

VIETNAM'S QUEST TO BECOME "A DEVELOPED COUNTRY BY 2045": CHALLENGES OF SUSTAINING GROWTH AND EXPECTATIONS FOR FOREIGN CAPITAL

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SUMMARY

- Vietnam has attracted attention as a popular destination for companies seeking to transfer production from China against the backdrop of US-China trade friction. In 2020, the country's successful early detection and containment of the COVID-19 pandemic, which facilitated a speedy recovery of the economy, cemented its image as the "sole winner" among the ASEAN countries.
- Vietnam's economic development has relied heavily on cheap labor, but a number of challenges for further growth have become increasingly apparent, including upgrading, and adding value to, its manufacturing industry, and infrastructure development. There are high expectations for foreign capital in addressing them.
- Amid heightened tension with China over the South China Sea, Vietnam has been strengthening ties with the US. In addition to enhancing political and security relations with Vietnam, the US is assuming a greater role in the country's infrastructure development, presenting an alternative to China's Belt and Road Initiative.

VIETNAM ASPIRES TO BECOME "A DEVELOPED COUNTRY BY 2045"

Vietnam has been attracting increasing attention in recent years. Since 2018, the country has further solidified its position as a promising destination for companies seeking to transfer production from China against the backdrop of US-China trade friction. In 2020, Vietnam's successful early detection and containment of the COVID-19 pandemic, which facilitated a speedy recovery of the economy, cemented its image as the "sole winner" among the ASEAN countries.¹ It was against this background that the 13th National Congress of the Communist Party of Vietnam was held in January and February 2021. Held every five years, the party congress evaluates the outcome of the resolutions adopted at the previous congress and sets the policies for the next five years. This year's congress also set the long-term development goal,² making Vietnam a "high-income developed country" (having a GDP per capita of US\$18,000) by 2045, which marks the 100th anniversary of the country's founding. Achieving this ambitious target will require Vietnam to transition away from a conventional growth model that relies on cheap labor. Stabilizing the external environment will also be important, as deteriorating relations with China have had an adverse effect on Vietnam's business environment in recent years.

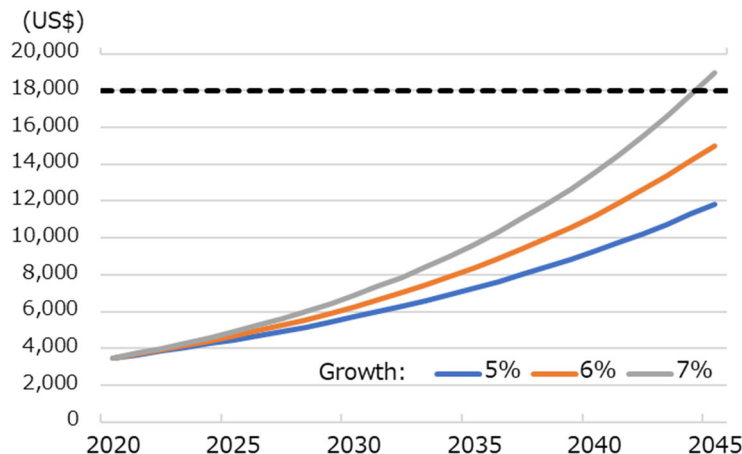
¹ Nakano, Takashi, and Onishi, Tomoya. 2020. "Vietnam emerges as sole economic winner in Southeast Asia", *Nikkei Asia*, November 19, 2020. Vietnam's GDP growth rate for 2020 was 2.9%, making it one of the few ASEAN countries to achieve positive growth. However, since April 2021, there has been an increase in the number of new COVID-19 infections. The Vietnamese government is aiming for a GDP growth rate of 6.5% in 2021, but this may be revised downward if the precondition of curbing COVID-19 is not met.

² Nguyen Lan 2021. "Dai 13 kai kyousantou taikai no ketsugi wo happyou, 2045 nen ni senshinkoku iri mezasu (Goal of becoming a developed country by 2045 announced in resolution of the 13th National Congress of the Communist Party of Vietnam)", *JETRO Business News*, March 2, 2021.

