Elevating the US–Vietnam Economic Relationship

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Abstract

The following is a transcript of US Ambassador to Vietnam Marc E. Knapper’s 24 March 2023 address to the students and faculty of Vietnam’s Foreign Trade University. The ambassador talked about the growth of the US–Vietnam economic relationship and the opportunities to strengthen and elevate it. He highlighted the development of the Comprehensive Partnership between the two nations and the diverse initiatives taken by Washington to strengthen the relationship. The speech focused on the growth of the economic ties between the two countries, specifically the growing trade relationship. Ambassador Knapper discussed how the trade relationship has become more dynamic, diverse, and complex with Vietnam becoming a significant supplier of products to the United States. The speech also highlighted Vietnam’s position on the world stage as a member of the global, interconnected economy. Finally, he mentioned the bilateral trade agreement signed between the United States and Vietnam, which paved the way for Vietnam’s accession to the World Trade Organization and highlighted the significant reforms that Vietnam has made in its legal and regulatory regime.

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Dear students, faculty, administrators, and guests. Good morning and thank you for welcoming me here today at the Foreign Trade University (FTU). It is wonderful to see such a tremendous audience representing the full range of programs at the university. I am delighted to have this chance to speak with you today about the growth of the US–Vietnam economic relationship and the opportunity we have before us to strengthen and elevate that relationship.

As you may know, this year marks the 10-year anniversary of the Comprehensive Partnership between our two nations. As we look back on the past, it is stun-
ning to see just how far we have come. While our conversation today will focus primarily on economic issues, we cannot ignore the myriad ways in which the United States and Vietnam have been able to forge a deep, meaningful relationship. This relationship was the result of dedicated effort by both nations. It developed through patient and persistent efforts to rebuild trust and discover the deeply felt values and common aspirations that unite our two peoples. What we share together is much greater than what divides us.

Working to address the legacies of war, facilitating people-to-people exchanges, combating infectious disease, conserving forests and biodiversity, modernizing higher education, strengthening local leadership: the breadth of these US initiatives in Vietnam speak to the comprehensive nature of our commitment. Given the depth of impact associated with those activities, as well as our belief in Vietnam as a strong, prosperous, and independent nation, it is impossible to think of our partnership with Vietnam as being anything other than fundamentally strategic in nature.

Economic ties between the United States and Vietnam have flourished since the mid-1990s. Today, the expansion of our economic ties is perhaps most visible in our growing trade relationship. Since we’re here at the Foreign Trade University, it seems only appropriate that we should take a few minutes to discuss how that trade relationship has flourished throughout the years. In 2022, the level of bilateral trade—USD 139 billion—was more than 300 times greater than it was in 1995. Last year, Vietnam was the eighth largest trade partner for the United States. This is a far cry from when I was last here in Vietnam working at the US Embassy in 2004, when bilateral trade stood at less than USD 7 billion.

Not only has our trade grown, it has become more dynamic, diverse, and complex. Exports from the United States now include a dizzying assortment of products, including machinery, computers and electrics, textiles, agricultural products, and more. Similarly, Vietnam has become a significant supplier of products to the United States, including apparel, footwear, furniture, seafood, and electronics.

Vietnam is also a key node in supply chains for goods that are vital to the American economy: from the semiconductors that power everything from our phones to our cars, to the solar panels driving the clean energy revolution and fight against climate change. And our supply chain linkages are not a one-way street: Vietnam’s import of American-made computer chips, hardwood, cotton, and animal feed fuel its production of electronics, furniture, apparel, livestock, and seafood.

Vietnam now occupies a central place on the world stage as a member of a global, interconnected economy, serving customers in countries near and far. The growth of trade relative to the size of Vietnam’s economy—from 18 percent of
GDP in 1988 to 186 percent in 2021—is a clear indicator of how Vietnam’s economic success over the past three decades has been inextricably linked to trade.

The United States has been Vietnam’s steadfast partner in helping create the conditions for this explosion in trade and the deepening of economic relations between our two countries. When the US and Vietnam signed a bilateral trade agreement near the dawn of this century, it was the most comprehensive trade agreement Vietnam had ever signed. The agreement was not merely symbolic. It was—and remains—a comprehensive, technical document that paved the way for Vietnam’s accession to the World Trade Organization. It laid out the commitments by both the United States and Vietnam to create necessary conditions for the products, businesses, and people of each side to have fair access to compete in both markets.

