

Vietnam's Hedging Strategy in the US–China Trade War:

Geo-economic Response during the First Trump Administration

Fitri Fatharani,
Shofwan Al Banna Choiruzzad

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Department of International Relations,
Universitas Lampung, Indonesia
Department of International Relations,
Universitas Indonesia, Indonesia
fitri.fatharani@fisip.unila.ac.id

The United States–China trade war placed Vietnam in a strategic yet vulnerable position, as a non-involved country that significantly benefited from trade and investment relocation. This situation contributed to Vietnam's relative capability growth and created new space for asserting its role in regional economic and political structures. This article analyzes Vietnam's foreign policy strategy in response to the rivalry between two great powers by applying a geo-economic approach and qualitative research methods. The findings reveal that Vietnam adopts a hedging strategy by undertaking active neutrality, contradictory policy—simultaneously accepting and rejecting dominance—and by diversifying its global partnerships to preserve policy autonomy. Vietnam's hedging reflects both a function of national interest protection and an effort to leverage the opportunity created by relative capability enhancement amidst structural uncertainty. Thus, hedging emerges as a relevant geo-economic instrument for middle states in navigating major power competition while maintaining strategic space and sovereign decision-making.

Keywords: Geo-economics, Hedging, US-China, Trade War, Vietnam.

Introduction

The trade war between the United States and China, the world's two most important economic powers, has disrupted the stability of the global supply chain (GSC). As trade barriers increased and so does the cost of doing business in China, companies around the world started diversifying their production sources (Selmi et al., 2020). In this changing environment, Vietnam has quickly become one of the top destinations for relocating production. According to Vietnam's Foreign Investment Agency

(FIA), the country saw a 69 percent increase in foreign direct investment (FDI) in the first five months of 2019, with 42.5 percent of the capital coming from China (VNS, 2019). By the end of that year, 23 out of 33 companies that previously operated in China had moved their production to Vietnam (Anwar, 2019; CNN, 2019). These changes highlight the new opportunities created by the trade war and show how Vietnam has found itself in a strategic yet vulnerable position amid the growing rivalry between the two global powers.

International Relations (IR) scholarship has mainly focused on great powers as the primary actors shaping the global system, often portraying middle power states as passive entities reacting to external influences¹. However, the growing rivalry between the United States and China has extended the concept of great power competition beyond military and security issues into economic sectors, which now directly impact countries that are not central to global power structures. This development emphasizes the need to re-examine how middle states responses to a shift in the international system. Despite this, many studies have overlooked how countries like Vietnam, between two great powers, strategically develop their foreign policies in response to complex and evolving geo-economic conditions.

This study examines how Vietnam navigates its complex position within the U.S.–China rivalry using a geo-economic approach. This study explores how Vietnam employs hedging strategies to protect its independence, expand its foreign policy options, and leverage the competition between the two powers to achieve its national development goals. The research focuses on the first term of the Trump administration (2017–2020), a period characterized by rising trade war tensions and significant shifts in global supply chains.

The Impact of the US-China Trade War: a Review of Literature

The trade war between the United States and China has become a key topic within the international political economy due to its extensive implications not only for the two disputing countries but also for the stability of the global supply chain. Academic literature on the topic has generally categorized the impacts of the trade war into three main clusters, based on the actors affected: (1) the impact on the U.S. and/or Chinese domestic economies; (2) disruptions and restructuring within global supply chains; and (3) shifts in cross-border investment flows. While these studies have contributed significantly to understanding the macroeconomic and systemic consequences of the conflict, they remain predominantly centered on the perspectives of great powers. As a result, the responses of middle-power states, particularly those that have experienced either spillover gains or structural vulnerability, have been relatively understudied. This presents a gap in the literature, especially considering that such states often serve as buffer zones and adaptive actors amid great power rivalries.

The first cluster of studies focuses on the domestic economic impacts of the trade war on both the United States and China. Sheng et al. (2019) argue that the U.S. initiated the trade war primarily to address its trade deficit with China. However, a growing body of literature, such as that by Cui et al. (2019), Guo et al. (2017), and Archana (2020), finds

1 Great powers refer to countries with the capacity for global military and economic dominance (Mearsheimer, 2001), while middle powers are countries that do not dominate but play strategic and normative roles in maintaining the international order through active diplomacy and multilateral cooperation (Jordaan, 2003).

that the tariffs imposed during the trade war have brought more economic harm than benefit to the U.S. economy. These studies challenge the assumption that the trade war was driven by economic rationale. In this context, Sahide (2021), Moosa (2020), and Zhang (2018) advocated for structural economic reforms as a more viable solution than protectionist policies.

