

ACCOMMODATE THE DRAGON: VIETNAM'S ENDURING ASYMMETRIC ENTANGLEMENTS WITH CHINA

by

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ABSTRACT:

China, by any measure, is much greater than Vietnam when it comes to key structural parameters, e.g., land mass, population, economic size, and military power even though the two countries share numerous similarities. Precisely perceiving and effectively dealing with the rise of China is deemed one of the most essential challenges facing Vietnam in this century. The study aims to identify and analyze major factors determining Vietnam's foreign policy – past, present, and future – to better understand Vietnam's postures in responding to its northern neighboring giant's clout. The rapid growth of China's relative economic and military capabilities, coupled with its maritime ambitions and assertive projections renders Vietnam into a situation that does not have much room to maneuver but to accommodate China. Vietnam with its historical identity partly defined by its resistance against Chinese invasion and its cultural borrowings has learned how to maintain good asymmetric relationship with China since their diplomatic rapprochement in 1991. The paper evaluates multiple instruments that Vietnam is employing to attempt to facilitate China in the new international order. The investigation also assesses how the accommodation strategy will morph in the future.

Key words: China, Vietnam, asymmetry, accommodation, hedging, rise, soft balancing

INTRODUCTION

Vietnam's relations with China feature a typical pattern of interesting interactions between two asymmetrical powers, with diverging paths of pursuing interests despite numerous commonalities.¹ It is self-evident that there is no other country in the world that is so similar to China than Vietnam and vice versa. Being aware of this fact, leaders from both countries have repeatedly underscored the cultural affinity, geographical proximity, and same ideology as the foundations to deepen the bilateral relationship. Put aside the political rhetoric, Vietnam, being one of the two most Sinicized countries on top of South Korea, not only experiences the similar tumultuous history with China over one thousand years but also understands China more than does any other countries in Southeast Asia.² The similarities do not stop at cultural roots, but get noticeable in other aspects as well. China and Vietnam have a highly homogenous population. Both countries have achieved good economic performance in the last 30 years, clung to the influence of communist ideology, and pursued similar economic development strategies. Even though these two countries have set up comprehensive and strategic partnership, there are still multiple irritants in the bilateral relationship. The thorny issues center on territorial disputes fueled by both strong nationalism and deep-rooted mutual suspicion.

Even though a recent flare-up concerning the Chinese oil rig deployment in the South China Sea is not a new symptom, the tension has reached its record high with multiple bouts of reciprocal accusations of ramming, water cannoning, and sinking each other's boats. The tense standoff even has raised many serious concerns about imminent political and diplomatic conflicts between the two communist countries. Yet, China's unilateral rig withdrawal before its suggested date has largely defused the two-month long tension and deflated the rising anti-Chinese nationalism. By tracing the evolution and progression of the bilateral relationship since 1991, I argue that the true nature of current Sino-Vietnamese relations is the result of asymmetric capabilities, geographical proximity, and historical burdens. These structural variables will shape choices available for Vietnamese foreign policy. Hence, this paper focuses on how Vietnamese leaders capitalize on the relationship with China given the said structural conditions.

The main body of this paper is divided into four parts. The first part reviews the Sino-Vietnamese historical background. In the second part, I will focus on the theoretical framework for the study. The

¹ Brantly Womack, *China and Vietnam: The Politics of Asymmetry*, (Cambridge: Cambridge University Press, 2006).

² Pao-min Chang, "Vietnam and China: New Opportunities and New Challenges," *Contemporary Southeast Asia* 19, no. 2, 1997.

third part will address issues surrounding China's asymmetric influence on Vietnam in the spheres of trade, investment, diplomacy, security and military affairs. In the last part, I will touch on hedging strategy surrounding tactics and policies that Vietnamese leaders are implementing.

Historical background and perceptions

This paper does not address the entire narrative of Sino-Vietnamese historical relationship, which is a long, complex subject. Instead, it is devoted to key points in historical timeline. The history of Sino-Vietnamese relations has demonstrated the tension between, on the one hand, Vietnam's need to acquiesce to China's policies due to China's position as the larger power to the north and, on the one hand, Vietnam's ability to maintain its independence from China.³ It is these strong historical attachments to China that make Vietnam strikingly different from other Southeast Asian nations. China invaded the Red River Delta, what is now Northern Vietnam, in the second century BC and conquered Vietnam until the 10th century. Ngo Quyen, a Vietnamese patriot, routed the Chinese naval fleets on Bach Dang River, terminating one-millennium years under Chinese occupation and bringing independence to Vietnam. Yet the peace was not long. After that, there were sporadic wars between two countries along the border until the 15th century when China occupied Vietnam for around 20 years, but then was kicked out by Le Loi, a Vietnamese hero. After that, Vietnamese nationalists had to repeatedly defend their country against the threat posed by the big northern giant until the French came in mid nineteenth century.

For most of the twentieth century, Vietnam was a playground for big powers rather than a real player in the international politics. For the first half of the century, it was still occupied by the French. And China again came up but this time as a major source of military and economic aids in Vietnam's cause against the French and later Americans when China was also the first country to recognize Ho Chi Minh's Democratic Republic of Vietnam in January 1950. The total aid is estimated up to US\$20 billion (Roper, 2000; Zhang, 2010). It is the first stage in their bilateral relationship, which lasted from 1950 to 1978. This period was seen as the phase of "lip-and-teeth" relationship, comradeship, and mutual trust. The second stage, which ran from 1979 to 1990, was characterized by Vietnam's invasion of Cambodia in late 1978 and China's border war with Vietnam in February 1979. To most Chinese, the 1979 war is clear evidence of Vietnam's ingratitude, Soviet perfidy, and Chinese's military feebleness all in one (Westad, 2012). To the Vietnamese, it was the war against Beijing hegemonism. Since the late 1980s, Vietnamese

³ Karen M. Sutter, "China's Vietnam Policy: The Road to Normalization and Prospects for the Sino-Vietnamese Relationship," *Journal of Northeast Asian Studies*, Summer (1993): 21-22.

political leaders driven by realist power calculations to avoid being isolated from the capitalist world had attempted to push rapprochement forward.

China's experts on Vietnam consider that the end of 1991 to the end of 1998 and early 1999 was a period of restoration of good-neighborliness and friendship through the establishment of mutual trust mechanism with frequent exchanges of all-level visits.⁴ The period between 1990 and 1999 was also considered as the transition from hostile asymmetry to normal asymmetry (Womack, 2006). The next period of comprehensive cooperation started in early 1999. Vietnam and China signed the Agreement on the Demarcation of Waters, Exclusive Economic Zone and Continental Shelves in the Gulf of Tonkin in 2000. The Sino-Vietnamese Joint Statement signed by the general secretaries of the two Communist in February defined a new set of principles to guide their bilateral relationship: "*changqi wending, mianxiang weilai, mulin youhao, quanmian hezuo*" (long-term stability, facing the future, good-neighborliness and friendship, and comprehensive cooperation.⁵ The relationship saw a lot of progresses in 2000s, but also latent signs for future tensions. The two countries have settled borderland and Gulf of Tonkin demarcation issues, but still found no common ground in resolving the South China Sea dispute.

