Accommodating the Dragon

Thanh Trung Nguyen

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Accommodating the Dragon:
Vietnam’s Enduring Asymmetric Entanglements with China

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A thesis submitted in partial fulfillment of the requirements
for the degree of
Doctor of Philosophy

Principal Supervisor: Prof. Ting Wai
Hong Kong Baptist University
July 2016
DECLARATION

I hereby declare that this thesis represents my own work which has been done after registration for the degree of PhD at Hong Kong Baptist University, and has not been previously included in a thesis, dissertation submitted to this or other institutions for a degree, diploma or other qualification.

Signature:

Date: July 2016
ABSTRACT

As China’s economic miracle does not show signs to stop soon, international relations theorists keep on asking what implications this tremendous growth will have on the regional and international security. Significant gap between China and Vietnam has become a prominent feature of various asymmetric dyads. The dissertation investigates how Vietnam could maintain an enduring asymmetric relationship with China in the context of a growing disparity between two countries since 1991.

The evolution of Sino-Vietnamese relationship is so complicated that it defies the application of a single theory. The current literature on the Sino-Vietnamese relationship primarily focuses on the bilateral ties but ignores the effects of China’s power on Vietnam’s foreign policy. To advance understanding in Vietnam’s responses to a rising China, I formulated a theoretical paradigm based on asymmetry theory by Brantly Womack. The dissertation finds that perceptions of power asymmetry have played a crucial role in Vietnam’s relationship with China over the last three decades and continued to define the trajectory of the bilateral relations in the coming years. The dissertation has covered an extended chronology of bilateral relations, which allows a better understanding of Vietnam’s numerous conflicting dynamics and dramatic shifts in its strategies towards China before and after 1991 in order to analyze the enduring asymmetric relationship. It demonstrates that Vietnam learnt many harsh lessons in the Cold War era and knew how to adapt to a rising China.
Since two countries normalized relationship in 1991, Vietnam’s reaction to the increasing power disparity caused by China’s fast growth has been a strategy of deference, which consists of political and economic engagement of China, hedged by internal and external balancing. In other words, hedging is the preferred policy that Vietnam is embracing to manage the asymmetric gap. The complex relationship between China and Vietnam explains the recent reinforcement of deferential behaviors from Vietnamese leadership meanwhile boosting cooperation with the U.S.

The dissertation also attempts to address the crucial question of how the Vietnamese leadership has employed hedging to manage an increasingly assertive Chinese behavior in the South China Sea, which puts lots of pressures on the Vietnamese Communist Party’s legitimacy as well as the national territorial integrity. Finally, the study argues that the future of Sino-Vietnamese relations will also rely on the broader policy battles that are being, and will be, laid out in the Chinese government. Vietnam is still unlikely to be viewed more important by the top Chinese leadership due to the power asymmetry. Hence, the best strategy for Vietnam is to maximize its hedging capabilities to actively pre-empt or minimize any unwanted consequences or contingencies.
ACKNOWLEDGEMENTS

As a tradition, the Acknowledgements section lists those people who have helped shape my intellectual capacity. However, I had to admit that it is not an easy job since I am also aware of the possibility of missing someone in this part. Everyone that I have known during my academic life has contributed in some way to my Ph.D. completion so it is impossible to list everyone who has ever partaken in my progress. I have been away from Vietnam for approximately seven years to follow my graduate studies and those who have offered help during my academic journey are too many to be mentioned fully in this brief section. Hence, this part is obviously restricted to those who have contributed a fair level of assistance and support.

First of all, my deepest gratitude goes to the principal supervisor, Prof. Ting Wai. He has left a very deep impression on me with his discipline, hard work and profound wisdom. Weekly book reviews and challenging scholarly discussions with him in my first year at the Hong Kong Baptist University were utterly useful experiences for me. He was my constant source of inspiration and motivation for the serious attitude in research. Besides, he welcomes all my casual conversations or walk-ins, and is readily open to all my inputs. I am also deeply indebted to Prof. Ting for his time to read my drafts and provide me with useful insights.

I am also extremely grateful to Professor Jean-Pierre Cabestan, Department Head of Government and International Studies and my co-supervisor. He is the nicest employer that I have ever known. He is so friendly and willing to listen to all my ideas...
and suggestions. He gave me helpful comments and suggestions on the thesis proposal. Prof. Cabestan also had tutorial teaching workload cut down for me in the last year so that I could have more time on my dissertation.

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from the Hong Kong PhD Fellowship Scheme Award. The Award is an immeasurable honor that I will never forget. Thanks to the fellowship, my wife and son can join me in Hong Kong during my study period. It is tremendous happiness.

This dissertation is dedicated to my parents who have spent their entire life raising and teaching me the value of honesty and hard work. I cannot be who I am today without their unrelenting sacrifices and boundless love. I also know that my big family was very sad when I could not join them in some special family occasions due to conflicting schedules with my studies or long distance. They must be extremely delighted to know that I am finishing my dissertation to be back with them.

Last but not least, I am especially grateful to my small family and to my wife, Doan, who shoulders the brunt of familial responsibilities without complaint so that her husband could focus on his study. It would also be a grave mistake if I did not mention my eight-year-old son, Hoi – who has followed me throughout my overseas study in the States and Hong Kong with an incredible adaptation. Finally despite all the assistance I have received, I alone bear the responsibility for what errors and deficiencies may appear in this dissertation.
# TABLE OF CONTENTS

ABSTRACT .........................................................................................................................i

ACKNOWLEDGEMENTS .................................................................................................... iii

TABLE OF CONTENTS ........................................................................................................ vii

LIST OF TABLES ................................................................................................................ xi

LIST OF FIGURES .............................................................................................................. xii

LIST OF ABBREVIATIONS ................................................................................................. xiii

PART I. FOUNDATIONS OF THEORETICAL AND EMPIRICAL ANALYSIS OF THE ASYMMETRICAL RELATIONSHIP ......................................................... 1

CHAPTER 1 INTRODUCTION ............................................................................................ 1

1. General Overview ............................................................................................................ 1
2. Relational Structures of the Relationship ...................................................................... 9
3. The Argument and Research Questions ..................................................................... 14

CHAPTER 2 LITERATURE REVIEW AND THEORETICAL FRAMEWORK 17

1. Literature Review ........................................................................................................... 17
2. Theoretical Perspectives on Power .............................................................................. 20
3. How to Measure Power / Capabilities ....................................................................... 24
4. Other Concepts of Dynamics of Security .................................................................... 28
5. The Politics of Power Asymmetry ............................................................................... 29
   Role of Deference to China ......................................................................................... 36
   Role of Perceptions in Asymmetric Relations ............................................................ 39
   Role of Historical Legacy .......................................................................................... 41
   Role of Ideology ......................................................................................................... 44
6. Hedging Strategies ....................................................................................................... 45

CHAPTER 3 RELATIONAL ASYMMETRY: VIETNAM’S BASIC STRUCTURE IN COMPARISON TO CHINA ............................................................... 53

1. Current Basic Parameters between China and Vietnam ............................................ 54
2. Similarities between Vietnamese and Chinese Economic Reforms: Vietnamese Present, Chinese Past ................................................................................................................................. 63
The Launch of Economic Reform ................................................................. 65
Converging Interests or Widening Asymmetry ........................................... 69

PART II. HISTORICAL BACKGROUND OF THE BILATERAL RELATIONSHIP .................................................................................................................. 75

CHAPTER 4 SINO-VIETNAMESE RELATIONS BEFORE NORMALIZATION: LEANING AND BALANCING (BEFORE 1991) ............ 75

1. Lips and Teeth Relationship (1950-1975) ........................................ 75
   Brother comradeship (1950-1968) ......................................................... 75
   Rift of relationship: Vietnam’s Disengagement of China (1968-1975) .......... 81

2. Sino-Vietnamese Broken Relationship: Vietnam’s Tilt toward the Soviet Union 85
   The Soviet Factor ............................................................................... 89
   The Hoa (ethnic Chinese) Factor .......................................................... 92
   The Cambodian Factor ....................................................................... 95
   The Brief yet Bloody Border War (1979) .............................................. 99
   Punitive War vs. Deference .................................................................. 105


5. Vietnam’s Domestic Dynamics of Change .......................................... 112
   Economic Imperatives ........................................................................ 112
   Vietnam’s Battling Foreign Policy Strands ......................................... 114

CHAPTER 5 NORMALIZATION OF RELATIONSHIP SINCE THE END OF COLD WAR ........................................................................................................... 119


2. Normalcy Period (1999-Now) ................................................................. 127

3. Management of Border Disputes ......................................................... 136
   The Borderland ................................................................................. 137
   The Gulf of Tonkin (Pan Beibu Wan) .................................................... 139

4. Vietnamese Public Opinion and Nationalism ....................................... 143
   Vietnamese Public Opinion of China ................................................... 143
   Public Opinion Polls........................................................................... 146

5. Vietnamese Nationalism ....................................................................... 149

PART III. ISSUES, PROBLEMS, AND PROSPECTS .................................. 157

CHAPTER 6 VIETNAMESE ENGAGEMENT ................................................. 157

1. Party-to-Party and State-to-State Engagement ...................................... 157

2. Military Engagement ........................................................................... 168
LIST OF TABLES

Table 1: Development Indicators of Vietnam and China (2014) ........................................55
Table 2: Developmental Conditions in China and Vietnam at the Launch of their Reforms.67
Table 3: Reform Milestones: Comparison of China and Vietnam ........................................71
Table 4: China’s Military Provision to Vietnam (1964-1973) ...........................................79
Table 5: Which Country is the Greatest Ally/Threat? .........................................................147
Table 6: Relations with China: Which is More Important? ...............................................149
Table 7: Exchange of High-level visits between Vietnam and China, 1991-May 2015 ..........167
Table 8: Exchange Visits by Defense Ministers (July 1991-May 2015) ............................174
Table 9: Growth in Bilateral Merchandise Trade between Vietnam and China (1991-2014) .......................................................................................................................177
Table 10: Vietnam’s Major Investment Projects Using China’s Aid (2004-2010) ............201
Table 11: Basic Data of Chinese and Vietnamese Military System (2012) .......................221
Table 12: Vietnamese and Chinese Military Capabilities (2014) ..................................224
Table 13: China’s and Vietnam’s Defense Expenditure, 2004-current (U.S. billion) .......227
Table 14: Vietnam’s Air Force Capabilities ......................................................................250
Table 15: Lists of Vietnam’s partnerships (2001-2015) ....................................................256
Table 16: Exchange of visits by top leaders* of Vietnam and the U.S. (2006-August 2015) ..............................................................................................................................263
Table 17. Exchange of visits by top leaders* of Vietnam and the India (2010 - August 2015) ..........................................................................................................................275
Table 18: Competing South China Sea claims .................................................................305
Table 19: Disputes Over Drilling and Exploration for Oil and Natural Gas in the South China Sea ..........................................................................................................................359
Table 20. Chinese Protests against Vietnamese Petroleum Joint Ventures (2006-2011) ....366
LIST OF FIGURES

Figure 1: Asymmetric Attention ........................................................................................................................................33
Figure 2: Components of Vietnam’s Hedging Strategy ................................................................................................52
Figure 3. Gross Domestic Products of China and Vietnam, 2000-2014 ........................................................................56
Figure 4: Economic Growths of Vietnam and China (2000-2014) .................................................................................57
Figure 5: GDP per Capita, China and Vietnam (2000-2014) .............................................................................................61
Figure 6: Delimitation Line and Joint Fishing Zone (Gulf of Tonkin) .............................................................................142
Figure 7: Favorable Views of China and Military Conflict Possibility .............................................................................148
Figure 8: Vietnam’s commodity imports from China and commodity imports from China versus total imports in 2013 ..........................................................................................................................179
Figure 9: Foreign Direct Investment in Vietnam ............................................................................................................190
Figure 10. Proportion of FDI projects by investment partners accumulated as of end-2013 ..........................................................................................................................................................193
Figure 11: International Tourism to Vietnam, 2013 ...........................................................................................................209
Figure 12: Vietnamese Military Expenditures (2004-2014) (in million dollars) ..............................................................228
Figure 13: U.S. Military Presence in Asia Welcomed by Many ........................................................................................268
Figure 14. South China Sea Oil and Natural Gas Proved and Probable Reserves .................................................................308
Figure 15: Vietnam’s Oil Production and Consumption, 1990-2011 ..............................................................................312
Figure 16: Marine Fish Production in the South China Sea ............................................................................................316
Figure 17: The Scope of Chinese Fishing Ban in 2011 .....................................................................................................347
Figure 18: International Oil Companies in Vietnam ......................................................................................................362
### LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A2AD</td>
<td>Anti-Access Area Denial</td>
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<tr>
<td>ABM</td>
<td>Anti-Ballistic Missile</td>
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<td>AFP</td>
<td>Agence France-Press</td>
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<td>ASB</td>
<td>Air-Sea Battle</td>
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<td>ACFTA</td>
<td>ASEAN China Free Trade Agreement</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AFTA</td>
<td>ASEAN Free Trade Area</td>
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<td>APSC</td>
<td>ASEAN Political Security Community</td>
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<tr>
<td>APEC</td>
<td>Asia-Pacific Trade Agreement</td>
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<tr>
<td>APT</td>
<td>ASEAN Plus Three</td>
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<tr>
<td>APTA</td>
<td>Asia-Pacific Trade Agreement</td>
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<td>ARF</td>
<td>ASEAN Regional Forum</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>ASEM</td>
<td>Asia-Europe Meeting</td>
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<tr>
<td>ASW</td>
<td>Anti-submarine Warfare</td>
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<tr>
<td>AWACS</td>
<td>Airborne Warning and Control System</td>
</tr>
<tr>
<td>b/d</td>
<td>barrels per day</td>
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<tr>
<td>BRIC</td>
<td>Brazil-Russia-India-China</td>
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<tr>
<td>CBM</td>
<td>confidence building measure</td>
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<td>CAFTA</td>
<td>China-ASEAN Free Trade Area</td>
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<td>CCP</td>
<td>Chinese Communist Party</td>
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<tr>
<td>CEPT</td>
<td>Common Effective Preferential Tariff</td>
</tr>
<tr>
<td>CIEM</td>
<td>Central Institute for Economic Management, Vietnam</td>
</tr>
<tr>
<td>CLMV</td>
<td>Cambodia-Laos-Myanmar-Vietnam</td>
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<tr>
<td>CMC</td>
<td>Central Military Commission</td>
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<tr>
<td>CNOOC</td>
<td>China National Offshore Oil Corporation</td>
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<tr>
<td>CNPC</td>
<td>China National Petroleum Corporation</td>
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<tr>
<td>CNS</td>
<td>Chief of Naval Staff</td>
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<tr>
<td>COMECON</td>
<td>Council for Mutual Economic Assistance</td>
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<tr>
<td>CSCAP</td>
<td>Council for Security Cooperation in the Asia Pacific</td>
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<tr>
<td>DRV</td>
<td>Democratic Republic of Vietnam</td>
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<tr>
<td>EAC</td>
<td>East Asian Community</td>
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<tr>
<td>EAS</td>
<td>East Asia Summit</td>
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<tr>
<td>EEZ</td>
<td>Exclusive Economic Zone</td>
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<tr>
<td>EPC</td>
<td>Engineering, Procurement, Construction</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FTA</td>
<td>Free Trade Area</td>
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<tr>
<td>GATS</td>
<td>General Agreement on Trade in Services</td>
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<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GMS</td>
<td>Greater Mekong Sub-region</td>
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<tr>
<td>GNI</td>
<td>Gross National Income</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<tr>
<td>GSO</td>
<td>General Statistics Office, Vietnam</td>
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<tr>
<td>GSP</td>
<td>Generalized System of Preferences</td>
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<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>IAI</td>
<td>Initiative for ASEAN Integration</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>JMSU</td>
<td>Joint Marine Seismic Undertaking</td>
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<tr>
<td>LNG</td>
<td>Liquefied Natural Gas</td>
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<tr>
<td>LPG</td>
<td>Liquefied Petroleum Gas</td>
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<tr>
<td>MFN</td>
<td>Most Favored Nation</td>
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<tr>
<td>MRC</td>
<td>Mekong River Commission</td>
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<td>NAM</td>
<td>Non Aligned Movement</td>
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<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<tr>
<td>NPC</td>
<td>National People’s Congress (PRC)</td>
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<tr>
<td>NPCSC</td>
<td>National People’s Congress Standing Committee (PRC)</td>
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<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<tr>
<td>ONGC</td>
<td>Oil &amp; Natural Gas Corp, India</td>
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<tr>
<td>PLA</td>
<td>People’s Liberation Army</td>
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<tr>
<td>PLAN</td>
<td>People’s Liberation Army Navy</td>
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<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
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<td>RMA</td>
<td>Revolution in Military Affairs</td>
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<tr>
<td>RMB</td>
<td>Renminbi</td>
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<tr>
<td>SAM</td>
<td>Surface-to-Air Missile</td>
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<td>SLBM</td>
<td>Submarine Launched Ballistic Missile</td>
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<td>SLOC</td>
<td>Sea Lines of Communication</td>
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<td>SOM</td>
<td>Senior Officials Meeting</td>
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<td>SRV</td>
<td>Socialist Republic of Vietnam</td>
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<tr>
<td>TAC</td>
<td>ASEAN Treaty of Amity Cooperation</td>
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<tr>
<td>TCCS</td>
<td>Tap Chi Cong San [Communist Magazine]</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Program</td>
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<tr>
<td>VCCI</td>
<td>Vietnam Chamber of Commerce and Industry</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>VCP</td>
<td>Vietnamese Communist Party</td>
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<tr>
<td>VND</td>
<td>Vietnam Dong</td>
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<tr>
<td>VPA</td>
<td>Vietnam People’s Army</td>
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<tr>
<td>VWP</td>
<td>Vietnam Workers’ Party</td>
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<tr>
<td>WMD</td>
<td>Weapons of Mass Destruction</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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PART I. FOUNDATIONS OF THEORETICAL AND EMPIRICAL ANALYSIS OF THE ASYMMETRICAL RELATIONSHIP

CHAPTER 1  INTRODUCTION

1. General Overview

Sino-Vietnamese bilateral ties feature a typical pattern of interesting interactions between two powers in asymmetrical power capabilities, with diverging paths of pursuing interests despite numerous commonalities. It is self-evident that there is no other country in the world that is so similar to China than Vietnam and vice versa. The similarities do not stop at interwoven history, 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 socio-political development strategies. 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 in Asia on top of South Korea, not only experiences the similar tumultuous history with China over one thousand years but also understands China more than any other countries in Southeast Asia.¹ Vietnamese historical development has been

defined by a very important factor: the geographical proximity of China. The close propinquity has put many geopolitical and geostrategic constraints on Vietnam.

The Sino-Vietnamese relationship has gone through multiple phases, oscillating from “bad” to “cool” and then “bad again” with repeated tensions and hostilities, making such relations unique in Asia. Throughout its long history, Vietnam has nurtured an ambivalent feeling toward China. In the globalization era, disparities in capabilities still matter much in bilateral relationship. Even though these two countries have made great strides in their relationship since 1991, there are still multiple irritants in their bilateral ties. Unresolved issues between China and Vietnam are more complex than they might appear when the two countries’ leaders are met with novel domestic and international contexts.

Relations between China and Vietnam entered the twenty-first century facing new opportunities and challenges. Key transformations in the substance of the dyadic relationship have been connected to domestic politics and international context of the two countries. Ikenberry argues, “China’s extraordinary economic growth and active diplomacy are already transforming East Asia, and future decades will see even greater increases in Chinese power and influence.”2 China’s economic surge over the last three decades is nothing short of extraordinary and spectacular. It is shedding its cautious steps in foreign policy to realize goals that have been procrastinated. China is taking an active role in shaping the regional environment. Its bold resurgence and assertiveness have propelled a political and economic push to its southern neighboring

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country. In his famous 2001 book – *The Tragedy of Great Power Politics*, John Mearsheimer stated, “A wealthy China would not be a status quo power but an aggressive state determined to achieve regional hegemony.”³ By the same token, J. N. Lee noted, “China’s hard power rise in the region has been viewed by neighboring nations as uncomfortable and even intimidating.”⁴ The question for Vietnam is how it can go in accommodating China’s status as a rising power. Vietnamese pessimists are pointing to China’s growing military spending and overly assertive behaviors in the South China Sea. They fear that China will repeat its past deeds with them.

Shen Dingli, a famous Fudan University professor, warns, “China is a big power; we can handle any country one-on-one. No one should try to lead us; no one should tell us what to do.”⁵ Chineserocketing ascent to a position of a great power has been felt nowhere better than in Vietnam. Without the awareness of the larger canvas of the bilateral relationship between China and Vietnam, it would be impossible to decipher the entire spectrum of Vietnamese interests, and to evaluate the capabilities that Vietnam would likely devote to protect its autonomy. Vietnam has to deal with its own perceptions of a big Chinese juggernaut, as well as with China’s projection of itself. Thus, no state in the region is as intimidated by China’s rising clout as much as Vietnam.⁶ The formation of these perceptions is defined by many variables, including

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historical experience, domestic politics, tactical considerations, and geographical proximity. These variables might amplify true capabilities and intentions of China.

Known for being highly concerned about China’s rise, Aaron Friedberg argues that the Asia Pacific is ripe for rivalry.\(^7\) Hence, the question to China’s rise is the extent to which it is destabilizing the existing strategic landscape. China’s ascendance has affected the existing regional and global alignment of power. Stephen M. Walt argues, “If China’s power continues to grow, therefore, it will inevitably seek further adjustments to the current international order. It would be naive to expect Beijing to passively accept institutional and territorial arrangements created by others and especially those features of existing order that were put in place while China was weak.”\(^8\) From the Chinese leaders’ perspective, Beijing does not deem “itself as a rising, but a returning power… It does not view the prospect of a strong China exercising its influence in economic, cultural, political, and military affairs as an unnatural challenge to world order – but rather as a return to a normal state of affairs.”\(^9\) Hugh White, professor of strategic studies at the Australian National University, argues, “China seeks a new order in Asia in which it at least shares the leading role with the U.S., or supplants it.”\(^10\) China may see itself as the historical leader (Middle Kingdom) returning to its rightful place after long periods of feebleness, humiliation,

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and mistreatment. Nonetheless, Vietnam has painful histories of conflict with China, so it does not feel happy when China wants to re-establish that regional order.

On the other end of the spectrum, other scholars are quite optimistic with China’s rise. David Shambaugh argues that China still lacks some criteria to become a global power – what he calls “a partial power.” Lucian Pye contended that China is a “civilization pretending to be a nation state.” Some economists expressed their concerns that China is growing impressively but its economic miracle may run out of steam. China might suffer “pressure cooker syndrome.” China’s collapse might be a bad omen for Asia. David C. Kang contended, “Historically, it has been Chinese weakness that has led to chaos in Asia. When China has been strong and stable, order has been preserved.” Hence, no matter how precise the predictions are, the continued expansion of China’s role as a regional power will be unavoidable.

China’s image is influenced by how its leadership manipulates the perceptions by neighboring countries of its size, potential economic and military power, as well as intentions to mobilize these resources. Chinese leadership wants to send a message that China will come back to its own glorious Middle Kingdom days soon, and achieve territorial integrity and play a regional role commensurate with what it considers its rightful historical place, from which it was pushed by Western colonialism. Some of these revisionist goals and their murky, equivocal mode of implementation have led

outside observers to speak a “China threat.” For Vietnam, these revisionist goals raise fundamental issues of Vietnam’s future growth and territorial integrity. New areas of convergences and divergences between China and Vietnam have surfaced, providing new twists and turns to the main course of the relationship.

Vietnam has no way but to adjust to complex realities presented by China’s rise. Joseph Nye claims that China’s rise is somewhat like a return to power. Vietnam is still unclear how China will use its power in the future, which leads to Vietnamese strategic uncertainties regarding China. Vietnam is a country that, on a wide list of measures and indices, matters in some way to the outside world in general and to China in particular. Despite remarkable economic achievements, Vietnam continues to face numerous challenges, notably since China’s significance as the second largest economy behind the U.S. has put lots of pressure on Vietnam when Vietnam is increasingly dependent on China for equipment, and materials for its export industry. A rising China presents Vietnam with a series of difficult challenges, including widening trade deficit, and territorial disputes in the South China Sea.

To a world that has grown used to seeing China as a rising clout, China’s aggressive behaviors were a stunning announcement that China has again become an unstoppable force to be reckoned with. Even though a 2014 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

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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. The incident has also hit the record low in Sino-Vietnamese bilateral ties since 1991. The Vietnamese government is aware that another same-level tension might happen in the future.

The Vietnamese know that they “cannot avoid living as a neighbor of China, and they understand that they must show to China a visage that does not contradict Chinese interests and that is congruent with Chinese political practice.”¹⁶ Andrew Browne, senior correspondent and columnist for the Wall Street Journal, commented that Vietnam “can’t escape the demands for humility from its much more powerful neighbor any more than it can run away from its ancient culture, which is shaped by heroic resistance to Chinese bullying.”¹⁷ Chinese growing power engenders

[...] the reemergence of Vietnam’s historical strategy of bending to Chinese power but not breaking. This involves Hanoi acknowledging Chinese hegemony, making significant sacrifices to accommodate Chinese interests and to avoid offending China, and publicly affirming enthusiasm for cordial Sino-Vietnam relations, and this despite deep suspicion and hostility toward China among the Vietnamese mass public and many elites, Vietnamese leaders try to keep tight control over anti-China sentiment in many areas they value cooperation with China.¹⁸

It is self-evident that for most of the time throughout history the Vietnamese have learnt ways to “accommodate China while preserving their autonomy,” because

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¹⁸ Roy, Return of the Dragon, 117.
living next to the big juggernaut is not a new experience for Vietnam. 19 Accommodation should not be misunderstood as “appeasement or unilateral concession.” It ought to be construed as action of the both parties that engenders regional stability. 20 The accommodation of China’s rising clout to great power status by Vietnam will be significant for regional stability since the thorny issues on territorial disputes fueled by both strong nationalism and deep-rooted mutual suspicion are still imminent. However, accommodating China does not mean inviting China to constantly bully Vietnam. Vietnamese identity is unique in a way that it has been constructed “through and in opposition to Chinese influence.” 21 It is also interesting that in most of Vietnamese people’s mind, China’s image creates a mixed feeling. China is both an expansionist power and a cultural, economic magnet. 22 Vietnam has always been alert to keep its autonomy and territorial integrity, meanwhile benefitting from cultural essence and trade opportunities from China.

The negative implications of China’s colossal power in close proximity to Vietnam do not outweigh the positive implications for Vietnam. Geographic linkage has facilitated contacts between China and Vietnam since ancient times and enabled the Vietnamese to benefit from China’s advanced civilization and culture to develop its own indigenous culture. Yet, the proximity and China’s relative size in history always also constituted a threat to Vietnam when the bilateral relationship turned sour.

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21 Kaplan, Asia’s Cauldron: The South China Sea and the End of a Stable Pacific, 57.
Geographical location “contributes as much as power or perceived intentions to the intensity of threat perceptions.” Robert Kaplan’s recent book *The Revenge of Geography* reiterates the longtime axiom, “geography still matters.” Hence, Hanoi has to walk a fine line in managing the territorial disputes with their northern neighbor: doing enough to calm down the anti-Chinese sentiment but not too much to provoke China. It is a dilemma for their domestic legitimacy. Hence, Vietnamese leadership is torn between maintaining ties with China while resisting domestic criticism that they are too subservient to China’s territorial behaviors. Vietnamese leaders always “calculate Chinese power and interests into its own national security policy equation – or pay a price.” Vietnam’s handling of a rising China requires a deft political acumen. The approach cannot be a fixed, single policy but a skillful combination of deference, complex engagements, alignments, and balancing.

2. Relational Structures of the Relationship

To put it simply, asymmetry between two countries is reflected by their disparity. An asymmetric relationship is one in which the “disparity is great enough so that it shapes the structure of the relationship.” It is worth noting that power disparity does not automatically imply that “a state has power over other states. The power aspect arises only when there is a risk that the superiority of power resources somehow might be

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used to affect the policies of other states.”  

The structure of power asymmetry means that Vietnam is more vulnerable to changes and reactions from China since fortes and vulnerabilities are unequally distributed between the two countries. In the context of China rising faster than Vietnam, the growing disparity has increasingly aggravated Vietnam’s China challenge. The conflict between China and Vietnam if erupting is the showdown between “an overweight and an underdog.” Vietnam’s biggest question about China’s rise relates to the degree to which China’s power will expand. China’s defense budget is second only to the United States, and one of the five claimed nuclear weapons countries.

The most notable asymmetry between Vietnam and China stems from uneven differences of physical endowment including landmass, population, military capabilities, natural resources, infrastructure, etc. The effect of this dyadic gap depends not on the established relative stances between China and Vietnam, but also on meaningful changes that are taking place. This asymmetric disparity has equipped China with remarkable bargaining leverage over Vietnam. Divergent evaluations of each other’s relative power also complicate their relationship, and so does the mismatch in strategic outlook.

From a geopolitical viewpoint, being situated next to the second largest economy in the world makes Vietnam part of the sphere of influence of China. It means that some policies embraced by the Vietnamese government must be acceptable to China. It also means that Vietnam is China’s first line of national defense. Many

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Vietnamese really feel uncertain about the implications of a rising China. The huge size of China signifies that its rise will engender substantial changes in the bilateral ties. Thus, Vietnamese feelings of uncertainty stemming from China’s rise are natural and logical. These feelings are catalysts for Vietnam’s efforts to be well prepared for worst-case scenarios. The weaker state has the inclination to carefully watch the actions of the stronger state and take steps to deter the worst possibility, but it also supposes that the more powerful state will not keep its word.

Nonetheless, China’s superior advantages over Vietnam do not mean that Beijing can simply dictate to Hanoi or prevent any efforts by Hanoi to seek balancing against Beijing. In addition, there are shared costs between China and Vietnam in case of conflicts or disruption of relationship despite asymmetric nature. Also, it does not mean Beijing leaders do not need to be nervous about Vietnam’s deeper collaboration with other players when they think that Chinese interests are involved.

Even though China is not dependent on Vietnam per se, what happens in Vietnam can directly affect China. In the Cold War era, Vietnam’s anti-capitalist Hoa merchants led to mass exodus of ethnic Chinese to Mainland China and other neighboring countries. It generated instability in southern Chinese frontier and put heavy burdens on Chinese economy. Besides, Vietnam’s balancing with the Soviet Union against China in the 1970s and the 1980s also caused deep worries among Beijing leaders. The sensitivity of China to potential political reforms in Vietnam is so acute that it led to Chinese President Hu’s annoyance about Hanoi’s reforms.28

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Obviously, China and Vietnam are interdependent. An incident in one country is likely to have impact on the other. However, the impact is sure to be much bigger on Vietnam than vice versa.

The power asymmetry has made the normalcy of bilateral relationship beneficial to China, but “uncertainty heightens the sense of risk for the smaller country in an asymmetric relationship.”29 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. Vietnamese leadership has attempted to manage uncertainties stemming from the big behemoth while taking advantage of bilateral trade opportunities, aids, and security. 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 excessive concessions to China’s interests.

The Vietnamese have the tradition to be flexible under Chinese pressures. It is a mixture of deference and defiance. From a very interesting, meticulous linguistic observation, Yuk Wah Chan, a professor at the City University of Hong Kong, noted that the Vietnamese have known how to find ways to manage their asymmetrical relationship with China. “These include: phái có gang thích nghi (try our best to adapt), phái chịu (endurance), mềm dẻo (soft) and uyên chuyên (tactful and mild). Vietnam always needs to act ‘sluggishly’ one way or the other towards China and cannot

express its views directly.” In other words, the Sino-Vietnamese relationship can be considered as “a tapestry weaved by mixed cultural and political accommodations and appropriations.” The Vietnamese governments have learned to use foreign policy strategies and tools to engage China and respond to China’s ascent. The complex nature of the bilateral relationship when China is rising so fast has left Vietnamese leadership no choice but to capitalize on their relationship with China instead. A challenge for this study is how to fully characterize the dynamics of Vietnamese politics and foreign policy, so it is necessary to capture the structure, dynamics and evolution of the Sino-Vietnamese bilateral relationship in this dissertation.

The main body of this dissertation is structured into three major parts. The first part reviews the literature and builds a theoretical framework for the study. In this part, I will also touch on how Vietnam with ideological affinity to China was embracing Doi Moi (renovation) policy in Vietnam. The second part covering the broader context of the bilateral relationship focuses on the asymmetric bilateral historical relations going back to the 1950s. This part will go deeply into the evolution of the relationship centering on China’s asymmetric influence on Vietnam in the spheres of national independence, diplomacy, security, ideology, nationalism, trade, and dispute management. Fuller arguments are developed in the third part, which consists of five chapters (VI-X). In this part, I will touch on hedging strategy surrounding tactics and policies that Vietnamese leaders are implementing. In addition, I will visit the most contentious issue between China and Vietnam – the South China Sea. The chapter

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31 Ibid., 42.
offers an analysis of a quite interesting case since the South China Sea issue is rather problematic for both Chinese and Vietnamese governments. I also analyze how Vietnam’s hedging strategies are employed to “compartmentalize” disputes in order not to affect other areas of the relationship. The main purpose of this study is to point out that even though Sino-Vietnamese relations have become more diverse and complex, the bilateral ties tend to repeat the same pattern of (mis)understanding, reciprocal frustration, and mutual cooperation.

3. The Argument and Research Questions

The central puzzle that motivates this study concerns an issue: what makes the Sino-Vietnamese asymmetric relationship stable? The fundamental questions raised in this thesis are what kind of accommodation and hedging Vietnam is embracing with China and how successful it is. There are various sub-questions related to power gap and historical experience. They might include: In what ways does the power gap affect critical issues in the bilateral ties? What role does Vietnam play in the bilateral relationship? What strategies is Vietnam embracing to counter a rising China? Is there a more appropriate way to address the asymmetric relationship? What lessons can be learned from the dyadic case of Sino-Vietnamese relationship for future policy implications? I am not ambitious to apply an entire general theory of asymmetry into the Chinese-Vietnamese relationship since there is no theory of power asymmetry that can exactly capture the whole nature of the Sino-Vietnamese relations. I look into Vietnamese foreign policy in response to a widening gap between China and Vietnam instead. Through a theoretical framework built on Womack’s theory of asymmetry,
the thesis argues that Vietnam has attempted to maintain, with increasing difficulty, a policy of comprehensive hedging strategy towards China, consisting of not only deference, engagements, economic pragmatism, alignments but also, as is frequently overlooked, military dimensions.

Like Womack, I search for the basic parameters between China and Vietnam to evaluate how big the asymmetric gap is. But this is not the whole story: power disparity produces different foreign policies. I am investigating what strategies Vietnam is doing to offset the asymmetric interdependence to capture a fuller range of possible scenarios of bilateral ties in the future. Another purpose of this thesis is to evaluate the long-term repercussions that power asymmetry might have on Vietnam’s principle of non-alliance. Structural asymmetry might rely heavily on the asymmetry of power but the outcomes rely more on how the weaker state deals with its power. I find out that living next to a fast growing power might also be both a source of imminent threats and a source of good economic and commercial benefits. I argue that two states endowed with big structural asymmetries coupled with geographical proximity, wise accommodation reinforced by economic, political engagement, deference, internal balancing and external balancing from the weaker state will produce an enduring asymmetry.

By tracing the evolution and progression of the bilateral relationship since 1950, I argue that the true nature of current Sino-Vietnamese relations is a vivid reflection of asymmetric capabilities, geographical proximity, ideological affinity and historical burdens. These structural variables will shape choices available for
Vietnamese foreign policy. Foreign policy outcomes are not the primary focus of this dissertation but strategies are.

The main sources of such evidence are largely archival materials, state documents, newspaper articles, and personal observations. I also had extensive talks with Vietnamese diplomats, journalists, professors and scholars during conferences and casual meetings, but these conversations were kept informal and anonymous. For instance, one Vietnamese diplomat based in Hong Kong that I approached in 2014 declined to reply my questions in written form. He would rather have answered them orally without being recorded. He did not say what made him feel more comfortable with informal conversations rather than recorded interviews or written survey. My speculation is that he might be afraid of what he has commented on Sino-Vietnamese relations could likely undermine his diplomatic career later. He is not an odd case in my exchanges with Vietnamese government officials, especially those who are still holding key jobs and expected to rise further in their career ladder. Their overly cautious attitude might be understandable when they think their overt recorded opinions of Vietnamese responses towards a rising China may cost them a job.

Hence, inputs from the talks are not formally recorded as evidence to my thesis, but are conducive to the formulation of my views. The respondents’ frankness and sincerity in expressing their opinions enable me to have insights into what Vietnamese scholars and policymakers are thinking about the bilateral ties as well as Vietnam’s responses to a rising China. The dissertation has sought to understand Vietnam as a regional actor and how its leaders capitalize on the relationship with China given the said structural conditions.
CHAPTER 2 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

1. Literature Review

Discussion about Sino-Vietnamese relationship was not new and had emerged in the Cold War era. Numerous books and articles investigating China-Vietnam relations derived from Chinese sources have contributed great insights to this study. They attempted to debunk the Sino-Vietnamese ties by focusing on the historical relationship between China and Vietnam from 1950-1979. Of them, the notable one was Qiang Zhai’s *China and the Vietnam War, 1950-1975* (2000), which is a thorough investigation of the evolution of Sino-Vietnamese relationship in the first twenty five years after the two countries officially set up diplomatic relations. Earlier, King C. Chen’s *China’s War with Vietnam, 1979: Issues, Decisions, and Implications* (1983) made use of Chinese sources to give a chronological depiction of a seventeen-day war between China and Vietnam. Chen Jian’s *Mao’s China and the Cold War* (2001) is a valuable addition to other previous works by King C. Chen and Qiang Zhai, making use of recently declassified Chinese archives and publications to discuss the significant role of China to the unification war in Vietnam, as well as how the rift between Beijing and Moscow affected Hanoi. Mari Olsen’s *Soviet-Vietnam Relations and the Role of China, 1949-64* (2006) centers on the perspective of Chinese foreign policy toward Vietnam, using Soviet-era documents and archives.

While scholarship regarding the Sino-Vietnamese relations in the Cold War era is insightful, it lacks the historical depth and comprehensiveness. Most studies rely
on sources available to them from one country to offer some one-sided explanations. In addition, while much has been made of Vietnam and China’s particular economic models, development paths and historical linkages, few works analyze them in an asymmetric comparative framework.


One weakness of the literature is the over-importance of culture in the dyadic relationship. I do not disprove the influence of culture on elite perceptions and public opinion, but I do not think culture is an important independent variable to fully explain

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bilateral relationship. Cultural traits are proving their inefficiency in explaining why culture-alike countries got into wars. David Kang’s *China Rising: Peace, Power and Order in East Asia* (2007) argued, “Vietnam is the Southeast Asian state that is furthest along the spectrum of alignment toward China rather than the United States” because Vietnam is in the influence of Sinosphere. Kang also commented that Vietnam’s consistent behaviors fit a larger pattern of its foreign policy: adjusting to China while striving to keep autonomy as much as possible. Liam C. Kelly in his book *Beyond the Bronze Pillars: Envoy Poetry and the Sino-Vietnamese Relationship* argued that by the nineteenth century Vietnamese elites loved to take Chinese cultural practices as their own, contrary to what others think of Vietnamese independence of Chinese cultural heritage. Nonetheless, Vietnamese borrowings of Chinese culture did not signify the “absence of a Vietnamese identity.”

From another perspective, Brantly Womack argued that culture could be closely linked with structure. Culture has been transformed into structure. He posited, “While structure does not dictate culture, to the extent that culture involves an awareness of and a habituation to reality, structure provides culture’s terrain…. The formal diplomatic culture is likely to be a pattern of ritualized interaction in which acknowledgement and deference are embedded in the mode of contact and thereby encourage normalcy by negotiating or deflecting conflicts.”

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Another shortcoming of the literature is the neglect of ideology. The scholarship on the current Sino-Vietnamese relationship largely focuses on neorealist or pragmatic considerations of policy makers through which two countries maintain their ties. Insufficient attention has been given to the “ideological structure” that Vietnamese leadership has based on to institutionalize relationship with China. One of the three strategies that Hanoi embarked on in its relations with China is to codify its relations through high-level party visits. The second is to engage China in regional multilateral forums and institutions. The third is identified as self-help or internal balancing. \(^6\) Ideological linkage is an effective channel to defuse tensions between China and Vietnam in the South China Sea. Hanoi traditionally sends their top party officials to Beijing to mend the ties in the wake of any tension. If we look at the Philippine-China dyad, the absence of similar ideological structures makes negotiations over the South China Sea disputes seem to have fewer options.

2. **Theoretical Perspectives on Power**

Asymmetry of power is closely linked to an important concept of international relations, i.e. the balance of power. Political scientists often embrace the notion of the balance of power to predict states’ behavior. Power is often a shortcut for understanding international affairs. First of all, it is necessary to define “power” even though it is an elusive notion. Taking the recent power debate seriously could avoid power arguments still being used as apparently sensible answers whose only certainty

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is to kill theoretical reflection and empirical research. According to realists, power has always been a tool of a state’s capability to coerce or intimidate a smaller state, especially in an asymmetrical dyad. Theories of power are often built upon Thucydides’ mantra of “The strong do what they can and the weak suffer what they must.” Hence, the power gap will largely influence a state’s foreign policy. An imbalance of power might lead competitive arms race and even war. Hence, power has primarily been a realist concept.

Hans Morgenthau, a renowned realist, claimed, “The concept of political power poses one of the most difficult and controversial problems of political science.”

According to Morgenthau, all states take an immediate interest in the struggle for “national power,” which means how they rank on a number of “power components” or material capabilities, i.e., geography, natural resources (food and raw materials), industrial capacity, military preparedness (technology, leadership, quantity and quality of armed forces), population (distribution and trends), national character, national morale, and quality of diplomacy and government. Kenneth Waltz defines power as “the distribution of capabilities” including “size of population and territory, resource endowment, economic capability, military strength, political stability and competence.” Realists put a lot of emphasis on the dominance of material capabilities in state-to-state interaction. Given the narrow definition of power, Jeffrey Legro and

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9 Ibid., 124–65.
11 Ibid., 131.
Andrew Moravcsik commented: “Material resources constitute a fundamental ‘reality’ that exercises an exogenous influence on state behavior no matter what states seek, believe or construct. This is the well-spring of the label ‘realism.’ Realism, we maintain, is only as parsimonious and distinctive as its willingness to adhere firmly to this assumption.”  

Power can also be defined as “the potential relative size and quality of states’ military forces, not the actual forces that states have deployed.” Keohane argued that power, in a partially globalized world, arises from the ability to set the agenda of international politics and to work within the rules and procedures of international institutions. Thus, a smaller state strives to balance against a bigger state unilaterally or multilaterally. Some smaller states opt to build up their own power, and defensive capabilities, which are labeled “internal (hard) balancing.” Some smaller states might choose soft balancing, i.e. the adoption of non-military measures to increase the political costs that a powerful state might incur, to counter a more powerful state.

The development of Waltzian neo-realism has put the focus on the structural level. For Waltz, due to the anarchical nature of world politics, rational state leaders should accumulate maximum power to ensure state security. Power in its popular form is the material capacity of one party to exert influence on another party. In the most traditional sense, power is the ability to get someone to do something that they

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13 Ibid., 42.
otherwise would not do.\textsuperscript{15} State power is normally conceptualized at three levels: (1) resources or capabilities; (2) how that power is translated into policies; (3) power in outcomes, or which state prevails in particular circumstances.\textsuperscript{16} Delving into Chinese history, Yuan-kang Wang argues that Chinese foreign policy is best understood under the lens of neorealism. It is “the distribution of power, not historical or cultural legacy” being the key to understanding Chinese foreign policy.\textsuperscript{17}

John Kenneth Galbraith classifies power into three categories: compensatory, condign and conditioned. Condign power obtains “submission by inflicting or threatening appropriately adverse consequences.” Compensatory power yields “submission by the offer of affirmative reward by the giving of something of value.”\textsuperscript{18} Conditioned power, which is subjective, wins submission by persuasion or education.\textsuperscript{19} According to Susan Strange, there are two categories of power: relational and structural. Relational power is the ability of one actor to influence others, while structural power is the ability to shape the frameworks of interaction within which actors relate to one another or, in other words, “power over the ways things are done and the beliefs sustaining the way things are done.”\textsuperscript{20} The structural power can encompass the relational power but not the reverse. Stephen Walt, the father of

\begin{itemize}
\item \textsuperscript{16} Gregory F. Trenton and Seth G. Jones, “Measuring National Power” (Santa Monica: RAND Corporation, 2005), ix.
\item \textsuperscript{19} Ibid., 24.
\item \textsuperscript{20} Susan Strange, \textit{States and Markets}, 2nd ed. (London: Pinter, 1994), 121.
\end{itemize}
balance-of-threat theory, has another perspective, which is not based on power. He argues that states ally to balance against threat rather than power. The level of threat will be amplified by geographical proximity, offensive capabilities and aggressive intentions. The greater a state feels a threat from the other, the more likely that state will find an alliance against that threat. Apart from difference in capabilities, other factors are also included to define capabilities more or less intimidating. It is not the Chinese rising power that might “worry some of its neighbors and encourage them to explore ways to cope with the risks it poses. But the most serious efforts at countering China have followed rhetoric and action by Beijing that others view as disturbingly assertive.”

China is now demonstrating numerous destabilizing factors and threatening to the regional security, which is so scary to smaller states.