Economic growth on a downward trend

To reach a GDP per capita of US\$18,000 by 2045, Vietnam will need to maintain an annual growth rate of approximately 7% for the next 25 years (Figure 1), which is no easy task. The country's growth rate already remains in the 6 to 7% range, and it could slow even further in the future. Traditionally, Vietnam's economic growth has relied heavily on large inputs of capital and cheap labor, and the country will likely lose its comparative advantage as emerging economies with lower labor costs close the gap, and as manufacturing costs fall in developed countries as a result of technological innovation (such as automation and reduction in energy costs).³ According to the Central Institute for Economic Management, a leading research institute in Vietnam, the country's GDP growth rate slowed to approximately 6.8% from 2001 to 2010 after recording growth of approximately 7.3% from 1991 to 2000, and estimated to fall again to approximately 5.9% from 2011 to 2020.⁴

Figure 1 Vietnam's projected GDP per capita (by growth rate)



Source: Created by MGSSI

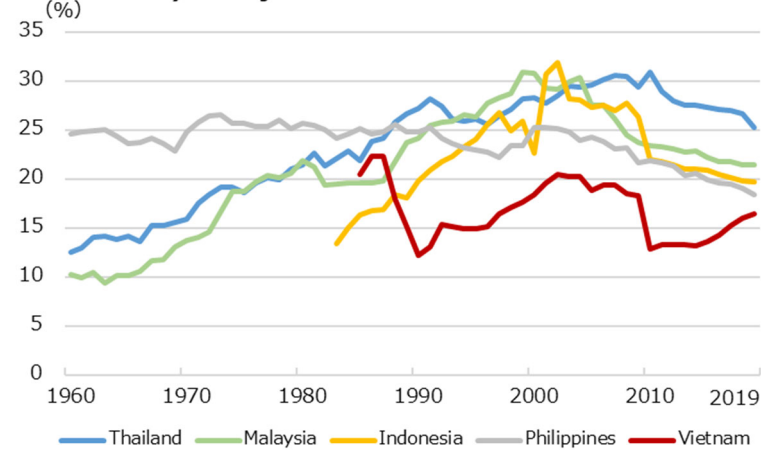
To maintain high growth over the long term, Vietnam needs to change its growth model by upgrading its industrial structure. While Vietnam has been using slogans such as “Industrialization and Modernization” and “Making Vietnam an industrial country by 2020” since the 1990s, these goals have not necessarily been achieved as planned.⁵ Vietnam's industrialization rate (the manufacturing industry's share of GDP) has been lower than those of other major ASEAN countries (Figure 2). Progress in upgrading and adding value to its manufacturing industry is not proceeding at the anticipated pace, with the consequence that the industrial sector, which is more productive than the tertiary industry, remains relatively restrained as the move towards a more service-based economy has progressed in recent years. If this continues, economic growth may decline due to contraction of the industrial sector and the shift towards a service industry with low productivity and low added value, a phenomenon referred to as “premature deindustrialization”.⁶ To avoid such a scenario, it will be necessary to strengthen the manufacturing industry. The Vietnamese government is aware of this necessity, and this year's party congress set a goal of raising manufacturing's share of GDP from approximately 16% in 2020 to 30% by 2030.

³ Eckardt, Sebastian. and Ngoan, Vu. Viet. 2019. “How can Vietnam avoid the middle-income trap?”, *Brookings Institution Future Development Blog*, May 16, 2019.

⁴ “The issues of the new government term”, *VietNamNet*, April 12, 2021.

⁵ Although targets were set to achieve a GDP per capita of US\$5,000 or more and to boost manufacturing's share of GDP to 20% or more in the quest to become “a modern industrialized country”, the failure to achieve those goals was acknowledged in 2016 at the 12th National Congress of the Communist Party of Vietnam at which it was stated “We were unable to lay the foundation for becoming a modern industrialized country by 2020”. Sakada, Shozo. 2017. “Vietnam no 2016-2020 nen keizai shakai hatten no houkousei (Direction of economic and social development in Vietnam 2016-2020).” In *Vietnam no daini no Doi Moi: dai 12 kai kyousantou taikai no kekka to tenbou (Vietnam's 'Second Doi Moi': Outcomes and Prospects of the 12th National Communist Party Congress)*, edited by Futaba Ishizuka, Institute of Developing Economies, Japan External Trade Organization, 53-76.

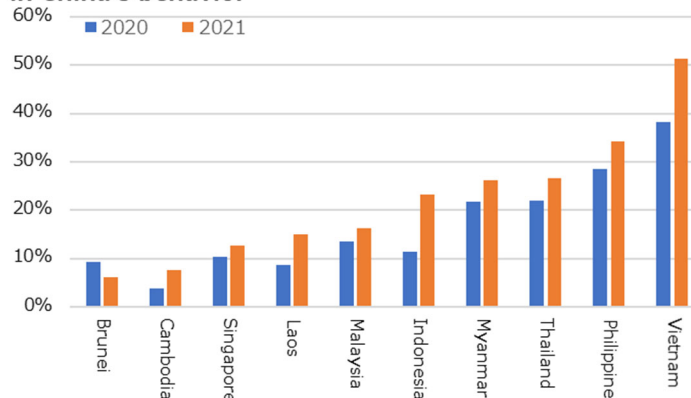
⁶ Van Tho, Tran. and Karikomi, Shunji. 2019. *Chushotokukoku no wana to Chugoku, ASEAN (The middle-income trap from a China and ASEAN perspective)*, Keiso Shobo.