It can be said that for more than two thousand years of its development, Vietnam has shaped its national identity through constant resistance against the incursions from their much bigger northern neighbor. The tyranny of geography has rendered Vietnam an undeniable fact – the proximity of an expanding-ever China. It could be both the bane and the boon. The early Vietnamese learned or borrowed a lot from China: governmental structure, administrative management, culture, religion, architecture, literature, and even language. They were both fascinated by Middle Kingdom's ideas and at the same time alert to any Chinese provocations. This ambivalence has persisted until now. Vietnamese elites adopt the hedging approach to be able to take advantage of economic benefits that China can bring to Vietnam, and also to consolidate the power that they are enjoying at home. The Chinese model with economic liberalization, gradual political reform and little tolerance for political dissidence is also what Vietnamese elites look up to guide their domestic policies.

⁴ Joseph YS Cheng, "Sino-Vietnamese Relations in the Early Twenty-First Century," *Asian Survey* 51, no. 2 (2011): 382.

⁵ Joseph YS Cheng, 383.

Dealing with the juggernaut: various theoretical concepts and power asymmetry

Before discussing Vietnam's accommodation of an increasingly assertive China, it is necessary to establish a theoretical framework for better analysis. The prevalent realist view of Western countries, especially the US, assumes that the rising China challenges the international system, raises the eyebrows in Asia and even in the US about the nature of its rise and implications thereof by dint of its industrialized economic power and armament expansion.⁶ According to the argument of Kenneth Waltz's balance of power theory⁷, security is the most important goal of national interest under conditions of anarchy. Smaller states like Vietnam would opt for alliances and armament in order to resist, countervail, and balance against the power before it grows stronger. Nonetheless, the Sino-Vietnamese relations cannot be simplistically explained in the realist or neo-realist framework because Ross argues that the balance of power literature universally ignores the role of economic dependence in secondary state alignments.⁸

Furthermore, it also neglects the role of military capabilities in secondary state alignments as well as the role of historical experiences and cultural traditions. David Kang claims that it is the cultural disposition toward hierarchy in East Asia has encouraged region-wide accommodation with China, and stresses that balancing politics is a European process, which cannot be used to explain Asian political scenarios. Truong Buu Lam, a noted Vietnamese scholar, claims, "The relationship was not between two equal states. There was no doubt in anyone's mind that China was the superior and the tributary state the inferior. The Vietnamese kings clearly realized that they had to acknowledge China's suzerainty and become tributaries in order to avoid active intervention by China in their internal affairs."⁹ Nonetheless, constructivists fail to explain Vietnam's search for partnerships with other great powers.

Asymmetry theory is considered a helpful explanation for the enduring relationship of China and Vietnam.¹⁰ Womack (2006) argues, "Disparities in capacities create systemic differences in interests and

⁶ See Aaron Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," *International Security* 18, no. 3 (1993); JJ. Mearsheimer, "The Gathering Storm: China's Challenge to US Power in Asia," *The Chinese Journal of International Politics* 3, no. 4 (2010): 381-396.

⁷ Kenneth Waltz, *Theory of International Politics*, (Reading, MA: Addison-Wesley Company, 1979).

⁸ Robert Ross, "Balance of Power Politics and the Rise of China: Accommodation and Balancing in East Asia," *Security Studies* 15, no. 3 (2006): 355-395.

⁹ See David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security* 27, no. 4 (2003): 57-85; David C. Kang, *East Asia Before West*, (New York: Columbia University Press, 2010).

¹⁰ For Womack's discussion and analysis of asymmetry theory, please see his works: Brantly Womack, "Asymmetry and Systemic Misperceptions: China, Vietnam and Cambodia during the 1970s," *Journal of Strategic Studies* 26, no. 2 (2003): 92-119; Brantly Womack, "Asymmetry Theory and China's Concept of Multipolarity," *Journal of Contemporary China* 13, no. 39 (2004): 351-366; Brantly Womack, *China and Vietnam: The Politics of Asymmetry*

perspectives between stronger and weaker sides.” Womack (2010) also cautions that the asymmetric relationship may bring about the challenges for both sides. For the bigger side, the challenge is to make ensure the weaker side that it respects the smaller side’s identity and autonomy and is willing to negotiate rather than bully. The more powerful side has ample resources to harm the interests of the weaker side, so it should be careful in its behaviors in order to let the weaker side feel secured. For its part, the weaker state has to convince the bigger state that it respects the disparity in capacities and it does not plan to challenge or ally with another big power to confront the bigger. Given the asymmetry of power and tumultuous history, Vietnam will be always alert and China will need to be sensitive to its smaller neighbor’s feeling of insecurity.¹¹

Womack uses the term “deference” to indicate the nature of reciprocal asymmetric relationship between China and Vietnam. Vietnam can only be deferential if China respects its interests and territory. Womack concludes that the two countries know how to reach a mature asymmetry without potential conflicts. Both know if a hostile confrontation happens between them, both of them will lose the opportunities of mutually beneficial relations. The asymmetry framework can extend the analysis of Sino-Vietnamese relationship beyond neo-realist and neo-liberal perspectives.

New realities and concepts of asymmetric relationship

Aggregate power asymmetry is a structural variable, because asymmetric parameters are given conditions that a smaller state like Vietnam has to accept without regard to any endogenous factors or domestic-level changes. The asymmetric relative difference is always there, even though the gap may change, up or down, depending on how fast or slow the smaller is developing in relation to the bigger state. China’s miraculous economic growth helps expand China’s aggregate power, entailing a radically asymmetric environment for Vietnam. Even though Vietnam’s economy has grown rapidly since the country conducted its Doi Moi (renovation) policy in mid 1980s, but it does not help Vietnam narrow down the asymmetric magnitude with China. Even worse, the gap is widening.

The noticeable differences are largely seen as discrepancies in scale or magnitude. Vietnam is approximately fifteen times smaller in population, twenty-nine smaller in landmass, fifty three times in Gross Domestic Products (GDP) compared to China. China’s GDP per capita is 3.5 times as much as Vietnam’s meanwhile the latter’s was a bit higher than the former’s in 1985. Given the big gap in key

(Cambridge: Cambridge University Press, 2006); Brantly Womack, “China and Vietnam: Managing an Asymmetric Relationship in an Era of Economic Uncertainty,” *Asian Politics and Policy* 2, no. 4, (2010): 583-600.