Meanwhile, China appears to have demonstrated relative resilience, as suggested by Carvalho et al. (2019), Lai (2019), Li et al. (2018), and Liu (2020), who point to China's diversification strategies and internal policy adjustments. These studies imply that despite the economic justification of correcting trade imbalances, geopolitical ambition shaped the U.S.'s approach more than economic logic. This confirms the geo-economic nature of the conflict, where financial instruments are used to pursue strategic and political objectives beyond purely economic outcomes.

The second cluster examines the impact of the U.S.–China trade war on global supply chains. Studies such as Iqbal et al. (2019), Mao and Görg (2020), and Qiu et al. (2019) find that rising trade tensions have disrupted supply chains and encouraged the relocation of manufacturing from China to alternative countries. These shifts expose the structural vulnerability of global trade to geopolitical frictions. While most analyses remain at the macro level, some recent works have begun exploring the different impacts on developing economies. For instance, Cheng et al. (2019) note Malaysia's greater exposure due to stronger China ties, while Pangestu (2019) views Indonesia's resilience

as stemming from diversified exports. Yildiz (2020) finds Latin America still tethered to the U.S. economy, while Abiad et al. (2018) suggest Southeast Asian countries could benefit from investment spillovers.

The third cluster discusses the trade war's impact on cross-border investment flows and the mitigation strategies of international business actors. Amiti et al. (2019) demonstrate that rising tariffs significantly increased costs for U.S. importers, prompting firms to adopt divestment strategies and relocate production to alternative markets. Reinsch (in Lowrey, 2018) observes that geopolitical uncertainties have accelerated corporate decisions to shift operations out of China, with Vietnam emerging as one of the primary destinations due to its favorable investment climate and growing industrial base.

Despite these dynamics, much of the existing literature portrays developing countries as passive recipients of structural change, rather than as strategic actors. Kuik (2022) argues that middle powers often accommodate the interests of great powers due to inherent power asymmetries. However, such view risks overlooking the agency of these states in navigating geopolitical rivalries. This analytical gap underestimates the ability of countries like Vietnam to formulate hedging strategies that not only mitigate external risks but also harness the opportunities presented by great-power competition. Focusing on Vietnam's geo-economic response to the U.S.–China trade war, this study contributes to a more nuanced understanding of how middle powers exercise strategic au-

tonomy through proactive and adaptive economic policies.

Therefore, in response to this gap in the literature—specifically, the lack of attention to how middle powers actively navigate great-power rivalry—this article proposes a conceptual approach that integrates geo-economic analysis with the hedging strategy. Hedging is understood here not merely as a security-oriented strategy but as a geo-economic approach that enables states to manage systemic uncertainty by leveraging opportunities and mitigating risks, without aligning exclusively with either significant power. In this light, Vietnam is not merely a passive recipient of supply chain restructuring and investment flow shifts triggered by the trade war. It emerges as an actor capable of formulating contradictory strategies to preserve national autonomy while advancing its domestic development goals.

Hedging Strategies in Global Geo-economic Rivalry: A Conceptual Framework

The rivalry between the United States and China through trade war illustrates a shift in the interstate conflict, from traditional security tensions to geo-economic competition. In today's interconnected global economy, middle- and small-power states are increasingly exposed to the ripple effects of great-power rivalries, manifested through supply chain disruptions, investment, and trade volatility. However, as long as there is no explicit pressure to choose either side, these states retain policy space to determine their foreign policy direction autonomously.

This opens up a space for foreign policy maneuvering that is neither strictly bandwagoning nor balancing, but instead reflects a more complex and calibrated form of engagement.

In this context, it is essential to understand that the foreign policies of such states are not merely reactive to external developments, but are also shaped by rational calculations of national interest. From a neorealist perspective, scholars such as Waltz (1967) and Mearsheimer (2010) emphasize that a state's strategy aims to ensure survival and autonomy. Similarly, Morgenthau (1949) posits that foreign policy is a rational expression of national interest. Accordingly, Vietnam's response to the U.S.–China trade war should be interpreted as an active strategy to safeguard its sovereignty and policy autonomy under global structural pressure, rather than a passive or powerless stance. In other words, Vietnam seeks to strategically manage the tensions between great powers to advance its national interests. Within this framework, hedging is a stratagem to simultaneously manage both systemic and domestic risks.