So, what did this mean in practice? For our side, the United States opened its market to Vietnamese goods and companies, allowing them to compete on the same basis as other countries. On the other side, Vietnam committed to reforming its trade and investment regime to create a more level playing field for US companies and goods seeking to enter Vietnam. As a result of the signing of the bilateral trade agreement, Vietnam took on the difficult but necessary work of making significant reforms to its legal and regulatory regime, bringing Vietnam into compliance with international norms. From these combined efforts to define the rules of the road for economic cooperation, Vietnam has shown its determination to be a responsible member of the global economic community and maintain a trade and investment environment that is open, transparent, inclusive, and predictable.

The result of these efforts has been the overall economic miracle we have seen in Vietnam. In just a few decades, Vietnam has covered an enormous distance, achieving greater prosperity through trade liberalization, significant investment in human and physical capital, and broad structural reform. Legal reforms increased clarity in the business environment, spending on education and skills training created jobs and attracted foreign capital, and investment in infrastructure laid the groundwork for important sectors like manufacturing and information technology. These changes have taken place alongside tremendous developmental gains in terms of poverty reduction, better health outcomes, and increased connectivity.

Since the bilateral trade agreement went into force, the United States and Vietnam have signed numerous other agreements, deepening cooperation on trade and related issues like investment, textiles, air transport, customs, and maritime affairs. While these agreements are significant in their own right, they are important for what they represent more broadly. They reflect not just the outcome of
work undertaken by political leaders and diplomats, but more importantly, the desires and aspirations of our peoples to strive toward an ever-closer relationship.

Alongside the agreements we have signed, US assistance has played a critical role, providing Vietnam with the tools it seeks to make good on its commitments to the United States and other international partners. For instance, technical assistance and capacity building efforts were central to implementing the terms of the bilateral trade agreement. It is also worth noting that the first major USAID technical assistance project in Vietnam following the normalization of diplomatic relations was focused specifically on trade. Together with our work to address the legacies of war, engagement on trade has been a particularly significant channel for building trust between our countries.

Today, US assistance efforts focus on consolidating gains to ensure sustainable economic development while promoting good governance and the rule of law. Our programs are deepening regulatory reforms, improving the capacity and independence of Vietnam’s judicial and legislative bodies. We are promoting more effective participation in law- and regulation-making processes. We are helping Vietnam to bring its laws and practices into compliance with international labor standards and uphold workers’ rights. These practical efforts serve to keep Vietnam on an ever-upward trajectory, raising the bar for international commerce and encouraging peers in the region to keep their sights high.

We are also encouraging and supporting reforms in areas and sectors that have become increasingly critical for supporting continued bilateral prosperity and driving sustainable and inclusive economic growth well into the future. For example, we are investing in efforts to promote women- and ethnic-minority-owned enterprises, supporting the transition to a digital economy, working collaboratively to combat pandemic threats, and partnering to advance the adoption of renewable energy and discover solutions for mitigating the effects of climate change.

The United States is excited to work with Vietnam to collectively address global issues and strengthen the pillars that will bolster our economic relationship in the decades to come. Looking to that future, we draw confidence from the fact that Vietnam has proven itself open to embracing change and uncertainty in its pursuit of economic security. The history of Đổi Mới’s transformative legacy has been told countless times already, but it is worth recalling for how it reflects Vietnam’s capacity to commit to and invest in necessary reforms.

It is in consideration of that spirit of commitment and adaptability that the United States places special emphasis on Vietnam being an active participant in efforts that will support not just bilateral prosperity but international economic security. The task of achieving greater economic security around the world begins
right here in the Indo-Pacific region. Vietnam occupies a central role in the world’s most consequential region, one that is home to more than half the globe’s population and contributes to two-thirds of global economic growth. This region will continue to be the leading contributor to global growth in the decades to come. Through its determination and dynamism, Vietnam will help drive that engine of economic growth.

However, it is innovation that will determine Vietnam’s economic success and our shared economic future. Our success in the years to come will depend greatly on how well Vietnam harnesses innovation to support foundational transformations—including in the clean energy, digital, and technology sectors—that can serve as new springboards to prosperity. Existing models of economic governance and engagement will not drive growth forever. And despite all we have already achieved, there is tough but necessary work still to be done in protecting businesses, workers, and consumers.

The United States welcomes Vietnam’s active participation in efforts we are leading to define high-standard rules of the road that will contribute to economic prosperity at home and across the Indo-Pacific region. Through the Indo-Pacific Economic Framework for Prosperity, or IPEF, the United States is working with 13 partner nations, including Vietnam, to develop standards to ensure that our economies are connected, resilient, clean, and fair.