¹¹ Ang Cheng Guan, “Vietnam-China Relations since the End of the Cold War,” *Asian Survey* 38, no. 12 (1998): 1140.

structural parameters between the two states, one could expect that Vietnam is sensitive to any changes in its relations with its big neighbor to the north than the other way around.¹² The disparity that defines asymmetric relations implies that relationship of the larger to the smaller will be quite different from the relationship of the smaller to the larger.¹³

Table 1. Basic parameters of China and Vietnam

Measure (2013)	Units	Vietnam	China	China/Vietnam Ratio
Population	Million	89.693	1,350.961	15.06
Land area	Sq. kilometers	331,210	9,596,961	28.97
GDP	US\$ Billion	170.565	9,182,000	53.83
GDP/Capita	US\$	1,902	6,747	3.54
GDP (PPP)	Billion	359,796	13,395,000	37.23

Source: *International Monetary Fund (IMF) and CIA World Factbook*

When asymmetric capabilities meet geographical proximity, their combined effects on much smaller nations will be pronounced.¹⁴ The smaller nation will easily be affected, positively or negatively, by any move from the bigger neighbor. The tyranny of geography must be viewed as a factor that Vietnamese leaders must always take into consideration. Vietnam's proximity with China will be a blessing if Vietnam knows how to utilize its comparative advantage with China in attracting foreign direct investments, technological transfers and tourism. Otherwise, Vietnam would be eaten up by China.

Confidence-building measures

Vietnam and China have the mechanism of annual high-level visit exchanges since 1991, seeing 36 visits by party chiefs and state leaders during this period. Both sides have committed to using frequent high-level visits as a method to set the direction and trajectory for the relationship. In 2006, the Steering Committee on Vietnam-China Bilateral Cooperation was set up. In 2008, two party bosses agreed to set up a hotline between them. In addition, the cooperation has spilled over to other levels and fields. Defense cooperation between Vietnam and China has been starting at confidence building stage. In

¹² See Christopher Roper, "Sino-Vietnamese Relations and the Economy of Vietnam's Border Region," *Asian Survey* 40, no. 6 (2000): 1019-1041, Brantly Womack (2006).

¹³ Brantly Womack, "How Size Matters: The United States, China and Asymmetry," *Journal of Strategic Studies* 24, no. 4 (2001): 126.

¹⁴ Cheng-Chwee Kuik, "Making Sense of Malaysia's China Policy: Asymmetry, Proximity, and Elite's Domestic Authority," *The Chinese Journal of International Politics* 6, no. 4 (2013): 429-467.

2005, China and Vietnam began their first discussion on national defense industries at ministerial level with the Vietnam visit by a delegation from China's Commission for Science, Technology and Industry. Through this discussion, it was reported that China North Industries Corporation agreed to sell some light weapons and military vehicles to Vietnam.¹⁵ In November 2010 the first Sino-Vietnamese Strategic Defense and Security Dialogue was held in Hanoi, Vietnam. A hot line between two defense ministers was agreed to set up after the dialogue.

Even though the bilateral cooperation has been institutionalized, there has still been a long way for both countries to go to build up mutual confidence. Some dubious Vietnamese analysts assume it is the way for China to buy time. Zhao Suisheng, a Chinese political scientist, notes although the rhetoric of the good neighboring polity continued to reassure that China was a responsible power willing to contribute to regional peace, but China's neighbors were alarmed to see a renewed and more aggressive claim of Chinese sovereignty over the disputed maritime territories.¹⁶

Economic relations and Vietnamese vulnerabilities

Subsequent to Chinese-Vietnamese rapprochement in 1991, Sino-Vietnamese economic relations grew steadily. In 1991, the bilateral trade was only US\$ 32 million. Now China is Vietnam's largest trading partner totaling up to US\$50.21 billion, and concurrently China is the country that Vietnam has the biggest trade gap with. The worrisome trend is that the gap is widening and does not have any sign of subduing. According to Vietnam's General Statistics Office (GSO), in 2013 Vietnam incurred a trade deficit of US\$23.7 billion with China. Meanwhile, Vietnam enjoys the trade surplus with the US at US\$18.64 billion. It is the largest surplus that Vietnam has with a single country.

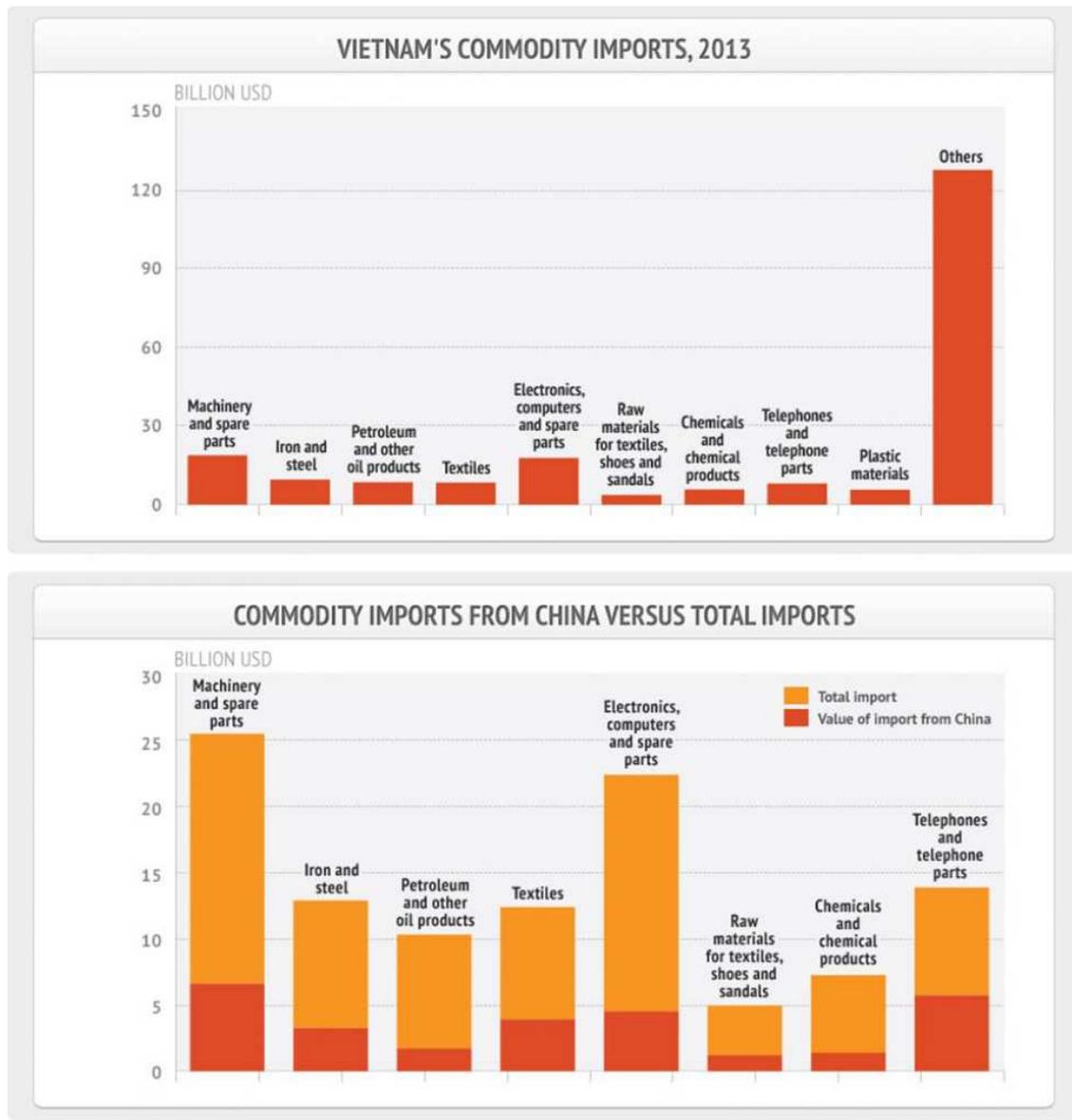
When we look at the breakdown of the Vietnam's imports from China in 2013, the biggest five groups of imports include fabric (textiles), machinery and spare parts, telephones and components, electronics and spare parts, and iron and steel. Vietnam mostly exports raw or semi-processed products with little added value to China. There are many reasons for this growing deficit scenario. Firstly, Vietnam has weak, underinvested supporting industries. Thus, components and spare parts needed for whole product assembly and manufacture have to be imported from China. That is the reason why Samsung built its factories in two Northern provinces of Bac Ninh and Thai Nguyen close to China for convenient