Hedging, as defined in the international relations literature, refers to a foreign policy behavior that avoids complete alignment with either side in a rivalry while pursuing benefits from both (Kuik, 2022; Lim & Mukherjee, 2019). Rather than choosing between balancing and bandwagoning, hedging enables states to diversify their strategic and economic relations as a buffer against uncertainty. This strategy is especially relevant in a geo-economic context, where

economic tools such as trade agreements, infrastructure investments, and technological cooperation serve economic and strategic objectives. By hedging, Vietnam can attract foreign investment, expand export markets, and secure technology transfers, while maintaining flexibility in its political positioning. Thus, hedging offers a practical means of navigating power asymmetries in a global order increasingly shaped by economic rivalry.

Nevertheless, asymmetries in capabilities continue to constrain the strategic choices of middle and small powers in their engagement with major powers. In economic relations, great powers can utilize their influence through formal trade frameworks, leveraging asymmetries in market access, investment, and regulatory power (Lim & Mukherjee, 2019). Consequently, the foreign policy decisions of less powerful states are influenced not only by considerations of external power dynamics, but also by internal imperatives—particularly the need of ruling elites to preserve regime legitimacy and domestic political stability (Kuik, 2016). As Hiep (2013) notes, these states often adopt compromise-based approaches that reflect trade-offs between safeguarding policy autonomy and ensuring national economic and political resilience.

Within this framework, hedging emerges as a pragmatic and strategic response. It offers states like Vietnam the necessary maneuvering room to navigate intensifying great-power rivalry without committing fully to either side. Crucially, hedging should not be misconstrued as passive neutrality.

As Kuik (2016) emphasizes, the state's non-aligned posture represents an active strategy grounded in a dual approach: power rejection and acceptance. Rather than overtly balancing or bandwagoning, Vietnam carefully calibrates its relations with the United States and China to maintain equidistance. This is achieved through two key mechanisms. First, it preserves positive bilateral relations with both powers to avoid signaling alignment. Second, it engages in selective, interest-driven cooperation to optimize strategic and economic benefits while safeguarding its sovereign decision-making capacity.

To further understand how Vietnam's hedging strategy operates in practice, this study adopts a framework comprising three key dimensions of geo-economic hedging: Active Neutrality, Contradictory Policies, and Inclusive Diversification of Strategic Partnerships. These dimensions reflect an adaptive and context-sensitive approach that enables Vietnam to navigate the uncertainties of global economic turbulence without succumbing to binary alignments.

Table 1. Operational Characteristics and Objectives of Vietnam's Hedging Strategy

Hedging	Key Features	Objectives
Active Neutrality	Maintaining balanced relations with both the U.S. and China	Minimize dependency risks and assert foreign policy independency
Contradictory Policies	Simultaneous engagement in seemingly opposing strategies	Maximize strategic flexibility and national interest gains
Inclusive Diversification	Expanding partnerships beyond the two great powers	Reduce dependency, build resilience, and enhance bargaining power

This framework reveals that hedging is not confined to traditional security dilemmas but equally applies to managing contemporary geo-economic rivalries. Vietnam's response to the U.S.–China trade war underscores how economic asymmetries—while lacking overt military coercion—nonetheless generate strategic pressures that require calculated responses. In this context, Vietnam's hedging strategy functions as a risk-aware geo-economic practice that seeks to optimize the benefits of global integration while preserving national policy space and sovereignty.

Vietnam's Hedging Strategy in the US–China Trade War

This section discusses Vietnam's hedging strategy through three main aspects: ambivalence in its relations with the United States, ambivalence in its relations with China, and diversifying its strategic partnerships. This approach examines Vietnam's bilateral relations with the two great powers and

demonstrates that Vietnam's hedging is a comprehensive strategy in response to structural uncertainties in the international system. Through active neutrality, contradictory policies, and diversification, Vietnam tries to navigate great-power rivalry by maintaining policy independence amid global structural uncertainties. In this context, Vietnam's economic strength is a key source of legitimacy, allowing it to manage its geo-economic strategies with greater confidence and autonomy.

