gained from the development of bilateral trade relations of the two countries are much greater. That explains the reasons why the trade relations between the two countries have been increasing since the two countries normalized diplomatic relations. In the next chapter, I will explain in details how increased these relations have been since 1995.

CHAPTER II – RAPID DEVELOPMENT OF THE US-VIETNAMESE ECONOMIC TRADE RELATIONS SINCE 1995

After the diplomatic normalization in 1995, economic collaboration between the two countries has been increasing and improving significantly. This was especially the case after the BTA came into effect in 2001; the economic relationship has had positive change and marked a new era for commercial and trade relations (Manh, 2010 p. 14). The economic relation is the most developed one among the two countries' relations with the highest impact on the development and integration of Vietnam into the global economy (Son, 2004 p. 3). In order to illustrate this rapid change in the economic-trade relations between the two countries, we will first look at the situation of the Vietnam economy and the economic relationship between Vietnam and the US before diplomatic normalization in 1995, and then we will study the rapid development of economic and trade relations since 1995.

1. Vietnam's economic situation and the Vietnam-US economic relationship before the diplomatic normalization 1995

Since 1986, Vietnam tried to find ways to reform its economic policies from an extremely difficult economic situation in both the domestically and international. Three years after that, Vietnam applied strong reforms to move away from a centrally planned economy to

a market economy. From 1989 to 1991, the political relationships with traditional allies of Vietnam had been disturbed. The Eastern European countries abandoned their communist regimes after 1989, the Soviet Union disintegrated in 1991, and the Cold War ended. Vietnam no longer received aid from the old Soviet Bloc. The world entered the emerging period of market economies and integrated economies. The bold decision to move from a centrally planned and subsidized economy to market economy and to withdraw its army from Cambodia helped Vietnam to move away from political and diplomatic isolation and stand tall in the difficult time (Hung, 2010 p. 8).

During the period of 1989-93, Vietnam's economic performance demonstrated how quickly things were changing. Vietnam's economy grew at an average rate of 7%, and by over 8% in 1994 - one of the world's highest economic growth rates. Exports increased during that period by almost 30% per year. Inflation fell from almost 400% in 1988 to about 10% in 1994 (Spero, 1995). Only 25% of the industrial economy was in state hands and the country was the world's third largest rice exporter after the USA and Thailand (Anonymous, 1994). Since 1992, foreign investors have increasingly turned to Vietnam to take advantage of this economic growth and Vietnam's hardworking and well-educated labor force. Foreign investment approvals by the Vietnamese Government climbed from \$600 million in 1990 to \$3.8 billion in 1994. While actual investments were lower than the amount of approvals, there was clearly increasing interest in Vietnam by a variety of firms seeking to develop the domestic market or to manufacture for export. This economic dynamism has its roots in the government's decision, in the late 1980s, to abandon the central planning system. That decision was followed by a series of policy reforms that put into place the basic building block of a market economy. Vietnam decollectivized its agricultural sector, removed price controls on agricultural goods, and enabled farmers to sell their goods in the marketplace, liberalized prices, unified its exchange rates, and devalued its currency. It reduced the government's fiscal deficit, largely by restricting credit for state-owned enterprises (Division, 2005). However, Vietnam was still a very poor country, with about half its population living below the international poverty line and agricultural was still main sector. In 1993, its per capita GDP stood at just over \$200, less than half of China's and only a fraction of its ASEAN neighbors

Thailand and Malaysia. (Spero, 1995), even though less than Haiti's. Its 70 million populations were desperately poor. (Anonymous, 1994).

Besides economic policy reforms, Vietnam had also taken decisive measures to make the economy more outward-oriented, opened up in foreign economic relations. The open-door policy in trade relations with the world and regional markets has been created through trade liberalization and export promotion by abolishing most import and export quotas, reducing or exempting taxes, and encouraging the import of raw materials and other inputs of productions as well as basic necessities. Citizens are also exhorted to make remittances of earnings from abroad. The government has allowed large economic units to negotiate directly with their trade partners in the international economy (Anh, 1994). These measures have significantly contributed to a greater level of production than what can be absorbed by the domestic market.

This radical shift in the direction of Vietnam's trade was confirmed by the increasing domination of Asian market in Vietnam's trade. In 1992, 79.4% of Vietnam's exports went to Asian countries, and 77.5 % of Vietnam imports came from these areas. Vietnam looked forward to extending its trade relations with the former Soviet Union and East European countries, because they were familiar markets for a substantial part of Vietnam's exports. Along with the diversification and expansion of foreign trade relations, reform in law of foreign investment was seen to be important and relative attractive for foreigners, but this is discounted by the existing trade and investment embargo imposed by the US on Vietnam and the low standard of Vietnam's infrastructural facilities, the lack of proper legal documentation, and the bureaucracy (Anh, 1994).

The major shift in the foreign policy of Vietnam at this stage of regional integration and opening up to attract investment from the West has created opportunities for US-Vietnamese economic cooperation. In 1991, the US granted Vietnam a roadmap for normalizing diplomatic relations, they also gave Vietnam an outline of bilateral trade agreement. However, the negotiation process of the agreement has started just only after two countries normalized relations. After that, the US has taken a number of measures to create favorable conditions for the normalization of economic relations between the two countries. In

1993, the US did not veto the international financial institutions like WB, IMF to give loans to Vietnam. In 1994, the U.S. lifted the embargo against Vietnam (Hung, 2010). According to data from the US's Customs, in 1993, Vietnam had not exported anything to the US, and only imported about US \$7 million worth of goods. Then, the US President Clinton decided to end the trade embargo with Vietnam on 2 March 1994, goods from Vietnam began to reach the American market. Right in the first year, the value of Vietnam's export to the US reached US \$ 50.5 million (Thuy, 2006). In terms of investment, in 1993, the US had only 7 investment projects in Vietnam with registered capital of US \$ 3.3 million. In the first year of removing the embargo, the number raised to 12 projects with the total registered capitals of US \$120 million (Son, 2009 p. 6).

In fact, since the lifting of the embargo, US-Vietnamese economic trade ties have expanded quickly as US firms have rushed to catch up with their Asian and European rivals. For its part, Vietnam has gained much from the expanded economic relations with the US, including access to American goods and financial markets, excellent products, world-class managerial skills, and technology. (Spero, 1995). The US' removing the embargo against Vietnam has created important conditions for Vietnam's development, so the two countries can advance to normalize the bilateral economic relations and others (Son, 2005 p. 3). The year 1995 is regarded as the first milestone in US-Vietnamese trade relations when the two governments decided to resume diplomatic relations with each other (Minh, 2010 p. 30). Together the two countries to put aside the past and open a new chapter in the history of the two countries. The next part of this chapter will present in detail about the development of US-Vietnam's economic trade relations since 1995.

2. The rapid and continuous development of the US-Vietnamese economic trade relations since 1995

To describe US-Vietnamese rapid and non-stop economic trade development, this section will be presented based on three main dimensions. The first one is the development based on important milestones in the trade ties between the two countries. The next is the

relationship between the two countries through multilateral institutions. The last dimension includes outstanding accomplishments after the normalization of diplomatic relations.

2.1 Important milestones in the economic and trade relations between Vietnam and the US since the normalization of diplomatic relations

As previously mentioned, in 1995, the two governments decided to resume diplomatic relations, which can be regarded as the first milestone in the Vietnamese-American trade relations. Shortly thereafter, in 1996, the two countries had exchanged documentation for the principle of economic re-normalization, trade and development negotiations for the bilateral trade agreements. In 1997, the loans from the two previous governments had been settled; both countries signed the agreement on copyright (Minh, 2010 p. 30). With great efforts of Vietnam, President Clinton made announcement to revoke the application of *Jackson-Vanik*¹ Amendment to Vietnam in March 1998. During the period from 1998 to 2006 when Vietnam received Permanent Normal Trade Relations (PNTR)², the US President made the decision to exempt Vietnam from Jackson-Vanik Law every year. This was really a major breakthrough, paving the way for trading and economic cooperation between the two countries (Nguyen, et al. p. 7). Then, US signed the Overseas Private Investment Cooperation (OPIC) agreement that related to US private investment abroad. It allowed American overseas private investment cooperation to operate in Vietnam. In 1999, the Guaranteed Framework Agreement and an agreement which encouraged projects of Vietnam State Bank and Export-Import Bank were

¹ a law prohibiting enforcement of regulations on permanent normal trade relations to communist countries or economies commanders if they restrict freedom of emigration and human rights. however, the president can decide to waive this prohibition if he thinks that country has made progress in the areas mentioned above or if it suits U.S. interests.

² PNTR (permanent normal trade relations) is a legal designation in the United States for free trade with a foreign nation. In the U.S. the name was changed from most favored nation (MFN) to PNTR in 1998. PNTR is the unconditional trade incentives that most countries have trade relations with the United States are enjoying. US regulation of trade preferences has two types: (1) PNTR or unconditional trade preferences granted permanently once for a country, then that country can enjoy the preferential tariff and the trade relations with the United States. In exchange for the US preferential treatment for their exports, countries that are members of the WTO, must satisfy the conditions of PNTR and enjoy this regulation in long term, (2) conditional trade references or conditional normal trade relations, this commercial incentives shall be entitled to received countries each year (Nguyen, et al.)

signed (Minh, 2010 p. 30). In addition, the US and Vietnam have signed other agreements on the implementation of banking, science and technology, textiles, airlines, economic and technical, and agricultural sectors (Son, 2010 p. 3).

After three years of negotiations in September 1999, Vietnam and the United States were prepared to sign a bilateral trade agreement when Prime Minister Phan Van Khai met President Clinton on the sidelines of the APEC summit in Auckland, New Zealand. However, due to the hesitation of Vietnam, the signing was postponed. In that year, while Vietnam did not sign bilateral trade agreements with the US, China did sign the bilateral trade agreement with the US, and 2 years after China joined the WTO (Hung, 2010 p. 9)

On 13 July 2000, in Washington, the George W. Bush administration and Vietnamese Government signed the US-Vietnam bilateral trade agreement (BTA). On 12 October 2001, the Vietnamese Minister of Trade and Commerce, Vu Khoan, and the American Trade Representative, Robert B. Zoellick, exchanged ratification of the trade agreement between the two governments and the BTA officially took effect (Son, 2005 p. 3).

When the BTA come into effect, the US immediately implemented all the commitments made in the agreement (except certain exemptions in the Agreement); Vietnam has different timelines to carry out the commitment due to its 'developing economy' status. (Son, 2004 p. 5). This agreement provides an important legal basis for economic cooperation, trade, and investment between the two countries, as well as being the milestone to open tremendous opportunities for businesses from both states. It relates to the broad field of trade, labor services, investment, intellectual property rights, and promotes strong economic ties of the two sides. Additionally, signing the BTA with the US placed Vietnam's status in the US market on par with its neighboring countries in Southeast Asia, and was a foundation for Vietnam to join the WTO six years later (Thuy, 2006 p. 6). This BTA is the most important step toward diplomatic normalization since 1995. Under the BTA, the US extended conditional normal trade relations (NTR) to Vietnam, a move that significantly reduced US tariffs on most imports from Vietnam. In return, Hanoi agreed to undertake a wide range of market-liberalization measures, including extending NTR treatment to US exports, reducing

tariffs on goods, easing barriers to US services, (such as banking and telecommunications), committing to protect certain intellectual property rights, and providing additional inducements and protections for foreign direct investment. (Manyin, 2006 p. 4)

In November 2006, President George W. Bush visited Vietnam to attend APEC submit. Before he left for Vietnam, he removed Vietnam from the list of countries of particular concern in terms of religious freedom (Hung, 2010). After this visit, on December 29, 2006, Bush decided to sign the bill into law, extending permanent NTR (PNTR) to Vietnam. This was the last step to full normalization of economic relations between the two countries (Nguyen, et al. p. 8). This was not just a key to unlock the door for Vietnam joining WTO, but also the US's real willingness to move beyond the past and open up a new page for the economic connection between the two countries (Ninh, 2006 p. 61)