Figure 2 Industrialization rate (manufacturing industry's share of GDP) of major ASEAN countries

Source: Created by MGSSI based on data from the World Bank

A destabilizing external environment

For Vietnam to continue its economic development, a stable external environment is indispensable. Perhaps the biggest cause for concern is the growing tension over the territorial dispute with China in the South China Sea. Since around 2010, as China has strengthened its effective control in the area, there have been incidents of Chinese patrol boats sinking or seizing Vietnamese fishing vessels. China has also increased pressure on Vietnam's attempts at oil development in the South China Sea, and a project undertaken by the state-owned company PetroVietnam in collaboration with Spain's Repsol was forced to be cancelled in 2017.⁷ There have also been reports of Taiwanese and Japanese companies in Vietnam being caught up in rising anti-Chinese sentiment in the country by becoming targets of vandalism perpetrated against Chinese companies.⁸ As Vietnamese public opinion towards China continues to deteriorate (Figure 3), the possibility of similar episodes occurring in future cannot be entirely ruled out. Furthermore, a deterioration of the security environment is also having a negative effect on the domestic business environment, as seen, for example, in the shelving in 2018 of a bill to introduce special economic zones that would have allowed foreign companies to enter into long-term

Figure 3 Percentage of respondents with "no confidence" in China's behavior

Note 1 : Survey of 1,008 respondents from government bodies, research institutes, private-sector companies, the media, etc. from each ASEAN country.

Note 2: The percentage of people who responded that they have "no confidence" to the question "How confident are you that China will 'do the right thing' to contribute to global peace, security, prosperity, and governance?"

Source: Created by MGSSI based on data from the Institute of Southeast Asian Studies

⁷ Hayton, Bill. 2020. "China's Pressure Costs Vietnam \$1 Billion in the South China Sea", *The Diplomat*, July 22, 2020.

⁸ "Vietnam de hanchu demo kakudai, nikkei kigyō nimo higai (Anti-China Demonstrations Grow in Vietnam, Japanese Companies Also Fall Victim)", *Nihon Keizai Shimbun*, May 15, 2014.

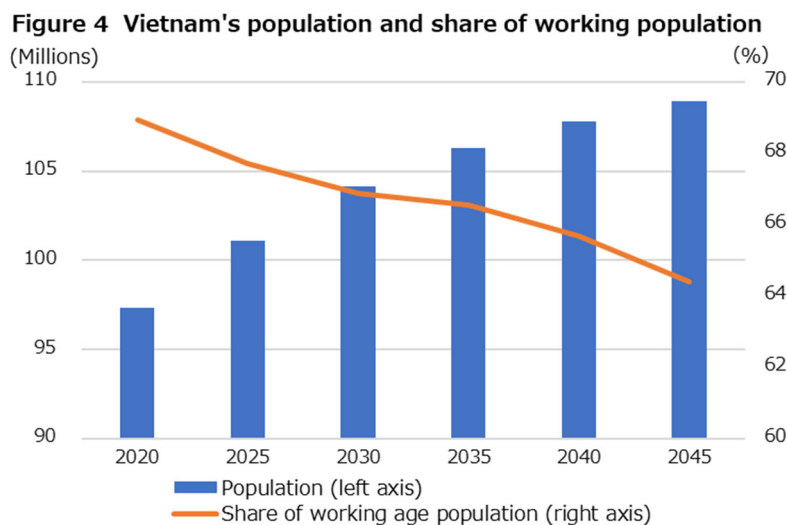
land leases, following criticism that doing so would result in “selling the country to China”.⁹ Against this backdrop, Vietnam is strengthening ties with the US and other major powers outside the region in order to counter balance China’s excessive expansionism, a trend that is expected to be maintained in the foreseeable future.