Vietnam's Strategic Ambivalence in Relations with the United States

Following the U.S.-China trade war, Vietnam has strengthened its ties with the United States, especially in economic and strategic areas. A major milestone was the 2019 U.S.–North Korea Summit held in Hanoi, which boosted Vietnam's diplomatic profile and underscored its rising significance in U.S. regional strategy. During the summit, high-level meetings between U.S. President Donald Trump and Vietnamese leaders Nguyen Phu Trong and Nguyen Xuan Phuc

showed increased U.S. focus on Vietnam as a regional strategic partner. In his speech, Trump highlighted three main priorities: improving bilateral trade, expanding defense cooperation, and countering China's influence in Southeast Asia (Trump White House, 2019a).

Strengthening economic ties has been crucial in U.S.–Vietnam relations, especially after Vietnam hosted the 2019 U.S.–North Korea Summit. Vietnam's selection as the summit host was not only due to geographic convenience but also carried symbolic significance. Once an adversary during the Vietnam War, Vietnam now stands as a stable economic and political partner, a message that the U.S. wanted to send to North Korea. For Washington, Vietnam represented a successful economic transformation within a non-liberal political system, showing North Korea that economic reform and political stability coexist without regime change (Berlinger, 2019; Hoekstra, 2019; Rosenfeld, 2019). The summit thus served a dual purpose: advancing U.S. diplomatic goals and reaffirming Vietnam's position as a credible, independent partner.

During the summit, the U.S. also promoted arms sales and defence ties with Vietnam in response to shared concerns over China's actions in the South China Sea (Pearson & Mason, 2019). While Vietnam welcomed closer security cooperation, it remained committed to its "Four No's" defence policy: no military alliances; no siding with one country against another; no foreign military bases; and no use or threat of force (Zhen & Ip, 2022). For such, this

defence cooperation should not be seen as bandwagoning but as part of Vietnam's hedging strategy, taking action to reject US power domination.

On the economic front, the 2019 U.S.–North Korea Summit also served as a platform to strengthen bilateral trade ties. Vietnam signed high-profile agreements to buy Boeing aircraft and GE engines worth over USD 21 billion (Trump White House, 2019a, 2019b). While Washington celebrated the deals as a success in reducing the U.S. trade deficit, for Hanoi, they represented a strategic move to manage trade tensions and increase leverage amid the U.S.–China trade war. This mix of engagement across sectors shows Vietnam's hedging behaviour, using closer ties with Washington while keeping autonomy and flexibility in its foreign policy.

Although the U.S.–Vietnam partnership has strengthened, Vietnam remains cautious of Washington's possible hegemonic ambitions. The U.S. is seen as politicizing trade and technology in its competition with China, pressuring other nations to adopt export restrictions (The Embassy of the PRC in New Zealand, 2023). Aware of these concerns, Vietnam emphasizes its principles by boosting domestic capacity and protecting against exploitative practices, such as investment dumping and tariff avoidance, as noted by Dr. Tran Dinh Thien of the National Financial and Monetary Policy Advisory Council (Asia News Monitor, 2018).

As an official measure, Vietnam and the United States signed the Treaties and Other International Acts Series 20-

520 on Law Enforcement. This agreement aimed to strengthen Vietnam's customs law enforcement system, making it more adaptive to changes in international trade and boosting bilateral cooperation without sacrificing foreign policy flexibility. In this way, the bilateral partnership reflects Vietnam's mixed approach, building stronger ties with the U.S.

while carefully avoiding commitments that could threaten its independence.

These dynamics show that Vietnam's engagement with the United States is shaped not by straightforward alignment but by careful strategic considerations. The table below summarises the different forms of Vietnam's ambivalence toward the U.S.