For Vietnam to join the WTO, it is like metaphorically swimming to the big sea with many challenges and opportunities for global economic integration and access to other markets in the world. In order to join the WTO, Vietnam needs to meet the bilateral negotiations with WTO members, including the most important negotiation with the US. The decisive role of the US in Vietnam's WTO accession along with the success of the BTA between the two countries have made the US to actively support Vietnam's efforts to join the WTO (Thuy, 2006 p. 9). On 31 May 2006, the two countries signed an agreement, formally end bilateral negotiations on Vietnam entry to the WTO (Son, 2009 p. 5). On 19 December 2006, the General Director of the WTO, Pascal Lamy, had sent a diplomatic note to the Vietnamese Permanent Mission in Geneva, announcing that the Protocol of Vietnam's WTO joining was effective from 11 January 2007. Thus, since January 2007 the Socialist Republic of Vietnam becomes a WTO member (TTXVN, 2006)

On 21 June 2007, the US and Vietnam signed a framework agreement on trade and investment (TIFA). According to TIFA, the two sides would establish a bilateral council with the ministerial level leadership, in order to have greater powers in the hand to negotiate major orientations and policies, new collaborative initiatives to promote bilateral relations as well as discuss about measures to solve the problems in the economic-trade cooperation between the

two sides, including difficulties, recommendations of the two businesses. This agreement was considered as a landmark in US-Vietnamese bilateral cooperation, and the next step of Vietnam-US BTA signed in 2000 (vnn.vn, 2007). With TIFA, both sides could improve the investment environment more than trade environment. However, when the US investors committed to promote to invest in Vietnam on a large scale, this can create a breakthrough in trade between the two countries (Minh, 2010 p. 31)

Vietnam has applied for the U.S. Generalized System of Preferences (GSP) after becoming a member of WTO. However, the US government has not yet approved for Vietnam over the GSP regulation. If GSP is granted, Vietnamese goods will be entitled to incentives to increase export volumes, diversify the types of goods to the US market. In addition, Vietnam will enjoy significant tariff reduction, which can be reduced from 50% to 0%. (Son, 2010 p. 16). With tax incentives, Vietnamese goods would compete better with other exporting countries in the US market. Therefore, in the future, BIT, GSP, FTA ... are important objectives that Vietnam should proceed to complete the bilateral economic cooperation between the two countries.

Obviously, since the diplomatic normalization, the signing of the BTA, PNTR, WTO TIFA, and so on, are the great development steps of US-Vietnamese economic and trade relations, it shows that the legal frameworks for the economic relations of the two sides have been more concisely defined. However, the economic trade relations between the two countries not only reflected in those milestones, but also through multilateral institutions; the next section will present the development of US-Vietnam trade relations through multilateral institutions.

2.2 The development of economic trade relations through multilateral institutions

Regional and international economic institutions like ASEAN, APEC, EAS, TPP, WTO etc., constantly influence the US-Vietnamese economic relations. Those international multilateral institutions are also one of the factors that enhance the economic relationship between the two countries, especially when all these institutions are closely linked to the

United States (Manh, 2010). Therefore, besides state-to-state trade relations, the participation of the two countries in international institutions reflects the development of the economic and trade relations between Vietnam and United States.

Trans-Pacific Strategic Economic Partnership - TPP

On 13 November 2010, during the APEC Summit held in Japan, Vietnamese President Nguyen Minh Triet officially announced Vietnam's decision to join the TPP negotiations as an official member of the negotiation (WTOcenter). The TPP is a potential free trade agreement with the aim of integrating the economies in the Asia-Pacific region, in which the United States is the major partner. However, in reality, the TPP also could be seen as a political tool of the United States in dealing with international issues, helping the US regain its declining prestige and position in the great volatile economy and politics. The initial agreement was signed by Brunei, Chile, New Zealand and Singapore on 3 June 2005 and enforced on 28 May 2006. This is a comprehensive agreement covering all major aspects of a free trade agreement, including trade in commodities, rules of origin, intervention, technical barriers, exchanges of services, intellectual property issues, and policies of the government. TPP has high objectives and standards, towards 100% liberalization of tariffs and is expected to become a comprehensive free trade framework of the 21st century, cover the whole Asia-Pacific territory, bring huge benefits to all countries in the region and play an important role in the strategy to return to Asia of the Obama's administration (Nga, 2013 p. 3). As of July 2013, TPP has undergone eighteen rounds of negotiation among its twelve members including New Zealand, Brunei, Chile, Singapore, Australia, Peru, United States, Malaysia, Vietnam, Canada, Mexico and a new member Japan. From this round, Japan has officially become the 12th member participate in TPP negotiations (TTXVN, 2013).

For the United States, the rapidly forming multilateralism in the world political system and the stiff competition from the big countries, especially China, challenge American power in the Asia-Pacific as well as its rebalancing strategy in Asia Pacific, and push the US into a passive situation in enforcing its policies in the Asia - Pacific region. Therefore, the participation of United States in the TPP, an organization that does not include China, is

necessary to enhance its role and manage China's influence in the region. Exploiting Asia's growth and dynamism is the focus of the US' economic and strategic interests, and is a key priority of President Obama. Therefore, Asia is the decisive factor for the future of US. The US considers the TPP as a part of its rebalancing strategy in Asia not only economically but also politically and strategically (Tuan, 2012 p. 7).

On the Vietnamese side, after officially joining the TPP, the United States has invited Vietnam to participate in TPP negotiations. This is explained by political reasons, but the economic role of the Vietnam with the US is a significant reason for the US to invite Vietnam joining TPP. The participation Vietnam in the TPP would certainly have a strong impact and strengthen trade relations Vietnam and U.S. Besides the huge challenges in adhering to the high quality standards, the TPP opens up new opportunities in approaching the American market as well as other developed economies for Vietnam's economy, which has very lower level of development than all other TPP members (Nga, 2013 p. 12). Vietnam's participation in TPP is not only an opportunity but also challenge for Vietnam to speed up its economic reforms for sustainable integration with other TPP members that have market-oriented economies, learning their experience, taking advantage of universal preferential tariff regulations, strengthening cooperation with the US, and enjoying other benefits that this participation brings about (Hung, 2010 p. 11). The TPP would be a natural step towards strengthening the dynamic economic relations between Vietnam and US (Son, 2010).

World Trade Organization - WTO

On 11 January 2007, Vietnam became the 150th member of the WTO, benchmarking the full integration of the country into the global economy (Danh, 2006). When joining this global trade organization, besides the challenges, Vietnam will be presented with very important opportunities. After Vietnam joined the WTO, US lifted quotas on textiles for Vietnam, but created anti-dumping surveillance program through the Anti-Subsidy Act on Vietnam's textile industry. However, overall the textile trade is much better than the time before Vietnam joining the WTO. Prior to joining the WTO, due to the US regulated export quotas for Vietnamese textiles, so the growth rate of the textile exports from Vietnam to the

US was modest at only 5% to 10%. However, in 2007 the total textile export turnover increased 30%. Total export turnover of other merchandises also increased about 25%. Obviously, by integrating into the WTO, Vietnam has improved its trade relations with the US (Minh, 2010 p. 30).

ASEAN, APEC, and EAS

The Association of Southeast Asian Nations (ASEAN), established in 1967, is an interregional organization based on regional connectivity in both economic and political aspects, actively supported by and has a close relationship with the United States (Thu, 2012 p. 56). After the visit of Thailand Prime minister Chatchai Choonhawan in 1989, who planned to turn Indochina from a battlefield into a market and after the Paris Treaty was signed, as well as, the ending of Cambodia war, the relations between Vietnam and the ASEAN countries moved from confrontation to co-operation and friendship (Hung, 2010). Vietnam officially joined ASEAN in 1995 (Vietnamhistory). Along with the success of the reforms and foreign policy, Vietnam increasingly demonstrated its position and prestige in the region and the world, especially in ASEAN and the East Asia (Vnexpress, 2013). In 2011, total trade turnover between the US and ASEAN reached US \$198.8 billion which defined the US as the fourth largest trading partner of ASEAN, and in the same period, the US is the third largest investor in ASEAN with a total investment of over US \$5.8 billion (VietTu, 2013). At the 26th ASEAN-American dialogue in May 2013, the representative of the administration of President Obama insisted the continuation of the US policy to mount with the Asia-Pacific in general and ASEAN in particular, considering ASEAN as a main pillar of US policy in the region, and supports the central role of ASEAN in the regional structure (TTXVN, 2013). Thus, ASEAN is an important channel in the development of US-Vietnam relations in general and the economic trade relations in particular.

The Asia-Pacific Economic Cooperation Forum (APEC) was established in 1989. APEC is not a highly binding organization such as the WTO and ASEAN, but it is a well-organized forum for co-operation and economic dialogue in the Asia-Pacific. The principles of APEC's activities are consensus, voluntary and noncompulsory. Vietnam and the US are two

of the 21 members of APEC (Labour, 2006). Since officially joining APEC in 1998, Vietnam has had the opportunities, through the forum, to develop deeper economic ties with key partners in APEC, especially the United States (VOA, 2011). In the US multilateralist perspective, the United States has participated and will participate fully in the multilateral institutions in the region, such as ASEAN and APEC, and the notable thing is that American involvement in those regional institutions can only supplement its available bilateral relations, not replace the US' bilateral relations in the region (Son, 2012 p. 25). Therefore, Vietnam-US relations through those international economic institutions will further strengthen their bilateral relations, especially economic trade relations of the two sides.

The East Asia Summit (EAS) was launched in 2005 in Kuala Lumpur at the initiative of ASEAN (Thetimeofindia, 2006). To date, the EAS brings together the ten ASEAN members and eight dialogue partners, including China, Korea, Japan, India, Australia, New Zealand, Russia, and the US. Russia and the United States participated in EAS for the first time after ASEAN leaders agreed to expand the EAS in Hanoi in 2011 (PhanAnh, 2011). In EAS, ASEAN plays a leading role and is the core for harmonizing and intertwining benefits and needs in the region, creating a favorable environment to promote cooperation for peace, stability and development in the region (NgocSon, 2010)

Although US is not an East Asian country, it remains as a key factor in the political environment of East Asia, and is necessary for the process of building an East Asian community - the ultimate goal of regional EAS. Many countries in the region have welcomed American participation in the EAS, which is considered as an important counterweight against Chinese expansion, especially in the current maritime disputes (NguyenViet, 2011).

The US considers APEC as a leading regional economic institution in the Asia-Pacific region. While APEC meetings are a place to discuss economic and trade issues, EAS is a forum for dialogue on economic and political issues, macroeconomic strategy based on common interests and mutual benefits of all parties involved. The participation in EAS reflects changes in the US' policies. During the last period, the US considered multilateralism in Asia to be harmful to American benefits and threatening its "hub and spokes" alliance system in

which the US serving as the hub of a wheel and each of its five bilateral alliances (Australia, Japan, South Korea, the Philippines, and Thailand) serving as the spokes (Shambaugh, 2006). Currently, it looks like Obama is placing institutions in Asia-Pacific as the center of US foreign policy in the region. Former US Secretary of State Clinton said that multilateral cooperation is important because of the complex transnational challenges that Asia is facing will only be resolved through the establishment of institutions which have capable of unifying joint actions (Huong, 2012). The joining EAS of the US has important implications for prospect of cooperation, as well as, for shaping the multilateral structure of Asia-Pacific region in the future. It shows that the US appreciates ASEAN, using ASEAN as a fulcrum for its Asia rebalancing strategy. The US former Secretary Clinton declared that ASEAN would be a part of the foundation for America's return to Asia strategy (Huong, 2012). Obviously, the Vietnam- US trade relations are developed and strengthened further through the ASEAN and EAS.

From the above analysis, it can be seen clearly that Vietnam has the advantage of being a member of the multilateral institutions such as ASEAN, APEC, WTO, EAS and the TPP. Through these institutions, US-Vietnamese economic trade relations have also been developed and increased. The final section of this chapter will present the most important factor demonstrating the rapid development of economic trade relations between the two countries since 1995 that is the outstanding achievement in this area of the two sides.

2.3 Outstanding achievement in US-Vietnamese economic trade relations since 1995

In order to describe the rapid growth and outstanding achievement in economic-trade relations between the two countries in a systematic and recognizable way, this chapter will be presented in two parts: Export and import operations; and Investment activities. As discussed above, among the significant milestones of Vietnamese-US trade relations since 1995, signing the BTA and Vietnam's joining the WTO are the most important ones. Therefore, the export and import operations will be presented in three phases: from the normalization of relations 1995 - 2000; From the BTA came into effect 2001 - 2006; Vietnam joining WTO 2007 - present.