¹⁵ Carlyle Thayer, "The Tyranny of Geography: Vietnamese Strategies to Constrain China in the South China Sea," Paper to International Studies Association 52nd Annual Convention, Montreal, Quebec, Canada, (2011).

¹⁶ Please see Zhao Suisheng, "Shaping the Regional Context of China's Context of China's Rise: how the Obama Administration Brought Back Hedge in Its Engagement with China," *Journal of Contemporary China* 21, no. 75 (2012): 373.

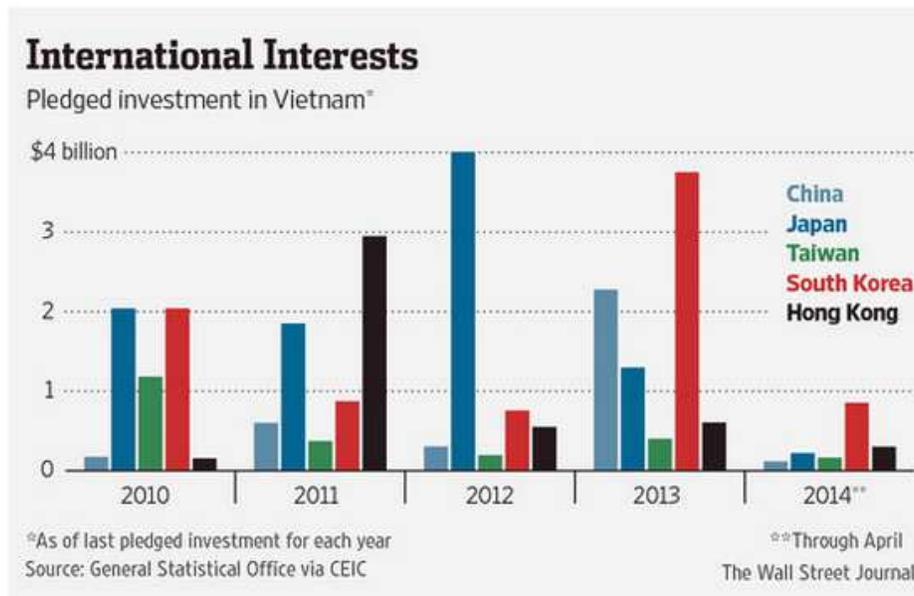
access to component suppliers in Chinese Pearl River’s Delta. Secondly, Chinese commodities are at competitive prices compared to other suppliers such as Japan or South Korea. Thirdly, Vietnam has low technical barriers and inspection procedures that Chinese products can easily pass through. On top of that, dealing with Chinese businessman largely does not require complicated transaction processes and professionalism. Chinese companies are willing to offer kickbacks too.

Figure 1. Vietnam’s commodity imports from China and commodity imports from China versus total imports in 2013



Even though Chinese Foreign Direct Investment (FDI) is on the rise in Vietnam in recent years, it is still modest in relation to other countries. China's FDI in Vietnam has been even lower than Hong Kong's until last year when China's share of FDI in Vietnam soared up, trailing only behind South Korea with US\$ 2.28 billion. In a specific context, China's FDI is not really welcome even though it is promising with economic benefits. Chinese investment's concentration on mining sector has stirred the anxiety among local Vietnamese about environmental pollution, and the influx of Chinese workers on the construction site.

Figure 2. Pledge FDI in Vietnam (2010-April 2014)