Table 2. Vietnam's Ambivalence Toward the United States

Areas of Cooperation	Power Acceptance	Power Rejection
Economy	Strengthened bilateral trade to reduce the U.S. trade deficit by signing contracts worth over USD 21 billion for Boeing aircraft and GE engines.	Diversifying trade relationships to mitigate the risks of overreliance on a single economic power.
Defence or Security	Strengthening maritime security in the South China Sea through expanded military cooperation.	Reaffirming the "Four No's" doctrine
Institutional	Vietnam ratified a bilateral agreement on customs law enforcement	Ensuring institutional resilience to reduce asymmetrical dependence on the United States

Vietnam's relationship with the United States shows a calculated pattern of ambivalence within its hedging strategy. While strengthening economic and security ties-including the elevation to a Comprehensive Strategic Partnership in 2023-Vietnam also avoids formal alliances and maintains relations with rival powers. This dual-track approach exemplifies a policy of active neutrality, enabling Vietnam to gain economic and strategic benefits from its engagement with Washington. The seemingly contradictory gestures, such as purchasing U.S. arms while reaffirming the “Four No's” doctrine, are not signs of inconsistency but deliberate tools for self-protection. They demonstrate Vietnam's hedging: a flexible, interest-driven foreign policy that balances cooperation and caution to preserve autonomy amid rising great power competition.

Vietnam's Strategic Ambivalence in Relations with China

Despite increasing ties with the United States, Vietnam remains economically and ideologically connected to China. As Vietnam's biggest trading partner and a key supplier of intermediate goods, China is essential for maintaining Vietnam's export-focused economy. The U.S.–China trade war brought risks and opportunities for Hanoi, but Vietnam chose to keep stable relations with Beijing, even amid ongoing tensions in the South China Sea. This stability reflects a practical approach influenced by three main factors: (1) a shared socialist identity that promotes political unity; (2) domestic goals for economic growth during

Vietnam's “breakthrough years”; and (3) strategic integration into regional supply chains benefiting from the shift of Chinese production.

One of the main pillars of this stability is the narrative of ideological closeness consistently promoted by both parties. During the trade war period, there was a significant rise in high-level meetings between Vietnamese and Chinese leaders. In a speech marking the 70th anniversary of diplomatic relations on January 18, 2020, President Xi Jinping highlighted the frequency of his meetings with Nguyen Phu Trong as a symbol of their long-standing close ties (The Embassy of the PRC in Australia, 2018). In his speech, terms like “comrade” and “brother” were used to strengthen political solidarity among socialist states and to ease tensions, especially on issues like the South China Sea.

The ideological narrative promoted by China serves as both a symbolic and strategic tool to enhance influence over Vietnam amid global uncertainty. Invoking shared socialist identity, President Xi Jinping emphasized Party-to-Party solidarity to face external challenges, a message welcomed by Vietnamese elites like Tran Quoc Vuong and Nguyen Phu Trong, who reaffirmed China as a foreign policy priority (Permanent Mission of the PRC to the UN Office at Geneva, 2020). These interactions show Vietnam's deliberate acceptance of power by engaging deeply with China while leaving room for strategic maneuvering. Simultaneously, China sought to downplay tensions in the South China Sea by promoting rhetoric of

peaceful cooperation and proposing to elevate bilateral ties to a “new level,” the highest status in Beijing’s diplomatic language (Xinhuanet, 2019; CGTN, 2022). The narrative aims to reduce maritime tensions, strengthen political ties as fellow socialist countries, and present China as a stable partner amid rising regional competition. This rhetoric helps Vietnam maintain good relations with China while continuing its hedging strategy.

China has proposed developing manufacturing infrastructure in Vietnam to strengthen its regional manufacturing influence amid the U.S.–China trade war. President Xi Jinping has promoted deeper integration of industrial and supply chains, expanding cooperation into sectors such as technology, healthcare, and climate change (Zhen & Ip, 2022; Embassy of the People’s Republic of China in New Zealand, 2023). This initiative is not designed to replace China’s role as the world’s manufacturing hub but to maintain influence over shifting supply chains. A key example of this strategy is the revival of the Two Corridors and One Economic Circle initiative, which is part of the Belt and Road Initiative (BRI) and actively involves Vietnam. Rather than signaling alignment, Vietnam sees this cooperation as a way to speed development while keeping policy independence. Vietnam’s selective participation in the BRI shows how economic diplomacy functions as a development tool and a way to navigate unequal power relations without sacrificing strategic independence.

The escalation of the U.S.–China trade war in 2018 created significant

challenges for Vietnam’s development goals for 2016–2020. Although Vietnam’s 2016–2020 Socio-Economic Development Plan recognized global instability, it did not foresee how severe the disruption would be. A key turning point came in 2019 when Prime Minister Nguyen Xuan Phuc, during the Sub-Committee meeting for the 13th National Party Congress, highlighted the importance of institutional reform and domestic economic strengthening to build resilience against external shocks. In this context, senior economist Tran Du Lich stressed that institutional reform must be a national priority for Vietnam to take advantage of opportunities from shifting regional and global dynamics. Accordingly, external geo-economic tensions were increasingly seen not just as threats, but as catalysts for internal transformation.