3. **How to Measure Power / Capabilities**

Another key concept that needs to be examined is how to understand attributes power and metrics of power. The traditional understanding of power is measured in terms of material capabilities of state or military capabilities. However, this understanding is too simplistic in globalization era when the new concept of power goes beyond physical capabilities. It might include non-state actors, transnational institutions, and even soft power. Besides, the traditional understanding neglects the state’s capacity to transform material capabilities into power. Donald Snow opines,

*Measuring Power* – Although the concept of power is so pervasive and attractive for describing the operation of the international system, its precise measurement remains elusive. The difficulty has two bases.

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The first is finding physical measures that adequately describe the abilities of states to influence one another. A common effort has been to try and find concrete, physical measures, such as the size or sophistication of the armed forces or the productivity of states’ industrial bases that should indicate which is the more powerful country in any head-to-head confrontation. The problem is that such measures work only part of the time; there is, for instance, no physical measurement to compare national capacities that would have led to the conclusion that North Vietnam had any chance of defeating the United States in a war, but they certainly did.

The second problem is that measure cannot get the psychological dimension of will and commitment. How can an outside observer determine, for instance, when a clash of interests is clearly more important to one party to a dispute than it is to a adversary (at least before the fact)? Once again, the Vietnam War is illustrative; the outcome of that conflict (unification of the country) was clearly more important to the North Vietnamese and its southern allies than its avoidance was to the United States. That is clear in retrospect; it was not at all clear before and even during the conduct of hostilities. Being able to see clearly in retrospect is of very little comfort to the policymaker.  

There is little consensus on how relative power can actually influence peace and war. Being more powerful does not necessarily lead to victory in wars. Some factors might intervene between power and its impact. It might be too simplistic to assume that a greater relative power can easily defeat a weaker side. Ashley J. Tellis notes that greater relative powers are inclined to “correlate poorly” with a consistent victory in disputes or wars. The likely explanation for the failure of more powerful states to be consistently triumphant is “the imperfect carryover from power as resources to power as outcomes.” Hence, measuring power is not simply interpreted as evaluation of power-as-resources, but it might refer to power-as-outcomes, or

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power-as-process.\textsuperscript{24} Lewis W. Snider has another operationalization of measuring power, which he called “power-as performance.”\textsuperscript{25} Given the complexity of power assessment, Laswell and Kaplan emphasized that “political analysis must be contextual, and take account of the power practices actually manifested in the concrete political situation.”\textsuperscript{26} Hence, gauging a given state’s power needs to be incorporated to the context, the relative interests, the historical relationship and potential capabilities. Concentrating on capabilities and resources alone will entail a narrow and shallow evaluation.

With respect to power policy, other schools of international relations theory do not provide a reliable framework for a small-big dyadic relationship. Stephen Walt argues that small states have to bandwagon with the stronger power or balance because they can “do little to affect the outcome.”\textsuperscript{27} Kenneth Waltz argued, “Because states coexist in a self-help system, they are free to do any fool thing they care to, but they are likely to be rewarded for behavior that is responsive to structural pressures and punished for behavior that is not.”\textsuperscript{28} Waltz contends, “The fate of each state depends on its responses to what other states do. The possibility that conflict will be conducted by force leads to competition in the arts and the instruments of force. Competition produces a tendency toward the sameness of the competitors.”\textsuperscript{29} The conventional realists and neo-realists argue that China’s growing power will engender it to follow

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\textsuperscript{24} Ibid., 18. \\
\textsuperscript{25} Lewis W. Snider, “Identifying the Elements of State Power: Where Do We Begin?,” \textit{Comparative Political Studies} 20, no. 3 (October 1987): 319. \\
\textsuperscript{28} Kenneth N. Waltz, “Evaluating Theories,” \textit{American Political Science Review} 91 (1997): 915. \\
\textsuperscript{29} Kenneth N. Waltz, \textit{Theory of International Politics} (Long Grove: Waveland Press, 2010), 127. 
\end{flushright}
its interests more assertively, thereby entailing the U.S. and other countries to balance against it. Waltz also comments, “Weakness invites control; strength tempts one to exercise it, if only for the ‘good’ of other people.” 30 Offensive realists like Mearsheimer claim that states will pursue expansion to achieve regional hegemony when they become stronger.

Expected shifts in relative power will also affect choices and outcomes. 31 Scholars like Powell argue that the power shift is conducive to war, “preventive war triggered by an anticipated shift in the distribution of power, preemptive attacks caused by first-strike or offensive advantages, and war resulting from a situation in which concessions also shift the military balance and thereby lead to the need to make still more concessions.” 32 However, constructivists suppose that bilateral relationship being scrutinized under the lens of power or power shift is too simplistic. Alexander Wendt criticizes the neorealism and world systems theory for their oversimplification and determinism, “Both attempt to make either agents or structures into primitive units, which leaves each equally unable to explain the properties of those units, and therefore to justify its theoretical and explanatory claims about state action.” 33 Evidently, it is too naive to believe that power can be used to explain the nature of bilateral ties between China and Vietnam since realists and neorealist predict that it is unable to develop enduring relationships of cooperation or close institutional frameworks between two unequal states in an anarchic system. The realist paradigm has become

30 Ibid, 27.
32 Ibid., 180.
insufficient in Sino-Vietnamese context where cooperation is still the dominant force in bilateral ties.

4. Other Concepts of Dynamics of Security

The literature about security is quite diverse. Inis L. Claude, Jr. reiterated a mantra, “When any state or bloc becomes, or threatens to become, inordinately powerful, other states should recognize this as a threat to their security and respond by taking equivalent measures, individually or jointly, to enhance their power.”34 Sean Kay claims, “In an era of globalization, power balancing persists, but takes on different forms and channels. States can use the principles and norms of international institutions and the rules and procedures by which they work to constrain other states.”35

The Copenhagen School defines the process of securitization as an act “through which an inter-subjective understanding is constructed within a political community to treat something as an existential threat to a valued referent object.”36 The idea that the same agent can be perceived and framed as a threat is not exclusive to the Copenhagen School. A liberal institutionalist paradigm stresses the ways that international organizations and the constraints of economic interdependence would define Chinese interests and shape the ways China would follow their interests. This view believes that China’s miraculous economic growth is attained by its deep

35 Ibid.
integration into the global economy. Beijing, in turn, will not undermine the international system that it is benefitting from. The liberal view is rather optimistic of China’s rise. However, it does not offer any feasible solution for a smaller state to engage China deeply so that China’s benefits outweigh costs when confrontation flares up.

5. The Politics of Power Asymmetry

International relations theory has long split the world politics into great powers and the rest, which are also the vast majority of nations in the world. Realism emphasizes strong, powerful states and neglect most other small states. Hence, realists’ arguments do not help us fully understand the behavior of weak states. In addition, the literature on the bilateral relationship between a small and a big power is rather limited. Realists and neo-realists pay too much attention to structural variables such as power, distribution, and proximity; meanwhile they neglect other factors that can hold an asymmetric relationship stable. Robert Keohane and Joseph Nye argued: “It is asymmetries in dependence that are most likely to provide sources of influence for actors in their dealings with one another. Less dependent actors can often use the interdependent relationship as a source of power in bargaining over an issue and perhaps to affect other issues.”37 There is a nuanced difference in relationship between a smaller state and a bigger state, and vice versa. Given the geostrategic location,

ideology, governing system, economic size and historical linkage, the asymmetric relationship is diverse, varying from one dyad to another.

According to Robert Keohane and Joseph Nye, when asymmetrical interdependence is often understood as a source of power, we treat power as control over resources or the potential likelihood to impact outcomes. The authors bifurcates two aspects of power in an asymmetric interdependence: (i) the initial power resources that give a player a potential capability and (ii) that player’s actual impact over patterns of outcomes. 38 As a result, in a bilateral relationship featured by an asymmetry, a weaker actor has a higher vulnerability than the other and thus, has been influenced by the other. It is obvious that asymmetric interdependence will lead to political influence of one party on the other, and the actor’s impact might be at an acceptable level to the other. The stronger does not always get what it wants, and the weaker will obtain nothing.

From the Vietnamese perspective, the asymmetric structure of relationship possibly prevents Vietnam from negotiating bilateral issue with China on an equal stance and likely obliges Vietnam to agree to Chinese unilateral suggestions or actions. Yet, it does not indicate that Vietnam loses its policy autonomy. Womack argues that the bilateral ties between China and Vietnam are indeed two relationships: the relationship of Vietnam to China and the relationship of China to Vietnam. 39

Meanwhile, the asymmetric dyad between China and North Korea reflects a different scenario: China’s influential leverage over North Korea’s policy due to the

latter’s heavy dependence on China for economic survival. Dominguez and Castro argued that power disparity between the U.S. and Mexico pushed Mexico to “bandwagon” with the U.S in the 1990s. As a weaker nation in the bilateral relationship, Mexico has had to “juggle” between national interests and its proximity to the United States.

Building on these insights, the study attempts to present a theoretical framework based on the concept of “asymmetric equilibrium” that will help theoretically elucidate the evolution of the Sino-Vietnamese relationship. A theoretical framework, as defined by Richard Ned Lebow, convincingly “explains a phenomenon that has occurred in the past can fail to predict its reoccurrence even when the constellation of seemingly relevant variables and backgrounds conditions are the same.” Before introducing the proposed theoretical framework, I will define the simple features of an asymmetric relationship. The relationship is asymmetrical when state A is much more powerful than state B. Yet it does not mean that state A can force state B to do what state A wants.

The concept of power of asymmetry defining a peculiar pattern of interaction helps delimit the theoretical and empirical horizon of the analysis. “State behavior is influenced not just by power calculations, but by the varying points on the spectrum between motivations of security and power (expansion) on which different states find themselves. Such explanations inevitably import consideration of exogenous variation

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42 Richard Ned Lebow, Coercion, Cooperation, and Ethics in International Relations (New York: Routledge, 2007), 425.
in the societal and cultural sources of state preferences, thereby sacrificing both the coherence of realism and appropriating midrange theories of interstate conflict based on liberal assumptions.”

As shown in Figure 1 overleaf, the attention that state A is giving to state B is much smaller than the attention that state B is giving to state A. State B does not occupy much interest in state A, so there is room for misunderstanding and misperception to occur when state B is so sensitive to any change, big or small, from state A. In addition, any incident in the bilateral relationship will have greater effects on state B than on state A due to big differences in scale. In international relations theory, there is also scholarship on perceptions and misperceptions, remarkably by Robert Jervis, but there has been no thorough investigation into the linkage between relative disparity and perceptions.

The perception of threat can be enhanced by numerous factors including historical legacy, proximity, ideology, and actions. For instance, Finland is sensitive enough its relationship with its large neighbor - Russia to decline adopting the Europeanization of their Russia policy in entirety. There is a spotted swing between Europeanization and focus on national features of Finnish foreign policy when it comes to dealing with Russia. Ukraine, another Russia’s neighbor, has attempted to embrace a balancing policy towards Russia and EU. The failure of the disgraced Ukrainian President Yanukovych’s balancing strategy polarized Ukrainian society

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into pro- and anti-Russian sentiments. Russia’s perception of Ukraine as a buffer zone between Russia and the EU signifies that Ukraine has to play the role of Russia’s borderland.

Figure 1: Asymmetric Attention

![Diagram of asymmetric attention]

Source: Womack, 2006, p. 79

Asymmetric relationship can cause misperceptions from failure of balanced attention from both sides. State B might amplify state A’s bullying behavior into a crisis and then become paranoid. B might suppose A an imminent threat. If state A sees state B align with other big states, A might see B as unreliable and untrustworthy. This pattern of misperceptions has happened repeatedly during the course of Sino-Vietnamese relationship. A huge asymmetry of power also triggers arrogance in the more powerful player and mistrust in the weaker.

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In addition, the condition of asymmetry generates a different set of preferences. The weaker state has different preferences from the stronger state. “While China and Vietnam are an uncomfortable squeeze into the category of enduring rivalries, the long and varied history of their relationship makes it an archetypal case of enduring asymmetry.”46 Different preferences have led to what state A expects from state B is different from what state B does in return. State A expects appropriate deference from state B, and state B asks for the autonomy respect from state A. In an effort to clarify the reciprocal interactions between deference and autonomy, Womack argues,

Deference and autonomy are not necessarily contradictory, but they are in a delicate relationship. B can afford to be deferential only if the superiority of A’s power does not threaten B’s vital interests. Otherwise B should either surrender or fight. Deference requires a confidence in autonomy. Likewise, A’s acknowledgement of B’s autonomy is not absolute. It is an acknowledgement within the context of asymmetry.47

In case of asymmetric rivalry, Steven Chan built his judgment on the works of Lebow48 noted, “The weaker side of an asymmetric rivalry seeks to capitalize on a window of opportunity created by the opponent’s domestic turmoil or distraction, and to achieve a fait accompli in the hope that outsiders will intervene to mediate an accord that preserves its initial gains and that they will prevent the opponent from retaliating and pursuing a war of attrition.”49 Vietnam can only be deferential if China respects its interests and territory. 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.

In its relationship with China, Vietnam is much exposed to the Chinese power due to strong economic interconnectedness with China and a 1000 km-plus long border with that country. Vietnam has sought to take advantage of China’s economic resources, investments, equipment, and materials for their export-driven growth, building on the strategic concept that securing converging interests with China is imperative for Vietnam’s development. In general, geo-economic sensitivity also presents Vietnam’s strategic opportunities and vulnerabilities with China. Since Vietnam is mainly reliant on China’s supply of input materials and machinery and part of China’s value chains, the asymmetry in economic interdependency has conceptualized Vietnam’s security, defense, and alignments in the strategic policy. Hanoi leaders are facing the challenge to develop necessary capabilities or enlist others’ assistance in order to make up for the deficiency of the hard power compared with the bigger neighbor.

What adds value to the theoretical paradigm of Sino-Vietnamese relations in the thesis is its incorporation of the small state’s geo-economic sensitivity to the more powerful state. Vietnam has to transform its policy to adapt to structural disparity, specifically economic dependency. This is a very important contribution, since it is the economic dependency that greatly influences Vietnam’s policy considerations. China has been Vietnam’s biggest trade partner for years, and more importantly, Vietnam’s economic growth cannot be sustained without China.

In addition, another distinctive factor that defines Sino-Vietnamese asymmetric relations is the ideological similarity or converging political system with the communist party as the only ruling party. By some measurements, Vietnam successfully copied China’s recipe
of opening up and reform (gaige kaifang) to save its economy on the brink of collapse in 1986. The notion of economic liberalization without political reforms that Vietnamese leaders learned from their Chinese counterparts has helped maintain the communist leadership from major legitimacy challenges. Then, a conflict of Vietnamese China treatments among top Vietnamese political echelons has come up when power asymmetry has aggravated both countries’ dispute resolution in the South China Sea. Concurrently, China is considered by many Hanoi leaders as a source of pragmatic initiatives on securing their political monopoly in governing the nation. This conflict of interests has complicated Vietnamese leaders’ menu of foreign policy options. One cannot see this kind of complexity to such a degree in other dyads such as Finnish-Russian, Chinese-Philippine or Chinese-North Korean relations.

I have advanced Womack’s argument since he mentions neither geo-economy nor congruence of political systems in his paradigm. Instead he attempted to test his theory by investigating the historical records devoid of these two factors. Hence, Womack’s approach does not really illuminate the hypothetical evolution of Sino-Vietnamese relations when his original paradigm cannot fully explain origins of recent tensions between China and Vietnam.

**Role of Deference to China**

One of the arguments that attempt to play down China’s long past occupation of Vietnam is the lack of appropriate protocols from Vietnam. Lowell Dittmer, a renowned professor at the University of California at Berkeley, claimed that China’s “historically troubled relationship” with Vietnam was in part due to insufficient respect that Vietnam has paid to China. Chinese leaders expect due deference in a
manner appropriate to China’s status. By the same token, Womack observed, “Defence and autonomy are not intrinsically incompatible, but when there is tension and the commitment of the other side is doubtful, a space for asymmetric rivalry is created.” Kishore Mahbubani observed, “While the Vietnamese had from time to time defeated invading Chinese armies; they had always, thereafter, sent emissaries to Beijing bearing tributes to ‘apologize’ for having defeated the Chinese invaders.”

In pre-modern Vietnamese society, the boundary line between efflorescents (Hoa) and barbarians (Di) was decided by a sophisticated system of learning, governance and ritual practices. Vietnamese intellectuals, deeply ingrained by Confucian texts, in those days loved to embrace that sophisticated system. In the early decades of the twentieth century, Vietnamese nationalist leaders (Viet Nam Quoc Dan Dang) got the revolutionary ideas from Chinese Guomindang. Then, the Vietnamese communist revolutionaries looked to the Soviet Union and then to China for ideas about national independence, and governance. Vietnam, under Ho Chi Minh leadership, heavily copied ideology, governance, and mass movements such as land reforms from China in the late 1940s and 1950s. Vietnamese deference to Chinese ideas was gradually replaced by the Soviet ideas when the relationship with China got

52 Kishore Mahbubani, Beyond the Age of Innocence: Rebuilding Trust between America and the World (New York: Public Affairs, 2005), 102.
worse in the wake of the Sino-Soviet rift. The culminating point for Vietnam’s supposed lack of deference to China was a brief, bloody war in 1979.

Judging from the history lessons, Vietnamese leaders as well as their Chinese counterparts have never forgotten that “China is the central state in the region, and therefore expecting, or demanding, subservience by others.”54 In return, China has to acknowledge smaller countries’ authority. Womack theorized,

A expects deference from B. It expects B to act in a way that respects A’s greater power. This does not necessarily imply subservience (though larger powers are of course quite happy with subservience), but B must articulate and manage its disagreements with A in such a way that its defense of its own interests does not challenge the asymmetry of the relationship. If B has an inflated idea of its own strength or if B colludes with others to balance A, then B’s lack of deference threatens A. On the other side, B expects A to acknowledge B’s authority.55

Deference has also established some institutional foundation in Vietnam. Every time, when a National Congress of the VCP is completed, the new general secretary will pay a visit to China as the first overseas stop. It is an implied tradition for top Vietnamese leaders to pay an official visit to China after they get elected. Deference to China can also be seen in Vietnam’s unwillingness to alienate China to formally ally with the U.S. even though it is wary of China’s strategic calculations. Vietnam is afraid that a formal alliance would be viewed as a provocative act to China.

Role of Perceptions in Asymmetric Relations

The enduring dual images of superiority and inferiority imbue mutual perceptions to an extent that Vietnam is much more sensitive to China’s behavior than China is. The formation of perceptions on both Vietnam and China is defined by many variables, including historical memory, domestic politics, and international context. Vietnam’s perceptions of China’s traditional and non-traditional security challenges are augmented by global and regional developments which make these challenges seem more menacing; meanwhile Vietnam could not depend on Russia or the United States for security support.

Stephen Walt highlights, “Perceptions of intent are likely to play an especially crucial role in alliance choices.” Differences in capabilities beget differences in attitudes. Taken together, differences in capabilities and perceptions engender changes in alignments. Morgenthau argues, “The rational requirements of good foreign policy cannot from the outset count on the support of a public opinion whose preferences are emotional rather than rational.”56 Boulding notes, “The national image is the last great stronghold of unsophistication.”57 However, Robert Jervis argued that expectations and beliefs produce interpretations and distortions, which in turn have profound effects on the actions of states. He contended,

Once a person develops an image of the other – ambiguous and even discrepant information will be assimilated to that image… if they think that a state is hostile, behavior that others might see as neutral or friendly will be ignored, distorted, or seen as attempted duplicity. This cognitive rigidity reinforces the consequences in international anarchy.58

56 Morgenthau and Thompson, Politics Among Nations: The Struggle for Power and Peace, 558.
In the case of the dyadic US-Cuban relationship, the daunting challenge facing both governments for rapprochement is to overcome “old dogmas.” The major difficulty for Cuba is not “its lesser military or physical power but its siege mentality. That of the United States is not its ineptitude in dealing effectively with ‘communist regimes’ but its sense of superpower omnipotence.” Nonetheless, the public opinion scholarship has focused extensively upon democratic states since public opinion does not matter much in the foreign policy making process of an authoritarian state like Vietnam. David Wurfel had a quite balanced evaluation of Vietnamese perceptions of China:

[…] the historical memory of frequent Chinese invasions among both elite and populace makes the Vietnamese image of China unique. Thus it is understandable for Vietnam to look to other great powers as a source of some kind of protection against a renewed China threat. Yet Vietnam’s approach to China is still moderated by the recognition of regime affinity and the potentially positive consequence this could have for regime maintenance in Hanoi. Thus may be still debate between ideologues and disciples of realpolitik.

The characterization of each other is strongly defined by prior beliefs and perceptions that are highly resistant to alter. According to Womack, the Chinese personally think of the Vietnamese as “anyone with milk is her mother.” At the state level, China often calls its neighbors “periphery countries” (zhoubian guojia), which means China as the center. Zhao Suisheng admitted while Beijing is “pursuing a good

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neighboring policy, it continues to see periphery countries with a degree of condescension. Taking the example of China’s attitudes toward Vietnam, a weaker neighbor that China ruled for centuries in history, the Chinese still view their influence in Vietnam as generous and civilizing.”62 There is an imbalance among countries in view of others.

**Role of Historical Legacy**

Collective historical memory is a major element that is highly influential to public opinion and policymaking in nations. Particularly, small nations’ collective history is mainly a saga of finding their own ways to survive against a stronger neighbor. Vietnam’s historical experience is unique because of the fact that it was occupied by China for approximately one millennium until AD 938. Numerous scholars emphasized the historical experience of Vietnam’s resistance against China as an important factor in the bilateral relationship. David W.P. Elliott claimed that Vietnam has traditionally looked at international relations through the lens of realist terms – “a world of power and contestation, in which the ‘strong did what they will and the weak did what they must.’”63 The Vietnamese on the one hand embraced Chinese culture and civilization, and on the other hand, adamantly rejected Chinese domination. David Marr noted “the subtle interplay of resistance and dependence which appeared often to stand at the root of historical Vietnamese attitudes toward the Chinese.”64

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62 Ibid., 270.
The history of the Sino-Vietnamese relationship and the diverging perceptions of China’s behavior in bilateral historical incidents have contributed to underlying suspicion, and resentment between the two countries. Besides, history has obviously played an important role in Vietnam’s sentiments of asymmetry towards China. Much of Vietnam’s political elite and maybe the wider public might still have a “continued sense of resentment vis-a-vis China that feeds on the rejection of Chinese superiority and the feeling of historically having been given a raw deal by the northern neighbor.”

Sino-Vietnamese relations have ebbed and flowed over two thousand years. Throughout their long history, China and Vietnam have clashed repeatedly, with long wars and some military tensions. The latest one was in 1988 over the South Johnson Reef in the Spratly Islands. Many Vietnamese still retain a deep sense of mistrust of China’s much-hyped “peaceful development.” They view Chinese military modernization and assertive behavior in the South China Sea with suspicion. Historically speaking, the Sino-Vietnamese relationship was intimate, but never warm. Indeed, it is no wonder that no Southeast Asian nation is culturally closer to China than Vietnam, and has been defending their autonomy by resisting Chinese domination for so long. K. W. Taylor, a world renowned Vietnam expert, has a very insightful comment on Vietnamese leaders’ perception of China:

It is easier for most Vietnamese leaders to trust the Chinese than to trust non-Chinese neighbors and allies because they know and understand the Chinese to a much greater than they know and understand any other people. Although they have no doubt that a strong will never lose a chance to squeeze them, they also know that for many generations with few exceptions Vietnamese leaders have successfully maintained acceptable relationship with Chinese governments.\textsuperscript{67}

For the Vietnamese, China has been both Vietnam’s boon and Vietnam’s bane. For the Chinese, on recalling the Sino-Vietnamese tensions, perceive that the Vietnamese “bit the hand the fed them.”\textsuperscript{68} During the long domination of Chinese culture and civilizations, the Vietnamese adopted many aspects of Chinese civilizations; meanwhile concurrently they fought against the Chinese to protect their cultural identity. Vietnam could be perceived as “one of the world’s most experienced nations in fighting Chinese dominance. However, it is also a nation with the most experience in taming China’s ambition, and tackling complex relations with China.”\textsuperscript{69}

By the same token, Lin Hua claims,

Despite the international geopolitical circumstances which, ironically, embellish or vilify Sino-Vietnamese relations, one cannot deny the long history of close relations between the two countries, a relationship marked predominantly by mutual interest: for China to have a southern flank pacified and stable, for Vietnam to have a political and cultural model, as economic and military assistance.\textsuperscript{70}

\textsuperscript{67} Taylor, A History of the Vietnamese, 622.
\textsuperscript{69} Chan, Vietnamese-Chinese Relationships at the Borderlands, 35.
Vietnam’s past resistance against China has its lingering impact on Vietnam’s identity. Without knowing about Vietnam’s perception of the past with China, it is hard to understand why the Vietnamese people are suspicious of so-called Chinese “peaceful development” “but at the same time why Vietnamese leaders are still resisting the idea of forming an alliance with the U.S. The historical past of one millennium of Chinese occupation and countless wars between two countries makes it difficult for many Vietnamese people to trust China’s intentions. They are afraid of a historical deterministic idea that China would repeat its previous aggression. However, K. W. Taylor observes, “With rare exceptions, Sino-Vietnamese relations were peaceful and furthermore, that Vietnamese have fought Vietnamese much more than they have ever fought against any foreign aggressor.”

Role of Ideology

Vietnamese pragmatic modus operandi towards China finds its roots in the ideological interconnectedness. Vietnam has sought to institutionalize the communist party relations between both countries as an alternative to state-to-state relations. In some informal conversations with me, Vietnamese diplomats often remark that there are always better to have two channels of communications, i.e. state-to-state and party-to-party relations, than only one. Their logic is simple: take advantage of what you have. Nonetheless, the popular literature neglects the role of ideology in boosting bilateral ties. Charles Kegley and Gregory Raymond claim, “Necessity, not ideological affinity,

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is … the cement of most alliance bonds.” In the same vein, John Mearsheimer contends that nations “pay little attention to ideology as they search for alliance partners.” However, Victor Cha argues that “Identity consonance,” which includes a sense of shared political traditions and ideological affinity, can be crucial to the establishment of tight alliances. Victor Cha emphasizes the necessity of ideological similarities to a good aligned relationship. Both Vietnam and China follow the path of socialism as they claim with single-state leadership. All the power falls into the hands of communist leaders. Both countries share considerable common ideological ground in dealing with domestic issues. Ideological linkage plays an important role in the bilateral ties since it has been used to push deeper cooperation in other areas such as territorial delimitation, military cooperation, and to reduce tensions as well.

6. Hedging Strategies

What is strategy? Richard Betts claims, “Strategy is the essential ingredient for making war either politically effective or morally tenable. It is the link between military means and political ends, the scheme for how to make one produce the other. Without strategy, there is no rationale for how force will achieve purposes worth the price in blood and treasure. Without strategy, power is a loose cannon and war is mindless.” Against the backdrop of asymmetric interdependence. Robert Keohane

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and Joseph Nye suggested, “Policy makers and policy analysts, […] must examine underlying patterns of vulnerability interdependence when they decide on strategies. What can they do, at what cost? And what can other actors do, at what cost, in response?”

In the international relations scholarship, there are quite a number of options for a smaller state to choose. The first one may be power balancing. Balancing acts may come in the form of internal balancing by building up a strong military and capacities, or external balancing by joining alliances. The balancing might also be hard balancing or soft balancing. Hard balancing might not be appropriate for small states like Vietnam. Small states can also bandwagon, which is to align with a rising power. The last option might work for small states is buckpassing, which means standing neutral and waiting for other big powers to bear the costs. Having learnt lessons from their historical asymmetric relations, Vietnam is following neither pure balancing nor pure bandwagoning strategy. Yet it does not mean that Vietnam is not cultivating an economic bandwagoning with China to enjoy economic relations with the second largest economy. This kind of bandwagoning strategy that Vietnam is embarking on is still limited.

In the context of a small power feeling no immediate threat from a big neighbor, Patricia Weitsman contends, the government of the weak country will “have incentives to hedge their bets by forging low-commitment-level agreements.” William Wohlforth claims that “hedging is the dominant strategy among Russia’s neighbors”

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since the mid-1990s. 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.” This strategy is not new to other Asian nations. Hedging strategy seems to be a preferred choice of smaller states in dealing with a bigger state since the power gap might make a balancing costly and risky. Chung argued if small Southeast Asian nations got engaged in “a form of pragmatic ‘hedging’ behavior, this is principally motivated by the need to optimize economic benefits and minimize security risks in response to an environment of uncertainty, primarily driven by the rise of China as an economic and military power.” Goh defines hedging is “a set of strategies 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. Instead they cultivate a middle position that forestalls or avoids having to choose one side [or straightforward policy stance] at the obvious expense of another.”

Unlike Goh, Cheng-Chwee Kuik does not think that hedging implies a middle position, but the opposite position as well. Hedging, in Kuik’s words, is “an act through which a state seeks to protect its interests by pursuing a bundle of

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contradictory options, which allows it to maximize short-term benefits from a big power when all is well while simultaneously attempting to offset or minimize long-term risks that might arise in worst-case scenarios.”

To put it simply, hedging signifies a state minimizes its potential risks by embracing multiple policies toward another [bigger] state. Hedging aims to “offset risks by pursuing multiple policy options that are intended to produce mutually counteracting effects, under the situation of high uncertainties and high stakes.”

Many Vietnamese observers and people do not believe that Vietnam has a realistic consistent strategy towards China since they view Vietnamese leadership’s foreign policy as being too soft to China. Indeed, Vietnamese leaders know that as a weak country, they cannot afford to stand up to China in every tension. Vietnam has to diversify the strategies to prepare for the worst (balancing) and work for the best (accommodation and engaging) to face uncertainties from a rising China. This hedging is also recognized by several Vietnamese scholars but with various approaches due to different perspectives. Alexander Vuving argues that Vietnam’s strategy toward China is a shifting four-component mix of traditional realism (balancing), socialist internationalism (solidarity), interdependence (enmeshment), and asymmetry (deference). Le Hong Hiep identifies hedging consisting of economic pragmatism, direct engagement, hard balancing and soft balancing. Andrew Shearer opined that

Vietnam’s mixed strategies include internal balancing by enhancing maritime capabilities, soft balancing by strengthening security links with the U.S. and regional powers, and institutional balancing through ASEAN and EAS.87

Hanoi’s leadership knew that neither bandwagoning nor balancing could help Vietnam maintain its independence and autonomy to deal with China. A feasible policy for them was hedging strategy with multiple prongs. Vietnam’s hedging strategy rests on three major assumptions. Firstly, against the backdrop of a comparatively poor country, Vietnam needs a peaceful security environment to develop its economy and draw foreign investments. Secondly, China is still a model for Vietnamese communist leaders to embrace. Hanoi still wants to learn lessons from China in liberalizing the economy without necessarily sacrificing political grip on power. Thirdly, from the Vietnamese perspective, China becomes more unrestrained, assertive, arbitrary and intimidating. Vietnamese leaders are often taken aback by Chinese provocations in the South China Sea.

Hence, the logic of hedging is simple for Vietnam, since it allows Vietnam to take advantage of its mutually beneficial economic ties with China while preparing for uncertainty and increasing security concerns regarding the South China Sea issues. There is a caveat that hedging, if not carefully managed, might entail complications that could facilitate a shift toward rivalry and regional instability.88 At the strategic level, Vietnam has multiple various approaches to hedging and its component –

engagement, and the two activities are highly interactive and subject to the exogenous factors. Alastair Iain Johnston and Robert Ross defined engagement as: “The use of non-coercive methods to ameliorate the non-status-quo elements of a rising power’s behavior. The goal is to ensure that this growing power is used in ways that are consistent with peaceful change in regional and global order.” Although engagement is not enough to address the uncertainty arising from China’s colossal power, it continues to be the main pillar of Vietnamese approach towards China. Other hedging strategies will ensure Vietnam could follow risk-contingency measures.

Obviously, a number of scholars have come to an agreement that hedging is an effective toolbox of weak nations, but the point is what components of hedging strategies are. Another question is whether these components are of the same policy weight. One consequential puzzle that is hard to gauge is how successful these hedging strategies are, or what component variable is indispensable to hedging. Alexander L. Vuving and Le Hong Hiep, to some extent, have missed one or two approaches in Vietnam’s hedging strategies. For instance, Le Hong Hiep neglects the importance of Vietnamese deference to China when it comes to tensions. He does not assume that deference gestures by Vietnamese high ranking visits to China in the wake of tensions, frequent study trips to China by Vietnamese bureaucrats and avoidance of close security ties with the U.S. are an important hedging strategy. Meanwhile, Alexander Vuving ignores the economic interactions between the two countries as the shock absorber.

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In order to address the missing components, I find out that the current Vietnamese adoption of hedging consists of five components: deference to China, party-to-party and state-to-state engagement, economic pragmatism, internal balancing, and alignment (soft balancing). The first component is rooted in the cultural relationship between the two countries for many centuries. Hence, Vietnamese leadership knows how to respond to China’s expectations without losing their autonomy. The party and state engagement has been formally institutionalized since the rapprochement in 1991. The third component is both the bane and boon for Vietnam when Vietnam’s various industries are inexorably relying on China’s imports for the former’s manufacturing industries in an effort to move up in the manufacturing global chain. Vietnam’s economic dependence on China excludes Vietnam’s possibility of any strong overt formal balancing against China. The last two components of Vietnam’s hedging are to augment power through balancing behavior including internal and external. Internal balancing emerges when Vietnam develops its military capability by modernizing military hardware, increasing defense budget and weapons productions and so on. Soft external balancing occurs when Vietnam forms alignment with other states or becomes a member of some multilateral framework. The adoption of these two types of balancing is also preferred by states, which are heavily constrained by their power. To ensure that Vietnam could prepare for the worst and take advantage of the best from a rising China, a hedging that Vietnam is employing in my argument is as follows,
Figure 2: Components of Vietnam’s Hedging Strategy
CHAPTER 3 RELATIONAL ASYMMETRY: VIETNAM’S BASIC STRUCTURE IN COMPARISON TO CHINA

This chapter looks at some basic parameters that define the pattern of Sino-Vietnamese bilateral ties. Since 1991, the relationship between China and Vietnam has experienced key transformations, heavily influenced by Chinese economic miracle, dramatic shifts in world politics and domestic politics of each country. The most important defining factor in Sino-Vietnamese relations is its asymmetric power paradigm. For China, the importance of Vietnam in regional international security issues is quite modest, especially compared to other Asian countries such as Japan, India, or South Korea. However, the opposite does not apply. Vietnamese leadership always keeps a careful eye on China’s domestic politics and its foreign policy closely in order to timely gauge the benefits and costs of convergences or divergences with China.

A type of asymmetric relationship might be defined both conceptually and in practice. The popular metrics of world power are normally gross domestic product (GDP), population, defense spending, and innovation in technology albeit less precise. Nonetheless, it is not only the size of an economy that matters. Hence, we should take a quantitative evaluation of the two countries with a grain of salt since a politics of asymmetry in which changes of forces and circumstance nationally and internationally will make the power equation more complex. The quality is also important to decide the real power of a country. This chapter investigates not only some current basic quantifiable factors but also sources of these factors – economic reforms.

1. Current Basic Parameters between China and Vietnam

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 always exists there, even though the gap may change, up or down, relying on how fast or slowly the weaker is developing in relation to the stronger state.

The noticeable differences are largely seen as discrepancies in scale and magnitude. Compared with China, Vietnam is approximately 15 times smaller in population, and 29 times smaller in landmass. Thus, Vietnam is more densely populated than China. Yet, its population was a bit lower than a coastal Chinese province of Shandong with 95 million. China has 56 ethnic groups, and Vietnam two ethnic groups fewer.

In order to understand the extent and boundary of the disparity, it is necessary to analyze it in a broader framework of international context. When it comes to population, Vietnam can be considered as a populated country. Looking at a bigger picture, Vietnam is the 13th most populated country in the world and the 3rd in Southeast Asia behind Indonesia and The Philippines with around 90 million people. It is even more populated than the most populous nation in Western Europe – Germany. In terms of landmass alone, Vietnam is deemed as a middle-sized country with 330,951 square kilometers (128,565 square miles), ranking 65th in the world, meanwhile China, by some measures, ranks 3rd with 9,562,911 km².
Table 1: Development Indicators of Vietnam and China (2014)

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<th>Indicators of Development</th>
<th>Vietnam</th>
<th>China</th>
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<td>Population (million)</td>
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<tr>
<td>Surface area (sq. km)</td>
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<td>9,562,911</td>
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<td>GDP (USD bn)</td>
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<td>Economic growth (GDP, annual variation in %)</td>
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<td>7.0</td>
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<tr>
<td>Life expectancy</td>
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<td>75</td>
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<td>0.719 (high)</td>
</tr>
<tr>
<td>Investment (annual variation in %)</td>
<td>5.3</td>
<td>19.6</td>
</tr>
<tr>
<td>Industrial Production (annual variation in %)</td>
<td>5.9</td>
<td>9.7</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>3.6</td>
<td>4.1</td>
</tr>
<tr>
<td>Fiscal Balance (% of GDP)</td>
<td>-5.6</td>
<td>-1.9</td>
</tr>
<tr>
<td>External Debt (% of GDP)</td>
<td>38.5</td>
<td>9.0</td>
</tr>
<tr>
<td>Public Debt (% of GDP)</td>
<td>51.6</td>
<td>14.8</td>
</tr>
<tr>
<td>Inflation, GDP Deflator</td>
<td>4.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Policy Interest Rate (%)</td>
<td>7.00</td>
<td>6.00</td>
</tr>
<tr>
<td>Exchange Rate (vs. USD)</td>
<td>21,095</td>
<td>6.05</td>
</tr>
<tr>
<td>Current Account (% of GDP)</td>
<td>5.6</td>
<td>1.9</td>
</tr>
<tr>
<td>Current Account Balance (USD bn)</td>
<td>9.5</td>
<td>182.8</td>
</tr>
<tr>
<td>Trade balance (USD bn)</td>
<td>0.0</td>
<td>257.6</td>
</tr>
<tr>
<td>Exports (USD bn)</td>
<td>132.0</td>
<td>2,209</td>
</tr>
<tr>
<td>Imports (USD bn)</td>
<td>132.0</td>
<td>1,952</td>
</tr>
<tr>
<td>Exports (annual variation in %)</td>
<td>15.4</td>
<td>7.8</td>
</tr>
<tr>
<td>Imports (annual variation in %)</td>
<td>17.4</td>
<td>7.3</td>
</tr>
<tr>
<td>International Reserves (USD bn)</td>
<td>25.9</td>
<td>3,821</td>
</tr>
<tr>
<td>Mobile Cellular subscriptions (per 100 people)</td>
<td>147</td>
<td>92</td>
</tr>
<tr>
<td>Internet Users (per 100 people)</td>
<td>48</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: the author’s own compilation based on the World Bank (http://data.worldbank.org), and FocusEconomics (www.focus-economics.com)

In addition, what strikes scholars most when they want to compare China and Vietnam is economic size. Vietnam’s economy lags far behind China even though these two countries have recorded sustained economic growth in recent decades. Even though Vietnam could score a remarkable economic performance, the gap in economic achievements between the countries is widening.
Figure 3. Gross Domestic Products of China and Vietnam, 2000-2014

Figure 3 shows the trajectory of nominal GDP growth in Vietnam and China from 2000 to 2014. In 2014, the GDP value of China accounted for 14.9 percent of the world economy; meanwhile the economic size of Vietnam made up only 0.28 percent. Vietnam’s economy ranked 42nd in the world, meanwhile China ranked 2nd in 2014. Vietnam’s 2014 GDP was equal to a poor Chinese province of Yunnan, approximately $190 billion. Yet, GDP metrics can be a misleading element since it might not include other aspects of the quality of life such as education, life expectancy, income equality, environmental quality, healthcare, welfare system, etc. In the past decade from 2003 to 2013, the average annual real GDP growth rate was higher for China (8.57%) than for Vietnam (6.45%). This trend implies that national disparities keep on widening between Vietnam and China.

91 The chart can be created at http://www.theglobaleconomy.com/create_charts.php with data from the World Bank.
In terms of sector component of GDP, Vietnam and China are slightly different. Nearly half of both Vietnamese and Chinese economies are devoted to the services sector, even though the sector is larger as a percentage of GDP in China (46.1 percent vs. 42.2 percent). The industry sector has been picking up in Vietnam, making up 38.5 percent, but the sector is more important in China (43.9 percent). Agriculture is still important to Vietnam, accounting for 19.3 percent of the Vietnamese economy; meanwhile the agriculture sector’s composition of GDP has fallen in China (10 percent).\(^\text{92}\)

With regard to inequality, Vietnam demonstrates a more equal distribution of wealth thanks to its economic growth, with a Gini coefficient of 0.37 compared with

0.47 for China.\textsuperscript{93} This is a rather impressive result in comparison with other developing countries in Asia, Africa, and Latin America.\textsuperscript{94} Vietnam is less inequitable than China perhaps because of “a combination of geography, equitable provisions of services (especially education), equitable distribution of land, a high degree of female participation in the workforce and a decentralized power structure.”\textsuperscript{95}

In terms of infrastructure, Vietnam lagged far behind China, even the China of 1980, especially in the case of road and railroad.\textsuperscript{96} China’s physical infrastructure is much better than Vietnam’s. Vietnam ranked 111 out of 133 countries in terms of quality of overall infrastructure, and China ranked 66 in 2009.\textsuperscript{97} This advantage has helped Chinese firms cut their transport costs, reduce delivery time, and boost their competitive strengths. Nonetheless, Vietnam has rapid improvements in infrastructure. Remarkably, some high-speed freeways connecting Hanoi to the Chinese border have been built and put into operation to be connected to China’s Pearl River Delta. The spread of mobile phones and Internet is comparatively similar between China and Vietnam. Vietnam’s mobile cellular subscriptions reach 147 per 100 people, and China’s subscriptions stand at 92. Internet users per 100 people are 48 for Vietnam, and 49 for China.

\textsuperscript{97} Giang Dang and Low Sui Pheng, \textit{Infrastructure Investments in Developing Economies: The Case of Vietnam} (Berlin: Springer, 2014).
Nonetheless, when it comes to governance evaluation, Vietnam fares better than China. Regina Abrami, Edmund Malesky, and Yu Zheng found out that Vietnam’s political governance is more appealing to that of China in some ways, including (1) the direct election of the general secretary of the VCP; (2) the overriding power of the Vietnamese Central Committee over the Politburo; (3) the political report to the VCP National Congress open to public criticisms; (4) nationwide direct elections of Vietnam’s National Assembly deputies; (5) the Vietnamese National Assembly less of a rubber stamp than the Chinese version; (6) televised sessions during which National Assembly deputies question government officials and the VCP members; and (7) Decrees 37 and 108 to require lawmakers and senior officials to declare assets.\textsuperscript{98} Hence, Vietnam’s political reforms are considered to be more advanced and progressive than China’s. Yet, with regard to regulatory framework for business and government effectiveness, Vietnam was significantly behind China.\textsuperscript{99} With regard to corruption perceptions index provided by the Transparency International (TI) in 2014, Vietnam ranked 119 out of 175 countries and territories, meanwhile China ranked 100. Vietnam also fell behind China with regard to property rights, the efficient regulation of market, and financial market reforms.\textsuperscript{100} Even though Vietnam has been one of the


fastest growing economies in the world, its institutional reforms and policies to create the framework for development are still modest in comparison with China.

When it comes to indicators of well-being such as life expectancy and access to basic education and health services, Vietnam fares better than China. Vietnam also has a bigger spending on health and education than China. Vietnam also scores better than China in terms of Gini coefficient. Malesky and colleagues argue the difference is grounded in the structure of elite coalitions at the national level.\textsuperscript{101} The elite coalitions in Vietnam pay more attention to developing welfare-related policies. The spread of Internet in Vietnam and China is rather equal, 48 and 49 per 100 people respectively. Defense expenditures of both countries make up around 2\% of the GDP. Yet, the 2\% of China’s GDP is fifty-five times as much as 2\% of Vietnam’s GDP.

Even though the life expectancy in Vietnam is a bit higher than in China (76 vs 75), the GDP per capita in Vietnam is nearly 3.5 times less than in China. GDP per capita in Vietnam in 2014 was roughly $2,000 meanwhile the Chinese GDP per capita was $6,809. The level of Vietnamese GDP per capita is even less than that of the poorest province in China – Guizhou, which is around $3,500. Vietnam’s 2014 GDP per capita reached China’s level of GDP per capita in 2006, around $2000, implying 7 years behind. The sad truth is that it is very hard for Vietnam to catch up with China in GDP per capita since China is growing faster, maintaining an average of 10 per cent growth in three decades. The minimum wage in Hanoi and Ho Chi Minh City, two biggest cities in Vietnam, is roughly half that of a worker in Guangdong.\textsuperscript{102}

Nonetheless, if based on purchasing power parity, China’s average individual income of $11,907 in 2013 was more than twice of Vietnam’s $5,294.

**Figure 5: GDP per Capita, China and Vietnam (2000-2014)**

In terms of government savings and investment, Vietnam and China have diverging paths. Vietnam has a chronic deficit spending. In 2011, Vietnam’s public deficit (general government net lending to borrowing as a percentage of GDP) was -1.1%. The percentage soared up to -6.8% in 2012, and climbed down to -5.6% in 2014. China’s public deficit hovered around -1.0% in recent years (-0.9% in 2013). With regard to internal and external balances, the ratio of Vietnam’s external debt to its Gross National Income (GNI) is much higher than that of China. In 2014, Vietnam’s total external debt was 38.5% according to the World Bank and this is expected to rise quickly in the coming years since the Vietnamese government needs to cover its large...
public spending and investments. Meanwhile, China’s external debt ratio was only 9 percent in 2013. The trend of external debt in Vietnam is still rising. This will constrain Vietnam’s budget, thereby reducing public spending and investment on other necessary purposes. Vietnam earns its credits for having achieved most and even surpassed a number of the Millennium Development Goals launched by the World Bank.\textsuperscript{103} It has striking successes in poverty reduction, education and gender equality. The percentage of people living under poverty line was only 3 percent in 2014, compared to 60 percent in the 1990s.