Export and import operations

From the diplomatic normalization in 1995-2000

Before the US' removal of the embargo against Vietnam, two-way trade turnover between the two countries was very low, according to data from the US Department of commerce, in the years of 1992-3. Vietnam imported US \$4.6 and 7.0 million worth of goods from the U.S. and did not export any goods to the US (Son, 2004 p. 5). In 1994, the first year after the embargo ended, the bilateral trade reached US \$223 million, an increase of 31 times compared with 1993. In 1995, it rose to US \$452 million, up more than 2 times in 1994. It can be said that this was fastest growth in trade relations between Vietnam and foreign countries (Minh, 2010 p. 32). In 1994, Vietnam exported US \$50.6 million, imported \$172.7 million (US \$122.1 million deficit), but in 1995 Vietnam promoted greater exports, the trade deficit fell to \$53.6 million, with the value of exports and imports were US \$ 198.9 million and US \$ 252.5 million (Son, 2004 p. 5). The US became the eighth largest in the countries and territories importing Vietnamese goods (Nhungs, 2005). In 1996, Vietnam's trade deficit grew to US \$ 284.6 million. This was because the United States had not applied MFN³ status to Vietnam, and Vietnam was not entitled to the US preferential tariff treatment. Vietnamese goods were very difficult to compete with goods from other countries that have MFN on the American market. Meanwhile, American goods to Vietnam were granted the equality and par tariff as the other countries. However, since 1997, Vietnam has maintained trade surplus to the US market (Son, 2004 p. 5) . To the year 2000, the US ranked sixth among countries and regions importing goods from Vietnam. (Nhungs, 2005).

³ Since 1998, the U.S. Congress has changed the way called Most Favoured Nations (MFN) into normal trade relations (NTR). (Son, 2005 p. 9)

Table 1: Structure of Vietnam's exports to the US and US exports to Vietnam: 1996-2000.⁴

(US \$ thousand)

	1996	1997	1998	1999	2000
Vietnam's exports to the U.S.	319.037	388.189	553.408	608.953	821.658
The preliminarily processed products (coffee, oil, fish and seafood, vegetables and fruits, rubber ...)	247.042	251.736	390.457	399.352	592.733
The manufactured products (garment, footwear, mineral non-steel products, fabricated steel products, home appliances, and goods for tourism.)	71.995	136.453	162.951	209.601	228.925
The US's exports to Vietnam	616.047	277.787	247.217	290.659	367.715
The preliminarily processed products (food, textile yarns...)	43.386	49.617	27.461	40.321	68.477
The manufactured goods (transport equipment, fertilizers, footwear parts, machinery, scientific equipment, paper products...)	572.661	228.170	246.756	250.338	299.238
Trade balance	297.010	-110.402	-306.191	-318.294	-453.943

(Source from www.usitc.gov, cited in (Son, 2004))

On the US side, US-Vietnam trade was extremely low, US exports have hovered in the \$200-300 million range, a figure roughly equivalent to three days' worth of exports to Japan, and roughly one-fifth the amount the US exported to South Vietnam in 1970. With regards to Vietnam, in this period, Vietnam's economy was also staggered during the 1997-99 Asian financial crisis, which originated in nearby Thailand (Manyin, 2001 pp. 5-7). However, if compared with the figure of years before removing the embargo and the diplomatic normalization, Vietnamese-American trade relations have been constantly changing. In particular, the balance of trade was in favor of Vietnam. The growth rate of trade increased very quickly after the two countries normalized diplomatic relations.

⁴ Data sources from the site of the International Trade Commission United States (www.usitc.gov) was quoted in a Vietnam-US's economic relations and the economic development of Vietnam" of Nguyen Thiet Son in the journal of American studies No 6/2004

The period since the BTA came into effect 2001 – 2006

The most important step toward normalization since 1995 was the signing of a sweeping BTA that was approved by the US Congress and signed by President Bush in 2001. Under the BTA, the US extended conditional NTR to Vietnam, a move that significantly reduced US tariffs on most imports from Vietnam (Manyin, 2006 p. 4). Then, in December 2006, President Bush decided to sign the bill into law, extending PNTR to Vietnam. This was the last step to full economic normalization between the two countries. (Nguyen, et al. p. 8).

After the BTA came into effect on 12 October 2001, the US-Vietnamese economic trade relations have taken steps of strong development. As Vietnamese goods are no longer discriminated against in the US market, it quickly promoted bilateral trade relations, making the US the leading export market of Vietnam. This contributed significantly to export revenues for Vietnam and fostered Vietnamese economic development. In the first 4 years of BTA implementation, trade exchanges between the two countries has increased from US \$1.5 billion in 2001 to US \$5.8 billion in 2003, and US \$6.4 billion in 2004 - an increase of more than 4 times compared to the figure of 2001, bringing benefits to both countries (Census). For this period, Vietnam's export categories to the US mainly included textile, footwear, processed products such as seafood, vegetables, fruit, coffee, crude rubber, petroleum products, fabricated steel products, electrical equipment, household appliances, goods for tourism of which, textiles and seafood were two major items accounted for the largest share in the total value of Vietnam's exports to the US (Thuy, 2006).

In 2003 and 2004, Vietnam provided about 3.5% of total US clothing imports (up from 1.4% in 2002 and 0.1% in 2001, before the BTA went into effect) (Manyin, 2006 p. 6). Vietnamese goods, especially textile products, during this time suffered great pressure on quotas and being treated unfairly because Vietnam was not a member of the WTO, while other competitors, especially China were allowed to export unrestrictedly to the US market. However, with good quality and timely delivery, Vietnamese textiles have been assessed as the second choice after China by the US textile importing Association when the US looking for supplies of goods from Asia (Thuy, 2006 p. 7).

For the US, the main exporting products to Vietnam included pre-processed products like food, textile fibers, and fabricated products such as fertilizers, plastic and paper products, machinery, transport equipment and scientific instruments. At 2006, Vietnam became the 40th largest trading partner of the US. If only exports, Vietnam was the 35th largest exporter to the United States (Thuy, 2006 p. 6). Vietnam's exports to the US continued to increase at a very high speed and the US became the leading importer of Vietnamese goods. From the sixth position in 2000, the US took 3rd place in 2001, to 2003, the US ranked the first in importing Vietnamese goods (Nhunh, 2005). Within 5 years before the BTA, Vietnam's total export value to the US was US \$ 3.4 billion, and the total value of US imports to Vietnam was US \$ 1.6 billion. After the BTA, within only 2 years of 2002-3, Vietnam's export value to the US was nearly US \$ 7.0 billion, and the import value from the US was nearly US \$ 2.0 billion. That was the level which Vietnam's exports has unmatched with any other country before. If compared the relative growth rate of Vietnam's imports and exports, we can see that the trade relations developed very quickly. The average level of annual exports in two years of 2002-3 was more than 5 times higher than that of the five years previous the BTA, and the average level of annual imports was about 3 times higher than that of five years before the BTA (Son, 2005 p. 6).

In the time before the BTA, Vietnam mainly exported preliminarily processed goods and imported manufacturing industry goods. Some main reasons explained that situation were: the first is Vietnam's level of development was still low. The second is that its manufactured goods were not significantly competitive, because at that time, there was no MFN for Vietnamese goods and tariffs were very high. Finally, Vietnam needed to boost its exports, so it should have imported US manufactured products and raw materials. However, after the BTA, the proportional value of Vietnam's exports with the US had some certain changes. Vietnam has been exporting more manufactured goods; most of them were textiles and footwear. In 2003, the export value of manufactured goods was almost 3 times higher than that of preliminarily processed products (Son, 2004 p. 6). Vietnam's trade exchange with the United States has dramatically changed since the BTA. The speed and scale of growth has exceeded expectations from economic experts who thought that with its low level of

development, Vietnam could not quickly expand its scale of production for export. Thus, if Vietnam's exports to the US increase, it will have to reduce exports to other markets. However in fact, after the BTA, Vietnam has increased exports to both US market and others (Son, 2005 p. 6). The annual export growth to the US reached 49.55% on average for period 2001-2007. Exports to the US increased significantly in 2002 – 2003, 2006 - 2007 as a result of the BTA implementation and the entry to WTO. From a relatively small market for exporting, the US became the largest exporting partner of Vietnam with a market share of approximately 20% of Vietnam's total exports (Minh, 2010 p. 32).

Table 2: US trade in goods with Vietnam from 2001-2006

(Million US \$)

Year	2001	2002	2003	2004	2005	2006
Exports to US	1,053.2	2,394.8	4,554.8	5,275.3	6,631.2	8,566.7
<i>Increasing compared to last year</i>	28%	127%	90%	16%	20%	29%
Imports to Vietnam	460.4	580.0	1,323.8	1,105.5	1,193.2	1,100.3
<i>Increasing compared to last year</i>	25%	26%	128%	12%	2.5%	-7.8%
Two-way trade turnover	1,513.6	2,974.8	5,878.6	6,380.8	7,824.4	9,667.0
<i>Increasing compared to last year</i>	27%	96%	98%	9%	21%	24%
Balance	-592.8	-1,814.8	-3,231.1	-4,169.8	-5,438.0	-7,466.4

(Source: <http://www.census.gov/foreign-trade/balance/c5520.html>)

The data in the above table shows that Vietnamese-US trade relations during this period developed rapidly. The BTA created strong motivations for Vietnam to increase its exports to the US rather than for the US to boost exports to Vietnam. In 2002, the first year after the BTA came into effect, Vietnam's export turnover to the US increased 127% compared to 2001. In 2006, it increased more than 8 times compared to that of 2001. Meanwhile, the US' export value to Vietnam increased continuously, but the growth rate was less than that of Vietnam. The trade surplus between the two countries increased from around

US \$600 million to nearly \$7,500 million in 5 years. Two-way trade turnover from US \$1.5 billion in 2001 increased to US \$9.6 billion in 2006, a more than 6 times increase.

Period from Vietnam joining of the WTO, 2007 – present

In previous part, we known that after the BTA signed in 2001, the US granted MFN status for Vietnam in 2006. Therefore, trade exchanges between the two countries have been rapidly promoted. Vietnamese goods entered the US market with a very impressive scale. However, the BTA also has certain limitations. Vietnam joining the WTO in 2007 has created a premise for the trade relations between the two countries toward full normalization. In addition, in the same year, the two countries signed TIFA (Son, 2010 p. 31). These important events were strong pokes to promote trade relations between the two countries in this period.

According to statistics from the United States International Trade Commission (USITC), in 2008 Vietnam become the 38th largest trading partner of the US. If exports were calculated separately, Vietnam was the 32nd largest exporter to the US (Nguyen, 2009). Two-way turnover between the two countries reached more than \$15 billion this year, making the U.S. became the largest importer of Vietnamese goods (Manh, 2010 p. 16).

According to statistics from Vietnam Customs, since 2003, the US has always been the leading for the consumption of commodities originating from Vietnam with an average proportion of approximately 20% of Vietnam's total exports value for period 2005 - 2009. In addition, the US was the seventh provider for Vietnamese importers. Overall, for both import and export from 2005-2008, the United States was the third-largest trading partner of Vietnam. Nevertheless, in 2009, the United States surpassed Japan to become the second largest trading partner with Vietnam, after China. Although for many years, Vietnam's international trade balance in general was always deficit and the level of trade deficit was increasing. On the contrary, Vietnam's trade balance with the US always maintains increasing trade surplus since 1997. In 2007, Vietnam's trade surplus with US was more than US \$8 billion (Manh, 2010 p. 18), in 2012, it reached \$15.6 billion (Cencus).

The US was also one of Vietnam's largest import markets for major exporting products of Vietnam such as textiles, footwear, wood and wood products. Specific data of Vietnamese Customs from 2005-2009 as follows: Textiles was one of Vietnam's strength commodities. It has contributed significantly to export turnover of the whole country. This item accounted for the largest share of 43% in total export value to the US. Vietnamese textiles sector is highly competitive, especially when Vietnam officially joined WTO after 2007 because there was no pressure on the export quotas on Vietnamese textiles in the US market; Wood and wood products was the group that Vietnam has plentiful supply and available human resources. Its proportion in total export value of Vietnam to the US fluctuated around 10%. The position of this item in Vietnam's total export value to the US rose from the 9th place in 2004 to 2nd in 2009; Footwear was also the commodity that had positive export level to the US in this period. On the US side, major export items to Vietnam over these years included machinery and tools, spare parts, cotton types, plastics materials, animal feed, raw materials, textile materials, shoes leather. The groups of machines, equipment, tools and accessories consistently topped in the structure of imports from the US to Vietnam, accounted for about one fifth of the total import value into Vietnam from the US (Manh, 2010 p. 18) .