While Vietnam publicly endorsed China’s narrative of peace and friendship, protecting its national sovereignty remained a key policy focus. This is clear in Vietnam’s Socio-Economic Development Strategy 2021–2025, which responded more directly to increasing great-power rivalry by emphasizing the importance of economic diversification, proactive global engagement, and stronger cross-sector cooperation (Government of Vietnam, 2021). Compared to the 2016–2020 plan, the new strategy signalled a shift toward addressing internal structural challenges in the global political economy—especially the U.S.–China trade war—as factors driving domestic reform and resilience. These policy directions reflect a more deliberate and selective approach to exercising influence,

where Vietnam collaborates with China on favourable economic terms while maintaining policy independence and aligning foreign partnerships with national development goals.

In the aftermath of the U.S.–China trade war, Vietnam's engagement with China reveals ambivalence. Simultaneously

advancing economic cooperation and managing geopolitical vulnerabilities, Vietnam pursues a strategic hedging posture to navigate structural asymmetries without undermining its core national interests. The following table summarises the key dimensions of Vietnam's ambivalent strategy toward China.

Table 3. Vietnam's Ambivalence toward China

Dimension	Power Acceptance	Power Rejection
Ideological	The “comrade and brother” narrative was promoted by the elites of both countries (Xi Jinping and Nguyen Phu Trong).	Continued emphasis on the principle of non-alignment and avoiding complete foreign policy alignment with China.
Security	Xi Jinping's commitment to peaceful cooperation in the South China Sea.	Vietnam maintains the South China Sea as a national priority for sovereignty.
Economy	Cooperation within the <i>Two Corridors and One Economic Circle</i> framework & the Belt and Road Initiative (BRI).	Institutional reforms and the pursuit of a self-reliant national development strategy.
Regional	Strengthening supply chains and cross-sectoral technological investment from China.	Diversifying trade partnerships and engaging in global value chains beyond China's orbit.

Diversification in Multilateral Forums

The escalation of the U.S.–China trade war has intensified global supply chain restructuring and prompted shifts in regional investment flows. In August 2019, President Donald Trump explicitly urged American companies to seek alternatives to China, including relocating their production and headquarters (Arvirianty, 2019). While this development was initially seen as a strategic opportunity for Vietnam, it also created uncertainty among Vietnamese businesses regarding the volatility of global trade dynamics (The Ministry of Finance, 2019). In navigating these disruptions, Vietnam has adopted a strategy of inclusive diversification by expanding its economic and diplomatic engagements beyond dependence on any single major power. This approach is increasingly reflected in Vietnam's active participation in multilateral forums and diversified partnerships at both regional and global levels.

In the context of the US–China trade war and the ongoing fragmentation of global supply chains, diversification of partnerships has become a vital strategy for reducing external risks and enhancing domestic economic resilience. The International Monetary Fund (IMF) classifies the world's countries into three major economic blocs post-pandemic: one led by the United States, another centered around China, and a third consisting of non-aligned states (Global Data Point, 2023). Vietnam's response to the changing geopolitical economy involves expanding its multilateral engagements.

This multilateral approach serves Vietnam's developmental objectives and operates as a strategic hedge, allowing the country to avoid excessive dependence on any significant power and to navigate global fragmentation with greater flexibility (Falak, 2020). The following table outlines Vietnam's engagement patterns with the three major economic blocs, illustrating how geo-economic hedging is operationalized through multilateral diplomacy.

Table 4. Vietnam's Multilateral Cooperations Across Three Major Global Economic Blocs

Economic Bloc	Key Partners	Forms of Cooperation	Objectives
East Asia (China)	China, ASEAN, Japan, South Korea	RCEP (2022); ASEAN+1; Mekong–Lancang Cooperation (MLC)	RCEP covers 30 percent of global GDP, reflecting Vietnam's close economic ties with East Asia and China, while maintaining geopolitical caution.
Pacific (U.S. and Allies)	United States, Canada, Australia	CPTPP (2019); IPEF (2022); APEC	CPTPP is viewed as part of Vietnam's strategy to reduce economic dependence on China.
Europe (EU)	European Union, United Kingdom	EVFTA (2020); UKVFTA (2021)	Expanding high-standard trade access to European markets, enhancing economic diversification, and reform credibility.