Minimizing the reliance

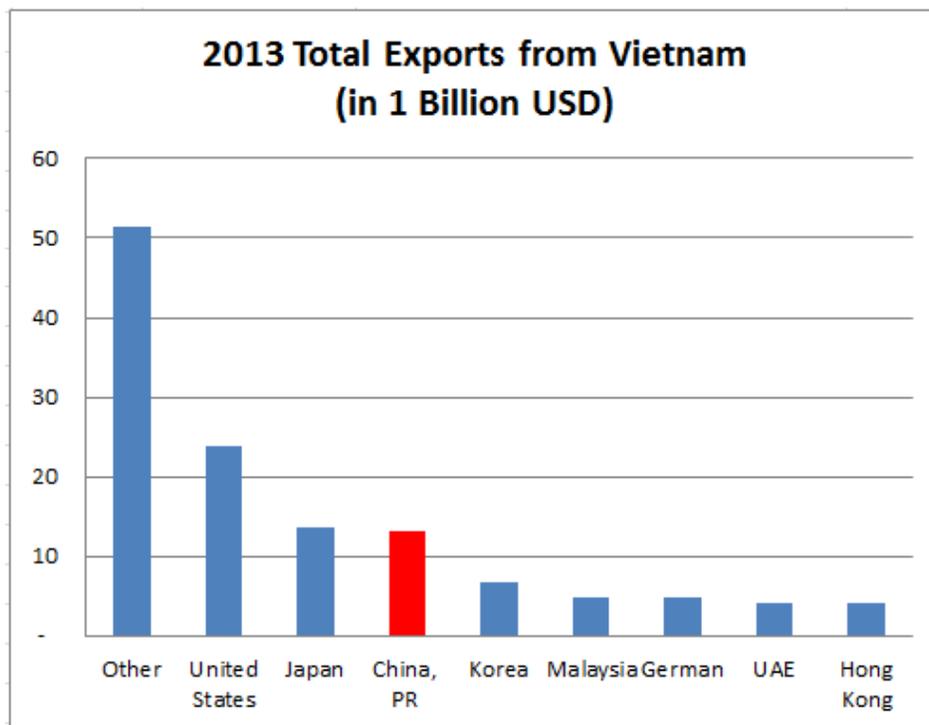
One of the key factors of the hedging strategy is to minimize China's economic leverage against Vietnam. Firstly, Vietnam has to reduce trade imbalance with China, which is worsening over years. It hugely impacts Vietnam's foreign reserves. Secondly, Vietnam has to cut down its reliance on Chinese input materials for value chain production. Vietnam imports a big amount of Chinese made machinery and equipment due to its low, competitive prices compared to Japanese or Western-made products. As long as Vietnam's economy still depends on China's materials for its impressive annual two-digit export growth, the bilateral deficit is, by the means, increasingly widening on Vietnam's side.

Le Dang Doanh, a Vietnamese economist, repeatedly expressed his frustration about the trade imbalance and economic dependency. He said, "Vietnam exports coal and then imports power. It exports rubber and then imports car tires. As for the garment industry, if China were to stop supplying

materials, the industry would face big difficulties.”¹⁷ As a matter of fact, Vietnam is importing nearly 50% of yarns, cotton, and fabrics needed for the textile industry from China.¹⁸ Last year, 6 out of US\$ 13 billion Vietnam’s imports in garment industry came from China. If China disrupts the yarn supply, it will greatly damage Vietnam’s garment industry, culminating in mass unemployment in this labor-intensive industry.

Thirdly, Vietnam must quickly diversify its export markets. China is now the largest importer of Vietnamese agricultural products. In a broader context, China accounts for a roughly 20% of Vietnam’s total exports of agricultural, aquatic and forest products. Vietnam exported more than 2 million tons of rice to China in 2013, making up one third of Vietnam’s rice export turnover. China is also the largest importer of Vietnamese’s fruit and rubber exports.¹⁹ Even though China is the third largest destination of Vietnamese exports in 2013 behind the U.S. and Japan, it could be said that China is a big influential buyer of commodities that nearly 70% of Vietnamese population are producing.

Figure 4. Vietnam’s Exports in 2013



Source: General Statistics Office of Vietnam

¹⁷ See <http://www.economist.com/blogs/banyan/2012/06/vietnams-trade-china>. Accessed July 20, 2014.

¹⁸ See <http://asia.nikkei.com/Politics-Economy/International-Relations/China-boosting-investment-in-Vietnamese-textile-industry>. Accessed August 2, 2014.

¹⁹ See http://vccinews.com/news_detail.asp?news_id=30605. Accessed August 2, 2014.

In addition, China accounts for 90% of Engineering, Procurement and Construction (EPC) projects on power plant construction in Vietnam. The most palpable reason is that China often outbids other contractors with lowest bidding price due to Chinese contractors' access to cheap labor and easy credits. Nguyen Van Thu, chairman of Vietnam's Association of Mechanical Industries complained, "Chinese companies might have won construction contracts by submitting lowball bids, which could mean they degrade the safety and quality."²⁰

There have been more vocal calls from both high-profile Vietnamese economists and officials for reducing excessive reliance on China in bilateral trade. Vietnam's Deputy Minister of Industry and Trade Do Thang Hai recently urged Vietnamese to use locally made goods and boost domestic production to curb Chinese imports.²¹ Vo Tri Thanh, Vice Head of the Central Institute for Economic Management advised against any radical measure to ditch the Chinese market. He recommended that Vietnam should soon restructure the economy to avoid China's leverage against Vietnam.²²

During last July's discussion session of Vietnam's 13th National Assembly, Vu Tien Loc, Chairman of the Vietnam's Chamber of Commerce and Industry, said that Vietnam is facing the dilemma to stabilize trade relations with China and find substitute markets. He hopes that Free Trade Agreements that Vietnam is going to sign with other partners will improve Vietnam's trade reliance on China.²³ Notably, Vietnam is going to conclude FTAs with South Korea and European Union later this year. However, Vu Tien Loc also heeds that Vietnam should not forget that China is the most populous consumer market in the world. Currently, China only accounts for 10% of total Vietnam's export turnover. Hence, there is still more room for Vietnam to increase their exports to China rather than cut down on exports.

Popular perception and indignation

In general, bilateral relations seemed going well although tensions arising from clashes in the South China Sea, especially since 2007, have repeatedly been the flame for anti-Chinese nationalist sentiment in Vietnam. The most tense rancor erupted on May 4 when China placed its deep sea drilling rig HYSY 981 within Vietnam's 200-mile exclusive economic zone and 17 miles south of China-occupied Triton island in the Paracels that China seized by power in 1974 after a clash with South Vietnamese

²⁰ See <http://content.time.com/time/world/article/0,8599,1891668,00.html>. Accessed July 28, 2014.

²¹ See <http://hanoitimes.com.vn/economy/trade-service/2014/06/81E07E35/solutions-help-vietnam-reduce-dependency-on-china/>. Accessed August 2, 2014.

²² See <http://www.thanhniennews.com/business/vietnam-needs-to-reduce-dependence-on-china-economists-26793.html>. Accessed August 2, 2014.

²³ See <http://english.vov.vn/Economy/Reducing-Chinas-economic-dependence-by-FTAs/277220.vov>. Accessed August 3, 2014.

government. The deployment of the offshore giant drilling rig was widely seen as act of claiming Chinese territory in the South China Sea, further heightening the threat perception of China's rise in Vietnam. Mass anti-China protests broke out in big Vietnamese cities. Rallies even escalated into riots in Binh Duong and Ha Tinh Provinces, damaging factories believed to be owned by mainland Chinese enterprises, though most of those badly hit were from Taiwan.²⁴

After the drilling rig incident, China has banned its state-run companies to enter the bidding for new contracts in Vietnam but this action does not affect Vietnam much. Many Vietnamese are still glad with this decision from China. Indeed, the image of Chinese contractors is unpopular in Vietnam. Firstly, Chinese contractors in Vietnam are notorious for low-quality constructions and frequent delays. They often outbid other contractors at low prices to win contracts, but they are unable to finish the contract on time. Secondly, Chinese managers have the tendency to hire Chinese workers instead of local Vietnamese, even for manual labor. This creates concerns among local Vietnamese authorities for big influx of Chinese workers on local social security. Thirdly, Chinese companies reportedly do not transfer knowledge and technology to Vietnamese partners. Or the technology they bring to Vietnam is mostly outdated and inefficient. In this aspect, South Korean and Japanese companies have a better image.