In 2011, the trade exchange between the two countries exceeded US \$ 20 billion, 14 times higher than the figure of 2001. According to the Vietnamese Ministry of Commerce Vietnam, at the end of 2012, two-way trade between Vietnam and the US reached \$ 24.4 billion, in which, Vietnam exported US \$ 20.1 billion, imported US \$4.34 billion, keeping the growth rate nearly 20% compared to 2011. The major export items of Vietnam as textiles, seafood, and footwear maintained stable growth of about 20%. The US continued to be the leading partner in importing Vietnamese seafood with a turnover of US \$ 848.2 million, up 7% compared to 2011. Other items such as furniture and equipment to maintain the level of growth was 25.6% and 43.7%. Related to Vietnam's import value from the US in 2012, it reached over \$4.34 billion, an increase of 4.6% compared to that figure of 2011, in which, components for assembly accounted for a large proportion in the structure of imports (MOI, 2013).

Table 3: US trade in goods with Vietnam since 2007- 2012*(Millions of US \$)*

<i>Year</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Exports to US	10,632.8	12,901.1	12,287.8	14,867.9	17,487.7	20,266.1
<i>Increase compared to last year</i>	<i>24%</i>	<i>22%</i>	<i>-5%</i>	<i>21%</i>	<i>18%</i>	<i>16%</i>
Imports to Vietnam	1,903.1	2,789.4	3,097.2	3,705.5	4,309.6	4,624.3
<i>Increase compared to last year</i>	<i>73%</i>	<i>47%</i>	<i>11%</i>	<i>20%</i>	<i>16%</i>	<i>7%</i>
Two way trade turnover	12,535.9	15,690.5	15,385.0	18,573.4	21,797.3	24,890.4
<i>Increase compared to last year</i>	<i>30%</i>	<i>25%</i>	<i>2%</i>	<i>21%</i>	<i>17%</i>	<i>14%</i>
<i>Balance</i>	<i>-8,729.8</i>	<i>-10,111.6</i>	<i>-9,190.6</i>	<i>-11,162.3</i>	<i>-13,178.1</i>	<i>-15,641.7</i>

(Source: <http://www.census.gov/foreign-trade/balance/c5520.html>)**Investment relations since the normalization of diplomatic relations**

After normalization of diplomatic relations, economic cooperation between the two countries has seen strong development and reached important achievements. The US has become one of Vietnam's largest customers and investors and became Vietnam's important development cooperation partner (Vnembassy.us, 2010). Besides the positive results of trade exchange, investment cooperation between the two countries has made significant progress.

In 5 years from 1988 to 1993, due to the US embargo, there were only 10 projects from the US companies in third countries with the value of US \$23 million. Meanwhile, there were 836 projects with the total investment of US \$7.5 billion in nationwide. After the US embargo against Vietnam was removed in 1994, although there was not a massive investment in Vietnam but the investment activities of US companies has grown rapidly. Only in 1994, there were 12 investment projects (compare to 10 projects of 5 years before) with total value of US \$120 million. The US ranked at 14th in the list of the largest investors in Vietnam in that year.

In 1995, US President Clinton declared the normalization of relations with Vietnam, US investment in Vietnam had major changes with 19 projects and a total investment capital of US \$ 397 million (Manh, 2010)

The evaluation of US direct investment in Vietnam without considering investment through third countries will not be comprehensive. Due to the US firms invest into Vietnam mainly through their branches and subsidiaries in some other countries such as the United Kingdom, Singapore, and Hong Kong. For example, the familiar American brands such as Coca Cola and Procter & Gamble are invested into Vietnam from Singapore, Exxonmobil from Hong Kong. Statistics showed that investment of US companies into Vietnam from the third countries is much higher than direct investment from the US. The main reason for this situation is that US tax laws encourage US companies to invest from their foreign subsidiaries (Vietnameseembasy). By this calculation, from 1998 to 2004, the total initial registered capital of US companies in Vietnam was \$2.6 billion, double the figure of calculation that does not include investment through third countries. From 2001 to 2004, US direct investment in Vietnam, including third countries, increased at the average annual rate of 27%. In 2003, it took the No. 2 behind Japan, and in 2004, it jumped to the top of all investors in Vietnam (Vietnameseembasy).

In 2001, the BTA came into effect, and total investment of the US had increased rapidly showing that the BTA had positive impacts to US businesses. On average, the annual realized foreign investment related to the US in the period 2002-2008 doubled that of the 1996 - 2001 period. During the 2005-2006, FDI related to the United States accounted for 20% of the total capital of foreign direct investment into Vietnam, which doubled that figure prior to the BTA. Since 2003, the US maintains its position in the group of the most ten countries and territories investing in Vietnam. The increase in FDI related to the US was a factor fostering the total amount of FDI in Vietnam, as FDI from the United States was relatively larger than that from other countries (Manh, 2010).

Table 4: Data of US FDI in Vietnam from 2001-2008 *(Million US \$)*

year	2001	2002	2003	2004	2005	2006	2007	2008
Number of projects	24	35	24	27	55	56	70	81
investment capital	102.4	192.1	73.5	83.8	286.4	4,706.7	410,4	1,916.1

(Source: data of the Ministry of Planning and Investment, cited in (Son, 2010 p. 25)

In 2011, US investors have increased their investment capital in Vietnam to US \$3.1 billion, an increase of 1.7 times compared with the figure of 2010, indicating their satisfaction for the investment environment in Vietnam (Anh, 2012). According to the latest data up to June 2013 of Vietnam's Ministry of Planning and Investment (MOPI), total US investment in Vietnam has 651 valid projects with a total investment of US \$10.4 billion, in which, three areas of accommodation services and catering; real estate; manufacturing and processing industry are the largest sectors. The investment capitals of these sectors respectively are US \$ 4.7 billion; US \$ 2.5 billion; and US \$ 1.9 billion. (MOPI, 2013) . Data of US investment into Vietnam in the form of investment is as follows:

Table 5: US investment projects in effect up to 6/2013

(US \$ Billion)

Forms of investment	Number of projects	Investment capital	Charter capital
100% capital of overseas	525	7.65	1.61
joint ventures	103	2.59	0.78
Joint stock companies	12	0.09	0.03
Business cooperation contracts	11	0.08	0.08
Total	651	10.41	2.5

(Source: from Vietnam's Ministry of planning and investment (MOPI, 2013))

The above figures shows that US direct investment in Vietnam has increased significantly compared to the very low value of 1995. This suggests that the regulatory environment and policy in Vietnam has been improved, because of the implementation of the BTA and the success of Vietnam's negotiations to join WTO. FDI from the US plays an important role in contributing additional capital to meet Vietnam's demand for investment in social development and economic growth, economic and labor restructuring, and enhancing industrial production capacity. Additionally, it not only contributes to the development of existing industries and creating more new industries in Vietnam but also creates more jobs for Vietnamese workers (Manh, 2010 pp. 23-26)

In short, Vietnam and the US have enjoyed normalized diplomatic relations for 18 years. This time is very short compared with the histories of the two countries. However, the above figures show that the economic trade relations between the two countries have developed very strongly. Although according to some economic experts, this development is not commensurate with the potential of the two countries and there exists many problems in US-Vietnam economic and trade relations (Vietnameseembassy). However, such things no longer are the main obstacle of the two countries (Son, 2010). The US-Vietnam's achievements in the economic trade relations have shown a remarkable and important growth since the two countries normalized diplomatic relations, particularly for the two countries had been former enemies. This development, in view of the interdependence theory will certainly have a positive impact to the overall relationship between the two countries, especially in their political relations and diplomacy. The following chapter will analyze and demonstrate that the increased US-Vietnam economic trade relations since 1995 have improved the political and diplomatic relations between the two countries base on the arguments of interdependence theory.

CHAPTER III – ASSESSING THE INFLUENCE OF VIETNAM-US' INCREASING ECONOMIC TRADE RELATIONS TO POLITICAL AND DIPLOMATIC RELATIONS

Before 1995, in the aftermath of Vietnam War, Vietnam-US relations in the fields of diplomacy, economics fell into the freezing completely in a long time (Loi, 2010). The two countries were each other's enemies; they hated and did not trust each other. The US issued the embargo against Vietnam right after the war ended. Even when the two countries normalized their diplomatic relations in 1995, the two sides were still in the process of deep distrust. In all US society classes, even in the engine of American power, the houses of Congress, still existed three schools of opinion on the issue of relations between the two countries: supporting the normalization of diplomatic relations, not supporting normalization and halfway (Linh, 2010). Nevertheless, the most difficult thing to imagine is gradually realized. The relationship between the US and Vietnam is gradually shaped as a strategic partnership, even though there are still some obstacles, through the strengthening cooperation in economics, diplomacy and defense (Globalpost, 2013).

By the end of 2012, relations between the two countries completely changed. In the field of economic and trade, the US is the fourth largest trade partner of Vietnam after China, ASEAN, and EU. The two-way trade reached US\$ 24.5 billion (compared to the very low figure of US \$ 452 million in 1995) (MOPI, 2013). The US is Vietnam's the largest trade

surplus market with US \$ 14.8 billion of the trade surplus value (Ngoc, 2013) and also the largest export market of Vietnam (Hiep, 2012). About investment, The US is one of the ten largest foreign direct investors in Vietnam (MOPI, 2013). According to Michael W. Michalak, US Ambassador in Vietnam, economic and trade relations was the most important and successful sector in relations between the two countries (Thang, 2010). On the political and diplomatic relations, after normalization, the two countries had a lot of diplomatic activities to strengthen the bilateral cooperation relationship. Vietnam's Prime Ministers such as Phan Van Khai, Nguyen Tan Dung had visits to the US in the years of 2005, 2008, 2010. Vietnamese Presidents, Nguyen Minh Triet and Truong Tan San have in turn visited the US in 2007, 2012. The US Presidents like Bush; Clinton had visited Vietnam in 2000, 2006 (MOPI, 2013). In addition to the visits of the heads of two states, the two sides also had the mutual visits at the levels of National Assemblies, Ministries or equivalent, in order to make more specific the commitments of the heads of the two countries. In which, the quite common frequency is the visits of the Ministers and Deputy Ministers from Ministries of Foreign Affairs and Defense. The two countries have conducted strategic dialogues on security, defense and politics every year since 2008 with the content of dialogues are increasingly being extended to help the two countries have the opportunity to exchange knowledge and trust each other more. The improvements in the relations between the two countries are also reflected through the cooperation in international forums. Such as: in 2007, the US supported Vietnam's application for joining as a non-permanent member of the United Nations Security Council; In 2010, the US actively supported Vietnam as chairman of ASEAN; the two countries also supported each other in APEC (Loi, 2010).

Thus, if trade and economic relations are the greatest achievement in the relations between the two countries after the diplomatic normalization, along with it, the political and diplomatic relations between the two countries had also developed and changed considerably. The last two chapters presented the interdependence theory of liberalism with the meaning that increased trade relations will improve political and diplomatic relations between countries and the strong development of US-Vietnam's economic trade relations since the two countries normalized diplomatic relations in 1995. Based on those theoretical and factual bases, my

purposes in this chapter is to explain and prove the argument that the increased economic trade relations between the two countries have promoted and enhanced their political and diplomatic relations since their diplomatic normalization in 1995 by five following assessments. Firstly, economic trade brings more benefits than conflicts, so the US and Vietnam want to trade with each other and try to avoid conflicts. Secondly, the development and expansion of trade and economic relations have positive effects which spillover to other sectors, creating a favorable environment to promote military and diplomatic relations between the two countries. Thirdly, increases in trade and economic relations lead to enhance communication, cooperation, trust, dependency between the two countries thus reduce misunderstanding and the likelihood of conflicts. Then, when trade relations increase, common economic interests between the two countries also enhance, making the two countries closer to each other and likely to use negotiations and diplomacy to solve problems that do arise. Finally, the economic trade relations through international organizations provided forums for the US and Vietnam to communicate and solve problems that do arise between them.