CHALLENGES FACING VIETNAM’S INDUSTRIALIZATION

In order to achieve the objective of “becoming a developed country by 2045”, Vietnam needs to address the following challenges.¹⁰

Upgrading the manufacturing industry

Faced with aging population (Figure 4) and rising labor costs,¹¹ there are limits to a process of industrialization that relies on cheap labor, and it is for this reason that the Vietnamese government is seeking to upgrade, and add value to, its manufacturing industry.¹² Spearheading such transition is Vingroup, a leading Vietnamese conglomerate, which became involved in automobile production in 2017, and subsequently in pharmaceutical manufacturing and smartphone production in 2018.¹³ The government is also utilizing foreign investment to develop its manufacturing sector. The recent increase in the number of companies transferring (or considering transferring) their manufacturing bases from China to Vietnam, prompted by US-China trade friction and the COVID-19 pandemic, has helped the country in its aim of attracting foreign investment. For example, US ICT companies such as Google (mobile phones) and Apple (earphones), and Taiwanese EMS companies have already transferred production to Vietnam. Foreign manufacturers are expected to create added value beyond the simple product assembly process,¹⁴ and some companies such as Samsung have been assisting in the development of local supporting industries.



⁹ Ishizuka, Futaba, and Fujita, Mai. 2019. “2018 nen no Vietnam (Vietnam in 2018): Touseikichou heno kenryoku shuchu ga susumunaka 10 nenburi no kouseichou wo kiroku (High growth recorded for first time in a decade as power is concentrated in the Party General Secretary)”. In *Ajia Doukou Nenpou 2019 (Annual Report of Asian Trends 2019)*, Institute of Developing Economies, Japan External Trade Organization, 213-240.

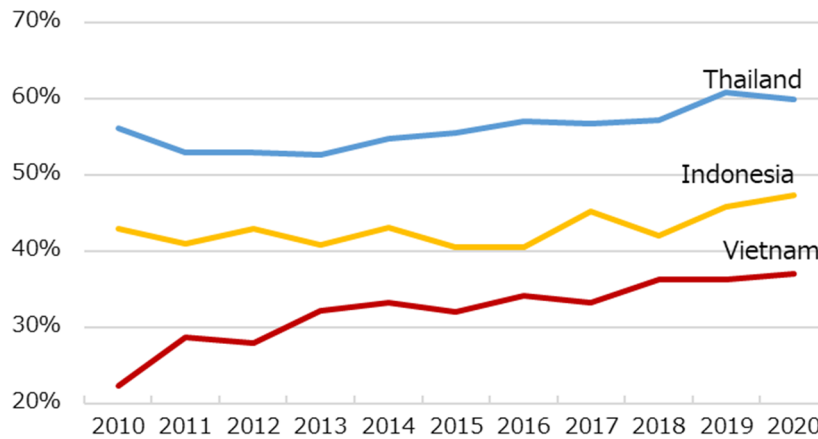
¹⁰ See also World Bank Group 2020. *Vibrant Vietnam: Forging the Foundation of a High-Income Economy*, Washington D.C.: World Bank.

¹¹ In a survey conducted by JETRO, “wage hikes” was cited as the biggest management issue. JETRO 2020. “2020 nendo kaigaishinshutsu nikkei kigyuu jittai chousa, Ajia-Oseania (2020 JETRO survey on Business Conditions of Japanese Companies Operating Overseas, Asia and Oceania)”, December 23, 2020.

¹² Kitashima, Satoshi. 2021. “Roudou kyoukyumen kara mita Vietnam no seisanchi toshiteno kanousei (Vietnam’s potential as a production area from the viewpoint of labor supply)”, *JETRO Chiiki Bunseki Report (JETRO Regional Analysis Report)*, March 25, 2021.

¹³ In May 2021, Vingroup announced that it would stop the manufacture and sale of smartphones. This decision was apparently due to poor sales. “Vingroup, sumaho seisan kara tettai (Vingroup Quits Smartphone Production)”, *NNA Asia*, May 11, 2021.

¹⁴ Dobberstein, Laura. 2021. “Vietnam thanks Samsung for all its help, asks for more to go beyond mere manufacturing”, *The Register*, May 4, 2021.

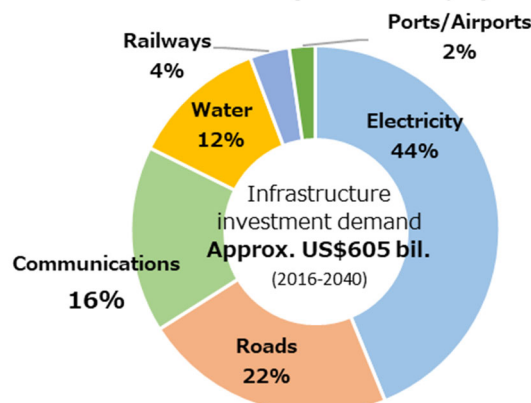
Figure 5 Local procurement rates of Japanese companies in Vietnam, Thailand, and Indonesia