Although Vietnam is “insignificant in its own right and its politics are distinctive from that of China,”\textsuperscript{104} there are more cultural and institutional similarities between China and Vietnam than they might appear. Vietnam looked to China to reform their economy when their honeymoon with the Soviet Union was nearly over. Ben Kerkvliet, Anita Chan and Jonathan Unger have offered an excellent summary of the similarities between China and Vietnam in their reforms.

In certain significant respects, they can be regarded as a pair. Both countries, after all, have charted broadly parallel paths in their economies – disbanding agricultural collectives in favour of family farming; moving away from the command economy and toward a market economy in their publicly owned industrial sectors; allowing private enterprises to emerge in almost all areas of the economy; turning vigorously toward the world market and toward export-oriented industrial drives; and successfully opening their doors to investment by foreign firms. Politically, both countries have shifted away quietly from Marxist ideology and rhetoric; have witnessed a progressive retreat in the ambit of what their parties attempt to control; have shown tolerance for a


limited degree of interest-group politics – and yet at the same time, both countries persist in a Leninist structure of party dominance.  

2. **Similarities between Vietnamese and Chinese Economic Reforms:**

**Vietnamese Present, Chinese Past**

It is useful to examine and compare developments of economic reforms and political transformation of Vietnam and China because both initially had central planning systems and hardline Marxist-Leninist ideology. Both states have embarked on a similar pattern of economic liberalization, even though Vietnam started much later than China. In 1979, when Deng Xiaoping launched China’s economic reform, its economic size in the global trading and financial system was very modest. Vietnam introduced its economic reform (*doi moi*) in 1986, around 7 years behind China’s reform and opening-up policy. In terms of another globalization landmark, Vietnam also lags behind China. Vietnam accessed to WTO in January 2007, 6 years behind China’s accession.

Other basic parameters in embracing economic models between China and Vietnam are interesting. One common thing is that both China and Vietnam have benefited from late developments and have been able to skip generations of advances in management, finance, and telecommunications. Economic reform process in China (*gaige kaifang*) and Vietnam (*doi moi*) also had some similarities about incremental steps. Vietnam ditched The Soviet economic model in mid-1980s to embrace a transition to a market economy with the China model. In the 1986 National Congress of VCP, Vietnam adopted an economic reform policy. Like China, Vietnam preferred

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an incremental approach to a “shock therapy” or “big bang approach.” They followed a “more cautious and less liberalizing trajectory reform” than Russia or some other countries. In the mid-1980s Vietnam was looking around to find a model to develop their economy. Taiwan and Singapore were reported to be under Vietnamese leaders’ radar. It was not until the early 1990s that Vietnam visibly followed China model of reforms. Justin Lin Yifu, a noted Chinese economist, stated, “China and Vietnam did not follow the transitional approach advocated by the prevailing social thought of the 1980s and 1990s.” Vietnamese communist leaders chose the way that they could maintain their grip on power, meanwhile they could improve their people’s living conditions.

However, Jorn Dosch and Alexander L. Vuving argued that Vietnam learned “Chinese path” rather than “Chinese model” when they investigated the two countries’ political institutions, structures, and economic practices. They stressed that Vietnam copies “China’s policy rather than China’s polity.” China is a role model for Vietnam in economic reforms but Vietnam is more progressive in political reform.

Chinese opening up reform started in 1978 and then underwent through four phases including the initial phase (1978-84), the expansionary phase (1984-88), the retrenchment phase (1988-91) and the socialist market economy phase (1992 to now) with each respectively characterized by a different approach. In Vietnam, the

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109 Joern Dosch and Alexander L. Vuving, “The Impact of China on Governance Structures in Vietnam” (Bonn: German Development Institute, 2008), 27.
renovation (đổi mới) started in 1986, which was preceded by fragmented piecemeal reforms from 1979-85. Since the mid-1980s, it has followed a two-track approach. It engaged in state trading, maintained import monopolies and retained quantitative restrictions and high tariffs (30% to 50%) on agricultural and industrial imports.”110 Leifer commented that Vietnam had some similarities with China during their first phase of economic reforms:

Vietnam has characteristics which single it out among transforming countries (in certain respects shared with China), and which may be both to the advantage and to the disadvantage of the country. Firstly, the country is a so-called developing country, where the large majority of the population are poor peasants, living in rural areas. The transition in the agricultural sector has been a relatively smooth reorientation towards market incentives; briefly, the peasants continued to farm their land, but have become better rewarded. The ailing state sector is meanwhile quite small.111

The Launch of Economic Reform

The first five years (1976-1980) after the Vietnam War ended, the economy plunged deep into recession. “Average GNP [of Vietnam] was half the rate of the population growth and national income grew at about one-fifth. Most economic targets set in the second five-year plan by the Fourth Congress of the Vietnamese Communist Party were not met.”112 In the wake of the 1985 price-wage-currency adjustment scheme, a severe economic crisis plagued Vietnam with a hyperinflation of up to an incredible 775 per cent in 1986.113 Vietnam’s total exports ($0.5 billion) were less than half the

113 The 1986 inflation rate figure provided by the General Statistics Office was 380 per cent.
value of imports ($1.2 billion). Vietnam’s economy plunged to the bottom: paucity of staples and consumer goods, industrial depression, and impoverished living conditions.\textsuperscript{114} The meat of Vietnamese renovation was not that “the Soviet Union induced Vietnam to reform, but that the desperate economic situation left the Vietnamese leadership with no other options.”\textsuperscript{115} The socioeconomic situations were so bad that Vietnam had no choice but to expose itself to the Western world and change its economic policy.

Facing the worsening economic stagnation, the Vietnamese government in 1985 introduced a reform package titled the \textit{General Adjustment of Price, Wage and Money}. Vietnamese policymakers attempted to improve the terms of trade of the agricultural sector because the government extraction of the agricultural surplus was not in accordance with the market rules.\textsuperscript{116} The renovation policy includes a set of policies including “removal of administered prices of goods and services, removal or reduction of government controls on the foreign exchange market and international trade, acceptance of non-socialist forms of business management, such as private enterprises and joint ventures in the industry and service sectors and individual farms on the agricultural sector, and banking reforms.”\textsuperscript{117} The economic path decided at the Sixth VCP Congress in December 1986 marked a dramatic departure from previous policies and the failure of the old system that Vietnam had followed.

\textsuperscript{115} Ibid.
\textsuperscript{116} Tri Hung Nguyen, “The Inflation of Vietnam in Transition” (Centre for ASEAN Studies, January 1999), 6.
Table 2: Developmental Conditions in China and Vietnam at the Launch of their Reforms

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult literacy (% of total)</td>
<td>89.2</td>
<td>67.1</td>
</tr>
<tr>
<td>Calorie supply (kcal/day)</td>
<td>2,300</td>
<td>2,328</td>
</tr>
<tr>
<td>Median age</td>
<td>19.5</td>
<td>22.1</td>
</tr>
<tr>
<td>Life expectancy at birth, years</td>
<td>63</td>
<td>67</td>
</tr>
<tr>
<td><strong>GDP (billion USD)</strong></td>
<td>26.34</td>
<td>148.2</td>
</tr>
<tr>
<td>Population (million)</td>
<td>60.25</td>
<td>956.2</td>
</tr>
<tr>
<td><strong>GDP per capita</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal (US$)</td>
<td>203</td>
<td>165</td>
</tr>
<tr>
<td>PPP (US$)</td>
<td>1,031</td>
<td>685</td>
</tr>
<tr>
<td><strong>GDP growth rate (%)</strong></td>
<td>2.8</td>
<td>11.7</td>
</tr>
<tr>
<td><strong>GDP structure (%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>38.1</td>
<td>28.1</td>
</tr>
<tr>
<td>Industry</td>
<td>28.9</td>
<td>48.2</td>
</tr>
<tr>
<td>Services</td>
<td>33.1</td>
<td>23.7</td>
</tr>
<tr>
<td><strong>Rural economy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of rural population (%)</td>
<td>80.3</td>
<td>81.3</td>
</tr>
<tr>
<td>Cereal yield (kg per hectare)</td>
<td>2,715</td>
<td>2,802</td>
</tr>
<tr>
<td><strong>Openness</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>6.6</td>
<td>6.6</td>
</tr>
<tr>
<td>Imports of goods and services (% of GDP)</td>
<td>16.6</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Main line telephones per 1,000 people</td>
<td>1.3</td>
<td>2.0</td>
</tr>
</tbody>
</table>

N.B.: For human capital indicator, the data is obtained from 1980 for China, and 1985 for Vietnam.


When comparing some Vietnamese and Chinese basic parameters at the beginning stage of their economic reforms, we could see Vietnam had better foundation than China in terms of adult literacy (89.2% vs. 67.1%), and GDP per capita ($203 vs. $165). Industry sector played an important role in Chinese economic structure (48.2%); meanwhile agriculture was still dominant in Vietnam (38.1%).

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Renovation policy adopted in 1986 has transformed Vietnam from one of the least developed countries in the world, with per capita income below $100 to a lower middle income country with per capita income of around $2,000 in 2014. In the 1980s, 70 percent of Vietnamese households were living in poverty. By 2002, the figure had been slashed down to 29 percent. The 1980s witnessed “high and growing government budget deficits and consequent high and growing rates of inflation. By 1988, the budget deficit was 7.1 percent of GDP and the annual inflation rate was 374 per cent.” In 1989, inflation rate was reduced to 62 per cent. Indeed, control of inflation was the primary target of the first stage of Doi Moi process. Macroeconomic stability was restored in the late 1980s. Nguyen Xuan Oanh, a Harvard-educated former acting South Vietnamese Prime Minister and then, economic adviser to Socialist Republic of Vietnam Prime Minister Vo Van Kiet, commented on Vietnam’s successful switch to economic reforms, “The Soviet Union was not ready, Vietnam is. A mouse can turn around more quickly than an elephant can.” The Vietnamese seventh Communist Party Congress of 1991 kept on advocating economic reforms while keeping a tight grip on political stability. Hanoi leaders stressed the increased participation of private sector and production of rice.

121 Please see János Kornai, The Socialist System: The Political Economy of Communism (Oxford: Clarendon Press, 1992) Kornai had some slightly different inflation rates for Vietnam. According to him, Vietnam’s average inflation rate for Vietnam between 1981-85 was 164.9 percent, the 1986 inflation rate 487.2 percent, the 1987 316.7 percent, the 1988 310.9 percent, and the 1989 34.7 percent.
With regard to the political system, Vietnam’s central government was also weaker than China’s in implementing reforms. Hence, Vietnam’s approach to reform was bottom-up rather than top-down as in China. Masina claimed, 

From this difference in the power of the central state may also derive another key difference in the two parallel process of economic reform in China and Vietnam: reform in China was started when a political faction within the national leadership (i.e. the one led by Deng Xiaoping) gained power indicating the need to improve the economic standing of the party…. In the Vietnamese case, instead bottom-up processes played a more pervasive role. National authorities not only promoted reform strategies to cope with a changing international environment and national economic impasse, but also ratified a posteriori dynamics that had already developed at grassroots level.123

The 9th VCP National Congress in April 2001 for the first time introduced the concept of a market economy with socialist characteristics. According to David W.P. Elliott, the concept of “market socialism” implied that Vietnam “removed the major ideological barrier to deep integration and WTO membership.”124

**Converging Interests or Widening Asymmetry**

When asymmetric capabilities meet geographical proximity, their combined effects on much weaker state will be pronounced.125 The weaker state will be easily affected, positively or negatively, by any move though small from the more powerful neighbor. Hence, geographical proximity can be both tyranny and benevolence, depending on how the weaker state views. Hence, the consequences of living next to a juggernaut are not always negative for Vietnam. China could become a security threat to Vietnam, 

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but it could also bring economic benefits to Vietnam. Jonathan Anderson, an analyst at Hong Kong-based UBS Wealth Management, stated, “If China had not been there, Vietnam may not have opened up.”126 Vietnam looked to China, not the Soviet Union, for their reform model. China and Vietnam did not embrace a wholesale, quick transformation from central planning economy to a market economy.127 In general, both China and Vietnam have followed a pragmatic path in economic reforms without any master blueprint or concrete trajectory. This approach truly reflects Deng Xiaoping’s dictum, “crossing the river by groping for the stones one at a time.” National leaders often use pilot projects and experiment to test their policies before they approve of their nationwide implementation.

It is the common interest in keeping political rule while partly liberalizing economy that kept two countries moving closer to each other. The Vietnamese leadership did not want to trade their socialist ideology for capitalist economy. They wanted to be the “leading role of the state as agent for change in society.”128 They also kept the tight grip on political life during doi moi with three major components: (i) political stability; (ii) door open policy; and (iii) incremental approach.129 Thus, Vietnam’s slow cautious approaches made it pay the cost of time when they could not catch up with China’s economic reforms.

126 Arnold, “As China Rises, So Does Vietnam.”
As stated in Table 3, Vietnam’s reform initiatives lagged behind China around 8 years in terms of economic reform launch, introduction of agricultural reform, and legalization of the development of the private sector. China was 21 years earlier than Vietnam in concluding the Bilateral Trade Agreement with the U.S. and 5 years ahead of Vietnam in joining the WTO. With regard to financial reforms, Vietnam was 4 years behind China in banking sector reform and VAT introduction. Nonetheless, the time gap between the two countries in establishing the first stock exchange is up to 10 years.

**Table 3: Reform Milestones: Comparison of China and Vietnam**

<table>
<thead>
<tr>
<th>Reform Initiatives</th>
<th>Major Events, Policy Documents and Timeframe</th>
<th>Time lag (Vietnam-China)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reform launch</td>
<td>The sixth National Congress of the VCP, Dec 1986</td>
<td>8 years</td>
</tr>
<tr>
<td>Nationwide introduction of the “household responsibility system”</td>
<td>Resolution 10-NQ/TW of the VCP Politburo on agricultural sector management reform, 1988</td>
<td>8 years</td>
</tr>
<tr>
<td>Legalizing the development of the private sector</td>
<td>The Law on Private Enterprises, 1990.</td>
<td>8 years</td>
</tr>
<tr>
<td>Attracting FDI</td>
<td>Foreign Investment Law, 1987</td>
<td>8 years</td>
</tr>
<tr>
<td>Bilateral trade agreement with the US</td>
<td>2000</td>
<td>21 years</td>
</tr>
<tr>
<td>Accession to WTO</td>
<td>2006</td>
<td>5 years</td>
</tr>
<tr>
<td><strong>Embracing Globalization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Reforms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking sector reform</td>
<td>Law on State Bank and Law on Credit Institutions, 1997</td>
<td>4 years</td>
</tr>
<tr>
<td>Introduction of VAT</td>
<td>Law on Value-Added Tax, 1997</td>
<td>4 years</td>
</tr>
<tr>
<td>The stock market launching</td>
<td>Establishment of the Ho Chi Minh City Stock Exchange (HOSE), 2000</td>
<td>10 years</td>
</tr>
</tbody>
</table>
China and Vietnam embraced similar pathways to lift up their economy with four major components including (1) implementing agricultural reform, and legalizing private sector; (2) adopting globalization; (3) creating a level playing field for all the sectors; and (4) reforming financial sector. Vietnam's Foreign Policy in the Post-Soviet Era: Coping with Vulnerability

Thanks to the economic reforms, China and Vietnam have demonstrated comparatively good performance in basic welfare services such as life expectancy, literacy rate, and infant mortality. Even though the paths are similar, results of these policies were recorded differently in China and Vietnam. China has performed much better than Vietnam in terms of economic growth, GDP per capita, and labor productivity.

Chinese economic reform began around 8 years earlier than Vietnam coupled with the geographical proximity, so China’s economic miracle easily became the model for Vietnam to follow. However, differences in geographical and economic scale have made Vietnam more susceptible to the world’s political and economic changes than China. Vietnam normalized trade relations with the U.S. much later than China, 21 years behind. Dwight Perkins and Vu Thanh Tu Anh noted that in the mid-

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1990s Vietnam could not in a position to challenge China for export markets in labor intensive markets because “the quality of Vietnamese manufactures was below that of the Chinese and its costs were higher.”\textsuperscript{132} In 1999, Vietnam could obtain China’s 1954 level of per capita production of coal, 1970 level of per capita production in steel, 1981 level of electricity, and cement in 1985.\textsuperscript{133} In 2011, 96% of Vietnam’s population could have access to electrical power supply from the national power grid – an indicator highly praiseworthy for a developing country. Vietnam has also attained high primary education enrolments (around 90%) due to the government’s policy of compulsory universal elementary education.\textsuperscript{134}

Elements of China model that Vietnam could learn and apply were expanding its export of markets, slowly privatizing state-owned enterprises, and attracting foreign direct investments. The World Bank did not spare its words in applauding Vietnam that “no other country has reduced poverty so much as Vietnam did during the 1990s.”\textsuperscript{135} According to the World Trade Organization (WTO), Vietnam’s rank in world trade in terms of export in 2013 was 34, and in terms of import it ranked 32.\textsuperscript{136} With regard to the entailing change in social structures, John Gillespie and Pip Nicholson noted that, “China and Vietnam have provided a clear vision for economic reform, they believe that sociopolitical reform has either been largely implicit

\textsuperscript{135} Masina, \textit{Vietnam’s Development Strategies}, 99.
(Vietnam) or recast rhetorically as a transition to a rule of law (China).” Vietnam’s renovation policy accentuated one interesting feature of the Vietnamese political system – pragmatism. There were numerous examples of other regimes that were resistant to changes. The flexibility and pragmatism of Vietnamese leadership was not new, as these characteristics had become their hard-fought nature after several struggling decades swinging among China, the Soviet Union, and the U.S.

PART II. HISTORICAL BACKGROUND OF THE BILATERAL RELATIONSHIP

CHAPTER 4 SINO-VIETNAMESE RELATIONS BEFORE NORMALIZATION: LEANING AND BALANCING (BEFORE 1991)

Power asymmetry has been the defining factor of Vietnam’s relations with China for a long time. In this chapter, I will examine the dynamics of persistent asymmetry since their diplomatic establishment in 1950. This period has a lasting influence on the perceptions, policies, and future outlook of both nations.

1. Lips and Teeth Relationship (1950-1975)

Brother comradeship (1950-1968)

The Western scholarly literature on the bilateral ties between China and DRV during this period is considerably large.¹ There was an increasing body of newly published works on the triangular relationship among Vietnam, China and the Soviet Union. Mari Olsen claims that during the period of 1945-1949, DRV welcomed Chinese aid, but they vehemently underscored that they were not only relying on receiving

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assistance from CCP. The other big source of aid that they were looking for at that
time was the Soviet Union. Nonetheless, the Soviet leadership was not interested in
helping the Vietnamese in their struggle against the French. Stalin at that time was
mainly focused on Europe in his foreign policy, not on Asia at the time. Hence, Soviet
assistance to Vietnam was reduced to moral support. Ho Chi Minh had to request more
aids from Mao Zedong. It was the Chinese supreme leader that advocated Ho Chi
Minh’s cause at that time.

It can be said that China had been the strongest supporter of Vietnam in its
resistance against the French since the early 1950s. China’s military assistance during
the two Indochina wars was attributed to historical tradition, revolutionary ideology,
personal contacts between Mao Zedong and Ho Chi Minh, and even national security.
The three common factors that bound China and Vietnam together during this period
were national interests against all foreign powers’ intervention, revolutionary interests
opposed to imperialism and colonialism, and nationalism against foreign incursions.
A historian claims that the cooperation during this period was an anomaly in the
tumultuous two thousand years the two peoples had coexisted. Even Woodside argues
that no single dyadic relationship in the world has a longer tradition behind it than that
of DRV and China during this period.

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The role of individual leaders also played a crucial to the comradely bilateral ties. Vietnamese President Ho Chi Minh, a longtime friend of Mao Zedong and Zhou Enlai, was arguably infatuated with China’s revolutionary success. He unquestionably considered China as a big brother of North Vietnam and relegated Vietnam to a loyal follower of China’s path. Ho Chi Minh, the founder of DRV, was quoted as saying in a ceremony in February 1951,

> Because of the geographic, historic, economic and cultural connections between Vietnam and China, the Chinese revolution has had tremendous impact upon the Vietnamese revolution. Our revolution shall follow, as we have already seen, the course of the Chinese revolution. By relying on the Chinese revolutionary lessons, and relying on “Mao Zedong Thought,” we have further understood the thoughts of Marx, Engels, Lenin and Stalin, so that we have won great victories in the last year. This we shall never forget.6

In the entire 1950s, North Vietnam unswervingly leaned towards China for their financial and military support. Hanoi leaders also looked for Beijing’s advice and directives on its domestic policies such as land reform policy in the early 1950s. Chinese military advisers played an important role in DRV’s armed struggle against the French colonialists. Chen Jian acknowledges that China’s sense of superiority played a dominant role in their relationship with Vietnam.7 It was their one-sided leaning on China in the 1950s that made the Vietnamese leaders after Ho Chi Minh feel they had lost their autonomy under Chinese pressure.

However, this was not a one-way relationship over time. China needed Vietnam for another purpose. Beijing wanted to rely on Hanoi’s full support in the

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buildup of Chinese-led communist system in Asia. Reciprocal needs between Beijing and Hanoi “continued to bind the countries. Vietnam needed Chinese assistance for its unification, while China needed North Vietnam to balance against the Soviet Union in Asia.” Qiang Zhai commented that the period between 1961 and 1964 was the most decisive moment in the development of Sino-North Vietnamese relationship when the Vietnamese Workers’ Party leaders had convergence with Beijing on the war issue. By the end of 1963, the intensity of Chinese influence got its “highest peak.” Chinese aid came to Vietnam in three categories: human personnel, anti-aircraft artillery units, and weapons and other military equipment. Chinese personnel were “the Chinese People’s Volunteer Engineering Force,” formed in 1965, coming to Vietnam to build airfields, roads, and railways. In 1965, China began to send in some railway engineering and anti-aircraft artillery units to Vietnam. Approximately 320,000 Chinese military soldiers served in Vietnam during the war against the U.S. The peak year reached 170,000 troops. Liu Guoli argued that Chinese personnel did not care to hide their identity in Vietnam from American intelligence when they built a huge redoubt in the northeast suburb of Hanoi, including 185 buildings and a runway.

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8 Ibid.
11 Xing Qu, *Zhongguo Waijiao Wushinian* [China’s 50-Year Foreign Policy], 第 1 版 (Nanjing: Jiangsu’s People Publishing, 2000), 418.
Table 4: China’s Military Provision to Vietnam (1964-1973)

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<td>1,363</td>
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<tr>
<td>Planes</td>
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<td>14</td>
<td>70</td>
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<td>4,011</td>
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Meanwhile, Soviet aid to Vietnam from 1960 to early 1965 was paltry: just a few thousand World War II-era German weapons delivered in 1962. Meanwhile, Chinese aid to North Vietnam from 1955-1965 was roughly $457.5 million. China also claimed some casualties in Vietnam. It was estimated that around 5,000 Chinese were killed in Vietnam War and some 1,000 were interred on Vietnamese soil. The Chinese source said more than 4,200 Chinese were killed and more than 1,400 were buried in Vietnam. Thus, it was not hard to understand that China expected Vietnam to lean on its side during the growing divide with the Soviet Union. Hanoi leaders did

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15 Buszynski, *Soviet Foreign Policy and Southeast Asia*, 151.
16 Ibid.
17 Qu, *Zhongguo Waijiao Wushinian [China’s 50-Year Foreign Policy]*, 418.

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not want to see the frictions between two big communist brothers, as they needed the advocacy of both China and the Soviet Union for their unification war. In Vietnamese leadership’s mind, it is always better to take both than to stand on one side.

In the early 1960s, when there were two contrasting opinions on DRV’s positions towards two “big brothers” in the communist world, the Internal VCP splits were believed to begin. By the spring of 1962, Beijing, under Soviet radar, become “a most complicating factor” to the Moscow-Hanoi relationship. The serious rift between Beijing and Moscow put Hanoi into a quandary: which country they ought to side with to pursue their country unification path. The “pro-Soviet” and “pro-Beijing” factions emerged within the DRV’s leadership. The former, led by famous General Vo Nguyen Giap and Hoang Minh Chinh, more inclined to favor Khrushev’s doctrine of coexistence with the U.S. The latter, headed by Le Duan, the first secretary of the VCP and his right hand, Le Duc Tho, tended to prefer a militaristic measure to unify the country with the support of Beijing. The culmination between two divergent factions was the arrest of “revisionists” or so-called “anti-party” element in the mid-1960s. Detainees were often Soviet-trained army officials, or bureaucrats who openly voiced their support for Soviet measure to end the war through negotiations. Nonetheless, in the 1970s, Le Duan changed his leaning to become an adamant advocate of the Soviet Union.19

When Sino-Vietnamese deteriorated in the late 1960s, Vietnamese officials recalled the pressure from Chinese Premier Zhou Enlai at the Geneva Conference of

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18 Olsen, Soviet-Vietnam Relations and the Role of China 1949-64, 114.
1954 – when Vietnamese Premier Pham Van Dong had to listen to Molotov and Zhou Enlai to accept the division of the country at parallel 17 much less than the Vietnamese delegation had expected – a sell-out by the Chinese at the conference. This made Hanoi feel betrayed by Beijing. Vietnamese frustrations emerged when they felt that Beijing leaders were “willing to sacrifice Vietnamese interests to avoid confrontation with the US.” In a bilateral meeting in Beijing in October 1968, Chinese Foreign Minister Chen Yi reprimanded Le Duc Tho for “accepting the compromising and capitulationist proposals of the Soviet revisionists.” Le Duc Tho retorted, “The reality will give us the answer. We have gained experience over the past fifteen years. Let reality justify.” Hanoi’s view was rather narrow without noticing the changing international context. China, as a much bigger power, also did not pay enough attention to Vietnam’s concerns.


As pragmatists, Hanoi leaders did not suppose that the Sino-Soviet split would create a “window of opportunity” for them to take advantage of both, but they saw the “growing rift” between the Soviet Union and China as “detrimental” to their unification struggle. Vietnamese leadership’s ultimate aim was to win the Vietnam

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War with whoever could help them. Buszynski argued that this period also witnessed Vietnam’s delicate balancing of relations between China and the Soviet Union and it was Ho Chi Minh who was behind the policy of making the best from both big countries in the communist world.²⁴ Le Duc Tho, the chief negotiator at the 1973 Paris Conference talked to Dr. Henry Kissinger that Vietnam did not want to get stuck between great powers. Hanoi did not “play with a strategic map of the world.” For Vietnamese, “it isn’t a question of choosing between Moscow and Peking. It is a question of choosing between life and death.”²⁵

In 1968, North Vietnam and China had a big gap in their views of how to conduct the war in Vietnam. During Chinese Premier Zhou Enlai’s discussion with Xuan Thuy, Minister of International Liaison of the Vietnamese Workers’ Party on May 7, 1968, Zhou expressed his dissatisfaction at peace talks between Hanoi and Washington, “We feel that you have responded so quickly and too impatiently, perhaps giving the Americans a misperception that you are eager to negotiate. Comrade Mao Zedong has told Comrade Pham Van Dong that negotiation is all right but you must assume a high posture.”²⁶ The strategic rationale behind Mao’s point is Vietnam could not achieve any favorable agreement without victory in the battlefield. China wanted the DRV to keep the latter’s protracted war against the U.S., and this mindset aggravated its relations with Hanoi. This difference reflected the consequences of power asymmetry when the weaker state felt that their concerns were not met with enough attention from the bigger state.

As relations were degrading in the late 1960s, Hanoi had moved toward an independent policy away from Beijing. Vietnam incrementally moved closer to the Soviet Union to the arms support for their fight against the U.S. In the context of tensions with China, Vietnam, in 1979, divulged that China had played an upper hand by coercing them to cut off negotiations with the U.S. and sever ties with the Soviet Union on October 9, 1968. Vietnam began losing lots of aids including materials and personnel from China in a couple of years.

From 1968 to 1970, Beijing withdrew all engineering personnel and anti-aircraft artillery units out of Vietnam. China still maintained military assistance but in small quantity. Specifically, China had withdrawn all its anti-artillery aircraft units out of Vietnam by March 1969. By July 1970, all military personnel had been moved out of Vietnam. Actually China’s withdrawal of aid was good for Chinese economy since China was not an affluent country and its previous large aid to Vietnam caused “deprivation at home.” China’s policy switched from supporting world revolution to its national security. For the Vietnamese calculations, Chinese action pushed Vietnam fall deeper into the Soviet orbit.

In addition, the collapse of Sino-Soviet alliance and the emergence of Sino-US friendship had a “direct influence on the Vietnam War.” When Mao Zedong and Zhou Enlai shook hands with US President Richard Nixon in 1972, Vietnam in their ultimate aim to kick the US out of South Vietnam attempted to walk a thin line between

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the Soviet Union and China for military aids from both. When the U.S. intensified their military operations, DRV had to increasingly depend on the Soviet Union for sophisticated military hardware that China could not afford. Vietnamese leaders were more hardened in their unification war regardless of decreasing Chinese aid.

A few months after the unification war terminated, Le Duan, the Vietnamese Workers’ Party First Secretary, visited China in September 1975. He profusely expressed gratitude towards China’s aid during the war. He said to Mao, “We had always believed that it was China who has been able to provide us with the most urgent life-and-death assistance.”

Le Duan also requested for aids from China. Yet, Mao was unhappy with Vietnam’s tight relationship with the USSR, so he agreed to give Vietnam an aid of $200 million for 1976. When Le Duan visited Moscow in November 1975, he got a warmer welcome from the USSR with a big aid of approximately $500 million for 1976. Thus, Vietnamese leaders did not avoid feeling that Vietnam was now “united and strong,” and it did not need to be “subservient to China in return for aid.” In the first place, Hanoi wanted to take advantage of both China and the USSR for aids to rebuild their country after the war. Yet, Le Duan got a lukewarm response from China. This treatment did not go beyond his expectations since the bilateral relationship had been frayed for years. Aware of being a smaller power, Vietnamese leaders tried to walk a balancing act between China and the USSR,

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34 Ibid.
but they did not succeed. To some extent, Le Duan made a wrong decision when he attempted to stand up to China.

2. Sino-Vietnamese Broken Relationship: Vietnam’s Tilt toward the Soviet Union

Womack called relationship during the period from 1979-1991 as “a rivalry.” They were not mutually hostile, zero-sum expectations, but Vietnam’s role in China’s illusion of victory was that of grateful and deferential client, willing to throw off its relation with the Soviet Union and less demanding of aid. The frustrations and mistrust had cumulated on the Chinese side. Vietnam’s increasing leaning to the Soviet Union upset the Chinese leadership meanwhile Vietnam had enjoyed substantial Chinese support during the wars against the French and Americans.

In return, Hanoi was also doubtful of Beijing’s warmer relations with the U.S. Henry J. Kenny quoted a Vietnamese senior official, “In 1975, Beijing saw a united and confident Vietnam as a potential long-term obstacle to its exercise of influence over Southeast Asia. It therefore wanted to control Vietnam’s foreign and defense policies. It was worried that a strong, unified Vietnam would challenge Chinese ambitions in the region.” On August 12-17, 1975, during the Beijing trip of Vietnamese Deputy Prime Minister Le Thanh Nghi, China openly expressed their dissatisfaction with Vietnam’s “ingratitude” for the Chinese assistance and

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37 Womack, China and Vietnam: The Politics of Asymmetry, 188.
Vietnamese approval of granting Cam Ranh Bay to Soviet Union naval ships.\textsuperscript{40} It was Le Duan’s trip to China in September 1975 that marked the deepening differences between China and Vietnam when Le Duan snubbed China’s suggestion to endorse China’s “three worlds” theory.\textsuperscript{41} Yet, the relationship was not really bad. Womack claimed that during the trip of Le Duan, China agreed to grant aids to Vietnam but not as much as Vietnam expected.\textsuperscript{42} In October 1975, Le Duan visited the Soviet Union to ask for aid. Moscow agreed to aid Vietnam $3 billion between 1976 and 1980.\textsuperscript{43} The difference in aids between China and Vietnam made Vietnam distance from China. In March 1977, China and Vietnam signed a new trade agreement in which China exported $51.7 million meanwhile China imported a little more than half that number at $27.7 million.\textsuperscript{44}

Even though the Sino-Vietnamese relationship was getting bad, Vietnamese Premier Pham Van Dong visited China to request aids in April 1977. He came back to Vietnam empty-handed. Chinese leaders were angry at Vietnam’s tight alliance with the Soviet Union and anti-China sentiment in Vietnam. On June 10, 1977, a memorandum of the meeting endorsed by Li Xiannian was delivered to Pham Van Dong, revealing China’s uneasy feelings at Vietnam’s behavior:

\textsuperscript{40} Buszynski, \textit{Soviet Foreign Policy and Southeast Asia}, 156.
\textsuperscript{41} Ibid.
1. China was irritated at the Vietnamese-Soviet rapprochement. In particular, Beijing expressed deep resentment at Vietnam’s admission of working with the Soviets to lessen China’s regional influence in Southeast Asia.
2. Beijing claimed Vietnam was using historical problems that separated Vietnam and China to incite a new anti-China campaign. Beijing stated that past aggression on the part of various dynasties of China were the acts of feudal leaders and did not reflect the desire of the Chinese Communist Party. Thus the resurgence of animosities between the governments of Vietnam and China were a result of Vietnam’s campaign and had nothing to do with the Chinese Communist Party.45

On September 30 1977, Hua Guofeng, then Chinese premier, met up with Khmer Rouge leader Pol Pot in Beijing and told him that “Sino-Vietnamese relations had deteriorated because of the ‘hand of the USSR’ and the ‘connivance’ between the USSR and Vietnam.”46 In November 1977, Le Duan, the Vietnamese Communist Party General Secretary, paid a visit to China, in which he profusely thanked China for its generous aid during two Indochina wars and claimed that the bilateral relations were going well.47 This was just the veneer of wordy diplomacy. At the fourth National Party Congress in 1976, Hoang Van Hoan, a pro-Beijing Politburo member, was kicked out of the Politburo.48 Hoang Van Hoan was trained in China in the 1920s and became the first Democratic Republic of Vietnam Ambassador to People’s Republic of China in 1950. He was considered a close comrade-in-arms of the late Ho Chi Minh. He openly criticized Le Duan’s hostile policy towards China and got sidelined. Other high-profile Beijing-friendly party members were also purged, notably General Le

45 Ibid., 39.
Quang Ba and General Chu Van Tan, a hero of the war against the French. The internal purge was deemed a victory for the pro-Soviet faction within the VCP.


In December 1978, the Vietnamese military intervention in Cambodia really upset China. Beijing interpreted Vietnam’s intervention to topple the Khmer Rouge administration as a visible attempt to dominate Indochina. Vietnam was a xiaoba (small hegemon) in the Southeast Asian region; meanwhile the Soviet Union was viewed as a hegemon. Deng Xiaoping believed that the Soviet-Vietnamese alliance was threatening to Chinese developments. Hence, some studies claim that China’s invasion of Vietnam to discredit the Soviet Union as a reliable ally of Vietnam and to

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let Vietnam know who the real master is. The most obvious display of anti-Chinese sentiments played on by Le Duan could be found in “The Truth About Vietnam-China Relations Over the Last 30 Years” published by Vietnamese Ministry of Foreign Affairs in 1979.

In July 1979, there was an escape from a former Vietnamese Politburo member, Hoang Van Hoan to China via Pakistan. Vietnam immediately denounced him as the “the agent of the Chinese” and as “a traitor.” At the Fifth Congress of the VCP in March 1982, Le Duan labeled China as Vietnam’s “direct and dangerous enemy.” Even though Duan’s anti-China speech was to please the Soviet Union, it would be of no help to the future normalization of Sino-Vietnamese relations. It was Vietnam’s invasion of Cambodia on December 25, 1978 that was the main reason for China to wage a punitive war against Vietnam even though Vietnam’s alliance with the Soviet Union was the main cause for Hanoi-Beijing tension.\(^52\) Yet total dependence on the Moscow was not what Hanoi really wanted from the beginning.

**The Soviet Factor**

The Soviet factor was considered one of the reasons that led to Sino-Vietnamese aggravating rift after 1975. Some analysts even claimed that it is the main reason for the collapse of Hanoi-Beijing relations. K. W. Taylor argued, “the Sino-Vietnamese war of 1979 was an aspect of Sino-Soviet competition in Southeast Asia.”\(^53\) In May 1977, Vietnam and the Soviet Union signed an agreement on military cooperation wherein Soviet personnel had the right to access naval bases in Danang and Camranh.

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\(^{53}\) Ibid.
Bay. The Soviet military buildup in Vietnam made it an ominous presence in a region that China had traditionally regarded as its own sphere of influence.⁵⁴ Vietnamese leaders believed that they were confronting a “two-front struggle against a Chinese-led threat, with one front in the north bordering China and the other in southwest bordering Cambodia.”⁵⁵ In June 1978 Vietnam joined the Soviet Council for Mutual Economic Assistance (COMECON).

Vietnam’s entry into COMECON was deemed as the only choice for Vietnam at that time. Vietnamese leaders could not secure large loans from the World Bank and the International Monetary Fund, to realize its second Five-Year Plan, which might cost around $10 billion.⁵⁶ China decreased its economic aid between 1975 and 1977, and then completely cut off in 1978. Out of abject poverty, Vietnam was so desperate to ask for aids from the Eastern European countries. Hence, China’s termination of assistance was conceived as contributing to “pushing Vietnam into a closer relationship with the USSR” even though Vietnam did not really want.⁵⁷

Studies from Hood and Vogel claim that after Vietnam’s entry into COMECON, Soviet military aids including missiles, fighters, ammunitions and tanks to Vietnam accelerated, and by August 1978, between 3,500 and 4,000 Soviet advisers

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were in Vietnam. The Soviets supplied Vietnam with more than $2 billion worth of military hardware since the 1979 war, including 330 aircraft, 220 tanks, 242 surface-to-air missiles, 385 artillery pieces, 2 frigates, 4 guided-missile patrol boats, 4 submarine chasers, 2 landing ships, and 1 minesweeper. The military aids not only sustained Vietnam’s military presence in Cambodia but also upgraded Vietnam’s defense capabilities in face of another Chinese invasion.

During the 1975-1978, Le Duan visited the Soviet Union five times and China twice. On November 3 1978 Vietnam and the Soviet Union endorsed the Treaty of Amity and Cooperation against the backdrop that Vietnam’s relations with China and Cambodia were quickly deteriorating. In December 25, 1978 Vietnam attacked the Khmer Rouge. On January 9, 1979 Vietnam occupied Phnom Penh and the Khmer Rouge had to flee to the Thai border. When China attacked Vietnam on February 17, 1979, the Soviet Union failed to intervene on Vietnam’s behalf. However, Hanoi leaders had no way out when the Soviet Union was the only ally that they could rely on to counter China. Vietnam’s steadfast adherence to the Soviet Union still remained until Gorbachev came to power.

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59 Hood, Dragons Entangled, 70. According to Rachenko (2014), before the end of March 1979, the Soviets had shipped more than 400 tanks and armored personnel carriers, 400 artillery pieces, 50 “Grad” multiple rocker launchers, and 20 jet fighters. Soviet transport planes were involved in moving troops and equipment inside Vietnam.
60 John E. Monjo, U.S. Deputy Assistant Secretary of State in September 1983 argued that Soviet aid to Vietnam was around $1 billion annually which was considered as the minimum amount necessary to support Vietnam’s war activities in Cambodia and to prevent Vietnam’s collapse, cited in Buszynski, 1986.
The *Hoa* (ethnic Chinese) Factor

The issue of ethnic Chinese in Vietnam was also emerging as another tension between China and Vietnam after 1975. In 1956, South Vietnamese President Ngo Dinh Diem announced that all overseas Chinese born in Vietnam were Vietnamese citizens. In August 1956, President Ngo Dinh Diem issued Decree no. 52 requiring all Vietnamese citizens to bear a Vietnamese name or pay a heavy penalty.\(^62\) The intention of Diem was not hard to guess. He wanted the ethnic Chinese to integrate and assimilate into Vietnamese society as soon as possible. His policy did not receive much resistance from the ethnic Chinese community in South Vietnam. The *Hoa* community could be perceived as integrating into the South Vietnamese society smoothly.

When Vietnam was unified in April 1975, the Vietnamese communist government started their so-called nationalization program in South Vietnam in an effort to bring private business in the former Republic of Vietnam under state ownership. The anti-capitalist campaign whose victims were largely the ethnic Chinese prompted the uneasy feelings about a new unified Vietnam. Simon, in his own research through interviews with refugees from the South, argued that the diaspora of boat people starting in mid-1978 was the direct consequence of socialist transformation in Southern Vietnam after the unification.\(^63\) The nationalization of ethnic Chinese businesses not only reflects “Hanoi’s determination to assert its complete independence of China, but was also demand by the economic situation of


\(^{63}\) Ibid., 1174.
the economy.” In addition, the government policies toward the Chinese became more stringent and harsher in 1978 when ethnic Chinese were purged out of the positions regarded as sensitive to Vietnamese national security. Vietnam’s nationalization and other forced assimilation policies pushed the Hoa to leave. The mass migration of the ethnic Chinese people in early 1978 dragged the deteriorating relationship to its worst level. There were talks on repatriation of the ethnic Chinese to Mainland China from mid-June to mid-July and from early August to late September 1978, but no conclusion was made. When China launched a bloody punitive war against Vietnam in February 1979, the Vietnamese government became more determined in pushing the ethnic Chinese away. They had forced the expulsion of a big number of ethnic Chinese by the end of 1978, but the exodus of refugees still continued in the 1980s.

According to official figures in 1976, the Chinese population was 1,236,000 people accounting for 2.6 percent of the whole Vietnamese population. In 1978, an exodus of Chinese ethnic people by boat happened, with 230,000 heading to China and another 220,000 departing for other Southeast Asian nations. Sheldon Simon in his article on *Asian Survey* gave a similar number – around 240,000 ethnic Chinese in the North emigrating via the land border. Simon also noted the reciprocal accusations

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between Hanoi and Beijing over the ill fate of ethnic Chinese in Vietnam. Beijing denounced that Hanoi was kicking them out of Vietnam through racial discrimination and deprivation of jobs with sweeping nationalization of private enterprises. Hanoi, on the other hand, condemned China had spread unfounded tales of an imminent program to incite ethnic Chinese emigration to destabilize Vietnam’s society.

Until the end of July 1978, the total number of ethnic Chinese refugees heading to China exceeded 160,000 people. Most of those who came to China on land were from North Vietnam, and those who were from the South Vietnam came by boat headed to other Southeast Asian nations. Hanoi blamed Beijing for spreading “ungrounded rumors” to create instability in Vietnam, which led to the mass exodus of the ethnic Chinese, as well as their wealth, expertise, and entrepreneurial skills. These included “War will break out between China and Vietnam,” “Hoa people in Vietnam must leave Vietnam quickly,” “The Chinese government calls upon the overseas Chinese to come back,” and “Those who do not do so are traitors to their country.”

Vietnamese leadership blamed the huge “diaspora” of the Hoa people on the rumors spread by Chinese agents. They accused China of interfering with Vietnamese internal affairs because these Hoa people were not Overseas Chinese, as the Chinese government called, but Vietnamese of Chinese descent. From the Chinese perspective, the Vietnamese government persecuted the ethnic Chinese and forced them to leave Vietnam. No matter how the Vietnamese government argued at

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70 Ibid.
that time, there was no denying truth that the Chinese ethnic people working at all
levels in the bureaucratic system were not trusted.

**The Cambodian Factor**

Numerous historical observers and analysts agree that Vietnam’s invasion of
Cambodia was a major driver to aggravate Chinese hostility against Vietnam. Some
even suggested it is the most single important factor.\(^2\) China is dubious of Vietnam’s
alliance with Soviet Union and reckoned Vietnam’s installation of Hunsen government
as part of Soviet regional hegemony. China had repeatedly labeled Vietnam an “Asian
Cuba” and accused Vietnam of collaborating with Soviet Union to gain control over
Cambodia and Laos in Indochinese peninsula. On July 18, 1977, Vietnam and Laos
signed a 25-year Treaty of Friendship and Amity and deployed troops in Laos on a
“mission of Socialist Solidarity,” sowing Chinese suspicions of Vietnamese
hegemonic ambitions in Indochina.\(^3\) China got furious. Deng Xiaoping warned that
China “cannot tolerate the Cubans to go swashbuckling unchecked in Africa, the
Middle East and other areas, nor can we tolerate the Cubans of the Orient to go
swashbuckling unchecked in Laos, Cambodia or even China’s border area.”\(^4\)

Vietnam-Cambodia disputes stemmed from a poorly drawn 1137-km boundary
line between the two nations that was imposed by the French colonial administration
under the 1870 Cambodia-France Agreement and the 1873 France-Cambodia Treaty.

