June 2026. Vietnam

Vietnam's economic and geopolitical strengths are growing. For example, in the last 18 months, Hanoi has ensured comprehensive strategic partnerships with all five permanent members of the UN Security Council. It also, very shrewdly, has close relationships with both the US and China; and all three countries remain sanguine (so far) about this symbiotic triumvirate in South East Asia. Hanoi has figured out how to work with both sides, without committing to either one and gaining as much as it can from both partnerships.

Vietnam keeps its powder dry and deal-making ability pertinent, by staying somewhat uncommitted to both sides, with neither Washington nor Beijing prepared to take the risk and punish Vietnam for dealing with the other. In essence: China does not complain too hard about Vietnam's military ties with the US to avoid Hanoi being completely beholden to Washington's military prowess; and the US tolerates Vietnam being ideologically/politically tight with Beijing, to ensure important manufacturing business continues.

In April this year, Vietnamese President To Lam's won the presidency and immediately merged it with the General Secretary role, which is exactly the same dynamic that Xi Jinping presides over in China. In one fell swoop, Lam replaced Vietnam's old, slow political system with a faster and more avert military/security system (which is Lam's heritage). Thus, with the military and the economic power bases combined, Vietnam has edged towards a more Chinese oriented system. Both countries are, as such, one-party states and naturally continue to share intelligence and more socialist ideas about governing.

The US's relationship with Vietnam is completely different and purely economic, with a strong military flavour. This, interestingly, helps Vietnam in the contested South China Sea environs, in particular The Spratlys which is a critical shipping thoroughfare with additional rare earth/mineral deposits and are a hundred scattered reefs, shoals, and mini-islands which China, Vietnam, Taiwan, Malaysia, Brunei and the Philippines all partly claim.

With Vietnam's manufacturing sector growing 9% in 2025 and $27.6 billion in foreign investment (the fastest rates since before Covid), Vietnam is now very much a global supply chain power. Both the US and China need continuing access to its manufacturing jewels. Equally, if either country pressures Vietnam too aggressively in the three critical areas of (i) economy, (ii) contested geography or (iii) ideology, the fragile supply chains could break down. Therefore, China and the US continue to tread carefully and respectfully when it comes to Vietnam.

Vietnam's evolving rare earth and microchip strengths provide the country considerable leverage; indeed Vietnam banned raw rare earth exports in December 2025 to advance its processing capability; and, similarly with chips, it has started negotiating with the Dutch company ASML, to build an R&D centre and make its own advanced chips. In addition, to cover its longer-term geopolitical options, Vietnam remains on very friendly economic terms with Australia, Japan and South Korea; with many military and economic deals in place and further ones planned.

Vietnam recognises the intensifying rivalry between US and China, and is sensibly ensuring that it rapidly has as many different partnerships in place, including with the main two players, so that if a

conflict ever developed in South East Asia, its position is strong and integral. Equally, at some point, it may need to choose a side.

All geopolitical commentary is aiming for a broad, neutral interpretation of events around the world; and does not necessarily reflect Latitude's views.