Source: Created by MGSSI based on data from JETRO

One of the weaknesses of Vietnam's manufacturing industry is the low local procurement rate.¹⁵ According to a survey conducted by JETRO (Japan External Trade Organization), the local procurement rate of Japanese companies in Vietnam was 37% in 2020. While this was an increase from 22.4% in 2010, it still lags behind that of Thailand (59.9%) and Indonesia (47.4%) (Figure 5). The first-tier suppliers are mainly foreign companies, and many local companies are content to be second and third-tier suppliers. Companies such as Apple are reportedly relying on imports from China to procure major parts. The Vietnamese government is aware of this situation, and in August 2020, it announced measures to develop supporting industries in the machinery, sewing, electronics, and automobile sectors, setting a goal of having 70% of domestic production and consumption demand met by local companies capable of producing highly competitive supporting industrial products by 2030.¹⁶ While some expect that the government's firm determination will see Vietnam's supporting industries develop significantly over the next five years,¹⁷ others argue that it will not be easy to develop industries capable of withstanding competition with imported products, given the considerable concentration of similar industries in Thailand and elsewhere and the elimination of inter-regional tariffs due to the implementation of FTAs.

Infrastructure development

Equally important is development of the infrastructure to support industrialization. According to Global Infrastructure Hub, Vietnam's demand for infrastructure investment will rise to approximately US\$605 billion between 2016 and 2040, with demand for electricity infrastructure expected to account for more than 40% of this

Figure 6 Breakdown of Vietnam's demand for infrastructure investment (2016-2040, by sector)

Source: Created by MGSSI based on data from Global Infrastructure Hub

¹⁵ Mandhana, Niharika. 2019. "Manufacturers Want to Quit China for Vietnam. They're Finding It Impossible", *The Wall Street Journal*, August 21, 2019.

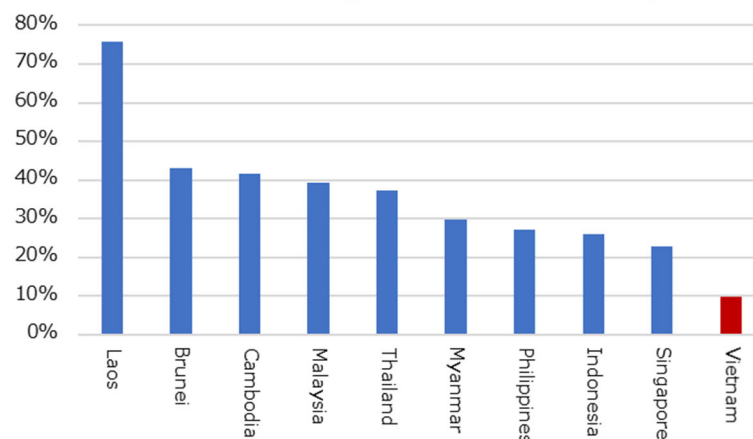
¹⁶ "Susono sangyou no hatten sokushinsaku, seifu ga mokuhyou settei (Plan to promote development of supporting industries: Government sets targets)", *NNA Asia*, August 11, 2020.

¹⁷ Interview with former Director of the Foreign Investment Agency, Phan Huu Thang, May 20, 2021.

amount (Figure 6). It is worth noting at this point, in recent years, a shortage of power supply has become a serious issue in Vietnam.¹⁸ Coal-fired power and hydropower have been Vietnam's main sources of electricity, though in recent years, the growing international momentum towards decarbonization is making it more difficult to raise funds for the construction of new coal-fired power plants, prompting the country to explore a shift towards a more sustainable power mix. Against this backdrop, the draft National Power Development Master Plan 8, released in February 2021, proposes reducing the dependence on coal-fired power and hydropower in the medium to long term,¹⁹ while increasing the share of power provided by gas-fired generation and renewable energy.²⁰

The problem is a lack of funds. According to the estimates of Global Infrastructure Hub mentioned above, of the US\$265 billion in investment funds demanded for its power infrastructure, Vietnam will likely be able to secure US\$256, leaving a projected shortfall of about US\$9 billion. One source of funding that could help plug the gap is China's Belt and Road Initiative (BRI), and China has, in fact, built a number of coal-fired power plants in Binh Thuan, Tra Vinh, and other provinces.²¹ However, as relations with China have deteriorated in recent years over the South China Sea issue, Vietnam has grown increasingly wary of infrastructure development by China (Figure 7),²² and it appears that the involvement of Chinese companies will likely be limited.²³ Moreover, with the increasing momentum towards decarbonization, Vietnam is shifting to the development of LNG power generation in collaboration with Japan and the US. These countries have a technological advantage in the area of gas-fired power plants with lower environmental impact, compared to China which has mainly exported coal-fired power plants.²⁴ As discussed in more detail later in this report, a greater convergence of strategic interests between Vietnam and the US over the need to restrain China has also provided a tailwind for such economic cooperation.