\(^2\) Chun-tu Hsueh’s review of King C. Chen, *China’s War with Vietnam, 1979: Issues, Decisions, and
\(^3\) O’Dowd, *Chinese Military Strategy in the Third Indochina War*, 42.
A Cambodian scholar, Serge Thion, claims that “Cambodia has no border freely agreed upon with its neighbors” because its border with Laos, Thailand, and Vietnam were drawn by the French.\textsuperscript{75} After 1975, Kampuchea negotiated with Vietnam to take the Brevié Line, the administrative borderline determined by the French governor-general of Indochina in 1939 as the border between the two countries, but it came unfruitful. Vietnam wanted to have more sea lanes around Vietnamese-occupied Phu Quoc (Koh Tral) Island. In January 1977 Cambodia withdrew from bilateral frontier liaison committees. Starting from March 1977 onwards, military clashes erupted sporadically.\textsuperscript{76}

In the period of 1975-77, Vietnam was believed to be restraint to Khmer Rouges provocations, and China was the mediator between Vietnam and Cambodia. However, by 1978, China was totally on Cambodia’s side. The “paranoid spiral” in Sino-Vietnamese relations, aggravated by the aggressive behavior of Pol Pot, caused Vietnam to come up with the conclusion that “Khmer Rouges behavior was at the behest of China.”\textsuperscript{77} The Pol Pot-led government in the pursuit of a complete transformation of Cambodian society into a pure agrarian society resulted in a genocide that atrociously killed ethnic Vietnamese people living in Cambodia. The Khmer Rouge also purged those who were suspected of having pro-Vietnamese

\textsuperscript{75} Serge Thion and Ronald Bruce St John, “The Land Boundaries of Indochina: Cambodia, Laos and Vietnam,” \textit{IBRU Boundary and Territory Briefing} 2, no. 6 (1998): 22.
\textsuperscript{76} Ibid., 28–9.
attitudes in the Kampuchean Communist Party.\textsuperscript{78} Vietnamese leaders assumed that Cambodia could not do that without the help from Beijing.

Obviously, in terms of geopolitics Beijing was using Phnom Penh as a bulwark against increasing Vietnamese influence in continental Southeast Asia by giving military assistance to the Khmer Rouge. China was careful to support the Khmer Rouge but dodged being dragged into a direct confrontation with Vietnam. However, their aim backfired when Pol Pot embraced a provocative policy towards Vietnam.\textsuperscript{79} From 1972 to 1978 China sent financial and military assistance to Khmer Rouge.\textsuperscript{80} The military aid that Khmer Rouge received from China included 200 tanks, 300 armored cars, 300 artillery pieces, 30,000 tons of ammunition, 6 naval vessels, 6 jet fighters and 2 bombers. In addition, 15,000 Chinese advisers were sent to Cambodia to monitor large infrastructure projects.\textsuperscript{81} Vietnam view China’s military assistance to the Khmer Rouge as an attempt to deny Vietnam’s legitimate security interests, and as a continuation of a hegemonic Chinese policy to refute the unity of the Indochinese countries. On the contrary, Beijing viewed Hanoi’s actions as an effort to dominate the Indochinese peninsula and cooperate with the Soviet Union to check China.\textsuperscript{82} After Vietnam’s military intervention in Cambodia in December 1978, Chinese paramount leader Deng Xiaoping said he wanted to teach Vietnam a lesson.

\textsuperscript{78} Tai Sung An, “Turmoil in Indochina: The Vietnam-Cambodia Conflict,” \textit{Asian Affairs} 5, no. 4 (March/April 1978): 250.
\textsuperscript{80} S Burgos and S Ear, “China’s Strategic Interests in Cambodia: Influence and Resources,” \textit{Asian Survey} 50, no. 3 (2010): 616.
From the Vietnamese perspective, Hanoi did not have other choice with “a hostile government in Phnom Penh, whose unhygienic political relationship with China seemed designed to place Vietnam in a strategic trap.”\textsuperscript{83} Vietnamese leadership supposed that they were confronting a “two-front struggle against a Chinese-led threat” in the North, and “the other in the southwest bordering Cambodia.”\textsuperscript{84} Thus, Vietnam viewed China’s military assistance to the Khmer Rouge as a way to deplete Vietnam’s power in the South. Beijing also sought to stir as much international opposition to the Vietnamese invasion as possible to prevent Hanoi from legitimizing its military acts.\textsuperscript{85} Chang Pao-min observed, “For Vietnam, China’s intransigence has clearly underscored the need to consolidate the interdependence and indivisibility of the three Indochinese nations in defense and other matters. For China, Vietnam’s obstinacy has also exposed the glaring vulnerability of her southern borders and therefore the need to minimize it.”\textsuperscript{86}

Since the emergency United Nations Security Council meeting in March 1979, China did not miss any opportunity in every forum on Cambodian issue to criticize Vietnam of waging a “colonial war in which the strong bullies the weak with the aim of subjugating a small independent nation.”\textsuperscript{87} Both countries twisted their justifications. China condemned the Soviet-Vietnamese cooperation as a hegemonic

\begin{itemize}
  \item \textsuperscript{84} Amer, “Sino-Vietnamese Relations: Past, Present and Future,” 101.
  \item \textsuperscript{86} Pao-min Chang, \textit{Kampuchea between China and Vietnam} (Singapore: Singapore University Press, 1985), 171–2.
  \item \textsuperscript{87} Chang, “Beijing versus Hanoi: The Diplomacy Over Kampuchea,” 599.
\end{itemize}
alliance to contain China and thereby supported Pol Pot-led war against Vietnam as a just war. In retaliation, Vietnam accused China of hegemonic crimes by invading Vietnam.  

That is a war that both the incumbent Chinese and Vietnamese governments do not want to mention. No mainstream or state-sponsored media outlets from both nations run any line about activities or commemorations related to this bloody war.

**The Brief yet Bloody Border War (1979)**

The brief yet bloody war in February 1979 was the culmination of the tense relationship between China and Vietnam since the early 1970s. Daniel Tretiak in his article, “*China’s Vietnam War and Its Consequences,*” argued that the 1979 border war was the consequences of strained relations between the two states, deriving from confiscation of ethnic Chinese property and the expulsion of the Hoa, Vietnam’s alliance with the Soviet Union, and border provocations in 1978, and the last one, Vietnam’s invasion of Cambodia. Brantly Womack offered the same four thorny issues between China and Vietnam.

Lawson claimed that the tensions between China and Vietnam were more than what Tretiak explained. On top of those causes, they might include Vietnam’s

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89 Daniel Tretiak, “*China’s Vietnam War and Its Consequences,*” *The China Quarterly* 80, no. 80 (1979): 740–67 Tretiak calculated data on the Renmin Ribao (People’s Daily) and found out that the Chinese published a full account of the number of provocations that they charged the Vietnamese border guards committed from 1974 onwards: Year 1974 had 121 provocations; Year 1975 439 provocations; Year 1976 986 provocations; Year 1977 752 provocations; Year 1978 1108 provocations; Year 1979 129 provocations.
dominating role in the Laos, the Chinese backing Pol Pot against Vietnam in 1977-78, and the dispute over the Paracel and Spratly Islands in the South China Sea.\textsuperscript{91} Robert Scalapino pointed out the example of China’s invasion of Vietnam in 1979 as a punitive war.\textsuperscript{92} The 1979 bloody war was a stark reminder to Vietnamese leaders that China was always a big country compared to Vietnam. For most of the Vietnamese, the war as what they were told by the Vietnamese government was simply an illustration of Chinese hegemony. Additionally, they arguably believed in the humanitarian cause of Vietnam’s intervention in Cambodia. For whatever reason, the consequence of the 1979 war coupled with Vietnam’s invasion of Cambodia dealt a big blow to a war-torn Vietnam. The war also confirmed the belief of some Vietnamese people that history might repeat itself: China always wants to encroach Vietnam’s territory.

The war also taught Vietnamese leaders two big lessons. The first is that it is always costly for Vietnam to engage in a war with China. It took Vietnam more than one decade to lift up the economy and get out of isolation by the international community. Vietnam had been cut off from the ASEAN and Western world when it totally depended on the Soviet-led bloc in the late 1970s and 1980s. The second is the Soviet Union was not always a reliable friend. The 1979 war also reflected Le Duan’s miscalculated policy in dealing with both the ethnic Chinese in Vietnam and the Chinese government.

The war was preceded by clashes along the borderline between the two countries. China exploited the anti-Vietnamese among some ASEAN countries to stoke fears of Soviet-Vietnamese ties in the region. Soviet-Vietnamese pact in late 1978 challenged the ASEAN’s norm of no military pact in the region. ASEAN countries saw Vietnam-China tensions as the start of “heightened Great Power rivalry with Sino-Vietnamese confrontation aggravating an existing Sino-Soviet rivalry.”

On February 17, 1979, China launched its surprise attack at 26 points along the 1,300km long border. Among 200,000-250,000 Chinese troops with 200 tanks in the border region, 70,000-80,000 were deployed in the original raid with six main thrusts in to Vietnam’s land, especially at Lao Cai and Dong Dang as the two major invasion targets. According to King C. Chen, the nature of this invasion was a “self-defensive counter-attack” since it was “limited in time and space,” and also limited to the ground fighting without use of naval or air forces. China’s military principle was Mao’s strategy with an emphasis on “an absolutely superior force in every battle.” Consequently, it was a brief but bloody war, today known as the Third Indochina War, when it claimed tens of thousands of lives in less than a month. Within hours, Chinese soldiers could advance as far as 16km. In the first few days of the combat, some 4,000 Chinese soldiers in the form of “human waves” were killed. China’s strategy was

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The limited nature of the Chinese invasion might imply that Beijing had been partly hindered by the treaty with the Soviet Union but not to the extent that it could become inevitable.\footnote{Buszynski, “Vietnam Confronts China.”} The exact timing of the Chinese invasion on February 17, 1979 was scheduled to happen on the same day with the visit of VCP chief Le Duan and Prime Minister Pham Van Dong to Phnom Penh to sign the treaty with the Vietnamese-backed Cambodian government. Vietnamese leaders were taken by astonishment with the sudden attack. Thus, during the first few days of the invasion, Chinese soldiers could advance deep into Vietnam’s hinterland due to ill-prepared border guards.

It was reported that the Chinese troops could get as far as 25 km into Vietnam’s land from the borderline. The most ferocious battles centered on the hills around the town of Lang Son. The Vietnamese attempted to avoid engaging in an all-out confrontation with the PLA. They still kept their best soldiers back to protect the capital, Hanoi, 350 km away from the border. They mobilized 150,000 local militia and border guards who conducted guerrilla tactics to bring down the invaders. China claimed to have captured three provincial cities – Cao Bang, Lang Son, and Lao Cai – declared their war a victory. Beijing also announced that they would pull out on March 5, 1979. Nonetheless, the PLA could not penetrate more than 40 km deep into
Vietnam’s territory.\textsuperscript{98} Deng Xiaoping then ordered the withdrawal, announcing that “a lesson had been taught.” Nonetheless, Vietnamese Premier Pham Van Dong then retaliated, “In reality it’s not they who gave us a lesson, but it was we who gave them a lesson.”

Many analysts acknowledged that the war was a Chinese failure, exposing its military weakness. It is obvious that Beijing “failed to force a Vietnamese withdrawal from Cambodia, failed to end border clashes, failed to cast doubt on the strength of the Soviet power, failed to dispel the image of China as a paper tiger, and failed to draw the United States into an anti-Soviet coalition.”\textsuperscript{99} King C. Chen also admitted that China’s border war against Vietnam could hardly be justified for whatever reason. Most ASEAN countries did not endorse a large-scale punitive war waged by China to kick Vietnam out of Cambodia.\textsuperscript{100} Despite Chinese claims, the invasion did not appear to have been “punishment” for the Vietnamese expulsion of the ethnic Chinese people, or invasion of Cambodia or a failed attempt to force Vietnam to withdraw its troops.\textsuperscript{101} It was China, not Vietnam who actually received the lesson.\textsuperscript{102}

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\textsuperscript{98} Han Xiaorong cited Chinese sources, saying that there was no unanimous figure on the death casualties of Chinese soldiers in the border war. One Chinese source says almost 7,000 Chinese were killed and nearly 15,000 were wounded. Another source says 8,531 killed and over 21,000 wounded. The Chinese sources also say the Vietnamese causalities were many times higher. See Xiaorong Han, “Sino-Vietnamese Border War,” in \textit{China at War: An Encyclopedia}, ed. Xiaoqing Li (U.S.A.: ABC-CLIO, 2012), 413. Other Chinese sources said 20,000 casualties for China and 70,000 casualties for Vietnam.
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From another perspective, Chang Pao-min argued that Beijing also knew that they could not force Vietnam to withdraw troops from Cambodia, but what they could do was to overstretch Vietnam through constant support to the Khmer Rouge in Cambodia and keep a big army at the border between China and Vietnam. “By continuing to bleed the Vietnamese for as long as possible,” China expected that Vietnam’s economic size could not afford its military occupation in Cambodia for so long, “thereby ushering in a change either in Hanoi’s basic policy towards Kampuchea or its leadership structure which would eventually also bring about a policy reorientation.” On January 15, 1979, in his talk with Ieng Sary Chinese President Hua Guafeng expressed Beijing leadership’s intentions clearly, “The Cambodian occupation will cost them [the Vietnamese] dearly…. At the international level, the Vietnamese are very isolated. They have difficulties in obtaining foreign aid. They can only rely on the USSR for arms mainly. While the Soviets can help them in arms, they cannot solve their problems of daily life and poverty of millions.” Deng also wanted the Khmer Rouge alive and wage guerrilla warfare to “progressively weaken the Vietnamese.”

In addition, China’s punitive war helped Vietnam realize that the Soviets were bogus and the Treaty of Amity and Cooperation between the Soviet Union and Vietnam was just a piece of paper. Bruce Elleman commented, “One of the primary diplomatic goals behind China’s attack was to expose Soviet assurances of military support to Vietnam as a fraud. Seen in this light, Beijing’s policy was a diplomatic

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105 Ibid., 176.
success, since Moscow did not actively intervene, thus showing the practical limitations of the Soviet-Vietnamese military pact. … China achieved a strategic victory by minimizing the future possibility of a two-front war against the USSR and Vietnam.”

Punitive War vs. Deference

The war was a result of Vietnam’s failure in its balancing policy, totally dependent on the Soviets. It also reflected the negative consequences of power asymmetry. Beijing wanted “to obtain Vietnamese acceptance of the subordination of their own interests within the region to those of China. In this sense the Chinese are attempting to reestablish the relationship in its more traditional form.” The punitive war came as a result of a wounded China’s sense of superiority. Michael Hass explained the border war under the lens of East Asian cultures. He argued that China considered Vietnam to “be culturally inferior” and Vietnam was expected “to pay deference and tribute.”

Denny Roy said, “China’s relationship with Vietnam has been consistent with the traditional Chinese attitude towards smaller peripheral states, but it is also consistent with modern regional hegemony. In both cases, the powerful state demands influence in the smaller state’s affairs and works to prevent it from growing too strong

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or from joining an adversarial coalition.”

The border war was a vivid illustration of a more powerful state asking for deference from a smaller state. When China assertively demonstrates its willingness to be a revisionist power under Xi Jinping’s administration, the 1979 bloody class might work as a deference reminder for Vietnamese leadership.

In 2014, Vietnam’s state-run media remained almost completely muted on the 35th anniversary of the border war. On February 17, 2014, Hanoi government dispersed anti-Chinese protests. Memories of the nearly month-long bloody clash are being erased by the government. Vietnamese leaders do not want simmering anti-Chinese sentiments to damage the bilateral ties.


In 1984, Sino-Vietnamese tensions increased again with clashes along the border, reaching its highest level since 1979. On September 13, 1984, The VCP Politburo issued Act 14, stating that the government would “forbid ethnic Chinese participation in commerce, transport, printing, cultural business, information and operating of schools.” Sino-Vietnamese relations did not show any sign of cooling down. Meanwhile, Soviet-Vietnamese ties grew more intimate. There were sightings of sophisticated Soviet submarines and radar equipment at Cam Ranh Bay and Da Nang, as well as Soviet reconnaissance sorties in the South China Sea. The Soviet military

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109 Roy, China’s Foreign Relations, 194.
presence in Vietnam consolidated in the 1980s when Soviet ships could have unlimited access to the harbors at Danang and Cam Ranh Bays, as well as Soviet reconnaissance aircraft used Vietnamese airfields for their regional sorties. Yet, Vietnam’s foreign policy could not expand beyond the Soviet bloc.

Vietnam’s relationship with the U.S. did not see any progress. The biggest stumbling block was the unresolved issue of American servicemen missing in action (MIAs) during the Vietnam War. On July 9, 1984 Secretary of State George Schultz announced in Singapore that “the prospect of normalization is so far away it is really fruitless to speculate about it.” In 1988, a naval clash occurred between Chinese and Vietnamese maritime forces at the Johnson South Reef (đảo Gạc Ma in Vietnamese). The PLAN opened fire first when the Vietnamese navy tried to raise a flag.

The change of leadership in USSR dramatically transformed the Soviet-Vietnamese relations. Newly-elected General Secretary Gorbachev never had the same relations with the Vietnamese leaders as did Brezhnev, who deemed Vietnamese elites as comrades. Gorbachev was concerned about billion-ruble Soviet aids pouring into the “bottomless pit of Vietnam’s economy.” The Soviet leader grew impatient with Vietnam’s ongoing war in Cambodia since it was a big financial burden for the Soviets. Gorbachev had to figure out a way to disentangle Moscow from the Indochinese problem.

114 Ibid.
One of Gorbachev’s priorities was to improve relations with China. He had to work it out through Vietnam to normalize relations with China. He proposed that Vietnam and China should “sit down and talk in a comradely manner,” which goes against the pre-Gorbachev principle between the Soviet Union and Vietnam that Sino-Soviet relationship must not have improved at the expense of “the third parties.”

Gorbachev also advised the Vietnamese leadership not to “hurry in building socialism.” His implication was very clear: the Soviet Union could not afford Vietnam’s requests for aid any more. In addition, an important part of Gorbachev’s foreign policy in dealing with Vietnam was to improve relations with ASEAN. Gorbachev was cognizant that the unresolved Cambodian issue would be a stumbling block for its renewed interests in ASEAN. In July 1988, VCP General Secretary Nguyen Van Linh met with Gorbachev, and agreed to pull the remainder of Vietnam’s troops out of Cambodia by the end of 1989. Hanoi’s outstanding debt of $8 billion to Moscow and heavy dependence on economic and military aids did not give Vietnamese leaders much choice but to acquiesce Moscow’s terms.

Moscow’s military presence in Vietnam also declined during this period. Gorbachev addressed at Vladivostok in 1986 that the Soviet Union would follow a US withdrawal from its military bases in the Philippines. In 1990, Moscow said that they

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would pull out of their military forces in Cam Ranh Bay by 1992.\textsuperscript{121} Hence, Vietnam lost an important leverage in its relations with the Soviet Union. The sweet bilateral ties between the Soviet Union and Vietnam were going to be over. Meanwhile, Sino-Soviet relations were improving, highlighted by Gorbachev’s visit to Beijing in May 1989.

From the Chinese perspective, Beijing believed that they had enough resources to afford a “protracted confrontation” better than the Vietnamese. Sizeable Chinese troop units were deployed on the Vietnamese border to give Vietnam a quagmire in their northern border and to disperse their forces in Cambodia. Time was also on China’s side as Vietnam’s economy was increasingly crippled. Vietnam had to seek an accommodation with China.\textsuperscript{122} That was an imperative to get Vietnam out of their sand-bogging situation.

4. The Dramatic Turn of 1989-1991

The policy shift was largely driven by the ruling bureaucrats’ concerns about the collapse of the VCP. The demise of the Soviet Union and East European bloc had a huge impact on Vietnamese leadership. Hanoi leaders were afraid that Vietnam could have followed suit if they had not improved relations with China. The rapprochement came on the heels of the low-level contacts for normalization that began in the mid-1980s and upgraded to high-level meetings from early 1989. The first signal was the


Chinese President sent a message of congratulations to his Vietnamese counterpart on the occasion of Vietnam’s 40th National Day anniversary in September 1985.

By the end of 1987, Vietnamese policy to mend ties with China had some preliminary results. Both countries reached a *modus vivendi*.123 In January and May 1989, there were two informal rounds of Sino-Vietnamese negotiations on Cambodian issue, but they were of little success.124 In January 1989, a Deputy Foreign Minister of Vietnam visited China and met up with his Chinese counterpart and China’s Foreign Minister. In May 1989, China and the USSR normalized their full relationship, which prompted Vietnam to mend ties with China. In August 1989, Vietnam’s Foreign Minister Nguyen Co Thach met with China’s Deputy Foreign Minister Liu Shuqing on the sidelines of the first session of the Paris Conference on Cambodia (PCC) at the Chinese embassy in Paris to discuss the nature of interim government in Cambodia before elections, the role of United Nations, and withdrawal of Vietnamese troops.

Foreign Minister Thach, widely known as unfriendly to China, refused to accept China’s proposal for a four-party government.125 The results of the meeting between Nguyen Co Thach and Liu Shuqing came in no surprise, but caused some frictions among Vietnamese leadership between those who wanted to prompt normalization with China and those who wanted to stand up to China. Nguyen Van Linh, the Vietnam Communist Party General Secretary, the most powerful representative of the Beijing-friendly camp, felt uneasy with Thach’s handling of the talk.

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125 Ibid.
In September 1989, Vietnam announced that they completed its promised military pullout from Cambodia, a year earlier than the planned 1990 deadline. However, Beijing said that the withdrawal was a sham and Vietnamese troops had simply changed uniforms to join Cambodian forces.\textsuperscript{126} China was playing an upper hand in discussions for normalization to ask for more “conciliation” from Vietnam.

In February 1990, a Vietnamese delegation quietly came to Beijing to fix the damage. In June 1990, the fourth round of unofficial talks was held in Hanoi when Vietnamese Vice-Foreign Minister Tran Quang Co met with his Chinese counterpart Xu Dunxin. Xu was also the highest Chinese official to visit Vietnam since 1980.\textsuperscript{127} The talk with Tran Quang Co went really well; but when Xu Dunxin met with Nguyen Co Thach, the talk was disaster. The Chinese demonstrated that Thach was the impediment to the normalization process. Consequently, Thach’s adamant anti-China attitude also cost him a Politburo berth in the following Party Congress, which many analysts claimed that his removal was due to Chinese pressure.

On July 18, 1990 American Secretary of State James Baker said that the U.S. would open talks with Vietnam on Cambodia, and stopped recognizing the anti-Vietnamese coalition in Cambodia. Thach later had a confidential talk with Baker in New York, which Thach then told his fellows that Baker was the right person that he could work with.\textsuperscript{128} The informal talk between Thach and Baker could be deemed as a game changer. China had not declined all Vietnamese offers for high-level meetings until July 1990. However, in the wake of Baker-Thach meeting, China accepted a


\textsuperscript{127} Thayer, “Sino-Vietnamese Relations.”

\textsuperscript{128} Ibid., 516.
Sino-Vietnamese summit meeting on the condition that there would be no Nguyen Co Thach on the Vietnamese side.

On September 2, 1990, the 45th National Day celebrations, VCP General Secretary Nguyen Van Linh and Prime Minister Do Muoi flew to Chengdu to have a secret meeting with their Chinese counterparts without the presence of Vietnamese Foreign Minister Nguyen Co Thach. His absence at the summit was an indication that Vietnam showed deference to China because Thach was believed to be tough with China. According to Tran Quang Co – then Vietnamese Deputy Foreign Minister, the Vietnamese leaders let the Chinese side dictate the date, venue, schedule, delegates and contents of the meeting. This was a sign of deference for China.\(^{129}\) Five points were reached during the summit. Upon being interviewed, Nguyen Van Linh was quoted to reply that there had been some misunderstandings between the two countries on the Cambodian issue as well as on bilateral issues and Vietnam attempted to remove misunderstandings gradually.

5. Vietnam’s Domestic Dynamics of Change

Economic Imperatives

The historical examination of bilateral ties between China and Vietnam indicates that domestic political change also facilitated the normalization. Adam Fforde claimed that the Vietnamese have been used to the asymmetries in the relationship, so the problem is not the external threat itself. The point is “domestic political changes to restore an

\(^{129}\) Quang Co Tran, “Hoi Uc va Suy Nghi [Recollections and Reflections]” (Hanoi, Vietnam, 2003).
ability to manage the threat.” The tense relationship with China dealt a heavy blow to Vietnam’s economy. Fifty percent of the state’s budget was allotted to defense-related spending, and in 1989 Vietnam’s military expenditures exceeded the government investment in the economy. A Soviet recalled his conversation with the first secretary of the Ho Chi Minh City’s Party Committee in 1986 that the city’s party chief had to raise pigs in his household to earn extra income. Tran Quang Co, then Deputy Foreign Minister, cited in Nguyen Vu Tung, argued:

Recognizing clearly that economic weakness is the possible source of disadvantages in political, military, social fields and international relations; our Party is determined to lead the country out of poverty and backwardness as soon as possible, thus considering the task of economic developments the top priority…. In this period of historic significance, everything must be serving the goal of economic development.

Economic imperatives were really dominating the Party’s foreign policy. The 6th National Congress of the Vietnamese Communist Party (VCP) held in 1986 marked a turning point in Vietnam’s foreign policy to China. Vietnam launched a policy of economic reform (doi moi), which was similar in nature to the gaige kaifang that China had embraced. According to Alexander L. Vuving, beside the endorsement of renovation (doi moi) in December 1986, the release of Politburo Resolution 13 in May

1988, codifying Hanoi’s turn to the capitalist world was another milestone in Vietnam’s integration in the world.\textsuperscript{134}

In 1987, Vietnamese Politburo Resolution Number 2 marked the “strategic adjustment” in conceptualizing Vietnam’s foreign policy and harbingered Vietnamese troop withdrawal from Cambodia. Politburo Resolution Number 13 issued May 20, 1988 officially stated Vietnam’s new “multidirectional foreign policy.”\textsuperscript{135} It codified “the highest priority of the Party and people is to strengthen and preserve peace so as to focus on economic development and the combination of a strong economy, an appropriate defense capability and expanding international cooperation [that] will provide us with more opportunities to ensure independence and successful construction of socialism.”\textsuperscript{136}

**Vietnam’s Battling Foreign Policy Strands**

Vietnam’s monolithic system with hard grip on power did not mean uniformed foreign policy during this period. Douglas Pike argues that the “private arrangement” is a way that Vietnamese decision makers opt for during a decision process. Pike comments that “the political structure in Vietnam will remain what it was in the past: a Leninist organization within a Confucian construct with little actual input from Marxist thought;
collective leadership by the Communist Party and the same operational code of the Politburo; no policy change made, no actions taken that could lead to the disgrace of any member.”

Vietnam’s political system is “clandestine.” It is covert in the sense that the system is made up of two parts, one visible to the world, and the other invisible to the outside, known only the inside. The inside part is actually negotiations or even struggle between camps with different interests and viewpoints. In the mid-1980’s, it was the struggle between reformers and hardliners.

Carlyle A. Thayer posited that there were two major schools of thought on Vietnamese foreign policy. They had diverging paths in conceptualizing relations with China. One camp argued that ideology should be the backbone of Vietnam’s foreign policy. Hence, upon dealing with China, they strongly supported quick acceleration of bilateral ties since Vietnam and China embraced the communist ideology and one-party rule concept. In addition, the same threat bound them together. They contended that Hanoi and Beijing might face “the peaceful evolution” strategy devised by “hostile Western forces,” led by the U.S. – a gradual non-violence strategy to change the communist regimes. They were afraid that the more Vietnam opened up to the West, the more capitalist ideas will flood into Vietnam. Then the communist rule will be undermined by Western-imbued values to request more freedom and democracy. However, Hanoi leadership knew that “peaceful evolution is not as dangerous as the threat of poverty.”

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The other school, so-called realist strand, advocated better “relations with China within the larger foreign policy context of relations with the world in general. They underplayed the importance of ideology in improving ties with China. They defined Vietnamese foreign policy paths based on national interests. To recap, they were in favor of Vietnam’s friendly relations with all the countries no matter what their ideology is. In the late 1980s after Doi Moi, Vietnamese bureaucrats began to make a dramatic shift in their foreign policy approach. They put more emphasis on national interests and real interests than on ideological bonds. In other words, it is the first step of a broader picture of Vietnamese pragmatic foreign policy pattern. In 1988, Vietnam pronounces that Vietnam should have “fewer enemies and more friends.”

The realist school was considered to be fairly successful to push their multilateral foreign policy concept. In June 1991, the 7th VCP Congress declared, “Vietnam wants to be friend of all other countries in the world community.” This affiliation was also enshrined in their newly revised constitution of 1992, of which Article 14 states clearly that Vietnam pursues “a policy of peace and friendship, and seeks to expand international relations and cooperation with all countries in the world regardless of political and social regime.” In June 1992, at the third plenum of the VCP’s Seventh Central Committee, a new guideline for Vietnamese external relations trajectory was embraced, highlighting the foreign policy of “diversification” (da dang

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139 Carlyle A. Thayer, “Vietnamese Perspectives of the ‘China Threat.’”
and “multilateralization” (da phuong hoa) in post-Soviet era.\textsuperscript{142} As a consequence, by July 1995, Vietnam had established diplomatic relations with numerous important countries and institutions such as China, the U.S. and ASEAN.

Another explanation for the superiority of realist thought during this period was the stagnant economic problems that pushed Vietnam to look for broader foreign relations. The imperatives of economic reforms have underscored the need to “gain access to wider sources of capital, technology and know-how from other countries as well as from international institutions.”\textsuperscript{143} Vietnam knew that foreign policy must serve the purpose of improving Vietnamese livelihoods.

However, it did not mean that there was a consensus in the Vietnamese Communist Politburo on the policy shift. Top leadership debates intensified. There were warnings of the fear of “peaceful evolution” threat within Vietnamese political structure from Politburo officials such as Dao Duy Tung, Nguyen Ha Phan, and Doan Khue. Carlyle A. Thayer noted, “There is a fear about developing close political ties with non-socialist states and the impact this might have on domestic affairs. This results in superficial professions of friendship and cooperation across a spectrum of activities while substantial fail to develop further. Relations are established but not consummated.”\textsuperscript{144} However, the VCP had no way to protect their legitimacy other than to open up to the world, starting with China. It reflected a pragmatic consideration of the reality of living next to a rising behemoth and attempting to take advantage of its

\textsuperscript{142} Hong Ha, “Tinh Hinh The Gioi va Chinh Sach Doi Ngoai Cua Chung Ta [The World’s Situations and Our Responsive Foreign Policy],” \textit{Tap Chi Cong San}, no. 12 (December 1992): 10–12.

\textsuperscript{143} Dahm, \textit{French and Japanese Economic Relations with Vietnam Since 1975}, 32.

economic power. This outlook shaped bilateral relations between China and Vietnam in the later years.
CHAPTER 5 NORMALIZATION OF RELATIONSHIP SINCE THE END OF COLD WAR


The third stage in Sino-Vietnamese relationship began in 1991 when the two countries normalized their diplomatic relations. Vietnamese foreign policy underwent major transformations in the mid-1980s, based on the premise that foreign policy must serve national interests and help lift up the economy. Vietnam’s foreign economic policy was driven by the aid termination from the Soviet Union and the failure of its planned economy. After the collapse of the Soviet Union, Vietnam lost its biggest aid supplier. It can be said that thanks to the Soviet demise, Vietnam realized that it could not afford hostility against China anymore. This notable international political upheaval and systemic shift preceded the Sino-Vietnamese rapprochement. Hanoi decided to mend ties with Beijing with little regard to how much it had to make concessions. Elliot claimed that Vietnam “returned to more traditional ways of dealing with the ‘northern problem’ by patching up and papering over its overt quarrels with China while seeking to find alternative sources of strategic support.”

Given reasoning that China was the dominant power, Vietnam attempted to improve relations with China as the starting point for other diplomatic discussions in the region.

Vietnamese leadership was aware that the new emphasis on economic growth through market reforms required the nation to take a new approach in external relations to rid itself off international isolation, and economic dependency on the Soviet Union.

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and other member nations of the Council for Mutual Economic Assistance (COMECON).² Central to this approach was to mend ties with China. Normalized relationship with China would be the springboard for Vietnam to set up ties with ASEAN and other powers. Besides, Vietnam’s hostile approach with China wrought havoc on the former’s economy and foreign policy.

At the 7th VCP’s National Congress, held in Hanoi from 24th to 27th June 1991, generational shifts in elites helped push some individuals who were opposed to the normalization with China out of the bureaucracy. Noticeably, the Politburo member cum Foreign Minister Nguyen Co Thach was not reelected and stripped of power.³ Nguyen Co Thach was not even reelected into the Central Committee. The new Politburo was totally in support of a better relationship with China. In order to normalize relations with China, the VCP codified their guarantee of all civil rights and civic duties of the ethnic Chinese (Hoa) community, as well as their culture and religion in the reports to the 7th VCP Congress.⁴ The new VCP leadership quickly mended all the problems that led to the rift of Sino-Vietnamese relations and Vietnam’s isolation of the outside world.

The 7th VCP’s National Congress issued a guideline for the country’s foreign policy, highlighting the need for Vietnam to diversify and multi-lateralize its foreign policy. Vietnam wanted “to be friends with all countries in the world community.” Hong Ha, secretary of the VCP Central Committee and head of the Party’s External Relations Department, elaborated on this strategy:

² Ibid.
³ See Hoi Ky Tran Quang Co [Tran Quang Co’s Memoir]
[In international relations] depending on the opposite side, on the issue and at a different point in time, the cooperative side or the struggle side may be more prominent. One-way cooperation or one-way conflict both lead to a losing and unfavorable situation. We push for cooperation but we still have to struggle in a form and at a pace appropriate to each opponent in order to safeguard our people’s interest, establish equal relations that are mutually beneficial and maintain peace.\(^5\)

In September 1991, a newly appointed Foreign Minister Nguyen Manh Cam visited Beijing and this paved the way for a high-level summit in November 1991 for normalization. A high-level summit held on November 5-10 1991 marked the normalization between the two communist countries. Hanoi and Beijing signed the Provisional Agreement on the Settlement of the Bilateral Boundary Affairs. The VCP general secretary Do Muoi and his Chinese counterpart Jiang Zemin issued a statement, underscoring “two sides agreed to settle the territorial and border issues that exist between the two countries through peaceful negotiations.” An eleven-point joint communiqué was issued:\(^6\)

(1) The bilateral discussions were held in a “friendly and candid atmosphere.
(2) While the summit marked the normalization of relations, bilateral relations should be improved gradually.
(3) State relations are to be based on the five principles of peaceful co-existence, while party relations will be based on four principles (independence, complete equality, mutual respect, and noninterference in each other’s internal affairs.
(4) Both sides agreed to promote cooperation in economic, trade, scientific and technological, cultural, and other fields. A trade agreement was signed. The restoration of relations in post and telecommunications, transportation, and other fields was foreshadowed. They also agreed to exchange information and experiences about national development and economic reforms.
(5) Both sides would take necessary measures to maintain peace and tranquility along their border, and encourage border inhabitants to restore and develop exchanges. A provisional agreement concerning border affairs was signed.
(6) Both sides agreed to solve in a proper manner questions concerning nationals residing in each other’s country at an appropriate time.

(7) Vietnam reiterated that it recognizes China as the sole legal government and Taiwan as an inalienable part of China. Beijing expressed firm opposition to any country that has diplomatic relations with China establishing any form of official relations or any contact of an official nature with Taiwan. It also expressed understanding of Vietnam’s position that the latter will only have unofficial economic and trade contacts with Taiwan.

(8) Normalization of relations is not directed at any third country. Neither China nor Vietnam will seek hegemony in any form in the region and both are opposed to any attempt to establish such hegemony.

(9) Both sides welcomed and supported an agreement on a comprehensive political settlement of the Cambodian conflict reached at the Paris International Conference on Cambodia on 23 October.

(10) The new world order should be based on the five principles of peaceful coexistence and the UN Charter. No country should impose its own ideology, values, or mode of development upon other countries.

(11) Vietnam thanked China for the invitation to visit and extended similar invitations to the CCP’s general secretary and China’s premier.

It can be said that the Sino-Vietnamese rivalry officially terminated in 1991 when the two countries renormalized their relationship.\textsuperscript{7} From the Chinese perspective, improving relations with its southern neighbor was a necessary condition for it to concentrate on developing economy. In addition, Vietnamese adoption of China’s economic reform model was a good sign for a better relationship.\textsuperscript{8} Dramatic changes in international political context including the collapse of the Soviet Union and East European bloc as well democratization wave in these countries in part helped to move China and Vietnam close to each other. However, the path of improving bilateral relations was not paved with roses as China as a big powerful power always loomed large at its door. Carlyle A. Thayer quoted a classified report to the Vietnamese National Assembly by Foreign Minister Nguyen Manh Cam in September 1992:


China desires to become one of the pivotal countries in the future. China is adopting a flexible foreign policy in order to become a superpower in the Asian-Pacific region by taking advantage of economic, military, scientific and technical weaknesses in the region, thus creating an image of China which can be judged by international standards – a China which is ready to establish cordial relationships with other countries, a China worthy of its position as a member of the UN Security Council. China has liberalized its foreign policies targeting in particular the United States and Western Europe. It will avoid confrontation with the US except in the direct interests of China.9

In a similar vein, Stern observed, “Senior Vietnamese officials complained of Chinese highhandedness. Beijing’s consistent failure to conduct its relationship with Vietnam in a way that recognized Vietnam’s importance and accorded Hanoi appropriate and deserved respect, China’s continued efforts to dominate the bilateral dialogue on border issues, and to complicate Vietnam’s economy by dumping cheap Chinese goods onto the weak Vietnamese market.”10 Dissatisfaction with China from Vietnamese officials reflected an imbalance of attention in the bilateral asymmetric relationship. The more powerful state does not pay sufficient attention to the weaker state. Meanwhile, the weaker pays over-attention to the stronger state because the impact of any change is much bigger on the weaker.

In February 1992, China passed a law, claiming all the South China Sea areas as its territory. In the same month, China occupied the three-headed rock (Dao Ba Dau in Vietnamese) in the Spratlys. These two incidents triggered fierce protests from Vietnam and other claimants. On June 18-29, at the third plenary session of the Seventh Central Committee, “China threat” theory was resurfacing. Party elders

10 Stern, Defense Relations between the United States and Vietnam, 224.
argued that China and Vietnam were communist brothers, so small conflicts should be
ignored.11

The trip of Chinese Premier Li Peng to Vietnam from November 30 to
December 4, 1992 was considered as a gesture to actively mend the ties between the
two countries. Li Peng assured his Vietnamese comrades that “China will never seek
hegemony nor practice expansionism and at the same time it is opposed to
hegemonism and power politics of all descriptions.”12 Chinese Premier Li Peng and
his Vietnamese counterpart Vo Van Kiet reiterated the resolution of border issues
through peaceful means. The joint statement declared, “Two sides reaffirmed the
agreement achieved on the high-level meeting of the leaders of the two countries to
settle the two country’s territorial and border issues through peaceful negotiations.”13

In October 1993, the two sides signed the Agreement on the Basic Principles for the
Settlement on the Boundary and Territorial Affairs. In November 1994, the VCP party
leader Do Muoi, Vietnamese President Le Duc Anh and his Chinese counterpart Jiang
Zemin agreed “to reaffirm the agreements on the high-level since 1991 to persist in
looking for solutions for the two countries’ territorial and border issues through
peaceful negotiations.”

In November 1994, Chinese President Jiang Zemin visited Vietnam and
proposed a set of guidelines for the bilateral ties: “mingque fangxiang, zhubu tuijin,
daju weizong, youhao xieshang” (clarify the direction, proceed step by step, prioritize

11 Ibid.
the macro-situation, and consult in a friendly manner).\textsuperscript{14} In July 1997, the VCP party chief Do Muoi visited China and the two countries agreed “to try to conclude the treaty on land border and another on the maritime delineation in the Gulf of Tonkin before the end of 2000.”\textsuperscript{15} Nonetheless, unresolved disputes in the South China Sea were still stumbling blocks in the bilateral ties. Upon mentioning Sino-Vietnamese relations, Nguyen Manh Cam, the Vietnamese Foreign Minister, did not forget to include “Chinese provocations” in disputed territory, and supported peaceful negotiations to defuse the tensions. He also reminded that bilateral relations were complicated:

Since early 1992, normal relations have been restored with China after thirteen years of confrontation. However, we have to deal with complications in this relationship because of Chinese incursions into our territory and the agreements signed between our two countries in November 1991. In these circumstances, we have continued to advocate a solution to the problems through peaceful negotiation in order to gradually improve our relations with China. We have endeavored to maintain our relations with China but at the same time to defend our sovereignty and integrity. However, this has been long and complicated process.\textsuperscript{16}

Nguyen Manh Cam’s statement reflected a common perception among Vietnamese leadership that caution in bilateral ties with China was never redundant. With economic targets at the forefront, Vietnam’s foreign policy had a dramatic turn. Then Vietnamese Foreign Minister Nguyen Manh Cam also stated: “Foreign economic policy is now the basic content of our present foreign policy.”\textsuperscript{17} Between 1993 and 1994, this approach became Vietnam’s mainstream foreign policy. Michael Leifer observed, “Vietnam’s political leadership had little alternative but to come to

\textsuperscript{15} Nguyen Hong Thao, “The China-Vietnam Border Delimitation Treaty of 30 December 1999.”
\textsuperscript{16} Carlyle A. Thayer, “Vietnamese Perspectives of the ‘China Threat.’”
\textsuperscript{17} Ibid.
terms fully with a national debility that threatened its political order. A foreign policy of regional and international accommodation became the only rational choice, despite a formal attachment to ideological virtues expressed, for example, in the name of the state, the Socialist Republic of Vietnam.”

The initial stage after normalization was not an easy path for Vietnam. Frictions between China and Vietnam on territorial claims still remained. In September 1992 China sent two oil exploration vessels in to the Gulf of Tonkin, 70km off the Vietnamese coast. The Vietnamese Foreign Ministry spokesperson condemned that China breached the agreement achieved by both countries’ highest leaders. Thayer and Amer argued that the challenge for post-1991 Vietnamese foreign policy was how to balance its relations and not seek a counter-balance to China. Thus, Vietnamese leaders were required to have political acumen, and diplomatic shrewdness to grab this opportunity.

The draft political report for the 8th VCP National Congress publicly issued in mid-January 1996 was deemed a new progress in Vietnam’s foreign policy by underlining “the importance of the restoration of relations with China, the strengthening of relations of ‘special solidarity and friendship’ with Laos, entry into ASEAN and other international and regional organizations, the normalization of relations with the U.S., the establishment of ties with the countries in the

Commonwealth of Independent States, and broadening of links with South Asia, the Middle East, Africa and Latin America.”21 Vietnamese leaders were cognizant of the importance of an improved relationship with China. In parallel, they also wanted to diversify their relations with other countries and organizations. Hanoi’s foreign policy is primarily defined by the economic imperative to be able to hold grip on political monopoly for the Communist Party. With this dramatic transformation, Hanoi leaders demonstrated their pragmatic behavior to the best of their limited ability.22 In addition, individual factor played a role in quick relation improvements with China. Le Kha Phieu, who was considered a conservative ideologue, was elected General Secretary during the 8th CPV Congress. The new CPV leadership prompted a series of breakthroughs in bilateral ties from 1999 to 2001.

2. Normalcy Period (1999-Now)

This period is marked by some milestone territorial agreements between Chinese and Vietnamese governments as well as institutional foundations for enhanced bilateral ties. China and Vietnam reached common understanding on establishing mutually beneficial relations. Womack claimed that this period “can be characterized as one of normalcy, that is, one in which differences are subordinated to a bilateral framework built on the assumption that mutual interests will outweigh differences.”23 Since 1999, Vietnam and China have shared a notion of “constrained disagreement” which means avoiding open confrontation. Factors generating Sino-Vietnamese relationship improvements include the peaceful settlement of land territorial disputes and growing

21 Stern, Defense Relations between the United States and Vietnam, 93.
trade. Joseph Y. S. Cheng argued that Sino-Vietnamese relations in this period were not merely propaganda, but had some remarkable progresses with bilateral territorial agreements. Vietnam’s goals with respect to China include cooperating to maintain stability and peace, opening markets for Vietnamese products as well as a primary source for input materials, machinery and equipment, and negotiating to resolve unsettled disputes.

Bilateral developments in the early and mid-1990s set the stage for both countries to clear some lingering disagreements in the following decade. For the Vietnamese, the bilateral relationship thrived with Vietnam moving to China closer than ever before was under the leadership term of VCP General Secretary Le Kha Phieu (1997-2001). Many Vietnamese nationalists also labeled Phieu as a staunch pro-China leader, playing a big role in concluding some important agreements with China. In February 1999, the Sino-Vietnamese Joint Statement signed during the official visit to Beijing by VCP General Secretary Le Kha Phieu mapped out the trajectory of the bilateral ties: “changqi wending, mianxiang weilai, mulin youhao, quanmian hezuo” (long-term stability, facing the future, good-neighborliness and friendship, and comprehensive cooperation). This 16-word guideline was translated into Vietnamese as “on dinh lau dai, huong den tuong lai, lang giang huu nghi, hop tac toan dien.” This motto encouraged the two countries to shelve the past and focusing on moving toward the future.

Both Vietnam and China successfully came up with the completion of agreements on delimitation and fishery cooperation in the Gulf of Tonkin. On

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December 25, 2000, China and Vietnam signed two agreements in Beijing including the Agreement on the Delimitation of the Territorial Seas, Exclusive Economic Zones, and Continental Shelves of the Gulf of Tonkin (also known as Sino-Vietnamese Boundary Agreement), and the Agreement on Fisheries Cooperation for the Gulf of Tonkin (also known as Sino-Vietnamese Fisheries Agreement). In December 2000, Vietnamese President Tran Duc Luong and his Chinese counterpart also signed a “Joint Statement for Comprehensive Cooperation in the New Century,” in which “both sides will refrain from taking any action that might complicate and escalate disputes, resorting to force or making threats with force.” Taken together, during the first ten years of normalization, China and Vietnam issued six joint statements in 1991, 1992, 1994, 1995, 1999, and 2000 respectively. The intensity and frequency of high-level bilateral talks have been augmented. These statements reaffirmed the use of the government-level talks mechanism to resolve the two countries’ borders and territorial issues. The two countries’ leaders agreed to seek basic, long-term solutions in the South China Sea through consultations and negotiations. On the Vietnam’s side, they adhered to the policy of One China and declined any official ties with Taiwan. The bilateral relationship was coming into the institutionalization stage.