What does this mean in practice? To create more interconnected economies, we need to define rules on cross-border data flows and data localization, ensure small and medium sized enterprises can access the rapidly growing e-commerce sector, and address issues such as online privacy and the discriminatory and unethical use of artificial intelligence. To increase economic resilience, we need to map critical mineral supply chains and develop early warning systems that can anticipate and prevent the kinds of disruptions that have spiked costs and created uncertainty for consumers in recent years. To build clean, green economies, we must pursue concrete, high-ambition targets that will meet the challenge of the global climate crisis. This means developing renewable energy sources, adopting energy efficiency standards, cutting emissions, and removing carbon from the atmosphere. To ensure our economies remain fair to all participants, we must make good on commitments to enact and enforce effective tax, anti-money laundering, and anti-bribery regimes in line with multilateral obligations.

All of these are challenging, complex topics. However, we derive confidence from the fact that Vietnam and our other IPEF partners share our overarching goals, interests, and ambitions for the Indo-Pacific region. There is a collective sense that our economic policy interests in the region are intertwined, and deepening economic engagement among partners is crucial for continued growth,
peace, and prosperity. We see clearly how IPEF will advance resilience, sustain-
ability, inclusiveness, economic growth, fairness, and competitiveness for our
economies. Working together toward these common goals, we are committed to
collaborating with our partners in a manner that delivers tangible benefits for our
citizens.

In order to achieve these lofty goals, education is essential to producing globally
astute graduates ready for the challenges of the 21st century. It is no longer enough
that graduates are prepared for life and work within a single country’s borders.
Graduates now must be able to transcend linguistic, cultural, and commercial
barriers to compete successfully in today’s global economy.

FTU is one of the most active Vietnamese institutions in developing joint
programs with US partners, promoting mutual understanding between our two
countries, and giving students an extra advantage in preparing for their future
careers. I understand that many teachers and administrators here have dedicated
your professional lives to developing such programs and opportunities for your
students. We know how much work goes into establishing and managing these
programs and we are grateful for your efforts.

To the university leadership, faculty, and staff, I learned last week that you or-
ganized a very successful Forum on Innovative Models for the internationaliza-
tion of higher education institutions. This is just one example of why FTU con-
sistently ranks so high among the Vietnamese universities most committed to
innovation in higher education. As I said earlier, it is that very innovation that will
determine Vietnam’s economic success. Innovation in education helps train the
best and brightest, who in turn will lead innovative initiatives that will power the
world’s economies.

The United States is proud that we remain a top destination for international
students with nearly one million international students choosing to study in our
country each year. We are also proud that despite the challenges of the global
pandemic, recently Vietnam moved into the top five leading countries of origin
for all international students in the United States, with nearly 30,000 Vietnamese
students choosing to study in the United States over the past year. Among them
there were many students from the Foreign Trade University who traveled to the
United States for an exchange semester, academic year, or internship.

To the students pursuing studies here at the Foreign Trade University, I hope
you will consider the enormous potential you have to contribute to our bilateral
economic relationship, drawing on the knowledge and skills you have already ac-
quired and will continue to develop. Whether they are working in the public or
private sector, FTU graduates are creating real impact on the issues that matter to
both the United States and Vietnam. They are the partners with whom we inter-
act every day in our diplomatic work, the source of new ideas, the people with the know-how and drive to get things done. They are leaders in both the public and private sector, and I personally know many brilliant individuals who proudly call FTU their alma mater. They bring to the table not only business acumen and a depth of knowledge about a full range of economic-related fields, but also a respect for the complex, shifting dynamics that define foreign affairs. We can’t wait to see what the future graduates of FTU will do to strengthen the US–Vietnam partnership and benefit the people of both of our nations.

Thank you. I look forward to your questions and comments.

Ambassador Marc E. Knapper
Marc E. Knapper is a member of the Senior Foreign Service of the US Department of State and the current Ambassador to Vietnam. He previously served as Deputy Assistant Secretary for Korea and Japan from August 2018 to July 2021. Prior to assuming this position, Knapper was Chargé d’Affaires ad interim in Seoul from 2017 to 2018 and Deputy Chief of Mission from 2015 to 2016. Earlier assignments include Director for India Affairs, Director for Japan Affairs, and Seoul, Baghdad, Tokyo, and Hanoi. Ambassador Knapper is a recipient of the Secretary of State’s Distinguished Service Award, the nation’s highest diplomatic honor. He has also received a Presidential Meritorious Service Award and the Department of State’s Linguis of the Year Award. Knapper is a summa cum laude graduate of Princeton University, and studied at the University of Tokyo, Middlebury College’s intensive Japanese program, the Army War College, and the Massachusetts Institute of Technology’s Seminar XXI program. He speaks Korean, Japanese, and Vietnamese.

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