On July 29, 2014 sixty-one prominent members of Vietnam's Communist Party signed letter demanding the Vietnamese government make radical political and economic reforms in order to escape China's influence. This letter came as the consequence of two-month long crisis on the deployment of China's HYSY 981 drilling rig in Vietnam's exclusive economic zone. It also reflects a tendency among elder Vietnamese elites to be highly cautious of China's rise impact on Vietnam's security and territorial integrity.

In Pew Research Global Attitudes Project on global views of China's image issued on July 14, 2014, 78% of the Vietnamese voice negative opinion of China. Only Japan has more unfavorable ratings of China than Vietnam with 93%. 71% of the Vietnamese say China's growing economy is bad for their own economy.²⁵ It can be said that after the rig HYSY 981 incident, China's positive image in Vietnam is largely ruined. Even though Vietnamese politics is elite driven, popular opinion, to some extent, has some pressure on Vietnamese foreign policy. It may also alter choices of some pro-Chinese bureaucrats in the government.

²⁴ See <http://www.theguardian.com/world/2014/may/18/vietnam-anti-china-protests>. Accessed August 1, 2014.

²⁵ See <http://www.pewglobal.org/2014/07/14/chapter-2-chinas-image/>. Accessed August 1, 2014.

Vietnam's policy options: hedging strategy and accommodation of China

Vietnam's handling of the South China Sea imbroglio with China can be picked as an example of its hedging strategy. Vietnam has unanimously made it clear that it prefers the use of peaceful means and international law to settle the disputes. It is easy to understand why Vietnam holds the banner of sticking to peaceful resolution of the dispute through negotiations and international law. It is often the favorite tool of the weaker side. Until now, this strategy has worked for Vietnam when it attempts to put the dispute to the backburner, focusing on boosting the bilateral trade. Etzioni also argues that accommodation of China should not be misconceived as appeasement or unilateral concession. It should be viewed as the interests from both sides should be executed in a way that contributes to global stability.²⁶

For Vietnam, engagement and hedging strategies are not mutually exclusive. The hedging strategy that Vietnam is employing is different from the strategic hedging which is deemed suitable for second-tier states such as China, France, and Russia. The strategic hedging concept identifies mechanisms in which second-tier states can indirectly challenge the system leader in a manner going beyond soft balancing but without engaging in hard balancing behavior.²⁷ Goh (cited in Foot, 2006) defines hedging, with reference to Southeast Asian nations, as "a set of strategic aimed at avoiding (or planning for contingencies in) a situation in which states cannot decide upon more straightforward alternatives such as balancing, bandwagoning, or neutrality."²⁸

Tessman argues, "Existing uses of hedging emphasize the way in which second-tier and minor powers seek to avoid excessive dependence on a single Great Power. Hedging has been used to conceptualize the desire of many Southeast Asian states to strike a middle path in relations with both China and the US."²⁹ Owing to the perils of proximity and its geopolitical vulnerability, Vietnam is attempting to diversify its relations and deepen the partnership with key nations, but also trying not to displease China.

With regard to specific policies, Le (2013, 344) argues that Vietnam's hedging strategy is composed of four major components: (1) economic pragmatism, i.e., deepening bilateral economic cooperation to facilitate development; (2) direct engagement, i.e. expanding and deepening various bilateral

²⁶ Amitai Etzioni, "Accommodating China," *Survival* 55, no. 2 (2013): 45-60.

²⁷ Wojtek Wolfe, "China's Strategic Hedging," *Orbis* 57, no. 2 (2013): 300-313.

²⁸ Rosemary Foot, "Chinese Strategies in a US-hegemonic Global Order: Accommodating and Hedging," *International Affairs* 82, no. 1 (2006): 77-94.

²⁹ Brocke Tessman, "System Structure and State Strategy: Adding Hedging to the Menu," *Security Studies* 21, no. 2 (2012): 205.

mechanisms to build mutual trust and nurture cooperation, thereby shaping China's behavior; (3) hard balancing, i.e., pursuing military modernization to deter China from aggressive actions; and (4) soft balancing, i.e., promoting participation in multilateral institutions and deepening relations with major powers to deter China from exercising aggressive behaviors.³⁰

Internal balancing and military modernization

One of the most obvious examples of power asymmetry is military capability. The rapid buildup of Chinese blue navy is a constant concern for Vietnam in the context of unresolved South China Sea disputes. Vietnam worries that China's rapid military modernization will soon make its armies defenseless. The "one-millennium-northern-occupation" past adds salt to the sore of vulnerability. The figures show that from 2003 to 2012, Vietnam's military expenditure grew steadily at average rate of 10.3 percent per year.³¹ From 2002-2012, the cumulative military spending for Vietnam is 131%. Besides, Vietnam is also trying to develop its weapon industry. It has obtained the technological weaponry transfer from a wide range of partners such as Russia, Belarus, India, the Netherlands, Ukraine and Israel. The increasing armament purchase is tiny compared to China's but it really makes China think twice before venturing into any military confrontation.

Vietnam has demonstrated its efforts at increasing its naval capabilities to offset the giant Chinese blue navy forces. In 2009, Vietnam decided to buy six Russian-made kilo class diesel submarines for about US\$2 billion, all of which will be delivered by 2018. The whole purchase package also includes staff training and maintenance. In 2010, it was reported that Vietnam asked for Russian help to build facilities for its submarines fleet at Cam Ranh Bay. In 2011, Russia delivered four Gepard-class frigates to Vietnam and then ordered two more. These naval acquisitions are clear manifestations of Vietnam's intent to set up a fully operational underwater capability that can offer regular undersea patrol at sea. Quantitatively, Vietnam's naval military cannot be compared with China's naval might, but they can pose a credible deterrence to China's undersea capability. If we put the quantitative numbers aside and look at the armament, we will see these newly acquired weapons are Vietnam's nascent A2/AD capabilities. They can be used to counter any Chinese adventurism in the South China Sea.

Vietnam's land-based coastal defense is enhanced by the purchase of the Extended Range Artillery Munition from Israel, a short-range ballistic missile which can reach targets beyond 150km and the

³⁰ Le Le Hong Hiep, "Vietnam's Hedging Strategy Against China Since Normalization," *Contemporary Southeast Asia* 35, no. 3 (2013): 333-368.