First of all, it is clearly that if compare the economic trade relations between the US and Vietnam between the time before the diplomatic normalization in 1995 and now as described in great detail in the previous chapter, the trade economic relations have brought much more benefits for the two countries today than the wartime. So that the two sides want to trade with each other rather than get into conflicts. From being the enemies on the fierce battle, then the US embargoed against Vietnam and absolutely no commercial exchanges between the two countries in a long time (1975-1994), by the end of 2012, the US became the fourth-largest trading partner and the largest export market of Vietnam. It has become the most important and largest for many Vietnam's key export products for many years (TTXVN). American companies have invested more than US \$10 billion, placing the US among top ten investors in Vietnam (Thayer, 2013), and the economic relations between the two countries are much tighter through international organizations such as ASEAN, APEC, EAS, etc. Moreover, the two countries increasingly depend on each other's market. For example, textiles are one of the staples exported to the US from Vietnam. According to the latest updated data in the first 6 months of 2013, the whole industry export turnover reached US \$ 8.9 billion, of which the

export value to the US is the largest, reaching US \$ 3.94 billion, accounting for 44.8% of the whole industry export turnover, up 12% compared to the same period last year (vinatext, 2013). Obviously, trade pays more than war, so both the US and Vietnam wants to trade with each other and seek to avoid conflicts. Because if conflicts occurs all close ties between the two sides will be cut, including economic ties. All economic benefits gained from economic trade relations will be lost. Therefore, the two sides want to strengthen trade exchange rather than conflicts. Recently, this desire is clearly demonstrated in the following events: The two countries joined TPP negotiations, which is a high standard free trade agreement of 21st century, and in the visit of Vietnamese president Truong Tan Sang to the US in last July, Mr. Sang and President Obama committed to complete TPP negotiations in 2013 and declared to upgrade bilateral relations to a comprehensive partnership.

An example demonstrates that the two sides avoid conflicts for the fear of losing benefits gained from trade is the issues related to differences in democracy and human right between the two countries. These issues are always major concerns of US policy toward Vietnam. The US did not miss any opportunity to remind and pressure Vietnam through the bilateral dialogues on these issues. It tries to include human rights issues in many the high-level contacts between the two countries (Cuong, 2011). On the view of Vietnam, human rights are common values of all nations in the World, ensuring human rights firstly is under the authority and responsibility of each government. Although, it cannot deny that the two countries are still on the road to narrow disagreements in this field (Ha, 2012). It is difficult to dismiss human rights and democracy element out of the US foreign policy because America was founded based on this value. In fact, Vietnamese leaders also want to make Vietnam has democratic and civilized society. Thus, in principle, the desires of the two countries are similar but different in interpretations. However, human rights are inherent in US foreign policy, but it is not the most important factor. US foreign relations have many aspects: political, strategic, economic and human rights. When strategic and economic concerns are higher, their concern on the human rights will be diminished.

The important thing is that the common economic interests between the two countries are more fundamental and greater than the differences exist. The US now increasingly attaches great importance the role of Vietnam in its Asia rebalancing strategy and completing TPP negotiations. Moreover, the economic trade relations between the two countries developed strongly. Those positive changes help reduce US concerns about the democracy and human rights issues in Vietnam. According to statement of the U.S. Ambassador in Vietnam, M. Marinetai, in May 2005, he said it is clear that Vietnam and the US has no strategic differences. In fact, the two countries have common interests or have parallel interests in many areas (Thùy, 2006). Thus, disagreements such as differences in democracy and human rights in relations between the two countries are not insurmountable problems through dialogues in the spirit of equality and partnership (Ha, 2012) in order to solve problems and achieve together common strategic interests of the two countries, especially the gains from economic exchange and trade. The fact shows that up until now, although the democracy and human rights are stills thorns in the bilateral ties, but they do not lead the two countries get into conflicts. One main reason for this is that the trade relations between the US and Vietnam brings more benefit than conflicts, so they want to trading with each other rather than conflicts. In other words, above analysis shows that interdependence theory explains reasonably US-Vietnamese trade relations.

Secondly, according to the interdependence theory of liberalism, the expansion of interstate linkage in one area stimulates further cooperation in other areas. The development of US-Vietnam's trade and economic relations are entirely consistent with this assessment. As discussed in the previous chapter, the trade and economic achievement of the two countries since the diplomatic normalization is great and the most significant change in the general relations of the two countries (Loi, 2010). The strong development in this area has stimulated further cooperation in other areas, including military and diplomatic areas.

In the military area, due to the hostile relations between the two countries lasted in a long time in history, if the economic relationship is the strongest, the military cooperation is the most sensitive area of the two countries (Thuy, 2006). However, the win-win economic

relationship has created a good foundation for strengthening defense ties between the two countries (Globalpost, 2013). Military-to-military relations between Vietnam and the US developed slowly after 1995 because Vietnam was concerned that defense relations might outstrip economic ties (Thayer, 2013). In 2000, when the BTA did not take effect, the visit of US Defense Secretary William Cohen to Hanoi has been delayed so many times before Cohen visited Vietnam. Hanoi was hesitant before receiving the American Defense Secretary. In 2003, General Pham Van Tra, Vietnam's Minister of National Defense, made a visit to Washington to reciprocate the visit of Secretary Cohen three years earlier. Vietnam-US defense cooperation progressed gradually over the next several years until 2007 (Thayer, 2013). However, after Vietnam joined the WTO, the trade and economic cooperation of the two countries has grown significantly; the two countries had more mutual understanding after a lot of dialogues and negotiations through BTA and WTO. This contributed positively to improve military ties between the US and Vietnam.

The Vietnamese-US defense relationship has clearly made progress, as Hillary Clinton commented that there was a dizzying progress, the meeting between the two countries' defense authorities continuously increased (Quang, 2010). In June 2008, Prime Minister Nguyen Tan Dung visited the United States, the two sides approved the establishment of annual political and military dialogue mechanism to exchange more and broader about security and strategic issues. In December 2009, Vietnamese Minister of Defense Phung Quang Thanh visited the US. This is the second visit of Vietnamese Defense Minister to the US since the two countries normalized relations, after the first visit of Minister Pham Van Tra in 2003. This visit has further tightened the defense relationship between the two countries (Hung, 2010). Secretary of Defense Leon Panetta undertook the most recent high-level defense visit to Vietnam in June 2012. He had the first visit to Cam Ranh Bay, the former American base, by a U.S. Secretary of Defense since the end of the Vietnam War (Thayer, 2013).

This represents significant progress in the relations of the two countries that has been enemies. Subsequently, in June 2013, it was the first time for the Chief of General Staff of Vietnamese People's Army, Do Ba Ty, to visit the US. This visit helped the two countries to

strengthen friendship and mutual understanding, cooperative relations, through which put the defense cooperation up a new step accordance with multifaceted, cooperative and growing relations between Vietnam and the United States (VOV, 2013). Since 2008, to implement the agreement between leaders of the two countries in the occasion of the visit of U.S. Prime Minister Nguyen Tan Dung in 2008, Vietnam and the US conducted strategic dialogues of politics – security - defense and humanitarian cooperation (Nam, 2008). This is the annual dialogue on bilateral and regional issues about political and security with participation of representatives from diplomatic missions, security and defense agencies of the two sides to strengthen trust and mutual understanding on the related issues, contributing to enhance bilateral ties for the benefit of the two peoples, the peace, stability, cooperation and development of the region (TTXVN, 2010).

Up until June 2012, the dialogue has been held 5 times (Phong, 2012). Such dialogues helped the two countries more trust and closer to each other. In addition, August 2010, while there are concerns about the rise of Chinese military in the region, the two countries held the first defense policy dialogue at the level of deputy minister to discuss issues of common concerns (bbc, 2010). So far, the third deputy ministerial level defense dialogue between the two sides took place in January 2013 (Bbc, 2013). The activities of Vietnam and the US carried out in recent years show that both countries are making efforts to put bilateral military ties to a new level (TPO, 2013).

Here, we do not analyze the reasons for the development of defense ties between the two sides, but it can see clearly that after US-Vietnam's economic and trade relations had strong growth, especially after Vietnam joined the WTO, the defense ties between the two former enemies also develop rapidly. Vietnam considered its economic trade relations with the US as the key factor in the bilateral relations, so it prioritized for the development of economic relations with the US rather than military ties. Although, the military is very sensitive area between the two former enemies, but this relation had indeed changes after the economic trade relations have flourished. One of reasons can explains that change is the two countries obtained a lot of mutual understanding through being in contact through economic relations.

For signing the BTA, the two countries have conducted eleven rounds of formal talks and many other unofficial discussions in the six years from 1995-2000. Vietnam has mobilized significant a very large number of officials and experts from more than twenty state agencies, ministries. Then, for becoming member of the WTO in 2007, Vietnam and the US had a record number of 17 rounds of negotiation (Tam, 2011). Obviously, the strong growth in the commercial relations, such as signing BTA, and becoming the WTO member of Vietnam, etc., has spillover effects to other areas. It creates a comfortable environment and important foundation for other areas, enhancing mutual understanding and trust, contributing to push bilateral military and political cooperation to a new stage.

In the field of diplomacy, when US-Vietnamese trade and economic relations develop strongly, the two countries need to communicate and exchange information with each other a lot. Therefore, there have been many visits, dialogues, mutual exchanges of information of the two countries' leaders to develop the economic and trade ties, through which these ties has contributed to strengthening the diplomatic relationship between the two sides. In July 2000, the two governments signed a bilateral trade agreement, then just only three months later, President Bill Clinton made an official visit to Vietnam and the members accompanied with him in this visit included the US Trade Minister, trade representatives and US business delegations (USEmbassy, 2010). The purpose of his visit to turn the two former enemies into partners and open up new opportunities of economic and trade cooperation between the two countries (Hang, 2012). This visit was an US assertion by action to promote relations with Vietnam (Loi, 2010). Thus, it is clear that the Vietnam-US BTA, or in other words, the development of trade and economic relations of the two countries, has created a huge step in the development of their diplomatic relations. Because the diplomatic relations were normalized in 1995, but until 5 years later, after the BTA was signed, the US president had the first visit to Vietnam with the main goal to promote bilateral economic relations.

By June 2005, Vietnamese Prime Minister Phan Van Khai met US President George W. Bush in Washington D.C. in the first US visit by a Prime Minister of Vietnam during the post-war period, through the visit the two countries signed an economic cooperation

Agreement and a lot of big business contracts (USEmbassy, 2010). Especially, in this visit US President Bush promised to support Vietnam's accession to the WTO. This pushed the two side's diplomatic relations to higher level (Hung, 2010). During the next state-level official visits to the US years later of President Nguyen Minh Triet in 2007, Prime Minister Nguyen Tan Dung in 2008, there was also one of important purposes besides others is to enhance economic cooperation, attract investment (Vietbao, 2007) and promote trade (bbcvietnamese, 2008) between the two countries. Thus, obviously the expansion of trade and economic relations between the two sides has promoted them to strengthen dialogues, information exchanges, further boosting US-Vietnamese diplomatic relations.

Besides enhancing the diplomatic relations through bilateral economic trade relations between the two governments with each other, US-Vietnam's trade relations through multilateral institutions such as APEC, ASEAN, EAS etc., whose main task is economic and trade, also bring for the two countries another venue for communication and dialogue. This can be seen clearly by looking back on the mutual visits of the two countries' highest-ranking leaders. On the US side, in November 2006, President George W. Bush had his first visit to Vietnam within the framework of APEC meetings. It was also the second visit of a US President after the first official visit of Bill Clinton in 2000 (USEmbassy, 2010). From 1995 until the present, there have been only two US presidential visits to Vietnam.

During 2010, in July, US Secretary of State Hillary Clinton visited Vietnam on the occasion she attended relevant activities of ASEAN. In this visit, she had a meeting with Vietnamese Prime Minister Nguyen Tan Dung, Deputy Prime Minister Pham Gia Khiem to promote cooperation relations between the two countries, including economics and trade activities (TTX, 2010). In October, she returned to Hanoi to take part in the East Asia Summit (EAS). She also had a discussion with Vietnamese Prime Minister Nguyen Tan Dung about expanding cooperation relations with Vietnam in the areas of security, non-proliferation of weapons, environment, health, education and trade between Vietnam and the US. Especially, in this visit Hillary has suggested two sides participate in TPP negotiations (Yen, 2010).