Figure 7 Percentage of respondents who agree that "the BRI contributes to regional economic development"



Note: Survey of 1,008 respondents from government bodies, research institutes, private-sector companies, the media, etc. from each ASEAN country.

Source: Created by MGSSI based on data from the Institute of Southeast Asian Studies

¹⁸ A report by the Vietnamese Ministry of Industry and Trade, released in 2019, predicts a supply shortage of about 3.7 billion kWh in 2021 and 17 billion kWh in 2023. While the shortage is expected to decrease thereafter as new power plants start to operate, the power shortage itself is forecast to continue until 2025.

¹⁹ Since hydropower is already being utilized to the fullest extent and recent droughts have reduced the available supply of water, its reliability as a power source has declined.

²⁰ Sho, Hiromitsu. 2021. "2030 nen madeni onshitsu kouka gas 9% sakugen he (Focusing on renewable energy to reduce greenhouse gas by 9% by 2030)", *JETRO Chiiki Bunseki Report (Regional Analysis Report)*, April 28, 2021.

²¹ Tatarski, Michael. 2020. "Will Vietnam's new energy policy mark a turning point for coal?", *China Dialogue*, July 21, 2020.

²² Hiep, Le Hong. 2018. "The Belt and Road Initiative in Vietnam: Challenges and Prospects", *ISEAS Perspective*, March 29, 2018.

²³ In 2019, Vietnam closed international bidding on the North-South Expressway connecting the capital Hanoi with Ho Chi Minh City in the south. While the official reason given for closing the bidding was "lack of competition", it was also reported that there was growing wariness over the fact that half of the bids were from Chinese companies. "Vietnam nanboku kousokudou kensetsu, kokusai nyusatsu dannen, Chugoku ni keikaikan (International bidding for construction of Vietnam's North-South Expressway abandoned over wariness of China)", *Nihon Keizai Shimbun*, December 9, 2019.

²⁴ "Nichibei, Vietnam no datsutansoka shien, LNG katsuyou nadode kyouryoku (Japan and US support Vietnam's decarbonization: Cooperation in the use of LNG)", *Nihon Keizai Shimbun*, December 3, 2020.

Improving productivity and adding value in the agricultural sector

Finally, Vietnam still has a large surplus labor force in the agricultural sector, which needs to be transitioned to the industrial sector.²⁵ According to the World Bank, Vietnam's agricultural sector accounts for approximately 14% of GDP, while agricultural workers make up about 40% of the total workforce. The government has set a target of reducing the proportion of agricultural workers to 25% of the workforce by 2030. As labor shortages have become evident in urban areas in recent years, some companies have started setting up manufacturing bases in rural areas,²⁶ and this trend is likely to encourage the transition of the labor force. At the same time, Vietnam has also positioned food security as a strategic priority,²⁷ and in order to achieve this goal as well, the reduction of the agriculture sector's working population will need to be accompanied by the improvement of productivity. It should also be noted that as people's dietary habits become increasingly diversified along with the country's economic development, demand for food safety and high added value through food processing is growing.²⁸ In short, as Vietnam proceeds to industrialize, its agriculture sector will need to create more value than before with even fewer resources.²⁹ In this context, the expectations for foreign technology and know-how are high.

Vietnam has introduced advanced technology from countries with advanced agricultural industries such as the Netherlands and Israel. For example, the Dutch firm Dalat Hasfarm, established in 1994, has introduced equipment, including Dutch and Israeli made glasshouses, net houses, and automatic watering systems, to grow flowers and vegetables, and has made Lam Dong Province in central Vietnam, where the company is headquartered, into a major, internationally competitive production base.³⁰ More recently, in 2020, the Vietnamese subsidiary of Thailand's CP Group established the largest chicken processing facility in Southeast Asia, which is making full use of cutting-edge technology such as AI and big data to improve productivity and product quality. It is also worth noting that the facility aims at ensuring 100% traceability throughout the entire supply chain from the procurement of raw materials for feed to the sale of processed foods.³¹ Following a wave of food safety scandals in recent years, consumer sensitivity towards food safety has increased, which led former Prime Minister Nguyen Xuan Phuc to issue instructions to strengthen food safety management in 2020.³²