³¹ Le Hong Hiep, (2013): 351-352.

acquisition of three sophisticated Czech-made Verapassive radio locators³². Another significant deal is the K-300P Bastion-P coastal defense systems and associated missiles worth US\$300 million.

In addition, the newly established Vietnamese Marine Police also receives lots of investments for its fleet. The key partner for the fleet upgrading consisting of licensed production, technological transfer, and maintenance facilities together with the vessels is the Dutch Damen group. The Damen group has built 1,000-ton-plus vessels with helipad for Vietnamese fleets.³³

Vietnam does not forget to ask for favor from the U.S. It has repeatedly asked the U.S. government to lift the lethal weapons export ban. After the drilling rig incident, it turns out good for Vietnam since there are more voices in U.S. Congress to reconsider selling weapons to Vietnam.³⁴ Vietnam also does not hide its intentions of taking this occasion to be able to acquire more state-of-the art weapons than China, which is still on the U.S. embargo list. The ban lift, if possible in the near future, will help Vietnam diversify its arms, which mostly has the same origin of production with China's weapons stockpile, i.e. Russia. It will be a valuable addition to Vietnam's armaments.

In another effort to diversify its assistance sources, Vietnam has looked forward to Japan's help for new military aids. In July 2014, Japanese Foreign Minister Fumio Kishida during his official visit to Vietnam has pledged an aid package of six vessels and maritime equipment to Vietnamese Marine Police.³⁵ It is a new sign that the two countries who have the same rival to move closer to each other. In a noted move, Japan has considered lifting its self-imposed ban on its weapons exports to other countries, and Vietnam will be a potential buyer.

Compared with Chinese annual budget for military expenditures of over US\$150 billion, Vietnam's efforts in upgrading its army and navy are still modest. However, it does not mean these attempts are futile. It at least makes China think twice before venturing into any future offshore conflicts because the price to pay is increasing when Vietnam is forming alliances with other big powers. The expenditures for more weapons are growing; more strategic alliances are formed with new arms supplies; and more new anti-access capabilities are acquired. This is part of Vietnamese strategic asymmetric thinking to deter any possible Chinese confrontations. Vietnamese leaders know for best that Vietnamese navy is no

³² See <http://www.chinapost.com.tw/commentary/the-china-post/special-to-the-china-post/2012/01/10/328567/p2/Vietnam-prepares.htm>. Accessed August 2, 2014.

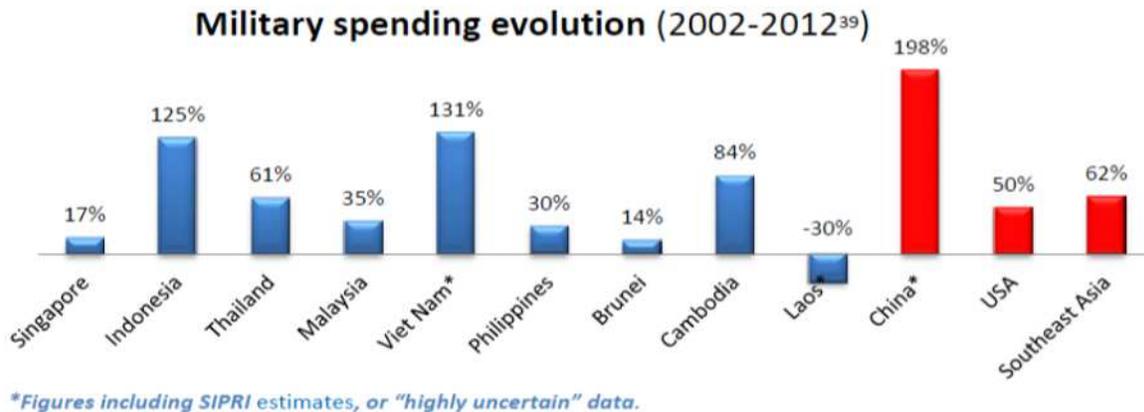
³³ See <http://www.defensenews.com/article/20120205/DEFFEAT05/302050007/Vietnam-8217-s-Asymmetrical-Strategy-Location-Offers-Advantages-Over-China>. Accessed August 2, 2014.

³⁴ See <http://english.vov.vn/Politics/US-considers-lifting-ban-on-lethal-weapon-sales/279692.vov>. Accessed August 2, 2014.

³⁵ See <http://tuoitrenews.vn/politics/21413/japan-to-provide-6-patrol-ships-to-vietnam>. Accessed August 2, 2014.

match for China, but they know for sure what to deal with China given what the bilateral history has taught them.

Figure 5: Vietnam’s military spending in a comparison with other nations



Using the regional multilateral framework: a failure?

Vietnam has used Association of Southeast Asian Nations (ASEAN) as a multilateral forum to engage China into the new regional security setting. Thus, Dosch argues, “Vietnam’s admission into ASEAN has enhanced Hanoi’s bargaining position with other states, particularly China.”³⁶ It also pushed the US into recognizing Vietnam, and it gave Vietnam more confidence to move closer to China. It is this admission to the regional security allowed Vietnam to feel less isolated and therefore less risky at the bilateral relationship with China.³⁷

Vietnam and other ASEAN states tried to engage China into multilateral framework such as ASEAN-China Free Trade Area (ACFTA or CAFTA) signed in 2002 and the “Declaration on the Conduct of Parties in the South China Sea” in the same year. China’s signing of the 2002 declaration was a big surprise to many analysts. The Declaration has the pledge from all the signatories “to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability.” China was also admitted to the ASEAN Treaty of Amity in 2003. Those were designed to hopefully engage China into regional framework constraints and reign in its behaviors. ASEAN membership has provided a venue for Vietnam to seek better relationship with other powers such as the US, Japan, European Union (EU),

³⁶ John Dosch, “Vietnam’s ASEAN Membership Revisited: Golden Opportunity or Golden Cage?” *Contemporary Southeast Asia* 28, no. 2 (2006): 252.

³⁷ See Brantly Womack (2009).

India, South Korea and Australia through ASEAN+3, ASEAN+6, EU-ASEAN Cooperation Agreement, the ASEAN-Japan Forum to seek more support and diversify its relations.