Just within a year, the US Secretary of State had visited Vietnam two times through the activities of the multilateral institutions in which both side participated. This is very rare in international relations and much less common for a foreign minister of the world's number one superpower. On the side of Vietnam, President Nguyen Minh Triet, in his capacity as Chairman of the ASEAN in 2010, and the US President Barack Obama co-chaired the second Conference of the ASEAN-US leaders in Washington (Vietnamplus, 2010). In 2011, President Truong Tan Sang also met US Secretary of State Hillary Clinton on the sidelines of the APEC Summit 2011 in Honolulu (Vietnamembassy). Obviously, Vietnam's relations with the US, especially economic and trade relations, through the multilateral institutions such as ASEAN, EAS, APEC have contributed to creating an important communication channel for the most senior leaders of the two countries, helping them enhance mutual understanding and develop the diplomatic relations. In other words, international multilateral institutions like ASEAN, EAS, APEC, etc., have positive influence to the US-Vietnam's diplomatic relations through trade and economic cooperative activities.

Thirdly, trade and economic development contributed to creating more interactions between Vietnam and the US, through which it helps them trust, understand each other better and avoid misunderstandings. Thus, it creates potential for positive interactions, increases cooperative relations and deterring for future conflicts. The Support for Trade Acceleration (STAR) and Support for Law enforcement and Economic integration projects funded by the US Government are example of cooperation between the two governments by Vietnam's needs for economic and trade development. STAR born because Vietnam government requested technical assistance from the US after the BTA be signed. STAR has two main purposes; they are to help state agencies implementing commitments under the BTA, and to meet requirements to join WTO. The project worked with 56 state agencies of Vietnam, supporting 166 legal reforms, in which 130 reforms of laws and legal documents supported by STAR were approved (Nam Phuong, 2010).

STAR was the first major project by the US Agency for International Development (USAID) funded for Vietnam after the war. This project started in 2001 and its success is one

component which cannot be separated from the growing partnership between the US and Vietnam (usembassy, 2007). The activities of STAR help the Vietnamese Government to set a solid regulatory framework for the market economy. STAR is the best example to demonstrate that resolving issues of common concern on both sides in the form of professional, unobtrusive will create real trust between the two governments of Vietnam and the US (Brown, 2010). With the results achieved from the technical assistance activities in STAR project, through USAID, the US Government continued to support Vietnam the project named Support to the implementation of law and economic integration from 2010-2013.

The aims of this project are to support Vietnamese government implement new legal documents that carry out Vietnam's international commitments in WTO; trade and investment agreements that Vietnam has signed or acceded, and to assist Vietnam in integrating into the global economy and becoming a reliable trading partner (Ministryofjustice, 2011). In addition, within the framework of economic assistance, the US Government helped Vietnam the amount of US \$1.4 million to make direct flights to the US. Since Vietnam has become a member of the WTO, the direct flights have increased trade and tourism opportunities for the two countries, connecting them to each other and strengthen Vietnam's participation in the global economy (Thu, 2010). Such interactive activities show increasing in not only cooperation, communication but also mutual understanding between the two sides. This helps them avoid misunderstandings and reduce future conflicts.

The fourth assessment is that since Vietnam and the US have strategic common interests in economics and trade, they reduce the likelihood of conflict and go into more cooperative. It is seen clearly in their economic benefits related to the South China Sea, TPP and common concerns about China's rise.

On the East Sea / South China Sea dispute, a current burning issue between China and some ASEAN countries, the US is not one of the claimants involved directly in the dispute. However, China's increasingly assertive ambitions threaten American interests and global position as well as peace and stability in the region; that brought plausible reasons for the US to intervene into the dispute. The US repeated many times the reason for its involvement in the

East Sea disputes is that US want to ensure its freedom of navigation in the East Sea. However, behind that reason, there is another important reason is that the US wants to use its involvement in the East Sea disputes as an effective tool to prevent China's rise in the area as well as in the global (Hiep, 2012).

US freedom of navigation would include American surveillance vessels, the protection of sustainable economic development including trading interests, and the promotion of management offshore energy development and sustainable management of fishery stocks and other resources (E.manyin, 2012). In the recent seminar of handling the tension face in the East Sea held by CSIS in March 2013, the US Deputy assistant Secretary of State, Joseph Yun, has asserted that the US has interests in the East Sea. He also stated clearly that although the US does not maintain a stance of taking sides on in the dispute, but the handling and settlement of the dispute related widely to the US interests, that is freedom of navigation in the East Sea. Therefore, the US has the right to protect its commercial interests in the East Sea (GDVN, 2013). More than 90% of international trade is transported by sea, of which 45% go through the East Sea (Khanh). Besides security and military benefits, freedom of navigation in East Sea is important to the US because the East Sea had very important maritime routes and is one of ten seas that have the largest oil and gas reserves in the world (Trang, 2010). Moreover, this region is the population center of the world in the 21st century through trade of goods and resources by 1.5 billion people in China, 600 million people in Southeast Asia and 1.3 billion in the Indian subcontinent (Giang, 2012).

For its part, Vietnam and Philippines are two countries have confronted China the most in the East Sea disputes (Hiep, 2012). Since 2007, even as official Sino-Vietnam relations have expanded, bilateral tensions have intensified over competing territorial claims in the East Sea. China makes extensive claims, including marking on its map an ambiguous "nine dash line" that covers most of the sea, including the Sparatly and Paracel island groups. These claims overlap with those of Vietnam and three other Southeast Asian nations - Brunei, Malaysia, and Philippine - which themselves have claims that conflict with each other (Manyin, 2013). China's increasingly aggressive attitude in the Sea raises Vietnam's concerns

about its security, economics and sovereignty of the East Sea (Bellacqua, et al., 2012). At the Shangri-La dialogue, in Singapore in May 2013, Vietnamese Prime Minister Nguyen Tan Dung emphasized that Vietnam affirmed and determined to defend its sovereignty and legitimate interests in accordance with international Laws, in particularly, the United Nations Convention on the Law of the Sea, 1982 (Vietnamesegovernment, 2013). Within the framework of the US visit July 2013, Vietnamese President Truong Tan Sang had a speaking at the Center for Strategic Studies and International (CSIS). Mr. Sang stated that we do not see any legal or scientific basis in Chinese claims. Therefore, Vietnam's consistent policy is to oppose the "nine dashed line" claims of China (An, 2013)

Thus, besides the most important benefits of the two countries related to East Sea, for Vietnam it is the territorial sovereignty integrity; for the US it is restrain China's rise and influence in the region, both countries have huge economic and trade benefits related to the East Sea. Having the common economic and trade benefits from the East Sea, along with common concerns about China is one of the main reasons that made the two countries more mutual understanding and closer to each other, especially in the military relations. This is shown through the following events: During her visit to Vietnam in July 2012, US Secretary of State Hillary Clinton confirmed that the two countries share the important strategic interest in matters such as East Sea issue (RFI, 2012). Vietnam allowed three US military command logistic ships (not warships) to dock at the commercial repair facility in Cam Ranh Bay. The US is the first country Vietnam allowed to do that (A.Thayer, 2012). Although, Vietnam has stressed that ships from other countries can also dock at Cam Ranh Bay if necessary, but in the views of many experts, the presence of foreign ships from US, Russia etc., has great impact to curb the influence of China in the region and contributed surprisingly to improve Vietnam-US relations (Noguchi, 2013). The presence of the US in the multilateral forums of Southeast Asia has been welcomed by Vietnam; Vietnam also helped pave the way for the US to join the East Asia Summit (Bellacqua, et al., 2012); Vietnam used its chairmanship of ASEAN in 2010 to internationalize the disputes by forming a multi-country negotiation forum, which would be force China to negotiate in a multilateral setting (E.manyin, 2012). At the meeting of ASEAN foreign ministers in Cambodia in July 2012, US Secretary of State Hillary Clinton has

expressed the same opinion with Vietnam over the East Sea dispute. She urged Southeast Asian countries to conduct multilateral negotiations to resolve the East Sea disputes. According to Hillary Clinton, all disputes often affect a wider area and bilateral negotiations can bring chaos and even confrontation (Duan, 2012). The new US Secretary of State, John Kerry, in early July 2013, at the annual meeting of ASEAN foreign ministers in Brunei, continued to affirm that the US supports claimants and ASEAN for conducting negotiations on the Code of Conduct (COC) to resolve the East Sea dispute (hotnews, 2013). In addition to that, since 2010, the two countries have conducted the annual security-political-military dialogues and since 2008, they conduct military dialogues at level of Deputy Minister as described in the previous section to discuss issues of common concerns. Recently, the first visits of US Secretary of Defense, Leon Panetta, to Vietnam in June 2012 (Binh, 2012) and the Chief of Vietnamese People's Army Do Ba Ty to the US in June 2013 (Thủy, 2013) show that the bilateral military relations of the two sides have improved tremendously and become more and more cooperative. It can be seen clearly that one of reasons for these positive changes and a closer tie between the two sides is Vietnam-US' common economic interests in East Sea.

About the TPP negotiations, as discussed in Chapter II, US-Vietnamese trade and economic relations are not only through bilateral mechanisms but also through international multilateral institutions. The participation of the two countries in the current TPP negotiations is the good example illustrates that relation. TPP is considered as potential foundation for economic integration of the two countries in the Asia-Pacific in the future. When joining the TPP negotiations, the US and Vietnam also have their own purposes and interests. However, the two countries have common concerns and interests when participating in the TPP that is related to the rise of the Chinese economy. The US worried that China challenge US power in the Asia-Pacific and its rebalancing strategy in Asia, pushing US into status of passive and awkward to implement its policy in this area (Tuan, 2012). Through the TPP, the US wants to reduce its serious situation of the trade deficit with China and more importantly, US wants to engage in the network of free trade agreements in the region to create a counterweight to China's economy, control the rise of China in East Asia and reduce dependence on China's

economy of the Asia-Pacific economies (Nga, 2013). Thus, the US joined the TPP negotiations, an agreement in Asia-Pacific up until now without China's participation, to enhance the US role in the region and to curb the influence of the Chinese economy. On the side of Vietnam, it is a country with the lowest levels of development among TPP members; many Vietnamese industries do not have international competitiveness. The trade deficit situation of Vietnam is very serious and has lasted continuously since 2002, in which its trade deficit with China is especially serious. From 2000 to 2009, Vietnam's trade deficit with China has increased 12 times, the proportion of the import value from China in Vietnam's total import value increased from 9% to 24%. The trade deficit of Vietnam has reached the figure of US \$ 11.5 billion. Without the trade deficit with China, Vietnam has trade surplus (Tuan, 2012 pp. 5-26) Not any countries in Southeast Asia was swept deeply into Chinese economy as Vietnam and its trade deficit with China is likely to continue to increase as the free trade agreement China-ASEAN is deployed comprehensively. In this context, Vietnam hopes that its participation in the TPP will enhance its ability to export key products into the US such as textiles, footwear (Yen, 2013), and solve its serious status of trade deficit with China in particularly and reduce Vietnam's situation of trade deficit in general.

Thus, both the US and Vietnam also have common concerns about rising of China's economy and common benefits when joining TPP agreement. Therefore, the relations between the two countries have become much more cooperative through TPP. After officially joining the TPP negotiations, the United States invited Vietnam to participate in the talks, but did not invite China (Long, 2013). US also did not invite other countries. It had chosen Vietnam. Before that time, this would be very impossible, because the two countries are different in politically systems. This suggests that the trade relations of the two countries produced very good political relations. It is not perfect but very strong. Although, Vietnam is still facing many challenges in TPP negotiations in general and with the US in particular of which the most recent challenge in the 18th round is negotiations about the origin of goods. Under the term of the origin of goods in the TPP framework, the exports of the TPP members can enjoy preferential tariffs only if the exports originated from TPP members. Meanwhile, Vietnam's textile industry mainly imports raw materials from outside the TPP countries, such as China,

South Korea, for processing and exporting. It is very difficult for Vietnam to be enjoyed the preferential tariffs of 0% or under the current very high tariffs at 17%-32% range when exporting textile into the US market (Yen, 2013). The two countries are negotiating actively to achieve consensus on this issue. However, potential economic benefits from the TPP will help the two countries to find resolutions to the negotiations. In the recent visit of Vietnamese President in July 2013, Mr. Truong Tan Sang and President Obama have pledged to complete the TPP negotiations in 2013 (TTXVN, 2013). It is unlikely that US-Vietnam will get into huge disagreements now.