In 2002, during Chinese President Jiang Zemin’s visit to Hanoi, the two countries’ leaders had agreed to deepen party and state relations in the twenty first century. The visit enabled the leaders to touch on so many areas: maintaining high-level contacts, boosting economic cooperation, speeding up the delimitation of the

Sino-Vietnamese land border and negotiations on the agreement on fishing cooperation in the Gulf of Tonkin, pushing the exchange of the party and state experiences, and boosting exchanges between the two countries’ foreign ministries, defense ministries, and youths. China and Vietnam endorsed a framework with four objectives:

(1) To build political exchanges at a variety of levels;

(2) To share their experiences regarding economic development;

(3) To encourage youth exchanges

(4) To strengthen cooperation in international and regional forums.\(^{27}\)

In July 2003, the VCP’s eighth plenum for the first time introduced the concepts of “doi tac” (object of cooperation) and “doi tuong” (object of struggle) as the key guideline in their foreign policy. This means that China could be “doi tac” and “doi tuong” at the same time according to whether Vietnam’s national interests are enhanced or threatened.\(^{28}\) Thus, the hazy nature of differentiation made way for Vietnamese leaders to manipulate their foreign policy.

If we look at the annual bilateral exchange of high-ranking visits, China and Vietnam are getting closer than ever before. The strengthened bilateral relations are demonstrating rapid improvements with the commitments from both governments. A lot of nice political rhetoric has been exchanged. Vietnamese Communist Party’s General Secretary Nong Duc Manh\(^{29}\) said during Chinese Premier Wen Jiabao’s


\(^{28}\) Thayer, “The Tyranny of Geography: Vietnamese Strategies to Constrain China in the South China Sea.”

\(^{29}\) The incumbent Vietnamese General Secretary Nong Duc Manh is considered as an avid advocate of stronger Sino-Vietnamese relations by m
official visit to Hanoi in 2004 that the Vietnam-China friendship has grown up under the cultivation of the old generations of leaders of the two countries. The VCP and government would continue deepening friendly cooperation with China under the guidance of "the 16-word principle" so as to make the two countries "good neighbors, good friends, good comrades and good partners."\(^{30}\)

Between 30 May and 2 June 2008, VCP General Secretary Nong Duc Manh paid his second official visit to the People's Republic of China after the first one in August, 2006. The two sides agreed to develop the China-Vietnam comprehensive strategic partnership of cooperation, firmly keep to the right direction in growing the relations and ensure long-term, stable and healthy growth of the bilateral ties under the guiding principle of *long-term stability, forward looking, good-neighborly friendship and comprehensive cooperation.*\(^{31}\) In November 2009, Vietnam and China concluded three territorial agreements including the Protocol on Border Demarcation and Marker Planting, the Agreement on Border Management and the Agreement on Border Gates and Border Gate Management after years of tense negotiations. These accords were the realization of the 1999 Land Boundary Delimitation Agreement. A joint committee for demarcation was formed in 2001 to plant land markers along the 1300-km borderline. It took China and Vietnam around 8 years to finish the marker planting job and agree on border management.


During the 2013 visit to Vietnam, Chinese Premier Li Keqiang stated, “China and Vietnam have the ability and wisdom to overcome difficulties in bilateral relations, deal with differences and expand common interests.” Bilateral ties reached their lowest point in May 2005 when China deployed its offshore oil rig *Haiyang Shiyou* HD 981 into an area that Vietnam claims its EEZ. Growing Vietnamese popular opposition to the Chinese oil rig lasted for two months. In response, on June 18, 2014, Chinese State Councillor Yang Jiechi took part in an annual meeting of the Sino-Vietnamese Joint Steering Committee that oversees the bilateral comprehensive strategic cooperative partnership. His trip drew lots of attention from Vietnamese media and academic community on how China would resolve the offshore oil rig HD 981 tension. It was expected to defuse the heated flare-up that could escalate at any time. In July, one month later, China unilaterally withdrew its oil platform, announcing that the drilling platform had achieved its mission earlier than expected.

For Vietnam, maintaining stability and good relationship with China, and avoid taking moves to infuriate China are critical to their economic growth. Even though Vietnam protested the stationing of the oil platform, it also attempted to find measures to bring the bilateral relationship back on track. In August 2014, Vietnamese Politburo member Le Hong Anh paid a visit to Beijing to mend ties between the two countries. In September 2014, Vietnamese Deputy Prime Minister Pham Binh Minh took advantage of his visit to the China-Expo and the 11th China-ASEAN Business and Investment Summit in Nanning City to meet with his Chinese counterpart, Zhang

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Gaoli. Deputy Prime Minister Minh underscored the importance of peaceful environment for sustainable economic growth in the region. In October, 2014, at the invitation of Chinese Minister of Defense, General Phung Quang Thanh, Vietnamese Defense Minister, led a delegation of 11 senior generals and 1 admiral to visit Beijing. According to the Vietnamese side, the trip was to “strengthen friendly relations and comprehensive cooperation between the two armed forces and discuss measures to promote bilateral defense relations to maintain an environment of peace, stability, friendship and cooperation between the peoples and armies of the two countries.”

The three consecutive high-level trips made by Vietnamese Politburo members in a short span of time indicated Vietnam’s act of deference to China in the wake of the oil rig crisis.

In January 2015, at a press conference before the 65th anniversary of Sino-Vietnamese diplomatic relations, Nguyen Van Tho, Vietnam’s Ambassador to China, said, “Vietnam has always promoted an independent, peaceful and diverse foreign policy. The country has no reason to cooperate with another country to contain a third one.” In April 2015, VCP General Secretary Nguyen Phu Trong visited China as the top-level effort to mend the ties with China in the wake of the oil platform incident. It was also a deference gesture from Vietnam since Trong would pay a historic visit to the U.S. three months later. Trong’s trip is a clear demonstration that Vietnam wants to improve ties with China.


The result of Trong’s visit is a joint communiqué, which is full of positive words about the ties. The Vietnam-China Joint Statement, in which both countries pledged to “continue persevering efforts to implement good motto “friendly neighborliness, comprehensive cooperation, long-term stability, future-oriented” 35 and the spirit of “good neighbors, good friends, good comrades and good partners,” reflect the political determination of Beijing and Hanoi leaders to main the good relationship for the benefits of both countries. The joint statement emphasizes that both countries share similar values, reaffirming the importance of maintaining good relationship and stability and ensuring that the recent tensions in the South China Sea could not spoil the bilateral ties. For Vietnam, assurances from China, albeit on paper, about friendly neighborliness and long-term stability are crucial to its economic growth. Vietnam needs acknowledgements from China that Vietnam’s interests and economic development are intertwined with China’s. For China, it wants to downplay the importance of disputes and underscore economic linkages and cultural ties with Vietnam.

Also in the joint statement, both countries also promised to “control disagreements over the sea, fully implement effectively the Declaration on the Conduct of Parties in the South China Sea (DOC) and soon achieved a Code of Conduct in the South China Sea (COC) on the basis of uniform consultations, no complicated actions, expanding the dispute; handled promptly and satisfactorily problems maintaining Vietnam-China relations and peace and stability in the South

China Sea.”36 The annual joint statement is fairly comprehensive, touching on overall relations, economic and political relations, territorial disputes, and international and regional institutions.37 The joint statement also acknowledges the importance of bilateral mechanism in the peaceful resolution of disputes in the South China Sea.

Also in the same month, Chinese State Councillor and Public Security Guo Shengkun paid a visit to Vietnam. In July 2015, Chinese Deputy Premier Zhang Gaoli visited Vietnam and underscored with his counterpart the importance of common adherence to the communist party leadership and socialist path as the shared destiny between the two countries. In November 2015, General Secretary of the Chinese Communist Party and Chinese President Xi Jinping visited Vietnam, marking the 65th anniversary of the establishment of the bilateral diplomatic relationship. According to Xinhua, his trip was “of great significance” since it was the first visit by a top Chinese party chief in the last nine years.38 Xi’s crucial visit also helped to ease tensions between Beijing and Hanoi since the May 2014 oil drilling platform incident and Chinese recent land reclamation projects in the South China Sea. For Vietnam, Xi’s trip can be seen as a indication that Vietnam wants to strike the balance in its relationship with both the U.S. and China. However, whatever outcomes brought by President Xi’s visit, China will not likely change its policy in the South China Sea. It might be all about buying time and painting China as a benign giant. Vietnam for its part will continue its hedging strategy to protect its national interests. Especially, after

36 Ibid.
37 Ramses Amer, “China-Vietnam Bilateral Overhang or Legacy,” in Bilateral Legacies in East and Southeast Asia, ed. N. Ganesan (Singapore: Institute of Southeast Asian Studies, 2015), 82.
the May 2014 oil rig incident, Vietnamese leaders knew that the bilateral ties could
not return to the point that they had been. They had no other choice but to maintain
peace and stability with China. Furthermore, they are expanding and deepening their
hedging in order to better respond to future incidents.

3. Management of Border Disputes

Of historical issues, the most intractable ones involve the resolution of territorial
disputes between China and Vietnam. To some observers, China has used peaceful
means to manage conflicts and demonstrated its cooperative spirit in territorial
disputes than is commonly believed. M. Taylor Fravel found out that China has settled
seventeen territorial disputes successfully out of twenty-three since 1949.\textsuperscript{39} Contrary
to Fravel’s argument, Alastair Ian Johnston claims that China is more inclined to use
force in territorial disputes when there is a growing gap between ascribed and desired
international status.\textsuperscript{40} Nonetheless, dramatic improvements were also made in Sino-
Vietnamese negotiations over disputed claims. China and Vietnam had frozen their
talks on resolving overlapping claims for a long time by 1991. China and Vietnam
have institutionalized a mechanism of talks including: high-level (state and party
leaders) talks, foreign minister level talks, government (deputy minister) level talks,
and expert level talks. Top leaders’ determination from both countries expressed in
joint statements really plays a crucial role in solving the disputes.

\textsuperscript{39} M. Taylor Fravel, “Regime Insecurity and International Cooperation: Explaining China’s
\textsuperscript{40} Alastair Iain Johnston, “China’s Militarized Interstate Dispute Behaviour 1949–1992: A First Cut at
The Borderland

The borderland issue between China and Vietnam was a historical legacy dating back to the Qing Dynasty. From 1885 to 1897, three committees were established to discuss the demarcation of the Sino-Vietnamese borderland between the Chinese and the French. The three committees were in charge of three parts of the border areas between three respective Chinese provinces: Guangdong, Guangxi, and Yunnan, and Vietnam. In 1893 the Guangdong-Vietnam Border Agreement was signed, and 33 border markers were planted. In 1894 the Guangxi-Vietnam Border Agreement was signed, and 207 border markers were planted. Two years later, the last border agreement was signed between the Yunnan Province and the French representing Vietnam with 65 demarcating steles.41

On October 19, 1993 China and Vietnam signed an agreement on the principles for settling the land border and the Gulf of Tonkin (Beibu Wan) disputes. This agreement was the first achievement between Vietnam and China in resolving step-by-step disputes. They also agreed to form two expert-level joint working groups to discuss these two issues. Until the conclusion of the Land Border Treaty in December 1999, the land border joint working groups had held 16 rounds of talks.

Both respective National Assemblies ratified the Land Border Treaty in 2000 and it officially took effect on July 6, 2000. The maritime boundary agreement took effect on June 30, 2004.42 According to Nguyen Hong Thao – a member of the joint

41 Chan, Vietnamese-Chinese Relationships at the Borderlands, 31.
working group, the first principle for the negotiations was the joint recognition of the legitimate effect of the two 1887 and 1895 Conventions. “Two sides agreed to compared and redefine the whole of Vietnam-China land borderline founded on the Convention on border delimitation concluded by French and Chinese Empire on June 26, 1887 and the Additional Convention to the Convention on border delimitation on June 20, 1895 and other enclosed documents and map of delimitation and demarcation, confirmed or defined by the above mentioned Convention and the Additional Convention as well as founded on the clearly demarcated marks.”43 With the disputed land area of 227 km², Vietnam got 113 km² and China got 114 km² according to the 1999 Land Border Treaty. Alexander Vuving assumed that “the one-kilometer difference is an indication of Vietnam’s deference to China.”44

On November 18, 2009, the two countries signed the Protocol on Demarcation and planting of land border markers, the Agreement on the regulation on management of border and the Agreement on border gates and regulation on management of land border gates between China and Vietnam. This is considered a huge achievement for both countries in settling their land border dispute. This set of documents replaced the 1887 and 1895 French-Qing dynasty Treaties and the temporary agreement on resolution on affairs in the border areas signed in 1991.

The Gulf of Tonkin (Pan Beibu Wan)

As stated, significant improvements have been made regarding Sino-Vietnamese cooperation in this matter. Formal cooperation has been framed and institutionalized in a set of bilateral agreements. In November 1991, Beijing and Hanoi signed the Provisional Agreement on the Settlement of the Bilateral Boundary Affairs, and in October 1993 the Agreement on the Basic Principles for the Settlement on the Boundary and Territorial Affairs.45

On December 25, 2000 Vietnam and China signed the Agreement on the Demarcation of Waters, Exclusive Economic Zones and Continental Shelves in the Gulf of Tonkin. From the Chinese perspective, Beijing’s initiative to resolve the Gulf of Tonkin disputes through bilateral negotiations and offer to share the Gulf fifty-fifty with Vietnam was a concession.46 Ahead of the agreement, Vietnam and China had 17 rounds of expert-level negotiations starting in 1994. In the first place, Vietnam wanted to use the 1887 Sino-French Agreement to delimit the Gulf of Tonkin but China countered that the 1887 Agreement was only intended to determine the administrative control over the islands in the Gulf and did not apply to the water and the seabed in the Gulf.47 Then, both Vietnam and China agreed to conduct negotiations based on international law. During talks, Vietnam took the position that Vietnamese-controlled Bach Long Vi Island, located in the middle of the Gulf of Tonkin, had full impact


Eventually, Vietnam had to make concessions that Bach Long Vi Island had 50% impact on maritime delimitation. Ramses Amer argues that the political pressure prompted the conclusion of discussion rounds by 2000. On the sidelines of the ASEAN Summit in Singapore on November 25, 2000, Chinese Premier Zhu Rongji and his Vietnamese counterpart Phan Van Khai agreed to speed up the negotiations on boundary demarcation in the Gulf of Tonkin and on fishery arrangement by the end of the year. In the wake of the ninth round of government-level talk in December, 2000, the two governments officially acknowledged achievement on negotiations had been reached. According to the result, Vietnam got 53.2% of the total area of Gulf, and China obtained 46.8%. Nguyen Hong Thao, a Vietnamese expert in territorial demarcation, argued that the delimitation is an “equitable and acceptable solution.”

During the five-day visit of Vietnams’ President to China from December 25 to 29, both countries signed two important agreements: the Agreement on the Demarcation of Waters, Exclusive Economic Zones and Continental Shelves in the Gulf of Tonkin, and the Agreement on Fishing Cooperation in the Gulf of Tonkin. The second Agreement is composed of regulations for the establishment of joint fishing areas, cooperation in preserving the aquatic resources and cooperation in aquatic scientific research. It is a two-step solution for settling fishing disputes and delimiting

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EEZs.49 The fishery agreement sets up three categories of water zones including the Common Fishery Zone (CFZ), the Transitional Arrangement Zone (TAZ), and the Bugger Zone for Small-scale Fishing Boats.50 These two agreements were not ratified until 2004 since there were still disagreements over fishing rights in the Gulf of Tonkin.

In April 2004, Vietnam and China signed the Supplementary Protocol to the Fishery Agreement and the agreement officially took effect on June 30, 2004 when Vietnam and China exchanged documents ratifying the agreement in Hanoi. In July 2004 China and Vietnam signed an agreement on the demarcation of territorial waters, EEZ and continental shelves in the Tonkin Gulf. In January 2006, expert level talks on the delimitation of the maritime area outside the mouth of Beibu Wan initiated.51 It was deemed another remarkable institutionalized step toward management of disputes in the South China.

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Figure 6: Delimitation Line and Joint Fishing Zone (Gulf of Tonkin)\textsuperscript{52}

Source: Asia Maritime Transparency Initiative, at: http://amti.csis.org/maritime-disputes/

4. Vietnamese Public Opinion and Nationalism

Vietnamese Public Opinion of China

James Rosenau believes that public opinion can define the framework for policymaking process. Public opinion sets “the outer limits within which decision makers and opinion makers feel constrained to operate and interact.”\(^{53}\) However, realist scholars tend to downplay the impact of public opinion on foreign policy. Jonathan London, a Vietnam expert at the City University of Hong Kong, claimed that Vietnamese public opinion might not “play a significant role in shaping policies, but the desire for more independent policy is shared across segment of the society.”\(^{54}\) Womack argued, “While it would be a mistake to view the leadership of a party-state as indifferent to public opinion or to particular interests, there is public spontaneity in politics and virtual uniformity of views in public media…. Moreover, central control is strongest on sensitive issues such as international relations.”\(^{55}\) Benedict J. Tria Kerkvliet, a famed Vietnam expert, argued that the VCP’s claim “to be a defender” of the Vietnamese national interests was “in question” since it seems to many Vietnamese that the party and the government have ceded “the nation’s territorial integrity and independence to China.”\(^{56}\) Ole Holsti raised the questions:


Among the most important questions about public opinion are: to what extent, on what kind of issues, under what circumstances, and in what types of political systems, if any, does it have an impact on public policy? If it has an influence, what are the means by which public attitudes make their impact felt by decision makers? These are also the most difficult questions.  

Perceptions of China itself could play an indirect role as calculations and put Vietnam’s perceptions of China can be observed in public opinion polls. Nonetheless, due to the sensitive nature of such a survey, no Vietnamese organizations or media outlets have been conducting public opinion polls on China. The Vietnamese leaders may, or may not, guess the poll results if they do. Hence, it is better for them not to offend the Chinese leadership. In addition, the mainstream Vietnamese media, heavily controlled by the government, avoids transmitting views expressing negative feelings towards China. The Vietnamese government is afraid that antagonistic perceptions towards China broadcast publicly will collide with mutual interests of the bilateral ties between China and Vietnam, so true perceptions of the Vietnamese people are better reflected on foreign media outlets or non-mainstream channels.

Catherin E. Calpino notes the asymmetry in the management of rising nationalism in Vietnam and China. Anti-Chinese sentiment can be more visible in Vietnam than anti-Vietnamese sentiment in China. By the same token, anti-Chinese feelings among Vietnamese, to some extent, can be likened to anti-Japanese.

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nationalism in Chinese public.\textsuperscript{58} It is easy to understand since Vietnamese nationalism is primarily shaped by its long history of resistance against Chinese domination.

The May 2014 offshore oil rig crisis underscored a huge gap between Vietnamese leadership and the wider Vietnamese public in dealing with China.\textsuperscript{59} Hanoi wanted to mend the ties with China and preserve the status quo. It was speculated that the conservative clique led by the VCP general secretary Nguyen Phu Trong disapproved of any possibility to take legal actions against Chinese deployment of the oil rig. They attempted to downplay the crisis in front of the Vietnamese public. Even the Vietnamese Defense Minister Phung Quang Thanh called the incident “a minor disagreement between brothers.” The Vietnamese leaders’ softened political rhetoric flamed the anger among Vietnamese society. “Vietnam’s top leaders should call a news conference, and top leaders should clearly demonstrate their attitude so that the Vietnamese people can know what they are thinking.”\textsuperscript{60} MacLean noticed that,

In recent years, official efforts to reduce lingering tensions between the two states (in part through demarcation of their shared land and maritime boundaries) have contributed to the re-emergence of patriotic discourse distinct from officially sponsored national ones. For these individuals, patriotism offers an attractive alternative to maritime nationalism, which is closely associated with the Party/state, as well as to rights-based discourse, which is vulnerable to accusations that it is Western in origin and thus culturally inappropriate. Patriotism, by contrast, predates both and is seen by those who use it to offer an authentically Vietnamese (or Chinese) position from which to mount moral critiques of the Party/state, particularly where its policies are believed to undermine the nation’s territorial integrity and security.\textsuperscript{61}

\textsuperscript{58} Catherin E. Dalpino, “China’s Relations with Vietnam: Permanently Caught Between Friend and Foe?,” in \textit{China’s Internal and External Relations and Lessons for Korea and Asia}, by Jung-Ho Bae and Jae H. Ku (Korea Institute, 2013).


\textsuperscript{61} Kenneth MacLean, “From Land to Water: Fixing Fluid Frontiers and the Politics of Lines in the South China/Eastern Sea,” in \textit{China’s Encounters on the South and Southwest: Reforging the Fiery 145
In recent years, growing numbers of average Vietnamese people have become fretted by their leaders’ over-accommodating and solicitous attitudes toward China. The spectrum of variations between the leaders and citizens in dealing with China is getting bigger. Meanwhile the leadership is still preoccupied with the question of how best to maintain good relationship with the Chinese government; the popular level opinions seem to be overtly direct: escape from China’s orbit (thoát Trung). The Vietnamese frustrations can be understood by unresolved territorial disputes in the South China Sea, and floods of cheap, low-quality Chinese-made products in Vietnamese markets killing locally made products. In Vietnam, there have been so many rumors about Chinese conspiracies, especially centering on the mean, cunning Chinese merchants.

Public Opinion Polls

Public opinion polls gauge sentiment at a single time slot and they cannot reflect the public sentiment in a larger time frame. Besides, they might be biased by the way questions are framed. However, there has not been much change in Vietnamese public views of China. Vietnamese public have the inclination to view China with a deep-running suspicion. The suspicion might be rising or declining in proportion to Chinese foreign policy towards Vietnam. In recent years, the Vietnamese negative view has been centered on Chinese behavior in the South China Sea. In the 2014 Pew Research


Poll, the main findings among the general public showed their negative views of China. Pew Research Center conducted a poll among Asians also revealed that Vietnamese had the highest percentage of opinions (74%) considering China as a threat in Asia, surpassing the Japanese and Filipinos. 30% of Vietnamese viewed the United States as the country they can rely on as a dependable ally in the future.63 More or less, Vietnamese public opinion is exerting growing pressure on the Vietnamese government across a broad range of issues, especially foreign policy. Even though the Vietnamese government will be the key domestic determinant of bilateral relations, it does not mean that they could completely turn deaf ears to vocal anti-Chinese sentiments.

Table 5: Which Country is the Greatest Ally/Threat?

<table>
<thead>
<tr>
<th>Which Country is the Greatest Ally/Threat?</th>
<th>Top choice (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>U.S. (62)</td>
</tr>
<tr>
<td>Philippines</td>
<td>U.S. (83)</td>
</tr>
<tr>
<td>Vietnam</td>
<td>U.S. (30)</td>
</tr>
</tbody>
</table>

Source: Spring 2014 Global Attitudes Survey
Pew Research Center

Also in this poll, 84% of surveyed Vietnamese were worried that China’s territorial ambitions could lead to military conflict in the region. This percentage is only behind the Philippines (95%) and Japan (85%).

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Stein Tonnesson confirmed, “Hardly any Vietnamese is in doubt that the main threat to Vietnam’s national sovereignty comes from China’s rising power.”

Duong Trung Quoc, a known Vietnamese historian and deputy of Vietnam’s National Assembly, said to NPR, “China thinks it is at the center. The conquerer. It wants to turn everybody else into its subordinates. Don’t believe China when it appears to be playing nice. It’s a trap. The Vietnamese should know.” There has been increasingly vocal Vietnamese public opinion on China’s assertive behavior in the South China Sea. They asked the Vietnamese government had to do more.

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In the latest survey conducted by Pew Research Center in June 2015, roughly three-fourths of Vietnamese (74%) responded that it is “more important to be tough with China” on territorial disputes than it is to have a robust economic relationship with China. This figure is much higher than that of South Korea, Japan or the Philippines, which are also having territorial disputes with China. It is understandable why 71 percent of the Vietnamese support increased American presence in the Asia-Pacific.66

Table 6. Relations with China: Which is More Important?

<table>
<thead>
<tr>
<th>Countries</th>
<th>Being tough with China on territorial disputes</th>
<th>Having a strong economic relationship with China</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>74</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>South Korea</td>
<td>56</td>
<td>40</td>
<td>4</td>
</tr>
<tr>
<td>Japan</td>
<td>46</td>
<td>45</td>
<td>9</td>
</tr>
<tr>
<td>India</td>
<td>44</td>
<td>37</td>
<td>19</td>
</tr>
<tr>
<td>Philippines</td>
<td>41</td>
<td>43</td>
<td>16</td>
</tr>
<tr>
<td>Indonesia</td>
<td>38</td>
<td>36</td>
<td>26</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7</td>
<td>83</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Spring 2015 Global Attitudes Survey
Pew Research Center

5. Vietnamese Nationalism

Anti-Chinese undertones of Vietnamese nationalism have worked as a simmering undercurrent in Vietnamese domestic politics. There are sharp divisions among Vietnamese people and leaders on fundamental issues relating to China, underlying the proclivity that opinions can be divided toward the extremes, omitting the middle.

Multiple Vietnamese politics observers argue that Vietnam’s leadership is split over foreign policy issues between a so-called pro-China clan and a pro-Western clan. This divide is largely attributed to the difference over the loyalty to orthodox Communist ideological views and pragmatic views with an emphasis on structural reforms by moving closer to the West. China is considered as a big brother with same ideological affiliation and the spirit of proletariat internationalism, so Beijing has become the magnet for a faction of Hanoi’s leaders. These leaders have grown suspicions towards the West (especially the U.S.).

There is a strong belief among Hanoi’s leadership that social stability and regime legitimacy are always the top agenda items. The VCP leaders are “highly attuned and sensitive to signs of popular discontents.” Hence, nationalist protests should be staged with the state approval. The Vietnamese nationalist view believes that the government should be less weak towards China in the South China Sea. These nationalist people also hold the view that a more assertive diplomatic stance coupled with more weapon purchase would be a must. Chu Hao, retired deputy minister of science and technology, said in an interview to Foreign Policy, “Despite government attempts to reinforce its authority and foster [faith in the government], its numerous limitations and shortcomings remain, prompting people to believe less and react more.”

The current Vietnamese leaders “have two choices: get closer to people’s lives and be

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67 Claire Sutherland, Nationalism in the Twenty-First Century: Challenges and Responses (China: Palgrave Macmillan, 2011), 82.
more democratic. Or, to continue the crackdown and lack democracy. If the latter is chosen, the regime could collapse quickly.”

There is another dimension to the nationalism issue. The Vietnamese officials might also be scared that the anti-Chinese sentiments will be exploited by external forces that are hostile to the communist government to step up their demands for a new government that could challenge China in the South China Sea. They are inclined to embrace Prussian policies and tight political control to “maintain their feisty independence” from China. John D. Ciorciari and Jessica Chen Weiss also argued that in an authoritarian state like Vietnam, anti-Chinese protests “can serve as portals for the expression of broader social and political grievances.” Varying perceptions of China can be seen in the way the Vietnamese government has dealt with anti-Chinese protests. Sometimes, the leaders allow small-scale anti-Chinese protests right in the wake of some Chinese provocations in the South China Sea, but they are also swiftly dismissed because the leaders are afraid of these protests turning into anti-government policy in the South China Sea issues.

Michael Peel and Demetri Sevastopulo, journalists at the Financial Times, noted that Hanoi took advantage of Vietnamese nationalism by adopting two measures at the same time: “allowing extensive media coverage and rare public protests against

69 Kaplan, Asia’s Cauldron: The South China Sea and the End of a Stable Pacific.
China.” Normally, anti-China protests have often been cracked down heavy-handedly by the Vietnamese government, in order not to make China feel offended. Hanoi’s crackdown of popular nationalism is surprising to many because the VCP’s “rise to power and past victories against external interventions are widely believed to have drawn from the tradition of anti-Chinese invasion.” It is the asymmetric nature of the relationship that makes Hanoi leaders so sensitive to any anti-Chinese protests. The weaker side is always over-attentive to the response from the more powerful one.

Vietnamese leadership does not want to let anti-Chinese protests further deteriorate Sino-Vietnamese relations and to avert the risk of protesters shifting their anger toward the Vietnamese Communist Party. They absolutely do not want these protesters to grow into an organized opposition group, which might challenge their power legitimacy. Furthermore, Hanoi has the firm belief that political stability under their authoritarian rule is one of the key factors to attract FDIs and maintain a sustained economic growth. FDIs are playing an increasingly important role in Vietnam’s economy since the country has not regained the economic growth of approximately 7 to 9 per cent a year in the 1990s and early 2000s following the 2008 financial crisis. Rising inflation, inefficient public expenditures, mismanagement of big state-run enterprises, waste of resources, and persistent trade deficit have fueled Vietnamese public discontents.

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Hence, good economic performance is a very important, if not the most, source of legitimacy for the Vietnamese ruling bureaucrats. They are deeply aware of it, and do not want to risk any social instability that might lead to any big financial and capital outflows.

Upon using iron fists on anti-Chinese nationalists, the Vietnamese government received muzzled domestic criticisms for being too weak and humble before China. For many Vietnamese, close integration with China translates into a shameful loss of sovereignty and autonomy. They fear that Vietnamese leaders’ deference to China will undermine Vietnamese independence in foreign policy to the benefits of Chinese national interests. Harsher critics claim that the VCP failed to sufficiently provide territorial integrity for its national interests offshore. A rising anti-Chinese sentiment in Vietnam has not been able to be neglected by Vietnamese policy makers in recent years. Vietnamese nationalist impact has become more evident. In 2007, widespread anti-Chinese protests in big cities erupted when China’s NPC passed a law creating the Paracel and Spratly Islands into a county-level city under Hainan province.73

In 2012, when China declared Sansha city in the Paracel Insland, claimed also by Vietnam, its newest municipality, anti-China sentiment rose in Vietnam. A protester in Hanoi said in 2012 in angry voice, “Germany invaded Poland during the second world war, now China wants to do the same with Vietnam. History may repeat itself if the international community is not made aware of Chinese bullying.”74 In 2014,

the anti-Chinese protests resurfaced when the Chinese offshore drilling rig was deployed near Paracel Islands, which the Vietnamese believe to be a Chinese provocative action. These protests happened in big cities without any harmful physical confrontations between protesters and police forces. Nonetheless, two big violent riots occurred later in Binh Duong and Ha Tinh Provinces are the worst protests that Vietnam has experienced in years. Thousands of Vietnamese rioters looted and torched hundreds of foreign-owned factories, which are mostly Taiwanese.

The dual policy line of allowing media coverage but restricting public protests got backfired when thousands of Vietnamese people vented their rage and frustrations at numerous industrial parks in Central and Southern Vietnam in the wake of Chinese oil rig deployment in the maritime area also claimed by Vietnam. These protests exceeded the government’s control. Some commentators made an analogy of “the national genie in Vietnam now well out of the bottle.” Vietnamese Prime Minister Nguyen Tan Dung spread the text message to every cell phone user in Vietnam, warning: “Bad elements should not be allowed to instigate extremist actions that harm the interests and image of the country.” He also encouraged Vietnamese citizens to express their patriotism within the legal framework.

When the Vietnamese fishing vessels were detained by the Chinese patrol boats, Vietnam’s reaction to these arrests is to play down the nationalistic reaction. Gred Torode from the South China Morning Post also observed, “Vietnam’s Foreign Ministry has lodged formal protests while its state press, a less sophisticated but

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unequally unstable variant of the mainland model, has churned out tales of woe from grieving relatives waiting for news. Under pressure from annoyed Chinese diplomats, Vietnamese government officials have tried to keep nationalistic tensions from spilling over into street protests. Vietnamese leaders want to represent the national interests to handle the issue with China and do not let anti-Chinese groups complicate the situation. It reflected what the Vietnamese elites have thought for long. Ms. Ton Nu Thi Ninh, then deputy head of the National Assembly’s External Relations Committee, said in 2006 that Vietnam’s relations with China have “never been so good. But that doesn’t mean they’re perfect. Everyone knows that we have to keep a fine balance.”

Economic issues will also add fuels to Vietnamese nationalism as Vietnam’s increasing dependency on the economic relationship with China, the negative ecological impacts of Chinese investments, and the worsening imbalance of trade. The VCP used to rely on its wartime legacy, historical figures such as Ho Chi Minh and Vo Nguyen Giap to bolster its legitimacy, but bad living standards, and over-dependency on China are threatening the VCP’s performance legitimacy.

It is likely that these anti-China sentiments will increase in the next few years in face of the hardline foreign policy decisions undertaken by Chinese President Xi Jinping. As a matter of consequences, these sentiments have been inflated by the influx of low quality, cheap Chinese goods, Vietnamese government’s inconsistent policy in dealing with China, and by unpredictable Chinese behaviors in the South China Sea.

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Vietnamese consumers in big cities like Hanoi and Ho Chi Minh City increasingly avoid buying Chinese products and look for Thai consumer imports as an alternative. Hoang Anh Tuan, director of the Institute for Foreign Policy and Strategic Studies at Vietnam’s Diplomatic Academy, was quoted as saying “China underestimates the power, strength, will and nationalist sentiments of its opponents.” It is getting more obvious that the Vietnamese leaders are increasingly factoring in public opinion into their foreign policy. For the Chinese leaders, they cannot ignore the nationalism factor either. Jing Huang and Sharinee Jagtiani warned, “Despite strong communist party links between Vietnam and China, neither government can overlook the political implications of rising nationalism at home.”

CHAPTER 6 VIETNAMESE ENGAGEMENT

This chapter raises major questions regarding the role of a weaker state and its capacity to be proactive in engaging the stronger state. It also manifests how Vietnamese policy makers believe that getting closer to China will be advantageous for Vietnam.

1. Party-to-Party and State-to-State Engagement

The deepest engagement between China and Vietnam has occurred in the area of party-to-party relations. The conservative group in Vietnamese leadership, normally headed by the VCP General Secretary, tends to deem ideological bonds as unique since China and Vietnam are the few remaining countries in the world that still embrace the communist path even though their Chinese counterparts may not share the same view. The Vietnamese Communist Party has modeled the developments of the Chinese Communist Party for its economic reforms without political liberalization. Hanoi leaders perceive longstanding threats to their rule from democracy activists, political dissidents, and hostile “Western forces,” which Vietnamese conservatives call “peaceful evolution” (dien bien hoa binh) – a term borrowed from the Chinese Communist Party. This linkage has acted as “a stabilizer in Sino-Vietnamese relations in recent years, even as Hanoi alternates between accommodating and standing up to Chinese maritime aggression in the South China Sea.”

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In return, Beijing also “views its party convergence with Vietnam as an asset in keeping Hanoi within its ‘sphere of influence.’ In this sense, the value of the party-to-party relationship is more geopolitical than ideological.”

Luttwark offers another explanation, “The close similarity between the ideology and inner-party relations of the local Communist Party (VCP) and those of the Chinese Communist Party (CCP) and their joint inheritance of Leninist methods, Stalinist techniques, and secret police tricks, only sharpens the resolve of VCP leaders to resist CCP intentions for Vietnam.” It is too naive to suppose that the ideological convergence feeds easily into foreign policy convergence. However, the common ideology between China and Vietnam has created the foundation for other areas to develop cooperation. In early September 1990 a low-profile high-level meeting was held in China. During this meeting, Nguyen Van Linh, the VCP General Secretary, was reported to suggest an ideological alliance to defend socialism and oppose against American imperialism but China declined.

The rebuff did not dampen Vietnam’s willingness to repair relations with China. There have been so many speculations about schools of thought within the Vietnamese leadership. There might be one camp including the military and ideological party conservatives who want to move the Sino-Vietnamese bilateral relationship beyond mere normalization. Nonetheless, for whichever country they lean

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to, Vietnamese leaders agree on the principle that good relationship with China is crucial to Vietnam’s national interests.

In an effort to increase clarity about Vietnam’s intentions and promote what Vietnam claims as “a traditional brotherly relationship,” Hanoi has embarked on a wide range of official dialogues with Beijing from high-profile to military dialogues. Vietnam and China have established the mechanism of annual high-level visit exchanges since 1991, seeing 35 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. The cooperation has spilled over to other levels and fields. The early 1990s started to witness ideological exchanges between Vietnamese and Chinese scholars in joint conferences and joint publication of reference books on socialism and the communist party governance.⁵ Frequent visits to enhance mutual understanding were made in this period. It is estimated that between 1990 and 1992, there were 219 visits for political purposes between the two countries.⁶

These bilateral efforts have established understanding between Beijing and Hanoi, allowing both nations to put aside the past and look forward to what the future may hold. In July 1992, the VCP’s Central Committee Resolution 3 was released internally and then replaced by the VCP’s Central Committee Resolution 8 of July 2003. The former listed the United States as Vietnam’s “strategic enemy,” while China was labeled as Vietnam’s close friend.⁷ In March 1992, internal party affairs delegations from both countries met up in China to exchange views on party building

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in the context of domestic economic reform and their respective reform policy. In May 1992, Nguyen Van Linh in his capacity as a senior advisor to the Central Committee, visited China and held talks with Chinese party chief Jiang Zemin and Premier Li Peng. During Linh’s visit to China, Beijing signed an agreement with the US company Crestone Energy Corporation, granting it the right to conduct offshore exploration in an area also claimed by Vietnam. It is insulting to Vietnam that the agreement was inked in the Great Hall where Linh was greeted a few days later.

In 1997, during the visit of Vietnamese Communist Party General Secretary Do Muoi to Beijing, he and his counterpart, Jiang Zemin, agreed to set the deadline to resolve land border issues and delimit the Gulf of Tonkin by the end of 2000. Bilateral political relations between Vietnam and China were elevated to a new level during the trip made by VCP’s General Secretary Le Kha Phieu to Beijing from February 25 to March 3, 1999. Le Kha Phieu was believed to say in the reception, “Since its establishment, and especially during 20 years of reform and open-door policies, China has obtained great achievement. I would like to seize this opportunity of my trip to study China’s experiences in building socialism with Chinese identity.”  

At the summit, both party chiefs upheld a fourteen-character slogan calling for “long-term, stable, future-oriented, good-neighborly and all-round cooperative relations.” Carl Thayer noted that the summit was held on the twentieth anniversary of the brief Sino-Vietnamese border war. Whether it was a coincidence or on purpose, the Sino-

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8 Kenny, Shadow of the Dragon, 81.
Vietnamese relationship under Vietnam’s VCP General Secretary saw a more intimate cooperation than ever before.

The belief that China is a model of development is strongly reinforced by some Vietnamese conservative ideologues who wish to find an Asian model for their ideological path. Noted for being a communist conservative, Le Kha Phieu, a conservative ideologue, was the VCP general secretary who suggested China and Vietnam should hold regular joint consultations on ideology. The first joint discussion was held in 2000 when the VCP ideology Chief Nguyen Duc Binh insisted China to consolidate solidarity among the socialist countries.  

Unfortunately, General Secretary Le Kha Phieu could not secure his second term due to rising unpopularity in the party. Nong Duc Manh, who succeeded Le Kha Phieu as the VCP General Secretary, did not change his predecessor’s Vietnam’s China policy. He still lauded the bilateral relationship as “comrades plus brothers.” He also pledged that Vietnam would implement the bauxite mining projects with China in Vietnam’s Central Highlands. Not unlike his predecessors – Nguyen Van Linh, Do Muoi and Le Kha Phieu, Nong Duc Manh realized that maintaining good relationship with China was the key to securing peace and stability on Vietnam’s border periphery, and keeping good relationship with a very important trade partner. However, Vietnam’s dependence on China has risen in proportion with its improved relations with China.

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. The

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10 Ibid., 14.
exchange of party delegations is another channel of augmenting bilateral ties. In March 2009, Pham Quang Nghi, VCP Politburo member and Hanoi Party Committee chief, met up with his Chinese counterpart, Liu Qi, in Beijing. In reciprocity, a Chinese delegation from the CCP Central Committee’s Organization Department visited Hanoi in June 2009. Two months later, both parties also sent their delegations to each other’s country to exchange views. Matthieu Salomon and Vu Doan Ket noted that Vietnamese officials and bureaucrats are learning Chinese experiences in political reforms, “especially the progress of local elections” with high interests. Some were so infatuated with Chinese institutional model during their study trips to China. Hanoi leaders assumed that they could learn much from China’s experience in dual controversial jobs: economic liberalization without dramatic political reforms.

Political and ideological engagement is a channel for Vietnamese leaders to show deference gestures in face of mounting tensions in the South China Sea. Kim Ninh claimed that despite the fact that “China remains the biggest external security threat to Vietnam… Vietnam is doing its best to cultivate friendly bilateral relations and is engaging in talks over a number of contentious issues between the two countries.” Hanoi leaders attempt to maintain their tight grip over anti-China nationalism among public. They have jailed some Vietnamese activists who fiercely denounce the government “for not being tough enough with China.” For Vietnamese leaders whether they believe in ideological linkages or not, maintaining friendship with China is crucial for economic growth and security.

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13 Roy, Return of the Dragon, 117.
Frequent high-ranking visit exchange is an effective way to deepen the relationship. Chinese Premier Li Keqiang claimed, “High ranking official visit and exchange between the leaders of two countries play an extremely important role that cannot be replaced.”\(^\text{14}\) The bilateral engagement has become an immediate cushion for new flare-ups between the two countries. In October 2011, VCP General Secretary Nguyen Phu Trong visited China in an effort to cool down bilateral tensions that had flared up because of Chinese vessels cutting cables towing the sonar array of PetroVietnam’s boats in the South China Sea a few months earlier. In August 2014, VCP Standing Secretary Le Hong Anh came to Beijing as a special envoy of the party boss to defuse tensions coming out of the oil rig deployment in Vietnam’s EEZ in May 2014. Meanwhile, Chinese State Councilor Yang Jiechi came to Vietnam twice before and after Anh’s visit in June and another in October 2014. Following Anh’s visit, both sides were reported to agree on three points: (1) leaders of the two communist parties and states will maintain their strengthened guidance on developing bilateral ties (2) interparty communications will be enhanced; and (3) the two countries will keep consensus on maintaining peace and stability in the South China Sea. In November 2014, Vietnamese President Truong Tan Sang also met with his Chinese counterpart Xi Jinping on the sidelines of the 22\(^{\text{nd}}\) Asia-Pacific Economic Cooperation (APEC) Meeting in Beijing in a series of efforts to repair ties between two countries’ top leaders. In December 2014, CCP Politburo Standing Committee member Yu Zhengsheng paid a visit to Vietnam. The series of bilateral visits sends a message that

both Chinese and Vietnamese leaders have seriously strived hard to defuse heated
tensions.

When VCP General Secretary Nguyen Phu Trong visited China in April 2015 –
three months before his historic trip to the U.S., a senior journalist from Indonesia
commented on Trong’s trip to China as a “breakthrough” in cooling down tensions
between the two countries. Chinese President Xi Jinping told Trong of the cooperation
Vietnam, Hanoi leaders have been playing a smart diplomatic game, which is called
“diplomatic balancing.” Hanoi has been sending strong signals to Beijing that if China
continues its assertiveness, it will look west to seek strong support from the US and
theory consolidated the premise that Vietnam had to pay deference to China. “Trong’s
forthcoming visit demonstrates Vietnamese deference to protocol – in coming to the
‘Middle Kingdom’ [China] first… And this places Vietnam in a good position to gain
also know this fact and do not have much objection to their leaders’ deferential visits
to China because they are deeply aware of the long twists and turns of history between
two countries.
Chinese media was trying to depict a rosy outlook of the relationship. An op-ed on the Xinhua lauded General Secretary Trong’s trip as an excellent opportunity to deepen friendly ties between China and Vietnam since “their geographical proximity, economic complementarity, cultural affinity and ideological similarity, not to mention their long history of supporting each other, suggest that they form a natural community of common destiny.” The joint communiqué issued during the visit highlighted the similarities between China and Vietnam in political systems and political paths, as well as the notion of “co-prosperity” and “co-development.” Even though there was no visible improvement seen from the trip, it helped bring the bilateral relations back on the right track. Furthermore, the communiqué signals that past tensions between China and Vietnam should not be seen as an obstacle to advancing substantial ties.

Vietnamese officials often speak of the importance of frequent exchange of visits to understand each other’s expectation and frustration. For Vietnamese leaders, enhancing state-to-state engagement with China will advance regional stability and peace. However, asymmetry and deference also prevail in the exchange of visits. From 1991 to November 2015, there were 25 visits to China made by top-level Vietnamese leaders; meanwhile there were 11 top-level visits from China. During the period of 2006-2009, no top-level Chinese leadership paid a visit to Vietnam. Until November 2015, Chinese President Xi Jinping visited Vietnam for the first time since he took power in 2012. President Xi said Beijing would cooperate with Vietnam to manage differences in the South China Sea. During his address to the Vietnam's National

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Assembly, President Xi also shirked mentioning the South China Sea. Nonetheless, he did not avoid addressing the elephant in the room in his talk with Vietnamese Prime Minister Nguyen Tan Dung that China and Vietnam “needed to manage disagreements well, using consultations to maintain (and) preserve stability on the seas.”¹⁹ Xi’s words indicate that China does not want to let the sovereignty claim disputes in the South China Sea undermine the ties. Yet, there is little substance resulted from his trip either.