With the South China Sea disputes, ASEAN often works as the platform for Vietnam's regional talks with China. However, the progress is very slow. The institution's cardinal principles of consensus and non-interference have often been exploited by China to thwart off any attempt to bring up the dispute to the multilateral table. ASEAN unity is always in doubt between various members with diverging interests upon dealing with China. Hence, regional talks to settle the territorial claims often fell apart. In July 2012, a summit of ASEAN foreign ministers held in Cambodia ended without a concluding communiqué due to the nations' disagreements on how to address territorial disputes in the South China Sea. The ASEAN Secretary-General Surin Pitsuwan claimed that such a summit conclusion was "unprecedented" failure in the organization's 45-year history.³⁸ Vietnam and the Philippines, whose maritime territorial claims overlap with China's, failed to persuade the host nation to take a hard line towards China despite strong support from the United States.

In August 2014, a U.S. proposal for a "freeze" on "provocative acts" in the South China Sea at the ASEAN Regional Forum in Myanmar got dismissed from China and some regional states. Chinese Foreign Minister implied the U.S as the troublemaker when he told reporters, "Someone has been exaggerating or playing up the so-called tensions in the South China Sea. We don't agree with such a practice." Le Luong Minh, a Vietnamese national and Secretary-General of the organization, also tried to avoid offending China. He said it was up to ASEAN to encourage China to reduce tension by implementing a 2002 declaration,³⁹ but the non-binding framework has become toothless in resolving the disputes. The binding Code of Conduct is on the way to be realized, but the prospect for its conclusion is still far-fetched. The lack of ASEAN unified stand towards the South China Sea dispute over the years has underlined the dim outlook of a multilateral approach to the dispute resolution.

Now advantage and time are on China's side. They have nearly everything that they need: deep offshore drilling technology, an aircraft carrier, inflight fueling technology, and power projection capabilities to control the South China Sea. China may feel that it is unfair for them to be constrained by regulations, norms or laws when its power is rising so fast. Hence, China prefers bilateral settlement and attempts to

³⁸ See <http://online.wsj.com/news/articles/SB10001424052702303919504577524133983292716>. Accessed August 2, 2014.

³⁹ See <http://www.reuters.com/article/2014/08/09/us-asean-southchinasea-idUSKBN0G904O20140809>. Accessed August 2, 2014.

use “carrot and stick” approach to separate Vietnam from other claimants, especially the Philippines. China’s preference is likened to the fight between David and Goliath or between a giant and a pygmy. Thus, they are adopting salami slicing, or in-by-inch encroachment approach in the South China Sea. What China is doing is going exactly as Bisley (2012) argues that the multilateral security networks, whether grand or more limited in their scope, are not likely to contain China’s ambitious policies.⁴⁰ The successes of some multilateral forums in the region are still marginalized. The realist interpretations of the rise of China also neglect the complex interdependence between China and Vietnam.

Diversifying foreign partners

Until 2014, Vietnam has established strategic partnership with thirteen countries: Russia (2001), Japan (2006), China (2008), South Korea (2009), Spain (2009), United Kingdom (2010), Germany (2011), and Italy, France, Singapore, Indonesia and Thailand (2013). Hanoi also established comprehensive partnerships with Australia and the US (2013). Notably, only one year after setting up strategic partnership with China, Vietnam upgraded the relationship to strategic cooperative partnership. There are questions about the nature of these partnerships whether they are just symbolic and at veneer level. Yet, Vietnam, at least, has much improved relationships with its old adversaries and middle powers. It is the clear evidence for Vietnam’s successful strategy in taking advantage of all the relationship to serve its economic development’s purpose and deeply integrate into global security order.

Other empirical evidence can be used to show this approach is Vietnam’s offer bids to Russian, Indian companies to explore oil in the waters that China also claims jurisdiction. Furthermore, India is a country that provides Vietnam with the BrahMos cruise missile to improve its coastal defense. India also helps to train Vietnamese crews for the new Kilo submarines and Vietnamese army. Given that the Vietnamese has next to none experience with underwater warfare, India’s assistance will surely help Vietnam operate its newly acquired Kilo class subs in the South China Sea. This move is in line with the fact that the Indian state oil company, ONGC accepted the offer for the joint exploration with Vietnam in Blocks 127, 128 in the South China Sea despite protests from China.

With Obama’s pivot and rebalancing to Asia Pacific, Vietnam wants to forge closer relationship with Washington in order to balance against China’s ambitions in the South China Sea. In July 2013 Vietnam’s President Truong Tan Sang visited the U.S., forming “comprehensive partnership with the U.S.” It is testament to Vietnam’s ability to walk the line between the US and China. Nonetheless, Vietnam does

⁴⁰ For more discussion, see Nick Bisley, “China’s Rise and the Making of East Asia’s Security Architecture,” *Journal of Contemporary China* 21, no. 73 (2012): 19-34.

not want to offend China. One month earlier before President Truong's visit, Chief of General Staff of the Vietnam People's Army Senior Lieutenant General Do Ba Ty visited Washington D.C., signifying a new chapter in the bilateral defense cooperation. On August 13, 2014, U.S. Chairman of the Joint Chiefs of Staff General Martin Dempsey visited Vietnam. It is the first visit by a U.S. chairman of the Joint Chiefs of Staff since 1971. The trip is historically significant in a sense that Vietnam and China just ended the weeks-long brawls in the South China Sea.

Yet, Thayer (2012) on *The Diplomat* observes, "The Vietnamese don't want to come across as a tacit ally of the U.S. because they want to preserve good relations with China. They don't want to choose." Vietnam has tried to maintain the delicate balancing walk between China and the US. They may want to have better relationship with the U.S. to check Chinese aggressive behaviors, but they do not want to become an American ally, encircling China. It is unwise for Vietnam to adopt an alliance policy to contain China since the negative may outweigh the positive. The simple reason is China is always next to Vietnam and the U.S. is too far away.

Conclusion

The Vietnamese perspective on China is shaped by a complex amalgamation of geopolitical, economic, historical, and cultural factors that add up to a profound ambivalence toward their rapidly growing neighbor. Despite this quandary, Vietnamese policy toward China for the past two decades has been driven mainly by pragmatic considerations, resulting in a gradual rapprochement and deepening of the relationship. Vietnam's accommodation of China does not mean that it makes concessions to China's interests. It means Vietnam has no choice but to capitalize on their relationship with China instead.

Vietnam's hedging and accommodation strategies have been the backbone of Vietnam's foreign policy. These strategies are adjusted according to Chinese behaviors. The magnitude of changes may vary depending on how Vietnam is vulnerable to any exposure from China. If China is perceived to be getting more aggressive in the South China Sea, Vietnam will soon find itself moving closer to the US and its allies. The power asymmetry, geographical proximity and historical burdens enable Vietnam to be sensitive to any Chinese foreign policy even though small. The Vietnamese may remember a Russian proverb: "Forget the past and lose an eye; dwell on the past and lose both eyes." Vietnamese leaders with both eyes open, of course, do not want to play a zero-sum gamble with China.