CREATING A PEACEFUL AND STABLE EXTERNAL ENVIRONMENT

Vietnam seeks to maintain a strategic equilibrium in the surrounding region by strengthening ties with the US amid growing tension with China over the South China Sea.³³ The US also sees Vietnam as an important partner in its attempt to counter balance China in the Indo-Pacific region. The two countries have intensified security cooperation, especially under the Obama and Trump administrations, developing an unprecedentedly close relationship. In the latter half of the Trump administration, the concept of QUAD Plus emerged, which potentially involves Vietnam and other countries in the diplomatic and security cooperation framework known as the Quadrilateral Security Dialogue (QUAD) between Japan, the US, Australia and India. The Biden administration, which was inaugurated in January 2021, is expected to continue strengthening ties with Vietnam.

²⁵ Van Tho, Tran. 2020. "Vietnam keizai wo kangaeru: gendankai no kadai to tenbou (Thoughts on the Vietnamese economy: Challenges and prospects at the current stage)." In *ASEAN no yushutsu taikoku Vietnam (Vietnam: ASEAN's New Export Powerhouse)*, edited by Tran Van Tho, Hiromi Oki and the Institute for International Trade and Investment. Bunshindo, 179-188.

²⁶ Kitashima, op. cit.

²⁷ "Kokka shokuryou anzenhoshou ni kansuru shiji: Shoukousho (Instructions concerning national food security: Ministry of Industry and Trade)", *NNA Asia*, September 14, 2020.

²⁸ "Nougyou senshinkoku no joui 15 kakoku iri, 30 nen wo mokuhyou (Aiming to be among the 15 most developed agricultural countries by 2030)", *NNA Asia*, June 9, 2020.

²⁹ World Bank Group, 2016. *Transforming Vietnamese Agriculture: Gaining More for Less*, Washington D.C.: World Bank.

³⁰ "Unique flower-farming techniques in Vietnam Central Highland province", *Viet Nam News*, August 18, 2016. Also, in 2015, Vingroup established the VinEco subsidiary, which introduced Israeli protected horticulture technology and Japanese mechanization and automation technology, and started large-scale production of organic fruit and vegetables. "Vietnamese firms target agribusiness", *Viet Nam News*, April 7, 2015.

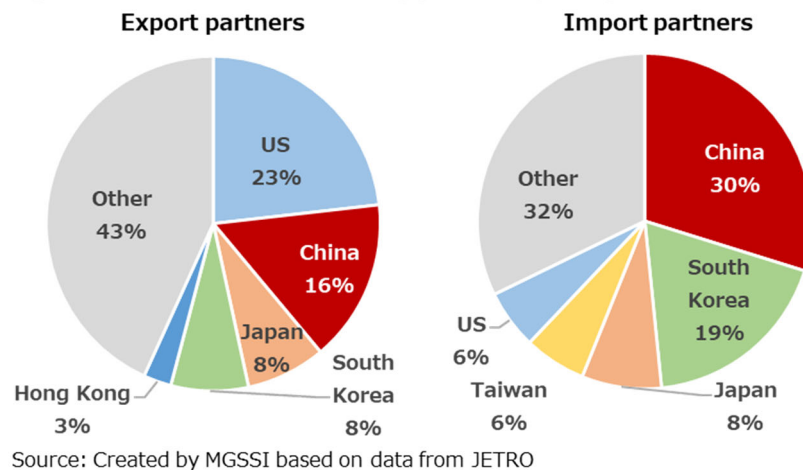
³¹ Hirai, Shinji. 2021. "Tai kigyuu Charoen Pokphand, Tounan Ajia saidai no toriniku kakoukoujou wo Vietnam de kadou (Thai Company Charoen Pokphand operates Southeast Asia's largest chicken processing plant in Vietnam)", *JETRO Business News*, January 4, 2021.

³² "PM orders strengthening of Vietnam's food safety standards" *NNA Asia* April 16, 2020.

³³ Shambaugh, David. 2020. *Where Great Powers Meet: America & China in Southeast Asia*, New York: Oxford University Press.

Vietnam has no intention of having a serious confrontation with China. China is one of Vietnam's largest trading partners (China is Vietnam's largest import partner, and is second only to the US as an export partner [Figure 8]), and to maintain medium- to long-term economic growth, excluding Chinese capital altogether would not be a wise choice.³⁴ The problem is that China's hardline stance over the South China Sea threatens Vietnam's sovereignty and increases negative public sentiment towards China, creating a less conducive environment for expanding economic ties with China and attracting Chinese capital. To improve this situation, it is necessary to restrain China's behavior, and to that extent Vietnam will likely continue to develop closer ties with the US. At the same time, however, Vietnam is not prepared to go beyond "restraint" of China to the extent of "containment".