On the Vietnamese side, Vietnamese President Truong Tan Sang and VCP General Secretary Nguyen Phu Trong have visited China three times altogether. It is also noteworthy that while Trong was visiting China, Vietnam was concurrently hosting U.S. naval ships in Da Nang for annual activities.²⁰ During Chinese President Xi’s visit to Vietnam, Hanoi also received Japanese Defense Minister Gen Nakatani for discussions on boosting naval and maritime cooperation. The game is still going on between China and Vietnam when the stronger tries to influence the other, and the weaker is attempting to promote its interests. Even though pundits and observers may argue that ideological affinity comes under the guise of realpolitik when national security and interests are indeed their utmost priority, it is undeniable that frequent exchanges of high-ranking visits are a realistic demonstration of how important China and Vietnam perceive the role of party-to-party and state-to-state relations in defusing tensions and boosting ties. According to Zhang Minliang, professor at China’s Jinan University, another reason that pushes Vietnamese communist leaders to lean to China

is, “China and Vietnam share communist ideology, with Hanoi being clear that only Beijing will help it to sustain its regime when it is facing challenges like the Jasmine Revolution.” This observation is also shared by a number of Vietnamese officials who look to China as a model to deal with domestic challenges from democracy activists. Vietnam’s relationship with China is a pragmatic calculation of how to remain unscathed against internal and external problems by top Hanoi leaders.

Table 7: Exchange of High-level visits between Vietnam and China, 1991-May 2015

<table>
<thead>
<tr>
<th>Date</th>
<th>Visits by Vietnamese leaders to China</th>
<th>Visits by Chinese leaders to Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1991</td>
<td>General Secretary Do Muoi and Prime Minister Vo Van Kiet</td>
<td></td>
</tr>
<tr>
<td>December 1992</td>
<td>Premier Li Peng</td>
<td></td>
</tr>
<tr>
<td>November 1993</td>
<td>President Le Duc Anh</td>
<td></td>
</tr>
<tr>
<td>November 1994</td>
<td>President Jiang Zemin</td>
<td></td>
</tr>
<tr>
<td>November 1995</td>
<td>General Secretary Do Muoi</td>
<td></td>
</tr>
<tr>
<td>June 1996</td>
<td>Premier Li Peng</td>
<td></td>
</tr>
<tr>
<td>July 1997</td>
<td>General Secretary Do Muoi</td>
<td></td>
</tr>
<tr>
<td>October 1998</td>
<td>Prime Minister Phan Van Khai</td>
<td></td>
</tr>
<tr>
<td>February 1999</td>
<td>General Secretary Le Kha Phieu</td>
<td></td>
</tr>
<tr>
<td>December 1999</td>
<td>Premier Zhu Rongji</td>
<td></td>
</tr>
<tr>
<td>September 2000</td>
<td>Prime Minister Phan Van Khai</td>
<td></td>
</tr>
<tr>
<td>December 2000</td>
<td>President Tran Duc Luong</td>
<td></td>
</tr>
<tr>
<td>November 2001</td>
<td>General Secretary Nong Duc Manh</td>
<td></td>
</tr>
<tr>
<td>February 2002</td>
<td>President Jiang Zemin</td>
<td></td>
</tr>
<tr>
<td>April 2003</td>
<td>General Secretary Nong Duc Manh</td>
<td></td>
</tr>
<tr>
<td>May 2004</td>
<td>Prime Minister Phan Van Khai</td>
<td></td>
</tr>
<tr>
<td>October 2004</td>
<td>Premier Wen Jiabao</td>
<td></td>
</tr>
<tr>
<td>July 2005*</td>
<td>Prime Minister Phan Van Khai</td>
<td></td>
</tr>
<tr>
<td>July 2005</td>
<td>President Tran Duc Luong</td>
<td></td>
</tr>
<tr>
<td>October 2005</td>
<td>President Hu Jintao</td>
<td></td>
</tr>
<tr>
<td>August 2006</td>
<td>General Secretary Nong Duc Manh</td>
<td></td>
</tr>
<tr>
<td>November 2006</td>
<td>President Hu Jintao</td>
<td></td>
</tr>
<tr>
<td>May 2007</td>
<td>President Nguyen Minh Triet</td>
<td></td>
</tr>
<tr>
<td>May 2008</td>
<td>General Secretary Nong Duc Manh</td>
<td></td>
</tr>
</tbody>
</table>

Military Engagement

Compared to party-to-party relations, the military-to-military relations between China and Vietnam have progressed more slowly, but they at last have been institutionalized at all levels. This is an important channel that Vietnamese leadership has been using to reduce potential tensions between China and Vietnam.

In the first place, defense relations between China and Vietnam primarily centered on exchange of views on army-building, regional security, ideological ties

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22 Le, “Vietnam’s Hedging Strategy against China since Normalization.”
and border security issues. In February-March 1992, Major General Vu Xuan Vinh, the Vietnam People’s Army External Relations Department chief, was dispatched to China to discuss “the restoration and development of friendship between the armed forces of the two countries.” Three months later, PLA Major General Fu Jiaping, head of Foreign Affairs Bureau, visited Hanoi as a gesture of reciprocity.

In 1992, the joint first defense contacts were established. Around 1996-1997, Vietnamese army brass “firmly believed that the most strategically consequential relationship for Vietnam was its link with China, and that the Sino-Vietnamese relationship should not be jeopardized by any suggestion that Hanoi was receptive to anything beyond symbolic steps toward normal military relations with the U.S.” However, the developments of military ties in the 1990s came more slowly than the trade relations.

Since at least the early 2000s, Vietnam and China began expanding and deepening security and military relations. The 2000 Sino-Vietnamese Joint Statement for Comprehensive Cooperation in the New Century facilitated the framework for multi-level military exchanges. In November 2001, a Chinese guided missile frigate Jiangwei II class made a port call to Ho Chi Minh City, marking the first visit of a Chinese naval vessel to a Vietnamese port since normalization. From the Vietnamese perspective, there was no reason why the defense relations could not go further when

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24 Thayer, “Vietnamese Perspectives of the ‘China Threat.’”
26 Ibid, 397.
both countries’ defense bureaucratic structures are similar and both state leaders supported to deepen comprehensive relations.

Since mid-2000s, Vietnam and China has made some remarkable improvements defense relations. In 2005, China-Vietnam defense and security consultation mechanism was set up. It means that the first annual defense security consultations between the two countries were formed. The consultation mechanism defines a formula for the use of communication channel to further enhance military ties and prevent potential tensions at the earliest time. 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.27 The first round of talks between two Deputy Defense Ministers was also held in April 2005. Vietnamese and Chinese defense ministers reportedly mentioned the cooperation of defense industries between the countries. Jane’s Defence Weekly reported in early 2006 that Chinese North Industries Corporation (NORINCO) sold ammunition for small arms and artillery and military vehicles to Vietnam.28 This was a small but meaningful step towards further cooperation between two defense industries. However, the collaboration in this area has been reportedly very slow.

By mid-2000s, China and Vietnam moved forward with more concrete steps in naval cooperation. In April 2006, China and Vietnam began their first joint naval

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patrols in the Gulf of Tonkin. The area of joint patrol was the unresolved overlapping part of Chinese and Vietnam territorial claims in the Gulf.\textsuperscript{29} Until the late of 2009, other seven joint naval patrols were conducted.\textsuperscript{30} In addition, the military ties evolved in a remarkable manner with exchange of ideas on joint military drills. In August 2006, Vietnam’s Defense Minister Phung Quang Thanh visited China to discuss possible cooperation between two countries’ defense industry and training of military officers. In October 2006, Lieutenant General Le Van Dung, head of the Vietnam People’s Army General Political Department, visited Beijing to discuss military training exercises. In August 2007, Vietnamese Defense Minister, General Phung Quang Thanh and his Chinese counterpart General Cao Gangchuan signed an Agreement on Border Defense Cooperation. The agreement laid out the “basic principles on the coordinating relationship, information regulations and the responsibility of the two countries’ border protection and management forces.”

In 2009, after the trip back from Beijing, General Le Van Dung was quoted to say in an interview in Hanoi, “Thus, the situation [in the South China Sea] will be stabilized gradually and we will keep strengthening our relations with China in order to fight the plots of the common enemy.”\textsuperscript{31} In June 2009, two Vietnamese naval vessels made their visit to a Chinese port in the South Sea Fleet’s headquarters. During 2005 and 2009, Vietnam sent 11 high-level military delegations to China, two of which were headed by the Vietnamese Minister of Defense. In return, Chinese side sent 9

\textsuperscript{29} Dosch and Vuving, “The Impact of China on Governance Structures in Vietnam.”


\textsuperscript{31} Thayer, “The Tyranny of Geography: Vietnamese Strategies to Constrain China in the South China Sea.”
delegations – one headed by the Defense Minister – to Vietnam. At the top level, during the period of 1991-2014, there were 8 trips to China made by Vietnamese Defense Minister, and four trips made by Chinese Defense Minister to Vietnam. Thayer notes the contradictory nature of Vietnamese elites’ perceptions of China,

There is an apparent paradox in Sino-Vietnamese relations. On the one hand, these two countries are experiencing arguably the greatest friction over territorial disputes in the South China Sea in recent years. There is palpable Vietnamese nationalist anti-Chinese sentiment among large sections of the political elite… On the other hand, high-level party, state and military leaders continue to exchange visits and speak of bilateral relations in effusive terms.32

Besides, Vietnam attempted to bury the uneasy recent past that could damage the bilateral relations. Vietnam’s 2009 Defense Paper33 did not mention a word about the 1979 brief war arguably so as not to anger China. It is implied that the Vietnam wants to forget the past due to some possible pressure from China. The 1979 war was not a war of honor for China, and it is not also an easy war for Vietnam. In November 2010, Vietnam hosted the first joint Strategic Defense and Security Dialogue in Hanoi. Lieutenant General Nguyen Chi Vinh met up with his Chinese counterpart Lieutenant General Ma Xiaotian, PLA Deputy Chief of the General Staff. Both sides were committed to upgrading their cooperation between navies and border guards. A hot line connecting two defense ministries was also set up after this dialogue.34 It can be said that institutionalization of military cooperation between China and Vietnam has

32 Thayer, “The Tyranny of Geography: Vietnamese Strategies to Constrain China in the South China Sea.”
played an important role in managing tensions between two countries and created cushions to absorb ultra-nationalistic feelings from both sides.

In October 2014, Vietnamese Defense Minister Phung Quang Thanh came to China at the invitation of his Chinese counterpart, General Chang Wanquan. Thanh’s trip took place three months after China unilaterally withdrew its giant oil rig. Both defense ministers emphasized that military-to-military cooperation was a linchpin of Sino-Vietnamese relations, and the 2003 protocol would continue to be the guideline for both militaries. 35 Two defense ministers also signed a memorandum of understanding on setting up a hot line to prevent future tensions. Vietnamese leaders have wisely employed communication between two defense ministers to deescalate tension before it break out into a crisis.

During the reception at the 88th anniversary of the Chinese PLA organized in Hanoi in July 2015, Lieutenant General Nguyen Chi Vinh, Vietnamese Deputy Minister of Defense, reiterated Vietnam’s military relations priority with China, “Vietnam and China are two friendly neighbors, and it never changes. For generations, the people of the two countries have established and maintained relations, enjoyed co-existence, and formed a lot of commonalities in culture and traditional customs.” In response, Zhen Zhongxing, military attaché of the Chinese embassy to Vietnam, claimed that “we believe that, under the leadership of our two parties, on the basis of mutual respect and benefit, as well as equality and win-win cooperation in the military fields and make efforts for the sustained, healthy, and stable development of bilateral

relations." Under the bilateral military mechanism, it is crucial for Vietnam to take advantage of what might prove useful to them to stabilize the South China Sea disputes.

Table 8: Exchange Visits by Defense Ministers (July 1991-May 2015)

<table>
<thead>
<tr>
<th>Date</th>
<th>To China</th>
<th>To Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1991</td>
<td>Le Duc Anh</td>
<td></td>
</tr>
<tr>
<td>December 1992</td>
<td>Doan Khue</td>
<td></td>
</tr>
<tr>
<td>May 1993</td>
<td></td>
<td>Chi Haotian</td>
</tr>
<tr>
<td>June 1998</td>
<td>Pham Van Tra</td>
<td></td>
</tr>
<tr>
<td>July 2000</td>
<td>Pham Van Tra</td>
<td></td>
</tr>
<tr>
<td>February 2001</td>
<td></td>
<td>Chi Haotian</td>
</tr>
<tr>
<td>October 2005</td>
<td>Pham Van Tra</td>
<td></td>
</tr>
<tr>
<td>April 2006</td>
<td></td>
<td>Cao Gangchuan</td>
</tr>
<tr>
<td>August 2007</td>
<td>Phung Quanh Thanh</td>
<td></td>
</tr>
<tr>
<td>April 2010</td>
<td>Phung Quang Thanh</td>
<td></td>
</tr>
<tr>
<td>October 2010</td>
<td></td>
<td>Liang Guanglie</td>
</tr>
<tr>
<td>October 2014</td>
<td>Phung Quang Thanh</td>
<td></td>
</tr>
</tbody>
</table>

Source: the author’s own compilation

Asymmetry and deference are also seen in the visit exchange between defense ministers. Vietnamese defense minister visited China 8 times from 1991 to 2014, with only 4 returns from the Chinese counterpart. More importantly, the frequent exchange visits between two Defense Ministers have been one of the institutionalized channels for Vietnam and China to cool down tensions if erupting. From the Vietnamese perspective, trust will be built up when there are more contacts, exchanges and visits from both sides. Vietnamese top brass attempts to build trust and gain trust, but it is surely a long way.

CHAPTER 7 VIETNAM’S ECONOMIC PRAGMATISM: TRADE AND AID RELATIONS

The overarching problem of living next to a juggernaut is always existential in all aspects to Vietnam. Obviously, China’s economic growth has brought both opportunities and challenges to Vietnam. There is no denying that Vietnam’s economic development requires the maintenance of good trade relations with China since China is the best source of cheap input materials and machinery for Vietnamese producers. Hence, living next to China, Vietnam has an advantage of being a latecomer to draw lessons from other emerging Asian countries such as China to diversify its export structure. This chapter attempts to analyze the economic rationale of Vietnamese leadership in trade relations with China, and also looks at who wins and who loses.

1. Vietnam-China Trade Overview

From 1991 to 2009, Sino-Vietnamese bilateral trade increased 566 times. However, the import volume from China grew at a larger margin by 894 times. By the same token, Vietnam’s trade deficit also enlarged proportionally. If we look at the longer time frame from 1991 to 2014, the bilateral trade volume increased 1,959 times, and Vietnam’s imports grew 2,193 times. In 2005, China overtook the United States to become Vietnam’s biggest trade partner when the total bilateral trade volume reached approximately $9 billion. According to the Vietnamese General Statistics Office,

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Vietnam’s imports from China have increased from $28.8 billion in 2012 to $36.9 billion in 2013 and $43.9 billion in 2014.³ Vietnam’s exports to China were $12.4 billion in 2012, $13.2 billion in 2013 and $14.9 billion in 2014.

The increase in Vietnam’s exports to China is much smaller than Vietnam’s imports from China. Vietnam’s trade deficit with China ballooned from approximately $0.2 billion in 2001 to roughly $29 billion in 2014. The trend is widening and getting more serious for Vietnam when Vietnam and China expect to achieve bilateral trade volume of $100 billion in 2017.⁴ In part, Vietnam’s trade deficit with China has been widening in big magnitude since the ASEAN-China Free Trade Area took effect on July 1, 2010. Vietnam switched its import partners from ASEAN countries to China.

The pattern of asymmetric economic interdependence is reinforced by Vietnam’s structural vulnerability. In the period of 2000-2009, Vietnam’s composition of exports to China was falling into four major categories: (1) raw materials (e.g., coal, crude oil, rubber, and iron ore); (2) agricultural products (e.g., tea, vegetables, and fruits.); (3) fresh and frozen seafood; (4) consumer goods (e.g., shoes, handicrafts.).⁵ In addition, Vietnam is a relatively open economy with exports of goods and services accounting for 83.8% of GDP in 2013.⁶ Vietnam was even more open in 2014,

reaching 86.4%. Owing to increase in its asymmetrical interdependence and its economic vulnerability, Vietnam has lost its bargaining power vis-a-vis China and has been subjected to a more complex set of Chinese pressures.

Table 9: Growth in Bilateral Merchandise Trade between Vietnam and China (1991-2014)

(in millions of U.S. dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Vietnamese Trade Data</th>
<th>Chinese Trade Data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Two-way Trade</td>
<td>Vietnam Exports to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>China</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vietnam Exports to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>China</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>1992</td>
<td>180</td>
<td>110</td>
</tr>
<tr>
<td>1993</td>
<td>400</td>
<td>120</td>
</tr>
<tr>
<td>1994</td>
<td>530</td>
<td>190</td>
</tr>
<tr>
<td>1995</td>
<td>1,05</td>
<td>330</td>
</tr>
<tr>
<td>1996</td>
<td>1,150</td>
<td>310</td>
</tr>
<tr>
<td>1997</td>
<td>1,440</td>
<td>360</td>
</tr>
<tr>
<td>1998</td>
<td>1,245</td>
<td>217</td>
</tr>
<tr>
<td>1999</td>
<td>1,318</td>
<td>354</td>
</tr>
<tr>
<td>2000</td>
<td>2,466</td>
<td>929</td>
</tr>
<tr>
<td>2001</td>
<td>3,023</td>
<td>1,417</td>
</tr>
<tr>
<td>2002</td>
<td>3,677</td>
<td>1,518</td>
</tr>
<tr>
<td>2003</td>
<td>5,021</td>
<td>1,883</td>
</tr>
<tr>
<td>2004</td>
<td>7,494</td>
<td>2,899</td>
</tr>
<tr>
<td>2005</td>
<td>9,127</td>
<td>3,228</td>
</tr>
<tr>
<td>2006</td>
<td>10,634</td>
<td>3,243</td>
</tr>
<tr>
<td>2007</td>
<td>16,356</td>
<td>3,646</td>
</tr>
<tr>
<td>2008</td>
<td>20,823</td>
<td>4,850</td>
</tr>
<tr>
<td>2009</td>
<td>20,814</td>
<td>5,403</td>
</tr>
<tr>
<td>2010</td>
<td>27,946</td>
<td>7,742</td>
</tr>
<tr>
<td>2011</td>
<td>36,479</td>
<td>11,613</td>
</tr>
<tr>
<td>2012</td>
<td>41,174</td>
<td>12,388</td>
</tr>
<tr>
<td>2014</td>
<td>58,773</td>
<td>14,905</td>
</tr>
</tbody>
</table>


The argument that Vietnam’s growing dependence on imports from China is also a contentious issue. Vietnam’s current over-reliance on economic cooperation with China would make Vietnam find every chance that it has to escape from China, is contestable on empirical grounds. If Vietnam’s economic growth over the long term boosts local industries’ development as opposed to what is going on: Vietnam imports input materials and equipment from China, and then assembles for exports with little added value or innovative work, Vietnam might have the likelihood to eliminate the constraints imposed by dependence on Chinese inputs. The major problem of Vietnam’s economy stems from the export industry. Vietnam has to rely on China as the biggest source of raw materials supply for many of the things it exports. The imported goods are mainly machinery and spare parts, iron and steel, raw materials for textiles shoes and sandals, and petroleum and other oil products.

Many multinational, foreign-invested factories in Vietnam depend on Chinese inputs. Besides, that Chinese companies have a lion’s share of Vietnam’s engineering and procurement contracts for infrastructure and industrial projects in Vietnam with low-priced bidding rates and support from the Chinese government also contributes to the growth of imported Chinese materials for their construction projects.

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8 “Fellow travellers, fellow traders”, *The Economist*, June 30th 2012.
Figure 8: Vietnam’s commodity imports from China and commodity imports from China versus total imports in 2013

The Chinese economic slowdown might make Vietnam affected due to the latter’s heavy dependence on commodity exports to China. Nguyen Do Anh Tuan, head of the Institute of Policy and Strategy for Agriculture and Development, admitted the negative impact of China’s slowdown on Vietnam, especially in forestry and

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fishery exports.\textsuperscript{10} China’s market makes up 10 percent of the total Vietnamese shrimp export values, being the fourth largest market behind the U.S., Japan, and E.U. In 2014, shrimp exports from Vietnam to China increased by 8.6 percent compared to the year before.\textsuperscript{11}

According to the Vietnam Fruit and Vegetable Association, China’s market makes up 35 percent of Vietnam’s fruit and vegetable exports. In 2014, Chinese fruit imports from Vietnam accounted for 30 percent of the total value, followed by the Philippines, and Thailand.\textsuperscript{12} Right after the May oil-rig incident, China retaliated in several ways. On May 29, 2015, China’s General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) released a notification to apply stricter measures on Vietnamese and Thai dragon fruit as well as Vietnamese banana imports.\textsuperscript{13} Since Thai dragon fruit exports to Chinese market are minuscule, so this notification is seen as a politically driven measure by the Chinese government to punish Vietnam. Tougher customs clearance at the border check point really hurt Vietnamese merchants.

China was also the top market of Vietnamese coal in 2014. China imported 4.1 million tons of coal from Vietnam. The second biggest importer of Vietnamese coal


in 2014 was South Korea with 1.3 million tons.\textsuperscript{14} Le Dang Doanh, a noted Vietnamese economist, expressed frustration at the worsening bilateral situation on Vietnam’s side that Vietnam “exports coal and then imports power. It exports rubber and then imports car tyres. As for the garment industry, if China were to stop supplying materials, the industry would face big difficulties.”\textsuperscript{15} In addition, Vietnam relied on China to maintain its electricity grid stability. In 2012, Vietnam imported 2.29 billion kWh from China. In 2013, the imported electricity went higher at 3.2 billion kWh. Vietnam is expected to buy from China 1.8 billion kWh in 2015.\textsuperscript{16}

The challenge might be as what an economist from Vietnam’s Central Institute for Economic Management (CIEM) says, that is, Vietnam needs China more than China needs Vietnam. Vietnam’s market accounts for only one percent of China’s export volume, but China’s exports account for 28 percent of Vietnam’s total imports. If Vietnam doesn’t diversify its import and export markets soon, Vietnam will increasingly depend on China in bilateral ties.\textsuperscript{17} This situation will not be solved in a near future when Vietnam’s economic structures and its export-led growth do not have many fundamental changes. If nothing wrong happens between the two countries, China is a good source of cheap input materials for Vietnam’s export industry. But a tension with China in the South China Sea, if not contained, might be a disaster for Vietnam’s economy since China has a big stick.

\begin{flushleft}
\textsuperscript{15} “Fellow Travellers, Fellow Traders.”
\end{flushleft}
Realizing the quandary of Vietnamese leaders, *The Economist* had a very insightful comment, “‘Containing China’ is a crowd-pleasing goal in some quarters, but containing the trade imbalance might prove to be the more popular achievement.”

The inexorably rising trade deficit has caused Vietnamese producers, manufacturers, investors and businessmen to have growing worries as their products cannot compete with cheap Chinese goods. Vietnamese leaders are well aware of the fact that their legitimacy depends on their performance in generating jobs and delivering rising livelihoods to the country’s population. The sad truth for Vietnam is that there is no solution to bridge the trade gap in the immediate future.

According to the Vietnam’s General Statistics Office, the bilateral trade rose 17 percent to 58.8 billion in 2014 despite the May oil rig tensions. Vietnam’s exports to China increased 12.6 percent to $14.9 billion, while its imports from China rose to 18.8% to $43.9 billion. The trade growth is increasingly favoring China when the trade deficit reached $29 billion in 2014, up from 23.7 billion in 2013. The deficit number does not stop. In the first two months of 2015 alone, the trade deficit expanded to $5.2 billion from $2.3 billion of the same period in 2014. For instance, Vietnam’s garment and footwear export to the U.S. have risen rapidly in recent years, but Vietnam relies on Chinese commodities for its garment and footwear industry. Obviously, Vietnam’s dependence on China will not subside if local industries cannot produce materials to replace Chinese imports. Being positive about Vietnam’s economic outlook, Chris Devonshire-Ellis, founder of Dezan Shira & Associates, claims that the trade deficit

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can be reduced in the future because “increasing improvements in Vietnam’s ability to deliver sustainable quality products on time, coupled with increasingly improving infrastructure and a lower operational cost base can be expected to kick start trade in the opposite direction.”  

Vietnam’s manufacturing sector is now importing 70 percent of cellphone components and 25 percent of electrical equipment from China.  

In a report released in late May 2015, HSBC predicted that China would replace the U.S. to become Vietnam’s top export market by 2030. The report noted, “China has the largest population in the world and incomes are set to continue to grow strongly as the economy rebalances away from investment towards a greater reliance on consumer spending. Vietnam’s location and strong foothold in both clothing and telecoms means it is well-placed to access this buoyant consumer market.”  

Vietnamese businessmen view China’s economic miracle as a “magnet for trade with the region,” and small-scale Vietnamese producers think that they can find “their niche with the contracts are not substantial enough for the larger Chinese factories, or in products less profitable as handicrafts.”  

Hence, the Vietnamese government should encourage local businesses to export to China through official channels rather than through border trade.

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2. Trade Deficit Problems

China is consistently the biggest source of Vietnam’s imports, making its trade imbalance a contentious domestic issue. Vietnam’s trade deficit with China has dramatically widened from around $0.2 billion in 2001 to nearly $30 billion in 2014. It means that Vietnam’s trade deficit has increased roughly 150 times in just more than a decade. The trade deficit problems are plenty. Firstly, the trade deficit is getting worse for Vietnam over years when China’s economic slowdown has entailed a decrease in China’s imports from Vietnam. Meanwhile, Vietnam’s quick-paced export growth has led to Vietnam’s increase in imports from China. Vietnam exports raw materials such as coal, minerals, and rubber and imports higher-priced commodities and complete products such as machinery equipment, iron, steel, and car tires. China became and remained the biggest Vietnamese trade partner. Given the current scenario, the deficit negatively affects Vietnam’s current account. Secondly, Chinese projects in Vietnam funded by preferential loans and export buyer’s credits from the Chinese bank, mostly from China Eximbank, require materials, machinery and equipment to be imported from China. This requirement helps to steeply skew the trade imbalance in favor of China in the context of China’s increased preferential loans to Vietnam.

The huge trade deficit with China dominated Vietnamese legislators’ discussion when deputies of the National Assembly questioned the differences between bilateral trade figures issued by corresponding countries. According to Vietnam’s General Statistics Office, Vietnam’s trade deficit with China widened to US$28.9 billion in 2014, up 21.8 per cent from the $23.7 billion in 2013. Meanwhile, according to the Chinese Ministry of Commerce, in 2014 the bilateral trade reached
$83.6 billion. China exported to Vietnam $63.7 billion and imported from Vietnam $19.9 billion. Vietnam incurred the trade deficit of up to $43.8 billion. These figures were 30% and 45% respectively higher than those issued by the Vietnamese GSO. A Chinese source says the difference might be attributed to the Vietnamese smuggled goods into China. In 2014, unreported smuggled meat into China alone reached $480 million. Other items go unreported can tally up a big trade discrepancy. A Vietnamese National Assembly deputy was quoted to say, “We do not totally trust the figures of the Chinese statistics agency… but we have not been able to calculate the unofficial imports and exports to work out effective policies.” Ryo Ikebe explained a possible reason for difference in bilateral trade figures provided by China and Vietnam. That is the role of Hong Kong as China’s major trade intermediary that adds to the complexity,

[…] if Vietnam exports goods to China via Hong Kong, in the Vietnamese statistics these will be recorded as exports to Hong Kong, even if China is the final destination. By contrast, in this case, China records this as trade with Vietnam because of the place of origin of the goods. In addition, China through Hong Kong exports to Vietnam, and China regards these goods as exports to Hong Kong, whereas the statistics on Vietnam’s side regard them as imports from China because China is the place of origin of these products.  

In addressing the Vietnamese legislators’ question on the figure difference, Bui Quang Vinh, Vietnamese Minister of Planning and Investment, explained that Vietnamese and Chinese statistics agencies adopted different statistical methods to calculate the trade volume. For whatever method, the trade deficit does not show any subduing sign in immediate future. The Vietnam Chamber of Commerce and Industry (VCCI) suggests that the one of the solutions to reduce the trade deficit with China is to “multi-lateralize commerce.” Thus, Vietnamese leaders really want the Trans Pacific Partnership (TPP), a free trade and investment agreement among 12 countries across the Pacific Rim accounting for almost 40 percent of global GDP and one third of global trade, concluded in early October, 2015 after years of tense and suspense negotiations, to help offset Vietnam’s snowballing trade deficit with China.

The TPP is expected to distribute significant benefits to participating nations, of which Vietnam emerges as the country having the most predicted gains from the trade deal. Vietnam hopes the trade agreement helps to improve its economic ties to other trading partners as a counterbalance to reduce dependency on China’s imports. The deal will open Vietnam to increased foreign direct investments and competition. Vietnam is potentially expected to raise its share of the US textile, apparel markets at the expense of China. Vietnam for the time being is the second largest exporter of textiles and apparel to the US market behind China, and the gap is bridging every year. In 2012, Vietnam accounted for 7 percent of total US imports and China made up 39

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percent of total US imports. Nonetheless, Vietnam is mainly relying on cheap Chinese supply of yarn for its textiles and apparel industry. Vietnam’s textile and garment industries are relying on yarn and fabrics from China, but to enjoy tariff-free access to the US market, the materials must be imported from within the TPP. This would push Vietnamese exporters to replace Chinese inputs with other sources from TPP members. Dezan Shira & Associates, a business intelligence company, claims that the yarn forward rule is negative news for China’s textiles and apparel industry, as it will lose all the Vietnamese market. Hence, the possible option for Chinese textile and apparel manufacturers is to invest in Vietnam. US investors may step in to increase their stakes in Vietnamese market with high technology and high quality machinery.

In addition, in an analysis on the impact of TPP on China, Chris Priddy argued that TPP would hurt Chinese automobile part exports to Vietnam. Since China now has the free trade agreement (FTA) with Vietnam, so exports of Chinese automobile parts are not subject to Vietnam’s 27 percent import tariff. If Vietnam can conclude the TPP with the U.S., automobile parts exporters from the U.S. will enjoy no import tariffs as the Chinese. Trade deficit with China will be reduced if TPP comes into

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effect. Yet, while waiting for the TPP, Vietnamese leadership is attempting to draw investments from China as a way to slash deficit and improve its economy.

The TPP might be potentially costly for the Chinese economy since the TPP is a regional trade deal and thus, it does not take into consideration the interests of outside parties. Even though these predictions about China’s loss might be overstated given the Xinhua admitted that in the short term, China’s economy will be affected at some negative level.\(^\text{33}\) Sheng Laiyun, the spokesman of China’s National Bureau of Statistics, said that China’s potential countermeasures consist of “One Belt, One Road” project, and bilateral free trade deals with other countries to “cushion the impact.”\(^\text{34}\)

Besides, the TPP also has a complex structure of enforceable regulations governing trade unions, public procurements, patents, and other intellectual property rights. Barry Naughton and his colleagues argued that the TPP would gravitate Vietnam “economically closer to the United States, and thus reduce Chinese economic preponderance.”\(^\text{35}\) The conclusion of the pact was also seen as a win for the United States as a counterweight to China’s attempts to expand its clout in the Asia Pacific. President Obama said in a statement, “We can’t let countries like China write the rules of the global economy; we should write those rules.


\(^\text{35}\) Barry Naughton et al., “What Will the TPP Mean for China?,” Foreign Policy, October 7, 2015, https://foreignpolicy.com/2015/10/07/china-tpp-trans-pacific-partnership-obama-us-trade-xi/.
3. Vietnam’s FDI Landscape and Benevolence of Geography

The story of foreign direct investment (FDI) in Vietnam largely resembles the story of Vietnamese exports in a sense that Vietnam still maintained its position as one of the popular Asian destinations for investment flow. For the period of 2008-2013, FDI inflow reached US$10.8 billion annually – more than double the FDI amount in the previous six-year period 2002-2007. In 2014, Vietnam was the second largest recipient of FDIs in the Asia-Pacific with $24 billion, only behind China, and right before India.\(^{36}\)

One of the reasons for Vietnam’s surge in attracting FDI is the geographical proximity of living next to China. Frederic Neumann, co-head of Asian economics research in Hong Kong at HSBC Holdings Plc, observed, “Vietnam is really the big winner from China losing its competitiveness because of rising wages and strong currency. By moving very early into the space vacated by China, Vietnam has first-mover advantage and it is now starting to show.”\(^{37}\) Bloomberg reported that disbursed foreign investment in Vietnam skyrocketed to reach $12.4 billion in 2014.\(^{38}\)

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\(^{38}\) Ibid.
Since 2013, Vietnam’s favorable policies on FDI have led to growing investments in multifarious sectors, with a tilt toward high-end manufacturing. Since 2013, Vietnam’s favorable policies on FDI have led to growing investments in multifarious sectors, with a tilt toward high-end manufacturing. Vietnam expects these investments will help its fledgling industries move up the value chain. Vietnam is becoming a popular destination for Japanese businessmen to “boost investment in the region amid recurring Sino-Japan spats.” Vietnam knows how to take advantage of “window of opportunity” to attract Japanese manufacturing investments out of China when these investors are uncertain of their business outlook in China. In a February and March 2015 survey by Standard Chartered, 36 percent of

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global manufacturers in China’s Pearl River Delta interviewed claimed that they would think of moving to Vietnam.\textsuperscript{42} According to an online news outlet \textit{China Daily Asia}, over 5,000 manufacturers in Guangdong have moved to Vietnam since 2011. Global tech giants such as Samsung, LG, Intel, Microsoft and Panasonic have expanded their manufacturing operations in Vietnam.\textsuperscript{43}

In order to reduce trade deficit with China, Vietnamese leaders encouraged more Chinese direct investments in Vietnam. They even opened the first trade office in Chongqing City to draw more investors from the Southwestern region of China on May 28, 2015.\textsuperscript{44} When the two countries normalized relations in 1991, there was only one Chinese-invested project. Due to Chinese economic power in the last decade of the 20\textsuperscript{th} century, the increase in Chinese investments was rather slow. The first decade of the 21\textsuperscript{st} century did not see any dramatic change even though the investment trend is on a steady rise. Chinese FDI accounted for 0.02 percent in 2003 and 0.15 percent in 2007.\textsuperscript{45} In 2009, Chinese FDI in Vietnam was 0.28 percent of the total FDIs in Vietnam. A few years later, there was a high jump in Chinese FDI in Vietnam. In 2012, China was not in top 4 biggest investors in Vietnam. Nonetheless, in 2013, China secured the third spot with 977 registered projects, accounting for sixteen percent of

\begin{footnotesize}
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total foreign investment in Vietnam.\textsuperscript{46} China’s foreign direct investment in Vietnam reached $2.3 billion in 2013, a 7.1-time increase over a year-on-year basis.

Chinese investment mentioned in the study does not count investments from Hong Kong or Taiwan. Investments from Hong Kong and Taiwan are tallied separately. A huge surge of Chinese investments in Vietnam are attributed to the construction of a thermal power plant in Binh Thuan between China Southern Power Grid Co, Ltd (CSG), China Power International Holding Limited (CPIH) and the Electricity of Vietnam (EVN). China is also investing in building an industrial zone in Tien Giang Province and Shenzhen-Hai Phong economic and trade cooperation zone in Hai Phong City. In addition, the investment growth, partly going into textile industry, is explained by the fact that Vietnam is in the final stage of negotiating for TPP, which requires that clothing exported from Vietnam to enjoy free tariff has to meet the rule of origin. This simply means yarn has to be spun in Vietnam.\textsuperscript{47}


In early 2014, in an anticipation to benefit from a coming TPP when the tax on garments will be slashed down to zero for intra-trade deal, Chinese mainland companies are looking for opportunities from Vietnam, a nation member of the TPP. In early 2015, Chinese Jiangsu Yulun Textile Group received a license to build a textile, dyeing and yarn plant with the capital up to US$68 million in the northern province of Nam Dinh. In March 2014, Ho Chi Minh City awarded a license to Chinese Gain Lucky Limited, a subsidiary of Shenzhen International, for constructing a US$140 million center for fashion design and garment manufacture. As of the end of March

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48 “Vietnam's Logistics Market.”
2015, cumulative Chinese investments in Vietnam had jumped to the ninth position, accounting for 3 percent of the total FDI in Vietnam.

4. Problems with Chinese Projects in Vietnam

Chinese investments in Vietnam create ambivalent feelings. Vietnamese public opinion is inclined to dislike growing Chinese investment and its side effects comprising the bad environmental record and poor safety record of Chinese factories and companies, and mass inflow of Chinese workers. Notably, large Chinese projects in Vietnam have primarily been in the mining sector. Vietnamese intellectuals view this type of investment as an imminent threat to Vietnam’s environment since the implementation and enforcement of environmental law in Vietnam is very weak.49 Chinese manufacturing FDI in Vietnam is largely restricted to low-skilled, labor-intensive sectors. Kubny and Voss also found out that the technology level of Chinese firms investing in Vietnam lies below that of investors from other advanced economies, and in the case of the higher technology industries, above that of local Vietnamese firms. Chinese-invested firms have developed stronger linkages in the technologically advanced sectors of electronics and automotive/motorcycles compared to the less advanced sectors of garments and textiles.50

After the May 2014 incident, Chinese businesses were advised to stop investing or participating in any bidding process in Vietnam. Chinese lenders also

freeze credit lines to many Vietnamese engineering, procurement and construction (EPC) projects. Nonetheless, Zhang Jie, a foreign affairs expert at the Chinese Academy of Social Sciences, said the consequence of the ban is quite limited due to Chinese FDI is still insignificant.\textsuperscript{51} Frederick R. Burke, managing director of Baker & McKenzie Vietnam in his interview reply to the \textit{Wall Street Journal} said that the oil rig incident has “put a brake on what many think would have been a new wave of Chinese investment” in Vietnam, but South Korean and Japanese investors are still believing in business opportunities in Vietnam.\textsuperscript{52}

Attracting Chinese investments is seen by Vietnamese leadership as the way to make up for hard currencies used to import commodities from China. They suppose that financial inflow into Vietnam in the form of investments can, to some extent, offset the current account deficit, resulting from trading imbalance with China. In addition, Vietnam’s appetite for investment to help lift up the economy has facilitated China’s foray into mining, power and construction industries. However, Chinese investments in Vietnam are not always a good sign. Chinese mining investments create conundrum for Vietnamese leaders when these projects fuel a wave of dissent against policy makers. China’s rapid economic growth and its entailing hunger for a steady supply of inexpensive natural resources explain China’s investment trend in neighboring countries. Nonetheless, Chinese companies are notorious for showing little regard for social or environmental impacts caused by their projects. Amid the


backdrop of slumping aluminum prices, Vietnam’s bauxite mining projects have not suffered considerable negative impacts because one aluminum refinery has recently been put into operation with a modest output.

China is accused of using its financial loans and assistance to get access to natural resources. In Vietnam, China is securing its foothold in the world’s third largest reserves of bauxite, estimated at 5.4 billion tons of bauxite – the world’s third largest reserve of the ore, in Central Highland where Vietnamese ethnic groups are living, raising much concern about degrading environments, pollution, and defense security with an influx of thousands of Chinese workers. Bauxite is a key ingredient in aluminum, which China needs to feed its construction industry. Chinese investment in bauxite mining in Vietnam’s Central Highlands has raised suspicions of Beijing’s motive since Central Highland is deemed a “sensitive region” in Vietnam where numerous ethnic groups along with Kinh people are residing here. Central Highland is also the place where “mass riots” with the participation of the Rhade people took place in 2004.53

In 2009, General Vo Nguyen Giap, a Vietnamese hero during two Indochinese wars against the French and Americans, wrote open letters to the government warning of growing Chinese influence in Vietnam and the worsening environment following the mining construction projects. He was believed to have written more than three letters in total. Madame Nguyen Thi Binh, former Vice President of Vietnam, was also a signatory of the petition calling for the cancellation of projects. Despite protests from

senior leaders, intellectuals, environmentalists, and nationalists, Prime Minister Nguyen Tan Dung said bauxite mining is a “major policy of the party and the state,” since the government was planning to draw at least $15 billion investments to develop bauxite mining and aluminum refining factories. However, the issue is the lack of public disclosure of information in Vietnam, so a fair, transparent evaluation of the environmental and social impacts of bauxite mining activities seems unlikely.

Nguyen Van Thu, the chairman of Vietnam’s Association of Mechanical Industries in an interview to The Time magazine expressed his resentment against Chinese investments, “The danger is that China has won most of the bids building electricity, cement, and chemical plants. They eat up everything and leave nothing… Chinese contractors bring everything here, even the toilet seats. These materials Vietnam can produce, and work that Vietnamese can do.” Chinese contractor, Chinalco, a Chinese government-controlled mining corporation, planned to import some 2,000 Chinese laborers for a bauxite mining project in Central Highlands in Vietnam. The influx of low-skilled Chinese workers caused a rancor among Vietnamese public. Chinese employers openly state that they opt for their own fellow workers rather than “lazy” and “undisciplined” Vietnamese workers, i.e. –who are more inclined to strike and disagree with Chinese bosses.

Chinese companies and factories are accused of not hiring local employees. They reportedly create very few jobs for the locality that they have been investing in. Chinese investments or projects are expected to generate jobs for local Vietnamese people, but the Chinese employers prefer to hire Chinese workers. Another reason is that the job requirements are high, but the payment is low. This hinders many Vietnamese to apply for jobs at Chinese-invested factories.

Another negative image of Chinese EPC projects in Vietnam is their neglect of safety and often-delayed construction. There have been numerous accidents related to projects under Chinese loans. The Cat Linh-Ha Dong urban railway project with Chinese development loans has China Railway Sixth Group as the EPC (engineering, procurement, and construction) contractor. The construction project, starting in 2011, was notorious for being suspended several times for violations of safety codes. On November 6, 2014, bulky reels of steel fell off the site, killing one person and wounding two others. On December 28, 2014, a 10-meter-long scaffold fell down onto the street, heavily wrecking a running taxi, but fortunately no one was hurt. These two accidents occurring in less than two months angered Vietnamese public and officials. In early January 2015, Vietnam’s Minister of Transport Dinh La Thang was reported to heavily criticize the China Railway Sixth Group Co. He scolded, “Each time an accident happens, you accept responsibility, but things have not changed… Even if you make an excuse this time by saying that we borrow loans [from China], I

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can ask our government to replace you. We cannot trade [Chinese] loans for Vietnamese lives.” The project was slated to start in November 2008 and be completed in 2013, but eventually began in 2011, and since then it has been ridden with safety problems and rising costs. It is a rare occasion that a Vietnamese cabinet minister publicly criticized a Chinese corporation operating under EPC projects in Vietnam. The hawkish Chinese newspaper *The Global Times* then accused Dinh La Thang’s criticisms of stirring anti-Chinese sentiment. For better or worse, Dinh La Thang’s popularity among Vietnamese nationalists soared up.

As of December 2014, China also lent Vietnam $1.4 billion in mining, railway, power and textile industries. The biggest contract by a Chinese consortium, China Southern Power Grid, in Vietnam was the $1.76 billion coal-fired power plant Vinh Tan 1 in a central province of Binh Thuan. It was built in October 2014 and expected to put into operation in 2018. Nonetheless, another power plant Vinh Tan 2 invested by Shanghai Electric Group Company (SEC), which came into operation in early 2014, got fierce opposition from local residents for the heavy pollution it is emitting. Thousands of local residents, after having filed myriad written complaints to local authorities but without responses, rallied to cut off National Highway 1A in two days, April 14-15, to demand the government to improve the environment. The $1.3

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billion power plant, another EPC project financed by Chinese banks, had worked for less than half a year but caused unbearable pollution.⁶⁴

Gavin Bowring in his article in *The Financial Times* by claimed that many of the power projects in Vietnam are financed by Japan and Korea with companies such as Marubeni, Sojitz, Kepco, Daelim and Hyundai Heavy Industries taking the helms. Nonetheless, these projects were then subcontracted to state-owned Chinese corporations. These subcontractors are in turn financed by Chinese lenders with export credits.⁶⁵ From 2003 to 2013, Chinese contractors got tender for 15 out of 20 thermal power projects in Vietnam. Chinese firms also got 23 out of 24 cement EPC projects in Vietnam in the last decade.⁶⁶ For the Vietnamese people, relying too much on Chinese contractors will not be risky for Vietnam’s energy industry.