Finally, another reason which explains why the bilateral relations of the two countries have become more peaceful and stable is that the strengthening of the trade relations, especially economic cooperation through economic international institutions such as the WTO, ASEAN, APEC, EAS, etc. provided for Vietnam and the US another source for communication, problem-solving, or cooperation beside the direct bilateral ties. This resulted in enhancing mutual understanding and using peaceful means such as negotiation or diplomacy to resolve disputes, or problems existing between the two countries rather than using forceful means. Here, this assessment has been proven by looking at ASEAN and dealing with trade disputes between the two sides

Regarding ASEAN, as was presented in detail in the introduction, in the 1980s, the US worked closely with ASEAN countries to isolate Vietnam because the refugee and Cambodia issues (Manyin, 2006). The relations of Vietnam with ASEAN countries were confrontational and distrustful during the cold war. Vietnam faced many difficulties both domestically as well as internationally. Therefore, Vietnam tried to pursue good relations with the ASEAN countries and the US to overcome its difficulties in economics and the diplomatic isolations. Eventually, in the same month of July 1995, Vietnam and US normal their diplomatic relations (Anonymous, 2010) and Vietnam joined officially ASEAN (Trang, 2012). Thus, the US and ASEAN countries had close relations. They together had an attitude of hostility to Vietnam, and then together improved relations with Vietnam. It can be seen clearly that the improving in the relations between Vietnam and ASEAN countries certainly had positive affects to the

US decision to normalise relations with Vietnam in 1995, an important event in the US-Vietnam relation. In other words, right from 1995 the relation of Vietnam and ASEAN has contributed to enhance The US-Vietnam relations.

Today, ASEAN has important role in American rebalancing strategy. the US increasingly attach great importance the role of Vietnam in ASEAN. Moreover, through ASEAN the two countries had many chances for meetings, negotiation such as meetings of the ASEAN-US leaders (Nam, 2009); the US-ASEAN dialogues (TTXVN, 2013); the regular meetings of ASEAN Committee in Washington with the participation of the United States (TTXVN); the expanded Conferences of ASEAN Defense Ministers (ADMM+) (Minh, 2013), etc. Therefore, The ASEAN has contributed to strengthening relations between Vietnam and the United States.

As for trade disputes, it is clearly that the relationship between the two countries in general or the trade and economic relations in particular also exists many problems, in which one of major problems is risk of trade disputes. The Vietnamese government always needs to pay attention and caution is the possibility of being sued under US tax laws of anti-dumping and subsidies for Vietnamese commodities. This risk is very high level for Vietnam's key export commodities such as textiles, footwear, seafood and wood (MOIP, 2013).

Since the US-Vietnam BTA went into effect, it was also the start of trade disputes between the two sides. By February 2012, there were eight cases of anti-dumping investigations and three anti-subsidy investigations against Vietnam's exports to the US. If based on market size; extent of damage; the level of tax rate; and taxable period, the US market is the most risky market for Vietnam's exports, and almost all investigations have had adverse results for Vietnam. However, the number of US investigations for Vietnam's commodities was not as much as the numbers of cases that Vietnam has encountered in other markets, as well as dozens of US surveys conducted each year. There are some basic reasons for the trade disputes between the US and Vietnam: First, due to the non-market economy status that Vietnam have to accept as a condition of WTO entry; Second, US laws have many disadvantages for foreign businesses, US protectionism of domestic products is very high;

Third, the limitations in coping skills of Vietnamese enterprises. In addition to that, due to the export structures of Vietnam are quite similar to that of its large neighbor China, so that if Chinese products were being cited by the US, the same products of Vietnam were also often being cited (WTOcenter, 2012).

The economic relations of the US and Vietnam through international organisations such as WTO, ASEAN, APEC etc., provided avenues for the two sides to communicate and negotiate with each other besides direct bilateral ties. This contributes to allowing the two countries understand each other and dealing with trade disputes by peaceful means, deter future conflicts. For example, based on Vietnam's requirements, the commercial dispute resolution agency of the WTO has set up a committee to resolve disputes between Vietnam and the US on anti-dumping law (Huy, 2013); Through APEC activities, the leaders of the two sides have many opportunities to sit down with each other to discuss issues of mutual concern and relevant, including economic issues (Th.Vu, 2011). These contributed to the result that US-Vietnam trade disputes, up to now, have not affected general US-Vietnamese relations and there are no trade disputes which became conflict between the two sides.

In summary, based on above five assessments about the development of economic trade relations between the US and Vietnam, it is obviously that since the diplomatic normalization in 1995, US-Vietnam's political and diplomatic relations have been strengthened by their increased economic trade relations from both direct bilateral ties and multilateral relations in international organizations. This has demonstrated my argument that interdependence theory best explains the influence of US-Vietnamese economic trade relations to their diplomatic and political relations. In the next chapter, I will present the major factors that can affect US-Vietnamese economic trade relations, then from which I predict how interdependence theory can explain the influence of trade and economic relations of the two countries to their political and diplomatic relations in the future.

CHAPTER IV – PROSPECTS OF US-VIETNAMESE ECONOMIC TRADE RELATIONS AND ITS IMPACTS ON THE DIPLOMATIC AND POLITICAL RELATIONS IN THE NEAR FUTURE

The previous chapter based on interdependence theory of liberalism, has proven that strong growth in economic and trade relations between Vietnam and the US since the two countries normalized diplomatic ties has strengthened the diplomatic and political relations between the two countries. So, how will this relation be like in the near future? How it will affect the political and diplomatic relations between the two countries base on interdependence theory? To be able to predict this possibility, it is necessary to base on main factors that affect the trade and economic relations between the two countries in the future. There are many factors that can affect trade relations between the two countries, but in the scope of this thesis, we will examine four main factors, which are: the prospects of TPP negotiations; Vietnam's potentials; the China factor; and US policies for the region.

Positive Prospect of the TPP negotiations,

Up to the present time in July 2013, the 18th round of TPP negotiations is taking place in Malaysia. The special important thing is that Japan has officially participated in TPP negotiations for the first time, raising the total number of participants in TPP to 12 countries. With the official participation of Japan, the scale of the TPP, when it officially goes into effect, will account for 40% of global GDP and about 1/3 of the total value of world trade. Yet having more Japan means that more problems to need be solved. Despite being a latecomer, Tokyo still wants to revise the issues, which have already been negotiated. Although the leaders of the participating countries, especially US President Obama set determination to complete the negotiation this year, 2013, but many analysts believe that it is difficult to complete TPP negotiations this year, it may extend to about April or May 2014 (Tuan, 2013).

Thus, China has become the only major economy outside this important agreement (Stearns, 2013). TPP's role becomes increasingly important, and is expected to be a comprehensive high standard FTA of the 21st century. It covers many areas, including non-trade areas such as labor, environment cases, and intellectual property with large number of members, at many different levels of development (VCCI, 2013). Therefore, besides having Japan as new member, it is essential for all participants to have more time for unifying heterogeneous perspectives on sensitive and complicated issues such as market access, intellectual property, environmental, labor, electronic commerce and removing tariff barriers (Tung, 2013) to satisfy the long-term interests of all parties. For the part of Vietnam, the TPP negotiations is actually the negotiating FTA with the US because Vietnam is available on FTAs with Australia, New Zealand (in ANZFTA) and Brunei, Singapore, Malaysia (in AFTA), and is negotiating to sign an FTA with Peru and Chile. Therefore, if the TPP negotiations are completed, the current status of trade between Vietnam and these countries did not change significantly (WTOcenter). In addition, the possibility of an FTA between Vietnam and the US at present is not feasible, because the US pursues more ambitious FTA strategy in Asia-Pacific, a strategy will yield economic benefits for US exporters and service providers, rather than signing a separate FTA with Vietnam. (WTOcenter) Then TPP is an

very important tool for strengthening Vietnam's trade and economic relations with the US and further cementing Vietnam as an emerging market, not just in Southeast Asia but also in the greater Pacific. Inclusion in such as wide FTA would be a vote of confidence for Vietnamese economy.

In recent TPP negotiations, one of the issues the two countries are addressing is in textile sector, this sector is seen as a major priority of Vietnam but a sensitive issue for the US (Labour, 2013). According to Vietnam, the two sides have yet reach consensus on export items of clothing and footwear, the two most important commodities of Vietnam in the US market. Washington also wants Vietnam to solve the problem list of trade including the new rules for the commercial activities of Vietnam's state-owned enterprises; better protections US intellectual property; regulations on labor and the environment; and more foreign participation Vietnam's procurement market (Yen, 2013). However, while TPP negotiations are taking place continuously with a lot of complex issues needing to be resolved, the participating countries are trying to complete TPP negotiations as soon as possible. From 24-26 July 2013, Vietnamese President Truong Tan Sang official visited the US on the invitation of US President Obama. The US President Obama and Vietnamese President Sang have decided to establish a comprehensive partnership between the US and Vietnam in order to build cooperation mechanisms in various fields to promote bilateral relations. The two leaders reaffirmed the commitment to complete the TPP negotiations at the earliest possible point in this year (TTXVN, 2013). TPP is one leading content to be discussed during the visit (Minh, 2013).

It is clear that the TPP has strategic importance for both countries. The two sides are very interested in issues related to TPP. Thus, although there are many challenges ahead, many issues need to be resolved, but that is reason to negotiate. We absolutely have the basis to believe that through the visit of the Vietnamese President, two countries will have more opportunities to negotiate and exchange, getting more mutual understanding and achieve consensus on issues related to the TPP. When the TPP is completed, this will bring huge economic benefits and enhance trade cooperation for the two countries in the coming years.

As President Obama told reporters in the visit of President Sang that completing the TPP negotiations could create jobs and increase investment across the region and in both our countries (Dien, 2013).

Vietnam's potentials for economic trade relations with the US

According to a World Bank report published recently on 12 July 2013, beside challenges such as extended slow growth, investment reducing, less drastic structural reform, the WB assessed that the Vietnamese economy has some positive sides, as follows: the overalls macro-environment is relatively stable; inflation rate in the beginning of the year is at the moderate level of 6.7%; value of exports increased sharply 16% compared to the same period in 2012; increasing the proportion of high-tech exports, phones and components become exports which have the largest value of US \$9.9 billion, overcome the traditional products of Vietnam such as crude oil, garment, shoes. Phones, electronics, computers and components account for nearly one-fifth of the total export turnover of Vietnam. In 2012, it was the first year Vietnam achieved a general trade surplus since 1992. Now, even though its foreign direct investment has been reduced, foreign investors still assess Vietnam as the second attractive investment destination in ASEAN in the future (WorldBank, 2013). Moreover, according to results of a survey in 2012-2013 about business prospects in the ASEAN region, Vietnam is the most popular location for business expansion of US companies in Southeast Asia (Minh, 2013). It also is believed that with proponents of the TPP, the TPP would boost multinational companies to invest in Vietnam, because from Vietnam it would be easy for them to export goods to the US (Dien, 2013)

Thus, although there are many limitations in Vietnam's economy, but the reports show positive changing signals for exporting and investment of Vietnam in the coming years. In addition, in the relationship with the US, TIFA was signed by the two countries. Therefore, along with BTA, PNTR, TIFA the two sides have a relatively sufficient legal foundation for bilateral economic relations to ensure that the trade and economic relationship continues to grow to a higher level in the future. As Carl Thayer, a Vietnam expert, said about US-Vietnam relations that priority was to be given to economic integration. All other forms of integration,

including security and defense, were to support this objective (Dien, 2013). Those potentials of Vietnam imply positive prospects for US-Vietnamese economic trade relations in the future.