Figure 8 Vietnam's main trading partners (2019)



Vietnam intends to strengthen not only security but also economic ties with the US. Indeed, greater economic cooperation is expected as the US seeks to counter China's Belt and Road Initiative by promoting "high-quality" infrastructure development in the Indo-Pacific region in collaboration with Japan and other countries. As a part of this process, the Japan-United States Strategic Energy Partnership was formed in 2017 to build a competitive energy market and bolster energy security in the region.³⁵ The partnership also aims to secure orders for power infrastructure development by US and Japanese companies, and Vietnam was designated as a top priority country for 2020.³⁶ In 2019, the US and Vietnam agreed the Cooperation Framework to Strengthen Infrastructure Finance with the aim of promoting infrastructure development led by private sector investment. The framework supports US Indo-Pacific strategy by complementing the Enhancing Development and Growth through Energy (Asia Edge) and Infrastructure Transaction and Assistance Network (ITAN) initiatives promoted by the US.³⁷

It is in this context of such multi-layered cooperation frameworks that the leading US power company AES is building a Son My 2 gas-fired power plant in Binh Thuan Province, and Delta Offshore Energy is constructing a gas-fired power plant in Bac Lieu Province. On the Japanese front, JERA is building an LNG power plant in Haiphong in northern Vietnam in cooperation with ExxonMobil,³⁸ and Mitsubishi Corporation is constructing an LNG power plant on Long Son Island near Ho Chi Minh City in the south of the country with General Electric and other partners.³⁹ Analyzing the strategic implications of the recent US-led assistance with power

³⁴ Takayuki, Ogasawara. 2020. "Beichu tairitsu no nakano Vietnam: Anzen to Hatten no Saiteikikai no mosaku (Vietnam and the US-China conflict: Searching for the optimal solution for safety and development)." In *Ittai-ichiro jidai no ASEAN: Chugoku keitou no nakade bunretsu bundan ni mukaunoka (ASEAN in the Belt and Road era: Is it heading for fragmentation and division in the tilt towards China?)*, edited by Yoshiki Kaneko, Mitsuru Yamada, and Fumio Yoshino. Akashi Shoten, 188-204.

³⁵ Herberg, Mikal E. 2020. "High-Quality Infrastructure and the Free and Open Indo-Pacific Vision" In *Powering Southeast Asia: Meeting the Region's Electricity Needs*, by Han Phoumin, Mikal E. Herberg, Nikos Tsafos, and Courtney Weatherby. Seattle: The National Bureau of Asian Research. 23-30.

³⁶ Ogawa, Kazuhiro. 2020. "Vietnam teams with Japan and US for low-carbon electricity", *Nikkei Asia*, December 4, 2020.

³⁷ "United States and Socialist Republic of Vietnam Sign Cooperation Framework to Strengthen Infrastructure Finance", US Department of The Treasury Press Releases, November 7, 2019.

³⁸ "JERA, Vietnam LNG karyoku de Exxon to renkei (Collaborates with Exxon on LNG Power in Vietnam)", *Nihon Keizai Shimbun*, October 28, 2020.

³⁹ "RPT-General Electric, Vietnamese firm ink power plant MOU – GE, US official", *Reuters*, November 22, 2020.

infrastructure, Le Hong Hiep of the Institute of Southeast Asia Studies suggests that it “provides early evidence that Washington is taking concrete steps to counter the BRI”,⁴⁰ concluding that the projects are likely to be certified by the Blue Dot Network (a framework for evaluating and certifying high-quality infrastructure projects) formed by the US, Japan, and Australia as a countermeasure to the BRI.

While the level of funding mobilized through the Blue Dot Network may not match that of the BRI, some observers still take the view that the Blue Dot Network could offer options different from those of China by carefully examining infrastructure demand in each country and providing high-quality market and private sector-oriented infrastructure support.⁴¹ There is a strong sense of wariness of the BRI not only in Vietnam, but also in other Southeast Asian countries, which may be receptive to an alternative to the BRI. It would thus be worth looking at whether the experience gained in the cooperation of Japanese and US governments and companies in infrastructure development in Vietnam will enable them to develop and deliver similar projects in neighboring countries.

⁴⁰ Hiep, L Hong. 2021. “Sino-US Competition in Infrastructure Development: Power Plants in Vietnam”, *ISEAS Perspective*, January 19, 2021.

⁴¹ Kuo, Mercy A. 2020. “Blue Dot Network: The Belt and Road Alternative”, *The Diplomat*, April 7, 2020.