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Table 10: Vietnam’s Major Investment Projects Using China’s Aid (2004-2010)\(^67\)

<table>
<thead>
<tr>
<th>Starting Date</th>
<th>Vietnam's Investment Projects</th>
<th>Chinese Contractors</th>
<th>Total Investment/Share of Chinese loan (in million US dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Quang Ninh Thermal Power Plant No. 1</td>
<td>Shanghai Electric Group Co., Ltd. (SEC)</td>
<td>900/407</td>
</tr>
<tr>
<td>2006</td>
<td>Hai Phong Thermal Power Plants No. 1 &amp; 2</td>
<td>China Dongfang Electric Co. (DEC)</td>
<td>1,200/850</td>
</tr>
<tr>
<td>2007</td>
<td>Ninh Binh Fertilizer Factory</td>
<td>China Huanqiu Group</td>
<td>553/500</td>
</tr>
<tr>
<td>2008</td>
<td>Alumina Bauxite Complex, Lam Dong</td>
<td>China Aluminium Intl. Engineering Company</td>
<td>466/300</td>
</tr>
<tr>
<td>2009</td>
<td>Vinh Tan 2 Thermal Power Plant</td>
<td>Shanghai Electric Group Co., Ltd. (SEC)</td>
<td>1,300/1,100</td>
</tr>
<tr>
<td>2009</td>
<td>Alumina Bauxite, Dak Nong</td>
<td>China Aluminium Intl. Engineering Company</td>
<td>499/300</td>
</tr>
<tr>
<td>2009</td>
<td>Ca Mau Electricity-Fertilizer Complex</td>
<td>Wuhan Engineering Co (WEC)</td>
<td>900/430</td>
</tr>
<tr>
<td>2010</td>
<td>Duyen Hai Thermal Power Plant</td>
<td>China Dongfang Electric Co. (DEC)</td>
<td>1,400/800</td>
</tr>
<tr>
<td>2010</td>
<td>Kien Luong 1 Thermal Power Plant</td>
<td>China Huadian Engineering Co., Ltd. (CHEC)</td>
<td>2,000/ ____</td>
</tr>
</tbody>
</table>

Source: Nguyen Van Chinh, “China’s ‘Comrade Money’ and Its Social-Political Dimensions in Vietnam,” p. 66 and the author’s own compilation

In one sense, FDI has failed to serve one of its purposes as Chinese soft power. From the Chinese perspective, the Chinese government might hope that their investments can generate more positive feelings about China and increase China’s influence in Vietnam. For Vietnamese people, these investments have not altered

Vietnamese perceptions of China. On the contrary, they have the inclination to aggravate their deep-seated thinking of Chinese investments as “a Trojan horse.”

However, there is a negative impact of Chinese aids. They are a far cry from internationally accepted norms of good governance, transparency and institution strengthening capacity. Chinese financial assistance often comes without strings attached, i.e. not requiring the recipient country to improve governance. Chinese companies are heavily involved in road projects, thermal power plants, cement plants and mining operations. As stated in the table below, Vietnam’s total debt to China grew rapidly since 2008. It increased five times only in five years (2006-2010) from 356.53 million dollars to 1,672.7 million dollars. In addition, the Vietnamese government also increasingly underwrote debts for Vietnamese companies with a skyrocketing speed.

Vietnam’s government-backed debt to China is on the rise. This trend reflects two dimensions. Firstly, the relationship between China and Vietnam has been deepened. China is willing to increase their loans to Vietnam in return for their EPC projects in Vietnam. Secondly, Vietnam is increasingly dependent on Chinese financing budgets to improve infrastructure and energy capacity. Another concern is China’s loans are not strictly audited and scrutinized as Western loans. Chinese companies often export and transfer low technology to Vietnam. Hence, there is still room for corruption and wastefulness from Vietnam’s government-backed debt to fund projects in Vietnam. Meanwhile, Vietnam’s traditional lender Japan is reducing their loans to Vietnam. Japan’s Official Development Assistance (ODA) to Vietnam has focused on aid for improvement of the country’s infrastructure network and
people’s livelihoods, but Japan has seen a rising powerful competitor of aid donor from China with big manpower and overcapacity of steel, cement and other construction materials.

5. Border Trade

Border trade can be considered as the barometer of Sino-Vietnamese relationship. It can reflect how warm the bilateral ties are. It is also an example of how the two countries have patched up the war wounds in the area where there were clashes along the border until 1984. A small town of Mong Cai on the Vietnamese-Chinese border saw more than 2.6 billion worth of bilateral trade goods in 2013. This town is even compared to China’s Shenzhen, next to Hong Kong. It was also the place in 1979 where there was a bloody war between the two countries.\(^{68}\) The warming Sino-Vietnamese relationship has made numerous Vietnamese people living along the border change their livelihoods since 1991. According to some Vietnamese authors, informal cross-border trade between China and Vietnam in the 1990s made up to 90 percent of the total bilateral trade, thereby boosting border provinces to develop border cooperation.\(^{69}\) According to Melanie Beresford and Dang Phong, this kind of border trade had emerged roughly 40 years before when the PLA “had liberated the area of southern China along the Vietnamese border in 1949.”\(^{70}\) Then in the early 1950s China

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assisted Vietnam with weapons, ammunition, and military logistics also through the liberated border areas between the two countries. On February 1, 1952, Vietnam and China signed in agreement letting people trade across the border. In 1989, China and Vietnam agreed to resume the so-called “small volume trade.”

The borderlands between China and Vietnam are an area where problems are amplified, not a place where they can be reduced. Sino-Vietnamese tensions in other areas of relationship are manifested in an intense form in the borderlands. A renewed tension between China and Vietnam in the South China Sea can reverberate to the border trade, causing a backlog of goods piled up on the Vietnamese side. Hence, China-Vietnam border trade is also risky due to the informal nature of transactions. Long lines of truckloads of agricultural products waiting to be exported to China got stuck at border checkpoints are frequent scenes on local Vietnamese newspapers. The reasons may be attributed to abrupt changes in Chinese customs regulations on imported agricultural products or Chinese merchants’ breach of contracts. Or tensions in the South China Sea might be felt right at the checkpoints when stricter import regulations into China are applied. Besides, Vietnamese traders often complained that Chinese businessmen are cunning and the formers do not know how to “play” with them.

Border trade has also become tangled up in the Vietnamese politics of controlling its flows. The cross-border trading is flourishing but there are more voices to lessen it. Vietnamese agricultural products exports to China are often dealt via cross-

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71 Ibid.
border transactions due to low requirements for product quality and tariff evasion. Even the Vietnam Chamber of Commerce and Industry called on the government to reduce and eventually halt cross-border trading activities with China to bridge the trade deficit. In 2013, Vietnam exported 2.1 million tons of rice to China and most of them are done through cross border deals. In addition, Chinese merchants like to import rice through unofficial channels, as they do not have to pay a quota fee of $80 per ton, VAT as well as import tax, all of which could cost to $160 per ton.

Another factor that might lead to discomforts from the Vietnamese government with the cross-border trade is smuggling. The lax border controls coupled with the physical ease of transporting goods across the border due to good infrastructures have made smuggled goods into Vietnam an unreliable estimate. Wary of smuggled Chinese consumer goods putting the country at a serious disadvantage, Vietnam repeatedly asked China to curb the situation at the border provinces. Yet, the Vietnamese border provinces did not exercise adequate control over trading goods.

Embittered by the dominance of Chinese consumer goods in Vietnam’s market, Vietnamese often point the blaming finger at the smuggled border trade. In the early 1990’s, a large quantity of cheap Chinese consumer goods was smuggled into Vietnam, which led to the collapse of many Vietnamese factories. Vietnamese leaders were afraid that weak, underinvested Vietnamese industries’ inability to compete with

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bootlegged Chinese goods could land many Vietnamese workers into unemployment, creating social chaos. This issue was even raised at high-level talks between Vietnam and China. The problem was put under control in 1994. That year also witnessed a quick acceleration of economic cooperation between the countries.

In 1997, Chinese smuggled goods issue erupted again. Vietnam was still flooded with Chinese commodities. The renewed Vietnamese concerns over smuggled goods from China reached the agenda of both states’ leaders in 1997. In October 1998, China and Vietnam signed an agreement on cross-border trade in an effort to bolster official trade and control the smuggling along the border. Besides, Chinese merchants think that Vietnam, like African countries, is still poor, so Vietnamese demands for goods quality are not so high, so they for the most part export “overstock products and outdated equipment” to Vietnam. This, in turn, reinforces Vietnamese feelings that Chinese goods are of poor quality. In general, the Chinese traders underestimate economic relationship with Vietnam, only southwest provinces such as Guangxi and Yunnan enhance the trade ties with Vietnam. Other provinces focus on bigger markets such as the U.S., Japan or E.U. A Vietnamese customs officer complained that the local traders “imported everything, from student notebooks to cooking utensils” from China. Cheap Chinese made products are sold well in rural

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77 Amer, “China-Vietnam Bilateral Overhang or Legacy,” 86.
areas nationwide, while Vietnamese products cannot compete due to being more expensive.

The impact of bilateral border trade to a Chinese border province is influential. In 2009, the trade volume between Guangxi-Vietnam reached $4.0 billion, accounting for 28 percent of Guangxi’s total foreign trade and turning Vietnam into Guangxi’s biggest trade partner.80 In 2011, the trade volume nearly doubled with $7.6 billion.81 During the 5th joint working group on trade between China and Vietnam in 2015, the two countries attempt to slash Vietnam’s trade deficit by “promoting export of agro-products including Vietnam’s rice to China; measures on quarantine and quality control applicable to Vietnam’s rice and shrimp exported to China; collaboration in tackling congestion of agro-exports at the border gate.”82 However, it is very hard for the provincial Vietnamese authorities in the border area to stamp out the smuggled goods and low-quality products into Vietnamese market since a big number of Vietnamese people living in the border area have been living by this informal business.

Dennis C. McCornac, the Director of Global Studies at Loyola University Maryland, commented: “The influx of Chinese goods, both smuggled over the border and imported legally into the Vietnamese market, has impacted negatively on the domestic production of a number of Vietnamese goods, particularly consumer goods. One particular concern in Vietnam is that many of the goods are of low quality and

dubious origin and may contain toxins and other substances harmful to people’s health…. The dependence on Chinese imports has already pushed many Vietnamese firms into the red and Vietnam’s heavy reliance on trade with China is only expected to rise over time.”83 Since infrastructure in the border area has been improved quickly, the problem becomes more pressing for Vietnamese leaders to address.

6. Chinese Arrivals to Vietnam

Another important structural element is tourism. Trade and tourism demonstrate how increased closeness that China can benefit Vietnam. The relative importance of income from tourism shows the disparity of the relationship. For Vietnam, China has the most customers of this sector. In 2013 and 2014, Chinese tourists reached nearly 2 million, accounting for one fourth of total foreign arrivals. In 2014, Chinese tourists spent up to $165 billion overseas, more than any other nation.84 A big drop in Chinese arrivals will hurt tourism industry of the destination country. A big backlash that Vietnam suffers from China is a sizeable drop of Chinese tourists by 29 percent in August 2014 compared to a year earlier. Since the oil rig incident in May 2014, Vietnam’s tourism industry has witnessed many months of decline until the early 2015 due to the main drop from the Chinese market. This is considered an economic hit for Vietnam since Chinese arrivals have been more than the combined total from the next three markets – South Korea, Japan, and the U.S. since 2013. The direct contribution of travel and tourism to Vietnam’s GDP was VND 182,066 billion (US$8.1 billion) in 2014, accounting for 4.6 percent of Vietnam’s total GDP. The total contribution of travel and

tourism nearly doubled the direct contribution, making of 9.3 percent of Vietnam’s GDP in 2014. In addition, Vietnam’s tourism sector employed 4,088,500 jobs in 2014 (7.7 percent of total employment).  

**Figure 11: International Tourism to Vietnam, 2013**

<table>
<thead>
<tr>
<th>Country</th>
<th>Visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1,907,794</td>
</tr>
<tr>
<td>South Korea</td>
<td>748,727</td>
</tr>
<tr>
<td>Japan</td>
<td>604,050</td>
</tr>
<tr>
<td>USA</td>
<td>432,228</td>
</tr>
<tr>
<td>Taiwan</td>
<td>398,990</td>
</tr>
<tr>
<td>Cambodia</td>
<td>342,347</td>
</tr>
<tr>
<td>Malaysia</td>
<td>339,510</td>
</tr>
<tr>
<td>Australia</td>
<td>319,636</td>
</tr>
<tr>
<td>Russia</td>
<td>298,126</td>
</tr>
<tr>
<td>Thailand</td>
<td>268,968</td>
</tr>
</tbody>
</table>

The Chinese tourist arrivals during the 2015 Chinese New Year demonstrate a 40 percent decrease. Tran Viet Huong, acting marketing and communication manager at Vietravel, one of the biggest Vietnamese tour operators, said in an email reply to Bloomberg Business in April 2015, “The political upheaval between Vietnam and China over the South China Sea last May has severely impacted our revenue from

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Chinese tourists since then.” As shown in the above figure, arrivals from China still decrease in 2015 and 2016. Asymmetry is strongly reflected here. Chinese tourists’ destination change can hurt the whole Vietnamese tourism industry.

7. Infrastructure Cooperation


When Chinese President Xi Jinping suggested establishing the Asian Infrastructure Investment Bank (AIIB) as a means of “leveraging Chinese financial capital” and its experience in Infrastructure development to bridge the “infrastructure gap” in Asia with its hyped “One-Belt, One-Road” strategy at the October 2013 Asia Pacific Economic Cooperation (APEC) meeting, 89 Vietnamese leaders know that they must take advantage of the infrastructure financing to develop economy. According to a study by the World Economic Forum in 2013, the world’s GDP would increase over

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6 times the current level by removing supply chain barriers through infrastructure connection rather than removing import tariffs.\(^9^0\) Geographical proximity to the second largest economy may be a blessing for Vietnam to boost trade relations with China and other countries along the Belt and the Road.

In September 2014, Vietnam’s expressway connecting Hanoi and Lao Cai, next to China border was put into operation, reducing travel time to half. This freeway is part of a big infrastructure network between China and Vietnam connecting the coastal Vietnamese city of Hai Phong to the Chinese cities of Yunnan. Another freeway connecting the northern Vietnamese province of Bac Giang and Chinese Guangxi province will start soon. It is undeniable that Vietnam has benefitted from China’s Domestic Development Project in southwestern provinces.\(^9^1\) Many multinational giants such as Samsung, LG, and Microsoft have hugely invested in Vietnam’s Red River Delta due to reduced time travel with their suppliers in China’s Pearl River Delta.

With economic pragmatism, Vietnam wants to play an important role in China’s “One-Belt, One Road” Strategy – the Silk Road Economic Belt and the 21\(^{st}\) Century Maritime Silk Road. The Chinese One Belt, One Road Initiative is also considered as a China’s version of the Marshall Plan with an original aim to boost infrastructure development in Asia and deepen economic cooperation. Better links


between China and Vietnam will no doubt enable smooth flow of goods, thereby pushing economic growth and trade, and thus to diminish tensions between the two countries. Vietnamese economic pragmatism helps reduce mistrust from the Chinese that Vietnam does not want to be part of the Chinese initiative. In addition, good infrastructure network will help more foreign companies move to Vietnam, because input materials imported from Guangdong are not as time consuming as before. Vietnam’s goods can also be exported to China with less costs and time delivery.
CHAPTER 8  VIETNAM’S INTERNAL BALANCING AND MILITARY MODERNIZATION

Nowhere has the power asymmetry relations been more evident than in the developments of military relations between China and Vietnam. As China boosts up their military capabilities, it also enhances threat perceptions of other states. The intensity of impact of Chinese military power varies according to whether the country has political or border disputes with China.¹ Ren Xiao, director of the Center for the Study of Chinese Foreign Policy at Fudan University, claimed that, “As China grows, China’s maritime power also grows. China’s neighboring countries should be prepared and become accustomed to this.”²

The country where growing Chinese military power is strongly felt is Vietnam. A fear is often built on a perceived reality. Collective memories of past wars against China also trigger Vietnam’s perceptions of China’s threat. Quick relative shift in Chinese power has compelled Vietnam to quickly modernize its military capabilities as a way of internal balancing. In a simple understanding, internal balancing is “the enhancement of a state’s power in a response to a potential hegemon.”³ William Wohlforth notes that not all shifts in relative power are the consequences of balance of power imperative since most nations want to enhance their power relative to others without paying too much attention to whether there is a hegemon.⁴ Even though

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⁴ Ibid., 219.
Vietnam’s military buildup relies much on how its economy can afford, Vietnam has embraced an approach aiming to create deterrence against China’s possible ventures in the South China Sea.

1. Vietnam’s Military Force

Historical Background of Vietnam’s Military Force

Through the Third Indochinese War or Cambodian Conflict (1979-1989), Vietnam was heavily dependent on the Soviet Union as the major supplier of military weapons systems. The end of the Soviet Union also marked the termination of weapons supply at “friendly prices” to Vietnam. A few years before Vietnam withdrew its troops from Cambodia, its military force was rather feeble due to insufficient upgrade, little military aid from Soviet Union, low spirit, and war-torn exhausted soldiers. Vietnam’s economy was still in difficult period in order to have adequate investments in defense sector. In 1987, the VCP Politburo launched a “strategic readjustment” for the Vietnamese People’s Army (VPA). The primary aim was not to beef up military capabilities to cope with threats from China and Khmer Rouge, but to do business to improve servicemen’s livelihoods.

In 1988, the VCP issued resolution no. 13, highlighting that with “a strong economy, just-enough defense capabilities, and expanded external relations, Vietnam can enjoy conditions for protecting the country’s security…. [Vietnam wants] to have more friends and fewer enemies.”5 The thirteenth resolution downplayed the role of

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5 Vu Tung Nguyen, “Vietnam-Thailand Relations after the Cold War,” in International Relations in Southeast Asia: Between Bilateralism and Multilateralism, ed. N. Ganesan and Ramses Amer (Singapore: Institute of Southeast Asian Studies, 2010), 75.
VPA in Vietnamese policy making apparatus. A more pressing problem for Vietnam was to develop economy. After the normalization with China, Vietnam made the political decision to give economic development top priority and defense upgrades a modest attention. Noticing the shift in Vietnam’s defense role, David Elliot concluded,

> From the time of Resolution 13 in 1998, military requirements no longer dominated Vietnam’s external strategy. Vietnamese forces withdrew from Cambodia, Vietnam defused the threat from China by normalizing relations, and military expenses were cut back in order to focus on the primary task of economic development. The new military posture was to be ‘just enough’ or ‘sufficiency’ (vừa đủ), but this formulation did not address the key question; ‘just enough’ for what? The actual role of the military throughout the 1990s was a combination of symbolic supporter of the task of regime maintenance; purveyor of the concept of the threat of ‘peaceful evolution’; economic entrepreneur engaged in ventures, such as nightclubs and hotels, to provide income for the budget-starved armed forces; lead organization in economic development in remote areas; and the more traditional role of guardian of border areas on land and sea. Whether Vietnam’s armed forces were expected to prepare for bigger contingencies, such as a future ‘big power’ attack, was unclear.\(^6\)

In the early 1990s, Vietnamese economy started picking up. Its threat from the North was dissipating. Vietnamese leaders began to think of developing its defense capabilities in proportion with its economic growth. In 1992, Vietnam carried out a program to modernize the military including “the development of a national defense industry and the modest acquisition of new technologies, weapon systems, and platforms from abroad.” The VPA navy had a new duty of surveillance over Vietnam’s EEZ and offshore oilrigs as well as occupied islands and features in the South China Sea.\(^7\) Vietnamese leaders were aware of the urgent need to develop its naval capabilities to catch up with its rising offshore oil industry and imminent tensions with

\(^6\) Elliott, Changing Worlds: Vietnam’s Transition from Cold War to Globalization, 268.
other claimants in the South China Sea. Top Vietnamese bureaucrats also realized that they needed to make their military policy lucid and transparent as justification for their comprehensive efforts to integrate into regional institutions.

Vietnam’s first White Defense Paper was released in 1998 as part of commitments to join ASEAN in the regional interests of “transparency” and “confidence building.” However, this paper was a failure. According to David Elliott, this white paper did not carry much meaning because it still kept outsiders under veil of secrecy about the Vietnamese People’s Army (VPA). A Hanoi-based military expert, as quoted by Elliot, said, “The document is of no use at all. It says nothing about mobile forces, nothing about organization, and nothing about the navy or air force.”

Vietnam’s defense was still murky to outsiders. Defense budget was still a secret, too. Yet one visible trend was arms procurement on the rise to respond to future challenges in the South China Sea.

**Vietnam’s Military Force since 2009**

Year 2009 can be considered a milestone for Vietnam’s military modernization. In 2009, Vietnam’s White Defense Paper highlighted the determination to protect maritime sovereignty and to pursue military modernization. It also notes rising regional tensions without mentioning the name of China and highlights the need for gradual modernization of Vietnam’s military for purely defensive purposes. The 2009 National Defense White Paper states, “Proactively preventing and repulsing the

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Dangers of wars are among essential tasks if Vietnam’s national defense in peacetime in order to realize the optimal national defense strategy of protecting its sovereignty, unity, territorial integrity and other national interests without resorting to war. Vietnam advocates implementing the national defense strategy through a spectrum of political, economic, diplomatic, socio-cultural and military activities aimed at eradicating the causes of armed conflicts and wars.”10 It created an official foundation for Vietnamese military buildup. In 2009, Vietnam’s Prime Minister signed a contract to buy six Kilo-class diesel-electric submarines from Russia.

The 2009 White Paper underscores, “Defense cooperation is one of the most important factors for maintaining peace and stability in the region and the world as well, and it is also an important factor for achieving Vietnam’s defense goals. Therefore, Vietnam advocates expanding defense diplomacy and actively participating in defense and security cooperation in the regional and international community.”11 To realize this strategy, Vietnam has signed defense cooperation with powers that can bolster Vietnam’s security amid rising tensions in the South China Sea. In 2011, Vietnam and Japan signed a memorandum of understanding on defense cooperation and initiated a bilateral Defense Policy Dialogue at deputy-ministerial level. The two countries pledged to conduct ministerial level defense exchanges, servicemen training, naval goodwill port calls, and cooperation in military aviation and air defense.12 In May 2015, Vietnamese Defense Minister Phung Quang Thanh and his Indian counterpart Manohar Parrikar signed a memorandum of understanding on defense cooperation.

cooperation and another on coast guard cooperation. India promised to supply Vietnam with four patrol boats to enhance Vietnam’s maritime patrol capabilities. Indian-Vietnamese defense cooperation also serves strategic Indian eastward thrust into East Asia. Besides, Vietnam is also boosting defense ties with the U.S., resulting in the American ease of lethal weapon sales to Vietnam.

The 2009 White Paper also notes the widening gap in military capabilities between big powers and developing countries and puts an emphasis on boosting Vietnam’s technological capability, developing indigenous defense industry, and acquiring sophisticated weapons. The 2010 White Paper emphasized Vietnam’s defense policy is to build a modernized regular army with “revolutionary character.”

In the wake of the 11th VCP National Congress, there have been some formal transformations in top Vietnamese military officials about military modernization agenda including weapon procurement, PAVN priorities, and special focus on naval and coast guard capabilities.

Year 2011 marked a decisive landmark for Vietnam’s naval defense expenditures because the Central Committee of the VCP launched a detailed maritime strategy for 2011-2020, prioritizing the protection of maritime sovereignty and the maritime economy. Vietnam’s military expenditures skyrocketed from $1.5 billion

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in 2004 to $4.25 billion in 2012.\textsuperscript{16} On August 5, 2011 Defense Minister Phung Quang Thanh said, “The direction of building up the armed forces is one to follow the revolutionary spirit, regularization and effectiveness and gradual modernization. Within this context, the Navy, the Air Force, the Signal Corps and Electronic Warfare will proceed directly into modernization to protect the country.”\textsuperscript{17}

For Vietnamese analysts, military modernization is the most repeated key terms by high-ranking military officials. In the 70\textsuperscript{th} anniversary of the VPA in December 2014, Vietnam’s Vietnamese Lieutenant General Nguyen Chi Vinh, Deputy Minister of Defense, in a press report laid out Vietnam’s three primary defense challenges: “The first is building a military strong enough to protect our fatherland. The second is maintaining political and social stability. The third is non-traditional security.” Of the three, General Vinh says the first one is the key challenge and Vietnam has to “try very hard” to upgrade its weapons systems and training.\textsuperscript{18} It is not hard to guess that Vietnam is speeding up its military modernization to deter its northern neighboring behemoth, and at its worst, to be able to defend itself. A senior Vietnamese official told \textit{Reuters} on condition of anonymity, “We don’t want to have a conflict with China and we must put faith in our policy of diplomacy, but we know we must be ready for the worst.”\textsuperscript{19}

In the Draft Political Report to the 2016 Vietnam’s National Party Congress, the VCP lays an emphasis on strengthening resources for defense and security, developing domestic defense industry towards dual-use purposes. The military imbalance between Vietnam and China helps to explain why Vietnam has consistently gone to such lengths to enhance its defense capabilities. Vietnamese generals make clear to foreign observers that they know their limitations. Hence, Vietnam does not hide its intentions to develop its own defense industry, so that it can actively supply its military some necessary weaponry. These efforts are part of a broader push to make Vietnam defense capabilities less dependent on external suppliers.

**Basic Parameters of China’s PLA and VPA**

The profound asymmetry in Sino-Vietnamese dyad is most visibly seen in their military capabilities. Even though measures of the total balance of power between China and Vietnam are most relevant when it comes to wars, the comparison at least helps elucidate the extent of Chinese military superiority over that of Vietnam. Specifically, Vietnam has one of the largest armed forces in Southeast Asia. It currently has around 455,000 soldiers, being the 11th-largest armed forces in the world. The proportion of budget for defense expenditures between the two countries are similar, roughly 2%. However, investment figures in army modernization between the two nations are a big ocean of differences due to differences in economic scale.

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21 Torode, “Insight - Vietnam Builds Military Muscle to Face China.”
Table 11: Basic Data of Chinese and Vietnamese Military System (2012)

<table>
<thead>
<tr>
<th>Military branches</th>
<th>Vietnam</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>People’s Armed Forces:</td>
<td>People’s Army of Vietnam (PAVN; includes Vietnam People’s Navy (with</td>
<td>People’s Liberation Army (PLA): Ground Forces, Navy (PLAN; includes</td>
</tr>
<tr>
<td>People’s Navy (with Navy Infantry),</td>
<td>Vietnam People’s Air Defense Force, Border Defense Command, Coast Guard) (2013)</td>
<td>marines and naval aviation), Air Force (PLAAF; includes Airborne Forces), and Second Artillery Corps (strategic missile force); People’s Armed Police (PAP); PLA Reserve Force (2012)</td>
</tr>
<tr>
<td>Military service age and obligation</td>
<td>18-25 years of age for male compulsory and voluntary military service; females may volunteer for active duty military service; conscription typically takes place twice annually and service obligation is 18 months (Army, Air Defense), 2 years (Navy and Air Force)</td>
<td>12-24 years of age for selective compulsory military service, with a 2-year service obligation; no minimum age for voluntary service (all officers are volunteers)</td>
</tr>
<tr>
<td>Manpower available for military service</td>
<td>Active 482,000 (Army: 412,000; Navy: 40,000; Air: 30,000). Paramilitary: 40,000</td>
<td>Active 2,333,000 (Army: 1,600,000; Navy: 235,000; Air Force: 398,000; Strategic Missile Forces: 100,000), Paramilitary: 660,000)</td>
</tr>
<tr>
<td>Military expenditures – percent of GDP</td>
<td>2.0% of GDP (2014)</td>
<td>2.2% of GDP (2014)</td>
</tr>
</tbody>
</table>

Source: The Military Balance 201522, and CIA Factbook

For a simple comprehensive look at the quantifiable military capabilities of China and Vietnam, the 2014 Global Firepower Index can be a good reference. This military power index ranks 106 nations based on more than 50 factors including overall military budget, available manpower, and the amount of equipment each country has in its respective arsenal, as well as access to natural resources. The index focuses on quantity, ignoring significant qualitative differences. For instance, Vietnam’s tanks are not at the same quality as China’s. It also does not take nuclear

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stockpiles into account.\textsuperscript{23} According to this index that was released in 2015, China ranks number 3, and Vietnam 21.\textsuperscript{24} CIA World Factbook also ranked Vietnam at 21\textsuperscript{st} position. In general, different agencies give a rather uniformed evaluation of Chinese and Vietnamese military strengths.

Clearly, Vietnamese military focus is quite circumscribed. Key defense modernization projects are often made in reaction to Chinese initiatives. Vietnam’s relative defense power compared to China and to other powers is crucial to understand how Vietnamese leaders evaluate threats. Internal hard balancing by building up its own military capability is the primary task. In parallel, Vietnamese decision-makers think of limited military cooperation with other great powers such as Russia, the United States, India, and Japan. The scope of military cooperation is decided by the extent how Vietnamese leaders perceive China threat.

China’s military capabilities dwarf Vietnam’s by a wide margin. Besides, both China and Vietnam have been dependent to some extent on Russian made weapons – submarines, destroyers, and frigates, as well as fighter jets – to speed up their military modernization. One difference between the two countries is that China is less dependent on Russian arms than Vietnam because Beijing can develop its own indigenous military capacity. The questions that are mulling over are whether the Vietnamese Navy and Air Force can absorb and coordinate the newly added armament in such a short time.


Instead of matching Chinese weapon-for-weapon, Vietnam is seeking a denial strategy. Vietnam is materializing its step to have a credible deterrent to China even though its military capabilities are still a far cry from China’s. Deterrence approach is the best option for Vietnamese military strategists. Vietnam’s deterrence against China is predicted to succeed when China’s “expected utility of using force is less than the expected utility of not using force.” Hence, dueling between China and Vietnam in the South China Sea is not what Vietnamese leadership is thinking of. Their battle-hardened spirit of pragmatism throughout many recent wars directed them to modernize their military up to the deterrent level so that China has to think much before they want to venture into a confrontation militarily.

However, Vietnamese defense officials have repeatedly depicted Vietnam’s military modernization as defensive. They want to keep their arms build-up low profile. On top of internal balancing, military disparity carries incentives for Vietnam to bridge the gap by boosting defense ties with great powers such as the U.S., and Japan. In his speech to the Vietnamese National Assembly in October 2015, Defense Minister Phung Quang Thanh reaffirmed Vietnam’s non-alliance policy. He said, “Relations with China and the United States are very important to our security. If (we) have good and friendly relations with both countries, we will then maintain a balance position, maintain independence and self-reliance. (We) will not side with one big power to oppose another.” He also added that Vietnam will never attack another country, but it needs to have a capable military for self-defense.26

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Table 12: Vietnamese and Chinese Military Capabilities (2014)

<table>
<thead>
<tr>
<th>Categories</th>
<th>Vietnam</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land Systems</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tanks</td>
<td>404</td>
<td>9,150</td>
</tr>
<tr>
<td>Armored Fighting Vehicles (AFVs)</td>
<td>3,150</td>
<td>4,788</td>
</tr>
<tr>
<td>Self-Propelled Guns (SPGs)</td>
<td>524</td>
<td>1,710</td>
</tr>
<tr>
<td>Towed Artillery</td>
<td>2,200</td>
<td>6,246</td>
</tr>
<tr>
<td>Multiple Launch Rocket Systems</td>
<td>1,100</td>
<td>1,770</td>
</tr>
<tr>
<td>(MLRSs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Air Power</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fighters/Interceptors</td>
<td>217</td>
<td>1,066</td>
</tr>
<tr>
<td>Fixed-Wing Attack Aircraft</td>
<td>217</td>
<td>1,311</td>
</tr>
<tr>
<td>Transport Aircraft</td>
<td>147</td>
<td>876</td>
</tr>
<tr>
<td>Trainer Aircraft</td>
<td>26</td>
<td>352</td>
</tr>
<tr>
<td>Helicopters</td>
<td>140</td>
<td>908</td>
</tr>
<tr>
<td>Attack Helicopters</td>
<td>25</td>
<td>196</td>
</tr>
<tr>
<td><strong>Naval Power</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aircraft Carriers</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Frigates</td>
<td>2</td>
<td>54</td>
</tr>
<tr>
<td>Destroyers</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td>Patrol and Coastal Combatants</td>
<td>68</td>
<td>223+</td>
</tr>
<tr>
<td>Submarines</td>
<td>4</td>
<td>70</td>
</tr>
<tr>
<td>Landing ships</td>
<td>8</td>
<td>85</td>
</tr>
<tr>
<td><strong>Resources (Petrol)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil Production</td>
<td>300,500 b/d</td>
<td>4,732,000 b/d</td>
</tr>
<tr>
<td>Oil Consumption</td>
<td>325,000 b/d</td>
<td>9,500,000 b/d</td>
</tr>
<tr>
<td>Proven Oil Reserves</td>
<td>4,400,000,000 b/d</td>
<td>17,300,000,000 b/d</td>
</tr>
<tr>
<td>Labor Force</td>
<td>52,930,000</td>
<td>797,600,000</td>
</tr>
<tr>
<td>Merchant Marine Strength</td>
<td>579</td>
<td>2,030</td>
</tr>
<tr>
<td><strong>Logistical</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major Ports and Terminals</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Roadway Coverage</td>
<td>180,549</td>
<td>3,860,800</td>
</tr>
<tr>
<td>Railway Coverage</td>
<td>2,632</td>
<td>86,000</td>
</tr>
<tr>
<td>Serviceable Airports</td>
<td>45</td>
<td>507</td>
</tr>
<tr>
<td>Defense Budget</td>
<td>$3,365,000,000</td>
<td>$129,000,000,000</td>
</tr>
<tr>
<td>External Debt</td>
<td>$68,380,000,000</td>
<td>$863,200,000,000</td>
</tr>
<tr>
<td><strong>Geography</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shared Border</td>
<td>4,616 km</td>
<td>22,457 km</td>
</tr>
<tr>
<td>Waterways</td>
<td>17,702 km</td>
<td>110,000 km</td>
</tr>
<tr>
<td>Power Index</td>
<td>0.7024</td>
<td>0.2315</td>
</tr>
</tbody>
</table>

| Ranking                         | 21       | 3         |


Lyle Goldstein, a professor at the U.S. Naval War College, who has been studying Chinese analysts’ assessments of Vietnamese military capabilities, points out the weaknesses of Vietnamese military capabilities. Chinese planners believe that they
have found out two primary weaknesses in Vietnam’s military strategy: (1) insufficient experience in operating major complex weapons systems and (2) “surveillance, targeting and battle management.” In addition, the imminent question for Vietnam’s military is how all the military hardware coming from different platforms could fit together and coordinate well in the context of various weapons supplier such as Russia, the Netherlands, India, Israel, Spain, Canada, Czech Republic, and even the U.S.

However, Siemon Wezeman, an arms transfer researcher of the Stockholm International Peace Research Institute (SIPRI), argues, “From the point of view of Chinese assumptions, the Vietnamese deterrent is already at a point where it must be real.” In addition, that Vietnamese military has been receiving training and technical support from other powers is also factored into Chinese calculations.

Thus, the challenge to Vietnam in the South China Sea is China’s use of non-lethal force, which meant an adoption of a limited amount of violence with a gradual expansion of control over disputed bodies of water. The non-lethal force approach could encompass the mobilization of both state and private resources, ranging from coastguards, maritime police, state agencies, movable oil rig platforms, fishermen’s vessels as replacements for navies. As reaction to Chinese repertoire of tactics in the South China Sea, Vietnam has quickly allocated big budget to develop its Coast Guard in order to counter Chinese non-military forces. Besides, Vietnam is also trying to

27 Ibid.

225
develop its indigenous 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.

2. Vietnamese Defense Expenditures

Comparisons of defense budgets between China and Vietnam are challenging owing to a few reasons. Firstly, the varying methodologies of measuring defense spending employed by various research institutions. The famous international defense spending sources include the Stockholm International Peace Research Institute (SIPRI) and the Institute for Strategic Studies (IISS). Secondly, definitions of defense expenditures vary between the institutions. Thirdly, lack of reliable, available figures for Chinese and Vietnamese defense expenditure might complicate estimates from organizations. Finally, varying methods to convert defense spending into a common currency. There are two common conversion methods. The first method is market exchange rates (MER), and the second is purchasing power parities (PPP). Cordesman notes that estimates from SIPRI have been consistently higher than from IISS, fluctuating from “twice as high in the early 2003s to roughly one-third higher in 2013.” Even, estimates from ISS might be lower than the official figure from that country. For instance, estimate of defense expenditure for 2015 ($129 billion) from IISS is even

lower than the official military budget for 2014 ($132 billion) provided by the Chinese government. SIPRI’s estimate, which is based on open sources such as the *China Government Finance Yearbook*, draws figures or estimates from the central and local defense budgets, and the PLA’s official budget. SIPRI’s estimate is closer to estimates from other sources such as IHS Jane’s, so this thesis primarily uses figures from SIPRI for reference.

Table 13: China’s and Vietnam’s Defense Expenditure, 2004-current (U.S. billion)³³

<table>
<thead>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>63.5</td>
<td>71.4</td>
<td>83.9</td>
<td>96.7</td>
<td>106.6</td>
<td>128.7</td>
<td>136.2</td>
<td>147.2</td>
<td>161.4</td>
<td>174</td>
<td>191</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1.5</td>
<td>1.6</td>
<td>1.9</td>
<td>2.4</td>
<td>2.4</td>
<td>2.6</td>
<td>2.9</td>
<td>2.7</td>
<td>3.1</td>
<td>3.3</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Defense expenditure as a percentage of GDP was relatively unchanged for both China and Vietnam in the last few years, approximately 2 percent a year. By any measure, China is the world’s second largest defense spender. 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. During the ten-year period from 2004 to 2013, Vietnam increased its defense spending by 113 percent, supposedly the largest magnitude

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among Southeast Asian countries. Defense budget has hovered around two percent of Vietnam’s gross domestic product since 2004. In 2014, according to SIPRI, total spending in 2014 was $3.587 billion.

The priority of VPA’s arms shopping list have been given to the protection and surveillance of its coastline (approximately 3,200 km) as well as its territorial claims in the South China Sea. In addition, Vietnam also gives priority to procuring new military weapons and spare parts to upgrade its military weapons inventory. However, Vietnam’s military spending has been constrained by its budget cap, compatibility with its available weapons stocks, and partial U.S. lethal arms sale embargo.

Figure 12: Vietnamese Military Expenditures (2004-2014) (in million dollars)

Source: SIPRI

Defense expenditure alone is a crude gauge of military capability. In 2014, Vietnam’s defense budget is $3.6 billion, and China’s military spending is $191 billion.

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34 Ibid.
fifty-three times as much as Vietnam’s spending. Suffice to say, Hanoi leaders know for sure that they cannot match the much larger neighbor in military hardware. Vietnam spends less than one-sixtieth on defense procurement compared to China’s budget. Hence, Vietnam’s shopping motive is to primarily upgrade its naval capabilities in face of rising tensions in the South China Sea.

China’s military expenditure is believed to be nearly equal to the total defense spending of all the 24 other nations in East and South Asia. Nonetheless, the exact figure of Chinese defense spending is still a point of contention. China seems to make outsiders look at its spending figure primarily as a focus on salaries and inflation adjusted payments rather than on military hardware purchases. A RAND report by Keith Crane and his colleagues claims that Chinese official defense budget has ruled out so many items: procurement of overseas weapons, paramilitary expenses, nuclear weapons and strategic rocket program funds, state subsidies for the military-industrial complex, and so on.35

Gerghard Will, an Asia analyst at the German Institute for International and Security Affairs (SWP), said the reason behind Vietnam’s navy buildup is more than “a show of force.” The VCP is facing “a legitimacy crisis,” and they want to demonstrate to the Vietnamese people that they would “defend the nation’s interests by all available means.”36 For whatever reason, Vietnam’s growing military spending serves dual purpose: increasing internal balancing and improving the VCP’s legitimacy.

35 Keith Crane et al., “Modernizing China’s Military: Opportunities and Constraints” (RAND, 2005).
Vietnam’s indigenous defense industry is still small and underfunded, so it relies heavily on imports. Hanoi traditionally has a lasting defense acquisition relationship with Russia, since Russian military hardware suits Vietnam’s availability of financing options, offset fulfillment and familiar platforms. At present, Vietnam is attempting to modernize and diversify its existing defense inventory. While pushing for more ease of lethal arms sales from the United States, Vietnam has been relying on their traditional partners for military modernization. In October 2014, Vietnamese Prime Minister Nguyen Tan Dung visited India and met with his Indian counterpart Narendra Modi, who stated that “our defense cooperation with Vietnam is among our most important ones. India remains committed to the modernization of Vietnam’s defense and security forces… We will quickly operationalize the $100 million line of credit that will enable Vietnam acquire new naval vessels from India.”

Besides, India also sends the signals that it might be willing to sell the “Brahmos” short-range cruise missiles to Vietnam. In return, Vietnam’s Prime Minister Nguyen Tan Dung extended offers to India’s Oil and Natural Gas Corporation (ONGC) for oil exploration in the South China Sea. This aroused the condemnation by Chinese People’s Daily on October 31, 2014 of the Indian-Vietnamese cooperation in the South China Sea that might “complicate and aggravate” their maritime disputes.

Hanoi is eager to implement military modernization in order to protect its coasts, islands and national interests in the South China Sea, as well as slash its reliance on foreign suppliers for new weapons and spare parts. In November 2014, during the visit of Vietnamese Communist Party chief Nguyen Phu Trong to Russia, both states signed an agreement facilitating the entry of Russian warships into Vietnam’s Cam
Ranh Bay. The Russian warships only need to notify the port authority right before their port call.\textsuperscript{37} Vietnam is the second country that Russia has such an agreement after Syria with Tartus port. Vietnam is also negotiating with Russia on developing a logistics center in Cam Ranh Bay for the Russian warships. The procurement of military capabilities from an ally is much more than a mere form of purchase.\textsuperscript{38}

Russian Prime Minister Dmitry Medvedev’s trip to Vietnam in early April 2015 facilitated Russian arms sales to Vietnam by approving a draft Russo-Vietnamese military cooperation in which the Russian Ministry of Defense is authorized to discuss the planned accord and sign agreement with Vietnam. The planned accord would encompass exchanges of opinions and information, the implementation of confidence-building measures, cooperation to enhance international security and ensure more effective action against terrorism, as well as better arms control.\textsuperscript{39} In April 2015, Vietnam was reported to meet with a group of Western defense contractors in an effort to “navigate the complex process” of acquiring U.S. defense weapons.\textsuperscript{40} Vietnam is believed to look for long-range surveillance systems from the U.S. contractors to complement the available short-range system on its coast.

All the military upgrade that Vietnam is doing with air-combat capacity and naval power can be a significant part of a sea-denial strategy, helping prop Vietnam’s territorial claims and complicate China’s strategic calculations. In addition, Vietnam is considering the possibility of upgrading at least some of their existing fleet of approximately 480 T-72 main battle tanks, and buying T-90s to replace almost 1,000 ageing T-55s. Vietnam is also looking to India’s T-90s, which are considered appropriate for hot climates. The main obstacle for Vietnam’s military shopper is the expensive price tag. Israel has been reportedly talking to Vietnam about refurbished Achzarits (Israeli-made tanks).

3. Vietnam’s Navy

Before 1990, Vietnam possessed no coast guard capability and outdated naval vessels in a limited number. In order to defend its maritime national interests and in response to China’s increasingly assertive behavior in the South China Sea, Vietnam has strived to upgrade its naval capabilities and embraced area denial strategies. Vietnam’s maritime interests include defending its sovereign interests in the South China Sea. Until the early 2000s, Vietnam’s navy had minimal capabilities to protect Vietnam’s maritime interests.

Since 2004, Vietnam’s defense budget with a strong emphasis on navy and coast guard modernization has been more than doubled. New big-ticket acquisitions to modernize naval capabilities have been made with Russia as Vietnam’s main arms

In 2009, Vietnam ordered six Kilo-class submarines from Russia – the first two submarines HQ-Hanoi and HQ-Ho Chi Minh have been handed over to Vietnam, which strategically knows that it cannot be an equal-weight player with China in the race for military modernization and arms procurement. These submarines are purchased in a two-fold hope that Vietnam can check China’s behavior in the South China Sea and create a psychological deterrent against China. Vietnam knows for sure that it cannot match China vessel for vessel, so it has to adopt an A2/AD strategy that is preferred by weaker states.

It is ironic that China used to develop a sizeable submarine force to counter a superior US Navy and Vietnam’s navy is now supposed to adopt the same strategy to counter China, when Vietnam’s navy is outclassed by China’s fleet. It is a customary action when a country mimics the strategy of a more powerful. Thayer encapsulates observers’ evaluation on Vietnam’s naval strategy, “the views of defense analysts range from skeptical to cautiously optimistic about Vietnam’s ability to develop an effective counter-intervention strategy to deter China in Vietnam’s maritime domain.”42 It is still unclear whether Vietnam can effectively deter China, but Vietnam’s new additions of naval hardware, and importantly, improved defense ties with big powers such as the US, Japan, and India are making China’s strategy in the South China Sea more complex.

This area denial approach would complicate Chinese calculations over any military adventures against Vietnam in the South China Sea. In an interview on the

Collin Koh of Singapore’s Rajaratnam School of International Studies, claims that “Sea denial means creating a psychological deterrent by making sure a stronger naval rival never really knows where your subs might be. It is classic asymmetric warfare utilized by the weak against the strong and something I think the Vietnamese understand very well. The question is whether they can perfect it in the underwater dimension.”

On top of submarines, Vietnam is also upgrading its coast guard capabilities. The suppliers are varied. In 2013, it commissioned 3 retired South Korean patrol boats. In late 2014, Japan delivered six refurbished coast guard vessels as an act of donation. Vietnam is scheduled to buy four patrol boats – 14-ton fast Ocean Patrol Vessels (OPVs) – under a $100 million line of credit from India.

If any naval conflict might erupt between China and Vietnam, China’s People’s Liberation Army Navy (PLAN) South Sea Fleet would bear the brunt of leading naval operations against Vietnam’s navy. Based at Zhanjiang, the South Sea Fleet has 29 surface combat ships in total, including fourteen of the PLAN’s most modern vessels: three Type 052 air-defense destroyers, eight Type 054A frigates and three Type 056 corvettes. In May 2014, Zachary Abuza, a political science professor of the Simmons College in Boston, argued that Vietnam’s naval fleet is composed of 11 Soviet-era corvettes and 5 frigates, not sufficient to develop an affective counter-strategy to deter China in Vietnam’s waters.