While diversification has granted Vietnam some degree of policy independence, the ongoing pressure to align with one side remains a significant challenge. As Nguyễn Anh (2023) notes, Vietnam's foreign policy aims to maintain national stability while avoiding strategic alignment and the escalating rivalry between two major powers. In accordance with this goal, Vietnam's geo-economic path has increasingly focused on expanding diverse strategic partnerships.

The diversification of Vietnam's strategic partnerships is evidenced by a rise

in Comprehensive Strategic Partnerships (CSPs) established after 2022. Before the escalation of trade tensions, Vietnam had only three CSPs with China, Russia, and India, which were traditional partners. Between 2022 and 2024, Vietnam broadened its CSPs to include four additional countries: South Korea, the United States, Japan, and Australia. An increase in the number and variety of strategic partners demonstrates Vietnam's flexibility in leveraging global rivalries to boost its international standing. It reflects Vietnam's strategic aim to balance

relations among major powers. The following table provides an overview of Vietnam's Comprehensive Strategic Partnerships as of 2024:

Table 5. Vietnam's Comprehensive Strategic Partnerships 2024

No	Countries	Established
1	China	May 2008
2	Russia	July 2012
3	India	September 2016
4	South Korea	December 2022
5	United States	September 2023
6	Japan	November 2023
7	Australia	March 2024

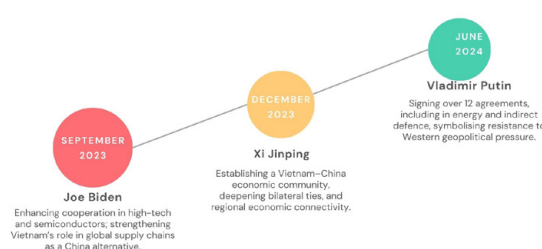
Source: (Vietnamnet Global, 2024).

Beyond quantity, the quality of intensified bilateral cooperation is also crucial. In 2023, Hanoi hosted official visits by three world leaders: Presidents Joe Biden, Xi Jinping, and Vladimir Putin. Biden's visit aimed to strengthen Vietnam as a key partner in high-tech supply chains as an alternative to China. Beijing responded with a visit by Xi three months later, leading to the establishment of the Vietnam–China Economic Community (Zhen and Ip, 2022). This visit reinforced Vietnam's geo-economic position as a key partner in shaping global value chains.

President Putin's visit to Vietnam in June 2024 added further complexity to Vietnam's hedging strategy. Despite relatively

modest bilateral trade (USD 3.6 billion) compared to China and the U.S., the visit coincided with intensified Western sanctions on Russia due to the Ukraine conflict, resulting in the signing of over a dozen agreements, including those on energy and indirect defence cooperation (Aljazeera, 2024; Ghosal, 2024). For Vietnam, welcoming Putin reflects a hedging approach by maintaining relations with major powers despite international pressure. However, this move also carries reputational risks. The US government has expressed concern that giving Putin a platform could normalize Russian aggression (Lakshmi, 2024). The main challenge for Vietnam's diversification lies in maintaining the perception of strategic neutrality while not losing access to global investments and markets.

Figure 1. Visits of U.S., Chinese, and Russian Leaders to Vietnam (2023–2024)



Source: Compiled from *The State Council The People's Republic of China (2023)*, Hoa (2023), and Ghosal (2024).

The successive visits of influential leaders to Vietnam highlight the country's ability to strengthen its strategic position rather than being caught in great-power