The China factor:

China is an actor with the potential to influence Vietnam-US trade relations. Although the relations between the two countries have been significantly improving. The role of Vietnam in American economic policy seems to be placed in the US-China's relations. The rise of China has increased the importance of Southeast Asia, especially Vietnam with its adjacent location to southwest China. Since 2010, strategic concerns about China have taken on a larger role in the Obama Administration's formulation of U.S. policy toward Vietnam. "Sino-Vietnamese relations are Vietnam's most important bilateral relationship and Vietnamese leaders must tiptoe carefully along the tightrope between Washington and Beijing, such that improved relations with one capital not be perceived as a threat to the other." (Manyin, 2012)

In addition, some Vietnamese remain suspicious that the United States' long-term goal is to erode the Vietnamese Communist Party's monopoly on power (Manyin, 2013). China does not want to see a close alliance relationship between Vietnam and the United States forming adjacent to its southern border. Both the US and Vietnam do not like to provoke China unnecessarily. As the reigning superpower, the US has many more options than Vietnam. If good relations with China is a desire of the US, but for Vietnam it is essential. However, the excessive demands and aggressive attitude of China in the East Sea in recent years have led to the convergence of security interests between the US and Vietnam. Both countries are concerned about the modernization of China's military increases its capability to impose the will of the Chinese in the South China Sea disputes (Hung, 2010). In this context, the US is the preferred partner of Vietnam due to the US is the only superpower which is capable of challenging and curbing China's military ambitions effectively (Hiep, 2013). Thus, while do not want to be hostile toward to China, Vietnam could not sacrifice its sovereignty and territorial integrity to please Beijing. Therefore, Vietnam has been trying to connect with

the outside powers to be able to at least deter, prevent Chinese aggression in the South China Sea, and furthermore to balance China's dominant power in the region. However, Vietnam will try not to push its relations with the US too far, which can damage its relations with China.

Economically, Vietnam is more beneficial when trading with the US than with China. In 2012, Vietnam achieved trade surplus at the value of US \$ 15.6 billion with the US, while in the same year, Vietnam had trade deficit with China at the number of US \$16.4 billion. If there are no other very special reasons, the US is still the top choice for Vietnam to counterbalance the rise of China in the foreign policy and defense, as well as the daily life of Vietnamese people (Khanh, et al., 2013)

Moreover, US exports to the Asia - Pacific region tended to decline over the past 10 years (Nga, 2013). Especially, the US is in the serious situations of trade deficit with China. In 2010, the US trade deficit with China reached a peak of US \$.273 billion (TBKTVN). In 2011, this figure up to US \$295 billion. The US Economic Policy Institute noted that its huge trade deficit with China has made over 2.7 million Americans suffer unemployment from 2001 to 2011, in which, it estimated that there were about 2.1 million jobs in manufacturing industry (Vietnamplus, 2012). Since 2010, the US government began to implement a National Export Initiative with the goal of doubling US export volume within five years, reducing its serious status of trade deficit with its trading partners, particularly with Asian countries (mof131). With the whole lot of measures to support US exports. On one hand, it is construed to create huge competition for exports from other countries to the US, including Vietnam. On the other hand, it is also a reasonable basis to believe that bilateral trade relations of Vietnam and the US will have promising for further development in the upcoming years. As Vietnam will be one market which the United States will want to develop in order to diversify its trading partners, reducing its dependence on China market.

US policy towards the region

At US-Australia meeting of Ministers of Foreign Affairs and Defense in November 2012, the former US Secretary of State Hillary Clinton re-emphasized US commitment to

tighten its relation with the Asia-Pacific region, including economic and military (VTV, 2012). The new US Secretary of State, John Kerry, in March 2013 confirmed he will persevere the policy of shifting the US focus to Asia as his predecessor Hillary Clinton, even more than her (TTXVN, 2013). In the view of Obama administration, the Asia-Pacific is of prime importance for the future prosperity and security of the US because of two main reasons: i) Its leading role in the world for economic dynamism and potentials; ii) the powerful and comprehensive rise of China with its influences reaching further out of the region. Although Southeast Asia is not the highest priority if placed in the US global strategy today, but it is clearly that the level that the Obama administration interested in South East Asia is much higher than his previous administration and his approach is more multifaceted, not only about benefits in democracy and human rights, but also in the geo-strategic, geo-economic (Hoang, 2013).

The benefits of strong relations with Southeast Asia are very important for the US. The US investment in ASEAN countries, excluding investment in oil and gas sectors, is three times higher than that in China, ten times higher than that in India. ASEAN is the fourth largest market of the United States; Moreover, there are some of the most important shipping line of the world located in Southeast Asia - Straits of Malacca and East Sea. This area also has important natural resources, including oil, as well as rich sources of biodiversity (Bower). In its bilateral cooperation policy in Southeast Asia, the US is looking forward to building strategic partnerships with Indonesia, Malaysia, and Vietnam. In addition to that, the US is strengthening its participation in forums of multilateral institutions such as ASEAN, APEC, EAS, current TPP negotiations (Son, 2012). In these forums, Vietnam has participated as an official member.

Thus, as a country in the Asia-Pacific, the most important region to US interests, and having strategic location in Southeast Asia, despite many obstacles, especially the differences in the views on human rights and democracy between the US and Vietnam, it is definitely that Vietnam would have increasingly important role in the overall US policy in the region. Vietnam-US relations will be promoted in various fields in the future, especially the

economic-trade sector. As US Deputy Trade Representative, in charge of trade and investment, A. Marantis confirmed that Asia-Pacific region is the focus of US trade policy and Vietnam is important area in Asia. Asia in general and Vietnam in particular play an important role in U.S. trade policy (Labour, 2011).

In short, the trade and economic relations of Vietnam and the US in the future will be influenced by many factors, including the positive and negative factors. However, by analyzing the underlying factors such as prospect of the TPP, the Chinese factor, US policy in the region and the promising of Vietnam's economic development. In my opinions, in the future the positive factors for the trade relations outweigh the negative ones. Existing problems are not primarily. The trade and economic relations between the two countries will continue to grow strongly in the coming years. These relations will continue to be a pillar of the bilateral relations and will be a major driving force for improving the bilateral relations to a new level. From this prospect, based on the interdependence theory of liberalism, when Vietnam-US trade and economic relations continues to grow strongly, the interdependence between the two countries will be further increased. The two countries will have opportunities to interact, dialogue, exchange information, and strengthen social links and culture ties between the two sides that will increasingly promote the bilateral relationship of respect, trust, friendship, cooperation and mutual understanding. From which, the two countries will be discouraged from using forceful means to resolve disputes. When arguments occur between the two sides, they tend to use dialogue, diplomacy or negotiations to resolve conflicts and contributed to removing the bad history between the two states after the 1970s.

Moreover, when the economic and trade relations grows strongly, then economic benefits they gain from trade relations also increase. These benefits will be lost if conflicts between the two countries severed the trade relations. Therefore, both the US and Vietnam will be less willing to initiate a conflict or increase existing level of conflict. In other words, prospect of the increasing trade and economic relations between the US and Vietnam will certainly open up positive opportunities for enhancing political and diplomatic relations between the two side in the future.

However, in order to make this prospect become a reality, commensurate with the two countries' potentials, then create favorable conditions for strengthening political and diplomatic relations. Besides taking advantage of favorable factors and promptly grasping opportunities for development cooperation of the two countries, both Vietnamese government and businesses should have more effort and really appreciate the important role of US-Vietnam's economic and trade relations.

On the governmental side, Vietnam needs specifically and effective measures in order to support export activities, production development and increase the competitiveness of Vietnamese enterprises. They should promote negotiations of market expansion, activities of building and advertising Vietnamese national images, as well as strongly support Vietnamese businesses in trade promotion activities, strengthening their presence in trade missions in the US to protect interests of Vietnamese businesses in the US market, providing news and information to improve understanding about US market and laws for Vietnamese businesses. On the Vietnamese businesses' side, they need to further promote the study of the US market, enhancing their participation in trade fairs in this country, and then determine their best abilities in this market, building their long-term strategic and effective approaches to this market, improving their product quality. At the same time, they should study carefully about US laws and market in order to expand markets as well as to prevent or deal with commercial litigations cases that may occur in the future.

Conclusion

Vietnam and the United States formally normalized diplomatic relations in 1995. After eighteen years of economic and trade relations between the two countries has gained a powerful development. Although, this development is not really matched with the potentials of the two countries, but this is really a huge and impressive development for the two countries that had been former enemies. Within a short period, it is hard to imagine the significant achievements in trade and economic relations, which the US and Vietnam have gained up until now. US-Vietnamese economic and trade relations are the most successful fields in general relations between the two countries. It contributes to facilitate and promote the development of bilateral relations in various fields.

Through this thesis, from the presentation of the factual basis for the development of US-Vietnamese trade relations and outstanding achievements, which have been achieved in the US-Vietnamese trade and economic relations since their diplomatic normalization, then assessing the impact of the increased trade and economic relations on Vietnam-US political and diplomatic relations, and finally predicting prospect of bilateral trade and economic relations and its influence to the political and diplomatic relations in the future. I would like to point out that the development of trade-economic relations between the two countries is a good case study for interdependence theory of liberalism in the sense that US-Vietnam increasing trade and economic relations, since the normalization of diplomatic relations in 1995, boost the political and diplomatic relations between the two countries.

It can be seen that after Vietnam War, the two countries were completely far apart. They did not like and trust each other. By 1995, the US and Vietnam realized that they need to pass things up and wanted to assess each other's market. Therefore, the two countries normalized their diplomatic relations in 1995 and started to trade with each other. Since trading with each other, the two countries have made great economic achievements through bilateral economic ties between the two countries and through multilateral institutions such as

APEC, ASEAN, EAS, etc. (This was presented in very detailed in chapter II). Today, the political and diplomatic of the two countries are completely different from the time before 1995. Even though they are not perfect, but increasingly more friendship, cooperative and closer with each other. They became comprehensive partnerships from July 2013. The boom in the US-Vietnamese economic trade ties have promoted and enhanced their political and diplomatic relations. Interdependence theory of liberalism explains that by the following key rationales: First, trade brings two sides more benefits than conflict. If conflicts occur, they will hurt both the US and Vietnam and all gains obtained from trading will be lost. Therefore, the two countries would prefer to trade with each other and avoid conflicts. Second, the development and expansion of trade and economic relations have positive effects which spillover to other sectors, creating a favorable environment to promote military and diplomatic relations of the US and Vietnam. Third, increased trade relations bring more opportunities for the two sides to communicate, cooperate with each other. They become more mutual understanding. Therefore, the two countries do not have conflict over misunderstanding. Fourth, when trade relations increase, common interests between the two countries also enhance, making the two countries closer to each other and likely to use negotiations and diplomacy to solve problems that do arise. Finally, the trade relations between the two countries through international organizations such as the WTO, ASEAN, APEC, etc. provide another source for the US and Vietnam to dialogue, negotiate, and resolve problems that arise. Therefore, the two countries tend to use negotiations or diplomatic methods to deal with problems rather than forceful means. Above assessments demonstrated that the increased economic trade relations though direct bilateral and multilateral relations have strengthen political and diplomatic ties between the US and Vietnam. In other words, interdependence theory of liberalism is the best way to explain influence of the US-Vietnam's trade economic relations to their political and diplomatic relations.

By proving that point of view, firstly, I wished to use an international relations theory to explain my opinion and perspective on the relationship between the US and Vietnam in general and their trade and economic relations in particular with the hope to help those who are interested in Vietnam-US relations understand one more aspect of the relations between

the two countries. Secondly, I wish that my argument will contribute a small part to make Vietnamese policymakers and planners play more attention to the important role and influence of US-Vietnam trade and economic to their political and diplomatic relations. I believe that studying and understanding the influence of US-Vietnamese trade and economic relations to their political and diplomatic relations is very important and necessary. Since it not only assists Vietnamese and international researchers in further understanding US-Vietnamese relations, but also is useful for Vietnamese policymakers, planners to be aware of the important role of the trade relations. This will make them give more accurate and appropriate decisions on important issues related to the US-Vietnam's relations; Especially, the situations of the world and Southeast Asia are now quite complicated. The US strategy of returning Asia-Pacific and maritime security problems are matters of daily occurrence. Understanding the influence of US-Vietnamese trade relations to their political and diplomatic ties will help Vietnam to develop reasonable solutions to balance its relations with the two major countries, US and China and protect its national interests./.

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