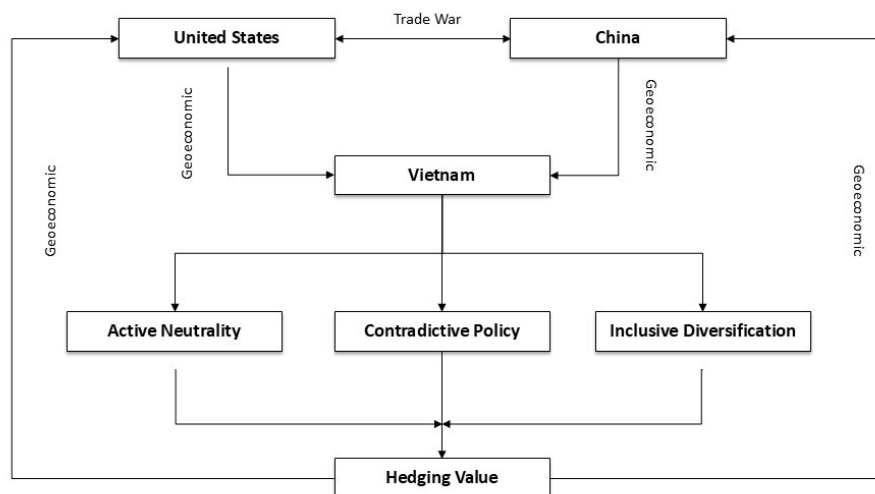
rivalry. Vietnam has successfully improved its international standing by adopting a balanced approach to its relations with the three major global powers within a short timeframe. In this context, Vietnam's hedging strategy acts as a form of security against the uncertainties of the international order (Kusumasomantri, 2015), providing the flexibility to switch between balancing and bandwagoning as circumstances change. The consecutive visits of three world leaders to Hanoi within these past nine months show the success of this approach—demonstrating Vietnam's capacity to maintain active neutrality while turning geopolitical tensions into geo-economic opportunities.

The effectiveness of this strategy is further supported by Vietnam's extensive diplomatic network, which now covers 193 countries and includes 18 strategic partners (Asia News Monitor, 2024). Compared to other ASEAN nations, this wide network gives Vietnam a distinct advantage in

managing the effects of the global trade war. Through these complex relationships, Vietnam has built a resilient foundation to attract investment from various economic powers, boost its regional competitiveness, and reduce dependence on any single actor amid the shifting landscape of global geo-economics.

Vietnam's geo-economic strategy in responding to the U.S.–China trade war is marked by adaptability, precision, and multidimensionality. Using a hedging approach, Vietnam reduces external pressures and actively reshapes its strategic position amidst global turbulence. This approach is reflected in national policy directions, the expansion of strategic partnerships, and intensified economic diplomacy on multiple levels. Consequently, Vietnam has preserved domestic stability and exploited geo-economic tensions to bolster its role in global supply chains, attract foreign investment, and improve national competitiveness.

Figure 2. Analytical Models of Vietnam's Geo-Economic Hedging Strategy in Response to the U.S.–China Trade War



The Analytical Model of Vietnam's Geo-Economic Hedging Strategy is introduced to capture these dynamics systematically. It demonstrates the interaction between external challenges, policy responses, and geo-economic achievements. This strategy reflects a reaction to crises and a broader strategic shift towards a complex, multipolar world order.

Conclusion

This study shows Vietnam's geo-economic approach to the U.S.–China trade war as a deliberate hedging strategy used by a middle power. Instead of taking clear sides, Vietnam balances conflicting interests by accommodating the U.S. and China while protecting its national sovereignty. This strategy acts as insurance against systemic and domestic risks from global uncertainty. In the context of the trade war, although Vietnam does not face an immediate military threat, the rising geo-economic tensions have been used by Vietnam as an opportunity to reposition itself in global supply chains, enhance its economic competitiveness, and expand its diplomatic options without becoming overly dependent.

Vietnam's geo-economic hedging strategy mainly relies on three pillars: active neutrality, contradictory policy, and inclusive diversification. Active neutrality helps Vietnam stay balanced amid great power competition without committing to any side permanently. Contradictory policy allows for flexible diplomacy that adapts to changing circumstances. Meanwhile, diversification by expanding strategic partnerships and joining

multilateral economic frameworks boosts economic resilience and reduces dependence on any single dominant actor.

Ultimately, these findings contribute to the development of international relations literature by broadening the scope of hedging analysis beyond traditional security issues into the geo-economic sphere. For middle powers, Vietnam's strategy emphasizes the importance of maintaining flexible and strategic responses to global pressures while safeguarding its own national autonomy. The Vietnamese government also strengthened this approach by implementing deeper institutional reforms and diversifying trade partners to avoid overdependence on any single power. For the academic community, this expanded view of hedging as a state response to shifting power dynamics—in both military and economic aspects—provides a crucial avenue for further research. In this context, the economy is not just a tool for domestic development but a vital instrument of strategic diplomacy for developing countries facing intensifying great power competition.

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