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A few months later, his view of Vietnam’s deterrence capabilities seems to be more sanguine. He claims that Vietnam has had some qualitative improvements with new weapons acquisitions, but Vietnam’s naval capabilities cannot credibly deter China’s own asymmetric, quasi-militarized operations. Also highly valuing Vietnam’s strategy, Gary Li, head of Marine and Aviation Forecasting based in London, argues, “Vietnam does not need to match China ship for ship, but rather take its doctrine of guerrilla warfare to the high seas. An asymmetrical strategy, combined with the forging of timely alliances with China’s rivals, places Vietnam well for the coming conflict. Whether this turns out to be a hot war, however, is still likely to be decided at the conference tables. But one thing is certain, Vietnam is making sure it has all the best cards before sitting down to talk.” Vietnam’s new naval military capabilities might complicate China’s calculations. The good news, according to Thomas J. Christensen, is China’s lack of ability to project combat power “in a sustained way far from its shores.” Wu Shang-su argued that Vietnam’s increased defense expenditures have discouraged Beijing’s use of force against Vietnam.

Vietnam’s navy consists of four Molniya-class guided missile frigates and BPS-500 corvette, two Gepard 3.9-class built under Project 11661 guided missile

stealth frigates armed with 3M24 Uran (SS-N-25 Switchblade) anti-ship missiles, two Dutch Sigma-class corvettes armed with new extended range Exocet anti-ship missiles, and six Svetlyak-class Fast Attack Craft armed with anti-ship missiles.49 Vietnam’s local defense industry is also capable of building small patrol vessels. Most of them have been constructed on designs from Russian with 400-ton or 500-ton displacements. Siemon Wezeman claims, “The Vietnamese have changed the whole scenario – they already have two submarines, they have the crews and they appear to have the weapons and their capabilities and experience will be growing from this point. From the point of view of Chinese assumptions, the Vietnamese deterrent is already at a point where it must be very real … No one should underestimate the Vietnamese – they have a clear threat and that gives them an extra incentive.”50 Vietnamese military strategists assume what Vietnam is attempting to improve its military capabilities is to raise the costs of any Chinese venture against Vietnam – a “minimal credible deterrent.”51

Vietnam’s Submarines

Submarines are favorite sea denial weapons in the Southeast Asian region against the backdrop of China’s growing maritime power and tense disputed territorial waters. Southeast Asian navies are primarily sea denial forces. Yet, lack of “domain awareness” found in Southeast Asian nations can cause major safety problems for submarines because of the following reasons. First, the South China Sea is a semi-enclosed sea

49 Carl Thayer, “Can Vietnam’s Maritime Strategy Counter China?”
51 Torode, “Insight - Vietnam Builds Military Muscle to Face China.”
with uneven bottom topography and strong currents. Secondly, there are a fast growing number of submarines coming into operation in the region’s navies, not only from Vietnam but also from Malaysia, and Indonesia. On top of sea denial capability, submarines’ stealth feature enables them to operate without being detected, and to give them a considerable advantage over surface ships. Even if they are detected, it is hard to identify their type and nationality.

In 1997, Vietnam furtively purchased two Yugo-class mini submarines from North Korea under a barter program, which was speculated to be used for underwater training. The outsiders rarely knew about the presence of these two pigmy submarines. It is no doubt that the submarines could be used to provide some foundation for Vietnamese navy about submarine operations. Due to the fact that these small-size submarines were built for infiltrating commandos rather than for engaging naval clashes, they are believed to provide limited training practice for Vietnamese underwater crews. Since India also possesses Kilo-class submarines that Vietnam has acquired, the former is decided as the chosen training destination for Vietnam’s underwater sailors. Currently, Vietnamese submarine crews are being trained at India’s INS Satavahana submarine center in Andhra Pradesh state.

Naval analysts have long considered that China is considerably weak in antisubmarine warfare. It is possible that Vietnam has found a weakness in Chinese military ability to strike at. In December 2009, the Vietnamese Defense Minister

Phung Quang Thanh signed a contract to buy six *Kilo*-class submarines with the Russian arms exporter, Rosoboronexport under the witness of Russian President Vladimir Putin and Vietnamese Prime Minister Nguyen Tan Dung. The submarines that Vietnam ordered are the latest variant of the *Kilo*-class, known as the improved 636MV. The improved *Kilo* is 73.8 meters in length, 9.9 meters in width with a draft of 6.2 meters. It has a surface displacement of 2,350 ton and can dive up to 400 meters. The improved *Kilo* is powered by diesel-electric engines. It has a range of 9,650 km and can travel 700 km underwater at 2.7 knots (5km/hour) at quiet speed.54 The website naval-technology.com, of Kable Intelligence Limited, has effusively nice words about the Russian-made 636 *Kilo*-class, “Type 636 is designed for anti-submarine warfare (ASW) and anti-surface-ship warfare (ASuW) and also for general reconnaissance and patrol missions. The Type 636 submarine is considered to be one of the quietest submarines at a range three to four times greater than it can be detected.”55

The 3,000-ton *Kilo* class submarines that Vietnam is buying from Russia are well known for their quietness and long-range operations. The Straits of Malacca, China’s lifeline of materials and exported goods from and to Africa, the Middle East, Europe, and parts of Asia, is well within the subs’ range. According to a 2012 report from USNI News, *Kilo*-class submarines have a crew of 57 and are capable of firing Russian-made SS-N-27 anti-ship cruise missiles and MANPADS *Strela*-3 antiaircraft

missiles.\textsuperscript{56} A press report quoted Vasily Kashin, a Moscow-based strategic analyst, who believed that Vietnam’s diesel-electric \textit{Kilos} are more technologically advanced than the 12 submarines that China acquired long ago.\textsuperscript{57} China purchased Russian \textit{Kilos} in the 1990’s, so it is understandable that Chinese navy men have possessed a considerable knowledge of the submarines’ operations and performance. Vietnam might lose some tactical surprises in possible underwater confrontations. To compensate for that, the Vietnamese submarines are equipped with anti-ship missiles and \textit{Klub} missiles that could pose a heavy blow to Chinese warships, offshore and onshore structures.

As of May 2015, Vietnamese navy has received three submarines and the fourth one has been on the way to Vietnam. After months of sea trials, the Vietnamese Navy commissioned the first two \textit{Kilo}-class vessels – the HQ-182 Hanoi and HQ-183 Ho Chi Minh City – in 2014. The keel of the sixth and last \textit{Kilo}-class submarine was laid down in June 2014, and it is expected to deliver to Vietnam in 2016. By the end of 2016, Vietnam will have the best submarine fleet among Southeast Asian nations.

With respect to the submarine operations, Vietnam looks forward to India as the suitable training destination for its sailors. The Indian Navy has been training a large number of Vietnamese sailors in submarine operations and underwater warfare at the Indian Navy’s INS Satavahana (Submarine School) in Visakhapatnam.\textsuperscript{58} In May 2014, Vietnam joined the Proliferation Security Initiative (PSI), which was highly

\textsuperscript{56} Carl Thayer, “Russian Subs in Vietnam.”
\textsuperscript{57} \url{http://www.scmp.com/news/asia/article/1587743/vietnam-builds-sea-deterrent-against-china-state-art-submarines}
welcomed by the U.S. government. By becoming a member state of this Initiative, Vietnam could enlist the U.S. assistance in developing the capacity to conduct surveillance of its maritime zone of responsibility.

The new submarines are valuable addition to Vietnam’s stockpiles, but they are not the only recruits. A mixed set of 6 stealthy Gepard 3.9/Dinh Tien Hoang Class light frigates will augment surface and warfare patrol capabilities. Vietnam is developing a wide range of naval vessels both for surface and underwater warfare. The naval buildup can be purchased, jointly developed with a developed country, or indigenously carried out. The motive behind the acquisition of these six Kilo-class submarines and other naval vessels might be interpreted as a strategy of deterrence. It is just initial steps in a long process to make this strategy workable. In addition, Vietnam is also equipping its armed forces with other weapons that I will lay out in following parts.

Vietnam’s Gepard Class Frigates

Vietnam currently has four Gepard class frigates from Russia. They are considered as the backbone of Vietnamese navy. The weapons installed on these vessels include a Russian-made Uran E-missile system, a 76.2 millimeter cannon that fires at a rate of 120 rounds per minute with a 10 km range, and two 30 millimeter guns. Vietnamese frigates are also equipped with antisubmarine warfare (ASW) capabilities. Each holds two twin torpedo tubes, anti-submarine rocket launchers, and 12-20 submarine specific mines. These Gepards are considered to be of highly capable offensive capabilities.
The *Gepard* 3.9 frigates will be equipped with a new-generation combined gas turbine power plant and the maximum speed can reach 28 knots. The *Gepard* frigates with 2000-ton displacement when fully loaded are equipped with eight *SS-N-25* Switchblade anti-ship missiles. In June 2015, *IHS Jane’s Navy International* reported that Vietnam was negotiating the purchase of two more *Gepard* for its navy, bringing the number of *Gepard* 3.9 frigates that Vietnam will be possessing to six. These *Gepard* class warships are the most capable of Vietnam’s naval fleet, being the backbone for Vietnam’s new modernization of the naval forces.

**Vietnam’s Molniya/ Project 12418 and Dutch Sigma Ships**

The *Molniya* ships are missile-armed Fast Attack Craft with the *Tarantul*-class Soviet corvette design. In 2009, Vietnam got the license from Russia’s Almaz Central Design Bureau to build six *Molniya* missile boats under Project 12418 at the Bason Shipyards in Ho Chi Minh City. In October 2013, the Vietnamese People’s Navy began sea trials of the first two *Molniya* Project 124218 missile boats under license from Russia. The first two corvettes, HQ 377 and HQ 378, were delivered to the Vietnamese Navy in June 2014 after completing live-fire exercises.59 In June 2015, the next two missile boats, coded HQ 379 and HQ 340, were delivered to the Vietnam People’s Navy. They are equipped with 16 *Uran-E* missiles of 130km in range and automatic weapons.

The delivery ceremony was announced on Vietnamese news outlets amid noisy brawls over Chinese land reclamation work in the South China Sea. Vietnamese Deputy Defense Minister Truong Quang Khanh stated the new missile boats

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demonstrated that Vietnam could “fully master the technology and techniques of modern military shipbuilding.” Indeed, Vietnam has been attempting to build small naval patrol boats with the help from Russia. In January 2012, the Vietnamese People’s Navy was reportedly provided with its first ever locally manufactured gunboats – TT-400TP. These warships are equipped with missiles and artillery and can operate in a more than 2,000-mile range. Even though Vietnam’s indigenous defense industry is still fledgling, it has helped develop Vietnam’s navy from a small coast patrol force in the 1980s into a seagoing navy.

Vietnam also inked a contract to acquire four Sigma-class corvettes from the Netherlands during the trip made by Prime Minister Nguyen Tan Dung in October 2011. The first two vessels will be built in Vlissingen, and the last two in Vietnam under Dutch supervision. Vietnam is cooperating with the Dutch Damen Shipyards Group to build a big shipyard in Vietnam, which has been in operation since 2010. These Sigma corvettes are equipped with MBDA VL MICA anti-air missiles and an Oto Melara 76 mm medium-caliber gun. The close relationship with the Dutch Damen shipbuilder has been steadily developing Vietnam’s indigenous shipbuilding industry as well as maritime law enforcement capacity with Western technology. As of 2014, Damen had been working with five Vietnamese partner shipyards for 12 years including Song Thu, Song Cam/Ben Kien, 189 and Ha Long, and building 226 small-size vessels in Vietnam. The cooperation steps are not so fast, but sound promising for Vietnam’s local shipbuilding industry.

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Seaplane Squadron

In an effort to improve naval surveillance, Vietnam in 2014 acquired 6 DHC-6 Twin Otter Series 600 aircraft from a Canadian firm, Viking Air of Sidney. It was the first western aircraft in the Vietnamese military and also the first fixed-wing aircraft in the Vietnamese navy. The Twin Otters are expected to help Vietnamese navy in transport, resupply, maritime surveillance, and search and rescue along its long coast and maritime waters. Of the six Twin Otters, three are equipped for amphibious operations, with convertible interiors covering VIP, commuter, and utility layouts; the other three are equipped as designated “Guardian 400” maritime patrol variants.62 The Twin Otters, known for their low cost and durable endurance, are believed to be a good start for the Vietnamese Navy to learn how to operate a surveillance aircraft. In September 2014, Vietnamese Navy chief of Staff Vice Admiral Pham Ngoc Minh announced the establishment of DHC-6 seaplane squadron in Haiphong, a coastal city close to China. When the delivery is finished by 2016, these amphibious aircraft are expected to help Vietnam boost their capacity of maritime patrol.

4. Vietnam’s Missiles

Due to the geographical feature of close quarters of the South China Sea, any potential crisis in the South China Sea may involve the missile systems. Taking this into consideration, Vietnam has developed cruise missiles as part of A2/AD system. Vietnam has been capable of manufacturing the P-5 Pyatyorka/Shaddock anti-ship

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missiles with a 550-km range. Today Vietnam is capable of launching cruise missiles from aircraft, surface ships, submarines, and shore-based platforms.\textsuperscript{63}

With regard to Vietnam’s shore-based platforms, they consist of the P-800 \textit{Onyx} surface-to-surface cruise missile for coastal defense, and S-300 SAM air defense network. The \textit{Onyx} missiles have a Mach 2.5 speed with a 288-km range and a 250kg warhead. Vietnam’s land-based coastal defense is enhanced by the purchase of the Extended Range Artillery Munition from Israel, a short-range ballistic missile that can reach targets beyond 150km and the acquisition of three sophisticated Czech-made Verapassive radio locators\textsuperscript{64}. Vietnam in the steady buildup of its military has planted anti-ship cruise missile sites along the coast to deter any likely attack or raid by vessels.

Vietnam is purchasing 50 anti-ship and land attack 3M-14E \textit{Klub} supersonic cruise missiles from Russia to equip its \textit{Kilo}-class submarines.\textsuperscript{65} Vietnam is also the first Southeast Asian nation to arm its submarine with land attack missiles. According to one analyst, the land attack missiles dramatically advance Vietnam’s navy capabilities with “a much more powerful deterrent that complicates China’s strategic calculations.”\textsuperscript{66} Equipped with land attack \textit{Klubs}, Vietnam can launch counterattack to any potential targets such as naval bases, coastal cities, or ports.


India considered selling supersonic *BrahMos* missiles to Vietnam. *BrahMos*, an abbreviation of the two rivers: Brahmaputra in India and Moskva in Russia, an Indian-Russian joint venture and requires the approval of both countries for the sale to a third party. According to Ankit Panda, an editor from *The Diplomat*, the negotiations for the sale of the *BrahMos* might be coming to a closing stage because Vietnam is considered to be a “friendly state” according to a joint Indo-Russian supervisory council in 2011.\(^6^7\) If Vietnam could acquire the *BrahMos*, it would be a valuable addition to Vietnam’s deterrence strategy. The supersonic missiles are the fastest operational cruise missile at Mach 3.0 speeds.

In 2003, Vietnam purchased two batteries of S-300PMU1 surface-to-air missile systems. The first S-300PMU1 battery of twelve missile launchers and sixty-two missiles were delivered in 2005. Vietnam also signed with a contract with a Belarusian company, Tetraedr, to buy an upgrade package for more than 30 emplacements of the S-125 air defense missile “Pechora-M” to the standard S-125-2TM Pechora-2TM.

In 2011, Vietnam purchased two batteries of Russian P-800 mobile land-based anti-ship cruise missiles that could strike any targets in the South China Sea. Vietnam also got the license from Russia to produce Kh-35 anti-ship missiles for its vessels. Vietnam now has 40 Beijing also paints itself as a peace-loving actor committed to a non-violent settlement of the territorial disputes in the South China Sea through peaceful negotiations.shore-to-ship cruise missiles, aka carrier killers. Vietnam has

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also been negotiating for licenses to produce other sophisticated anti-ship missiles such as P-5 SS-N-3 *Shaddock*, P-15 *Termit*, and Kh-35E/UE *Uran* SS-N-25 *Switchblade*.

Vietnamese defense officials have not formally mentioned the idea behind the purchase of high-tech missiles, but their purpose is not hard to guess. Carlyle A. Thayer commented, “The purpose of Vietnam’s counter-intervention strategy is intended to deter China from deploying PLAN warships at the power end of the conflict spectrum, such as assisting civilian law enforcement agency vessels operating in Vietnamese waters or blockading Vietnamese-held islands and features in the South China Sea.”

5. **Marine Police (Coast Guard)**

On August 28, 1998 Vietnam’s Defense Minister issued Decision no. 1069 establishing the Coast Guard Bureau (Canh Sat Bien) of the Navy with the duties “to protect the sea, the islands and maintain maritime law enforcement with new developments. Less than one month later, the Coast Guard Bureau was put directly under the Ministry of Defense. The U.S. has assisted Vietnam in building their maritime governance capacity with training sessions since 2012 via the coordination of the U.S. Embassy in Hanoi. The goal of maritime security cooperation, notably coast guard, is to “help Vietnam bolster its maritime domain awareness and patrol

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68 Thayer, “Can Vietnam’s Maritime Strategy Counter China?”
capabilities, especially in the context of rising tension with China, ultimately transforming the Vietnamese Coast Guard into a more effective player” in the South China Sea.\textsuperscript{70}

It is not only the Vietnamese Navy that is quickly modernizing its capabilities. The government has spent over $950 million upgrading its Coast Guard and Fisheries Surveillance Force in order to enhance its capabilities in the South China Sea.\textsuperscript{71} The Vietnamese Marine Police’s shopping list is several offshore patrol vessels from the Dutch Damen Group, including one that is more than 1,000 tons and can carry a helicopter.\textsuperscript{72} In June 2014, Vietnam’s National Assembly approved a $756 million budget on upgrading maritime surveillance and defense capabilities after the Chinese oil rig incident.\textsuperscript{73} Vietnam is believed to have doubled its coast guard fleet to 68 vessels over the past five years.\textsuperscript{74}

However, China has a colossal numerical advantage over Vietnam. It has many more Coast Guard ships (205) than Japan, Vietnam, Indonesia, Malaysia, and the Philippines combined. Specifically, China has 95 large vessels (>1,000 tons) and 110 small (500-1,000 tons). Vietnam has 5 large and 50 small boats.\textsuperscript{75} Hence, Vietnam has

\textsuperscript{70} Hiebert, Nguyen, and Poling, \textit{A New Era in U.S.-Vietnam Relations}, 8.
\textsuperscript{72} Gary Li, “Vietnam’s Asymmetrical Strategy.”
been looking for help from Japan and the U.S. in maritime surveillance. Japan and the U.S. have agreed to give Vietnam some patrol boats and help with domain awareness training. During State Secretary Kerry’s trip to Vietnam in December 2013, the United States agreed to provide Vietnam with $18 million to strengthen “the capacity of coastal patrol units,” including the delivery of five fast patrol boats. 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. Absolutely, these new additions from the U.S. and Japan will not help Vietnam become the same weight player of China, but they demonstrate the U.S. commitments in the South China Sea. Vietnamese leaders want to take that chance subtly.

6. VPA’s Air Force


In 2009, Vietnam ordered 8 Russian Su-30MK2V Flanker fighters without weapons with an estimated value of $400-500 million. The delivery of these 8 fighters


completed in 2010-2011. In February 2010, Vietnam purchased another 12 Su-30MK2V fighters with weapons for a rough $1 billion transaction. The Su-30MK2V variants for Vietnam are multirole fighters equipped with guided missiles in medium-range engagements and dogfights, and high precision weapons. They have in-flight refueling system as well as a control system of detecting, tracking and hitting aerial and surface targets in all-weather conditions. Besides, Vietnam also increased its air force stock with commercial version of Su-30. In 2012 a group of Vietnamese military experts went to Belarus and expressed desire to buy 18 Su-30K fighters modernized to the SU-30KN standard. The 18 Su-30K aircraft are owned by the Belarusian Irkut Aviation Corporation with a value of $270 million.\textsuperscript{79} In August 2013, a Vietnamese report says that Vietnam ordered an additional 12 SU-30MK2 with deliveries between 2014 and 2015. However, another report says the number might be up to 20, not 12. Apart from the current fleet of 20 Su-30MK2 fighters, Vietnam ordered another batch of 12 Su-30MK2s. All the twelve fighters are expected to be delivered by the end of 2015.

Vietnam has also purchased 12 Su-27 air superiority fighters and up to 36 Su-30 multi-role fighters. It is not surprising that China also possesses these fighters with bigger quantity on top of their indigenous fighters. Yet it is only numerical superiority. Qualitatively speaking, Anton Chernow from the Russian Institute of Political and Military Analysis claims, “With the advanced equipment systems, the Vietnam People’s Air Force’s Su-30MK2V is the most modern in Asia.”\textsuperscript{80} Vietnamese Su-27s

\textsuperscript{79} "Vietnamese People’s Air Force - Modernization."
\textsuperscript{80} Ibid.
and Su-30MK2s are designed to be able to reach the waters adjacent to the Spratly islands, which seem to be beyond the effective range of China’s fighters.  

81 Vietnam’s Air Force’s inventory still has 38 Su-22 ground attack aircraft and 144 MiG-21Bis fighters, of 1980s vintage.  

82 Su-30 fleet is expected to replace the ageing Su-22s and a portion of MiF-21bis fleet. Recently there was a collision accident between two Su-22 fighter jets during training and both pilots were killed. Vietnam is believed to possess roughly 100 Su-22 jets, the biggest fleet of Su-22 owned by a single country. Vietnam’s People’s Air Force consists of 38 Su-22 ground attack aircraft and 144 MiG-21 Bis fighters. These aircraft were manufactured in the 1980s and they are not really capable in the South China Sea when China’s South Sea Fleet with 052C and 052D air defense destroyers could make their jobs more complicated.

Table 14: Vietnam’s Air force Capabilities

<table>
<thead>
<tr>
<th>Combat Aircraft</th>
<th>Quantity (IISS)</th>
<th>Quantity (HIS Jane’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sukhoi Su-30MK2 / Su-30KN</td>
<td>_</td>
<td>36</td>
</tr>
<tr>
<td>Sukhoi Su-27</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Sukhoi Su-22</td>
<td>30</td>
<td>36-100</td>
</tr>
<tr>
<td>MiG 21</td>
<td>25</td>
<td>144</td>
</tr>
<tr>
<td>Transport Aircraft</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EADS CASA C-295</td>
<td>_</td>
<td>3</td>
</tr>
<tr>
<td>Antonov An-26</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>Antonov An-2</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>PZL M28 Skytruck</td>
<td>_</td>
<td>11</td>
</tr>
<tr>
<td>Helicopter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mil Mi-8</td>
<td>14</td>
<td>70</td>
</tr>
<tr>
<td>Mil Mi-17</td>
<td>6</td>
<td>68</td>
</tr>
<tr>
<td>Mil Mi-24</td>
<td>26</td>
<td>36</td>
</tr>
</tbody>
</table>

82 https://medium.com/war-is-boring/if-vietnam-china-showdown-turns-hot-heres-how-it-could-go-down-c1b0c1dc03b1 (accessed January 22, 2015)
Vietnam’s air force capabilities may witness new additions in the future with more access to Western arms dealers. When U.S. Defense Secretary Ash Carter visited Vietnam in June 2015, both countries’ defense ministers endorsed a “joint vision statement,” which aims to deepen bilateral relations to the next level. This trip has given the implicit green light to Western arms contractors. Vietnam was recently reported to look for jet fighters, patrol planes, and armed drones from European and American contractors. Big names mentioned in Vietnam’s arms browsing trips include European multinational Eurofighter, U.S. defense manufacturers Lockheed Martin and Boeing, and Swedish Saab. Vietnamese moves are in line with their strategy to diversify and upgrade their military inventory with new modern weapons that could provide credible deterrence to China.

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83 “Vietnam Muddles China’s South China Sea Challenge,” The Diplomat, June 2015.
CHAPTER 9 ALIGNMENTS AND MULTILATERAL FRAMEWORKS

This chapter will investigate Vietnam’s soft balancing against China. To many observers, Vietnam’s alignment approach has been very active in recent years. Simply put, alignment is the “expectations of states about whether they will be supported or opposed by other states in future interactions.”¹ The two nations that have the same perceived threat by an adversary would mutually expect supports from each other to prevent that adversary from changing the status quo. Expectations of help can be made by agreements of various types, military cooperation, diplomatic statements or even formal alliances.² As a component of hedging strategies to counter uncertainties from a rising China, Vietnamese leaders mix both bilateral and multilateral mechanisms

1. Establishing Partnerships

Vietnamese leaders are known for their being pragmatic, so maintaining national interests is always their top priority. Palmerston’s maxim that a nation does not have permanent friends or enemies but only permanent interests does really capture Vietnam’s foreign policy. The weaker a country is, the more friends it needs for securing its survival. Vietnamese elites are careful to avoid provoking China, but the need to boost alignments with other powers against growing Chinese military capabilities was constantly in the background. Hence, alignment is considered one of the appropriate approaches that Vietnam is embracing. John D. Ciorciari observes,

When the leaders of DCs (developing countries) decide how to align, they carry out the same informal risk-and-reward calculus that informs people’s

² Ibid., 7.
choices in other areas of life. They try to maximize their expected utility, obtaining as many rewards as possible at a minimum level of risk. The rewards of great-power alignment include protection from internal and external threats, as well as economic and political assistance. If alignments bore no costs, DCs would have every incentive to form tight alliances with powerful protectors to secure military, economic, and political aid. However, stalwart security arrangements with powerful partners do entail real hazards for DCs. They can diminish the weaker partner’s independence, alienate other states and domestic actors, and create significant risks of entrapment or abandonment… I argue that DCs usually perceive limited alignments as a utility-maximizing strategy and seek to enter such relationships.³

The 9th VCP Congress of April 2001 continued to underscore Vietnam’s deep integration into the global world. A politburo meeting of November 2001 hammered out priorities of Vietnam’s foreign policy: “… continue to strengthen relations with Vietnam’s neighbors and countries that have been traditional friends; give importance to relations with big countries, developing countries, and the political and economic centers of the world; raise the level of solidarity with developing countries and the non-aligned movement; increase activities in international organizations; and develop relations with Communist and workers parties, with progressive forces, while at the same time expanding relations with ruling parties and other parties.”⁴

In 2006, the VCP Political Report to the VCP 10th National Congress emphasized Vietnam “must strive to unswervingly carry out a foreign policy of … multilateral and diversified relationships while staying proactive in integrating into the world economic community and expanding international cooperation in other fields.”⁵

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⁴ Elliott, Changing Worlds, 232.
The mantra of “multilateral and diversified relationships” is implemented in two major forms: boosting comprehensive (strategic) partnerships with big important powers, and being an active membership in regional multilateral platforms. Given opportunities that each partner country can offer, Vietnam has worked hard to seek gains from these partnerships. For instance, Vietnam is boosting ties with its strategic partner, Russia, in four main pillars of bilateral ties including oil and gas cooperation, military hardware and training, trade and investment, and energy cooperation. Importantly, Russia is a major source of military weapons to Vietnam and contributes to the enhancement of Vietnam’s defense capacity. From the Vietnamese perspective, Russia is a traditionally reliable nation in helping Vietnam have access to high-tech military capabilities.

The powers that Vietnam wants to establish comprehensive (strategic) partnerships with must have the capabilities to facilitate Vietnam’s needs in economic development, security assurance, and diplomatic influence. Hanoi has a set of classifying definitions such as great powers (cuong quoc), big countries (nuoc lon), superpower (sieu cuong), global power (cuong quoc the gioi), and regional power (cuong quoc khu vuc). According to this tabulation, the United States fits in the notion of superpower (sieu cuong), and China is global power (cuong quoc the gioi). From the Vietnamese leadership’s perspective, China is securing its position as a global power, but unable to become a superpower. For the Vietnamese, China is always the most comprehensive strategic partner simply because Vietnam’s history has been

6 Elliott, Changing Worlds: Vietnam’s Transition from Cold War to Globalization, 234.
linked to China for more than two thousand years. Every ripple from China can be felt many times bigger in Vietnam.

Since the mid-2000s, Vietnam has been reaching out to other regional Chinese rivals such as Japan or India. Jonathan London also believed that the best way for Vietnam to deal with China is the support from the “broader community of nations.” Vietnam has been active in seeking support to gain leverage against China. Vietnam’s plain purpose is to garner international support to pressure China not to pursue unilateral decisions on its claims in the South China Sea. The US is by all means Vietnam’s best option. Vietnamese officials often say they do not expect the United States to take sides in the dispute, but it will be helpful if the United States can force all the claimants to adhere to the rule of law and refrain from acting unilaterally. Unavoidably, elites in Vietnam perceive China less through the narrow lens of bilateral ties than through a prism of triangular relations, including China, Vietnam, and the United States. By August 2015, Vietnam has comprehensive partnerships and strategic partnerships with as many as 16 countries.

With a new foreign policy framework guided by Vietnam’s Communist Party Central Committee in 2013, Vietnam has established the Strategic Partnerships with five out of seven countries in the G7 group including France, Germany, Italy, Japan, and the United Kingdom. Vietnam and the United States agreed on the Comprehensive Partnership in 2013. In addition, Vietnam signed the Strategic Partnerships with three Southeast Asian states including Thailand, Indonesia, and Singapore in 2013, and then with Malaysia and the Philippines in 2015. They are the five largest economies in the

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7 Kwok, “Can Vietnam Have Its Cake and Eat It?”
Southeast Asian region. The recent signing of strategic partnership between Vietnam and the Philippines in November 2015 indicates a strengthened collaboration of maritime affairs in the South China Sea and enhancing bilateral economic partnership. However, Vietnamese leaders are so cautious that they do not want to project an image of their improved ties with another power at the expense of China.

Table 15: Lists of Vietnam’s partnerships (2001-2015)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Comprehensive Partnership</th>
<th>Strategic Partnership</th>
<th>Comprehensive Strategic Partnership</th>
<th>Extensive Strategic Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia (2001)*</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
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<tr>
<td>Japan (2006)***</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
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<tr>
<td>India (2007)</td>
<td></td>
<td>X</td>
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<tr>
<td>China (2008)***</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
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<tr>
<td>Australia (2009)</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>South Korea</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Spain (2009)</td>
<td></td>
<td></td>
<td>X</td>
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<td>The United Kingdom (2010)</td>
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<td>Germany (2011)</td>
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<td>Italy (2013)</td>
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<td>Thailand (2013)</td>
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<td>Indonesia (2013)</td>
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<td>Singapore (2013)</td>
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<td>The United States (2013)</td>
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<td>X</td>
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<tr>
<td>Malaysia (2015)</td>
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<td>X</td>
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<tr>
<td>Philippines (2015)</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

*and **: The partnerships with Russia and China were upgraded from “strategic partnership” to “comprehensive strategic partnership.” ***: the partnership with Japan was upgraded to Extensive Strategic Partnership in 2013.

The underlying motivation of Vietnam’s strategic partnership cultivation with great powers is its long-term commitment to build a fruitful relationship by deepening ties and promoting convergence on issues of mutual interests. Vietnamese leaders
recognize benefits that can be achieved from individual nations that Vietnam has established strategic partnership with. These benefits are important to Vietnam’s national interests. For instance, Russia, for Hanoi policymakers, is a traditional friend and a reliable source of arms. The U.K. and France are good trade partners and a wellspring of aid and investment. Actually, there is a fine line between Vietnam’s strategic and comprehensive partners. In diplomatic term, comprehensive partnership is one level below the strategic partnership in terms of the cooperative intimacy between two countries. Not all the powers that Vietnam hopes to form a strategic partnership with are willing to do so. Vietnam wants to upgrade the relationship with Australia and the U.S. from comprehensive partnership to strategic partnership but Australian and American leaders think it is too premature to reach such level of relationship. Strategic vision of Vietnam’s comprehensive partnership agreement with Australia and a satisfactory level of intimacy and cooperation are needed to catapult both countries to strategic partnership. For the U.S., Vietnam still has not resolved some lingering issues such as human rights, and ideological barrier to reach further in partnerships.

Although the outcome of Vietnam’s comprehensive partnerships and strategic partnerships is hard to gauge exactly, Vietnam has successfully created bilateral strategic dialogue mechanisms at the ministerial-level with key regional and global states. These partnerships include enhancement of not only security but also economic, and socio-cultural collaboration.
1.1. Forging the Vietnamese-U.S. Strategic Convergence

The U.S. is deemed as the most important element of Vietnam’s soft balancing approach in its hedging strategy against Chinese assertive behavior in the South China Sea. Vietnam implicitly encourages the U.S. to actively take part in maintaining regional security stability. Vietnam sought a strategic partnership with the U.S. in 2013, but both countries agreed on a comprehensive partnership, one level down, in 2013. Nonetheless, one of the most serious foreign policy dilemmas for a weak state like Vietnam is how to keep powerful states involved in a positive way without snubbing another powerful. Hanoi fears “inconstancy in U.S. policy – not least because it knows Vietnam matters less to the United States than China does – and is resigned to having to limit its defense and other ties with the United States out of deference to China.”

The imminent South China Sea tensions underscore the gravity of the security burdens and risks Vietnam continues to confront in the foreseeable future. Vietnam timidly looks to the U.S. to resolve the looming problems posed by Chinese territorial assertiveness.

There is a popular line among Vietnamese bureaucrats: “Alignment with the U.S. will result in the collapse of the communist regime; alignment with China will lead to territorial loss,” (Choi voi My mat che do, choi voi Trung Quoc mat nuoc.”). Denny Roy summed up,

The increase of China’s power relative to Vietnam leads China to expect greater deference from Hanoi. Instead, the Chinese see that Vietnam discreetly courts an American military presence in the region as a balance to Chinese power. Furthermore, on certain fundamental interests, such as the maritime

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territorial dispute, Hanoi digs in its heels and signals a determination to avoid outright Chinese domination. Dissatisfied with Vietnam’s incomplete accommodation, Beijing pressures Hanoi meet more fully China’s expectations, and Hanoi makes a stand against that pressure, resulting in an increase in bilateral relations.\(^9\)

This quandary really captures what Vietnamese communist leaders are puzzled about. Vietnam needs Washington as a credible regional stabilizer. Nonetheless, Vietnam faces the dilemma of needing to tread carefully in their ties with the U.S. and other regional powers such as Japan and India so as not to upset its northern neighbor – China. Le Hong Hiep, a China-Vietnam relations expert, observed,

Vietnam is honing its skills of exercising balanced diplomacy. It should be noted that, although small states can survive and prosper by maintaining balance among major powers, like Singapore, they always need a reliable patron to be their last bastion of defense. Hanoi is not taking advantage of the rivalry between China and the US to reap profits, but balancing one side’s influence against the other, which means it is using China to counter US attempts at color revolution in Vietnam, and using the US to challenge China’s territorial claims. In this case, Hanoi is playing “double-dealer” without anyone who has its back, which might eventually put itself in danger.\(^{10}\)

Vietnam has pursued extensive defense cooperation with the United States. The first U.S. navy ships called on the central coast port of Da Nang in 2004, but the bilateral naval ties progress comparatively slowly. In 2010, the bilateral defense ties began to speed up. In 2010, Vietnam and the U.S. agreed to begin an annual series of defense policy dialogues and naval engagement activities. In September 2011, Vietnam and the US signed their first formal memorandum of understanding (MOU) on defense cooperation at the 2\(^{nd}\) Defense Policy Dialogue in Washington, D.C. This MOU was just a formal step to codify what had been implemented between two

\(^9\) Roy, *Return of the Dragon*.

defense ministries: regular high-level defense dialogue, maritime security, search and rescue, studying and exchanging experiences on UN peacekeeping, and humanitarian assistance/disaster relief.\(^{11}\)

In June 2012, Secretary Panetta marked the historic landmark by being the first U.S. Defense Secretary to visit Vietnam since the termination of the Vietnam War. Panetta, aboard the USS Richard E. Byrd docked at former U.S. Navy Base, Cam Ranh Bay, stated that “access for United States naval ships into this facility is a key component of this relationship and we see a tremendous potential here for the future.”\(^{12}\) Secretary Panetta and his Vietnamese counterpart, General Phung Quang Thanh, discussed areas of interests to both countries including: frequent exchange of high-ranking military dialogues, search and rescue operations, peacekeeping operations, military management, and humanitarian assistance and disaster relief.\(^{13}\)

In 2013, during Vietnamese President Truong Tran Sang’s visit to the U.S., the two countries agreed to establish a comprehensive partnership as a framework for the bilateral ties. Areas of cooperation are very wide-ranging comprised political and diplomatic cooperation, trade and economic relations, science and technology, education and training, defense and security, and other areas of sports, tourism, human rights, and environment.

In April 2014, the two countries conducted the first joint search and rescue exercise off the coast of Da Nang. Nonetheless, it seems that Vietnam does not want

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\(^{11}\) Carlyle A. Thayer, “New Strategic Uncertainty and Security Order in Southeast Asia.”  
to move too fast in military rapprochement. U.S. Navy ships are restricted to one port call for up to three ships per year. Cam Ranh Bay, which was once used by U.S. Navy during the Vietnam War, is still off-limits to American warships even though U.S. Military Sealift Command ships have received some repairs and basic maintenance there.

On August 14, 2014, U.S. Army General Martin Dempsey was the first chairman of the Joint Chiefs of Staff to visit Vietnam, a former foe after the Vietnam War. During his visit, General Dempsey stated, “The maritime domain is the place of our greatest common interest right now, common security interest. My recommendation, if the ban lifted, will be that we start with that.”¹⁴ In October 2014, the Obama Administration partially eased a long-time ban on lethal weapon sale to Vietnam. It means that the purchase request from Vietnam will be evaluated on a case-by-case basis, largely favorable for maritime security purposes.

Year 2015 marks the 20th anniversary of normalizing diplomatic relations between the United States and Vietnam. Since 2013, the two countries have sped up the exchanges of high-level visits. In July 2015, VCP General Secretary Nguyen Phu Trong paid a historic visit to the United States since he was the first Vietnamese Party Secretary General to be received in the Oval Office. Mr. Nguyen Phu Trong, deemed as “the guardian of ideology,”¹⁵ said that he hoped the “US will continue to have appropriate voice and actions to contribute to peaceful settlement in the (South China


Sea) in accordance with international law in order to ensure peace and stability in the Asia-Pacific and the world. Mr. Trong’s words highlighted Vietnam’s newfound dependence on the US role as a balancer and a force of stability in the Southeast Asia. In return, the U.S. takes this opportunity to deepen its pivot to the Asia-Pacific. President Obama is expected to visit Vietnam in 2016.

An important point is there have been exchanges between the two countries’ Ministries of Defense and Public Security. Vietnam’s Minister of Public Security Tran Dai Quang visited the U.S. in March 2015 to enhance bilateral ties in security and internal affairs. In June 2015, U.S. Defense Secretary visited Vietnam. During Carter’s trip to Vietnam, both countries signed a Joint Vision Statement on Defense Relations to step up defense trade and to work toward co-production.

Also, Secretary Carter acknowledged that Vietnam also implemented island consolidation, but he added that China’s island reclamation had outstripped the other claimants and was undermining regional security. Carter also pledged to grant Vietnam $18 million to buy U.S. patrol boats. Vietnam and the U.S. do not have a formal treaty to collaborate militarily, although Vietnam might have an expectation of U.S. support in the event that their common interests in the South China Sea are threatened. During the meeting between U.S. President Obama and VCP General Secretary Nguyen Phu Trong in July 2015, Obama reiterated that both countries share

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17 Ibid.
a commitment to “ensure that the prosperity and freedom of navigation that has underwritten the enormous growth.” Vietnam and the U.S. may currently hope to enter the stage of entente in the near future.

Vietnam’s steady shift toward the U.S. shows no sign of being a mere temporary expedience. Steadfast, cautious developments of bilateral ties have characterized each step of Vietnam’s journey away from China’s orbit of influence. Hanoi has let it be known that it is seeking a better relationship with the U.S., while it refutes any allusion that the US-Vietnam relations might target a third country. The shared strategic interest of a rising China is not the only common thing between the U.S. and Vietnam. Both countries are aligned on numerous issues that arise in the international relations of the Asia Pacific.

Table 16: Exchange of visits by top leaders* of Vietnam and the U.S. (2006-August 2015)

<table>
<thead>
<tr>
<th>Date</th>
<th>Visits to Vietnam</th>
<th>Visits to the U.S</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2006</td>
<td>President George W. Bush</td>
<td></td>
</tr>
<tr>
<td>June 2007</td>
<td>President Nguyen Minh Triet</td>
<td></td>
</tr>
<tr>
<td>June 2008</td>
<td>Prime Minister Nguyen Tan Dung</td>
<td></td>
</tr>
<tr>
<td>December 2009</td>
<td>Defense Minister Phung Quang Thanh</td>
<td></td>
</tr>
<tr>
<td>July 2010</td>
<td>State Secretary Hillary Clinton</td>
<td></td>
</tr>
<tr>
<td>October 2010</td>
<td>Defense Secretary Robert Gates</td>
<td></td>
</tr>
<tr>
<td>October 2010</td>
<td>State Secretary Hillary Clinton</td>
<td></td>
</tr>
<tr>
<td>June 2012</td>
<td>Defense Secretary Leon Panetta</td>
<td></td>
</tr>
<tr>
<td>July 2012</td>
<td>State Secretary Hillary Clinton</td>
<td></td>
</tr>
<tr>
<td>July 2013</td>
<td>President Truong Tan Sang</td>
<td></td>
</tr>
<tr>
<td>December 2013</td>
<td>State Secretary John Kerry</td>
<td></td>
</tr>
<tr>
<td>October 2014</td>
<td>Foreign Minister Pham Binh Minh</td>
<td></td>
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</tbody>
</table>
With regard to the economic aspect, the U.S.-Vietnam bilateral trade has grown quickly after the two countries signed the Bilateral Trade Agreement in December 2001. In 2006, Vietnam was granted unconditional Normal Trade Relations (NTR). In 2007, the two countries signed a U.S.-Vietnam Trade and Investment Framework Agreement (TIFA) during the trip of Vietnamese President Nguyen Minh Triet to the White House. Vietnam is inexorably having the biggest trade surplus with the U.S. In 2013, Vietnam’s trade surplus with the U.S. was $19.6 billion. In 2014, the trade surplus in favor of Vietnam swelled up to $24.9 billion. In the first ten months of 2015, Vietnam enjoy a trade surplus of $26.1 billion with the U.S. In 2014, Vietnam was, for the first time, the largest Southeast Asian exporter to the U.S., overtaking Malaysia and Thailand. Vietnam’s increasing exports to the U.S. help offset Vietnam’s current account deficit due to widening trade deficit with China. The bilateral trade volume jumped from less than $0.5 billion in 1995 to $35 billion in 2014, roughly 70 times.

The U.S.-led Trans Pacific Partnership (TPP), of which Vietnam is a member, was concluded in October 2015. The TPP is expected to greatly improve Vietnam’s economy when it comes into effect. Vietnam can take advantage of the multilateral trading system to minimize Chinese impacts. Vietnam’s economic

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20 Ibid.
dependence on China is expected to be reduced when T.P.P. is endorsed. In addition, Vietnamese leadership also welcomes the U.S. Lower Mekong Initiative to deal with Chinese hydroelectric developments upstream that might be threatening livelihoods of around 60 million people in lower Mekong Basin. Hanoi believes that “Beijing’s ability to regulate the river, the ecological and environmental impact of China’s dams, and those planned by its upstream Southeast Asian neighbors hangs like a sword of Damocles over the Mekong Delta.”

Yet, there are “perceived red lines that Hanoi does not want to cross for fear of upsetting Beijing or further stoking the latter’s concerns about U.S. attempts to contain it.” Carlyle A. Thayer argued that neither “soft balancing” nor “hedging” is the correct term to capture the nature of Vietnam’s foreign policy. Vietnam wants China and the United States to have some amount of rivalry so that it can benefit from both countries, but hopes these two countries would not escalate into tense hostility since Vietnam would suffer most. Indeed, it is not a policy of mechanical equidistance from both China and the U.S. but an attempt to maintain Vietnam’s capacity to decide the basic elements of their foreign policy without being dictated by either superpower. So far, Vietnam’s reluctance to join an alliance with any great power as conceived in the Cold War era is a corollary of this policy concept.

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22 Hiebert, Nguyen, and Poling, A New Era in U.S.-Vietnam Relations, 16.
A country’s foreign policy is often described as a continuation of domestic politics. One of the biggest constraints on US-Vietnam relationship is supposedly the splitting ideas on among the Vietnamese leadership due to pressure from China. In 2013, Wikileaks disclosed email exchanges between Jennifer Richmond, a Stratfor analyst and her friend, Helen Clark, who was writing for The Diplomat. Richmond penned what made the Vietnamese leadership splitting is relations with China. She supposed that the pro-China camp was on ascendant in Vietnam. It is also obvious that there is no such a splitting factions over Vietnam within the Chinese leadership. The only real debate within the Chinese apparatus is how to deal with the South China Sea issues, aggressively or mildly. It is the US, not Vietnam that is their major preoccupation. This is a reflection of asymmetry between China and Vietnam.

Michael Michalak, a former U.S. Ambassador to Vietnam, commented, “China remains a predominant consideration for Vietnam’s leadership and necessarily constrains options. Beijing, however, does not dictate Vietnam’s internal policies.” Michalak’s statement mirrored an evident fact of Vietnamese foreign policy: accommodation of a rising China, so refusal to an alliance treaty. Carl Thayer stated that “the so-called pro-American faction would feel that accommodation with China would constraint Vietnam’s freedom of action and put Vietnam into a position of

25 This is the remark made by Ambassador Michalak about Chinese influence on Vietnam’s internal politics. The message was supposed to be sent back to Washington, D.C. and classified as confidential, but it was uploaded to the Internet by WikiLeaks. Michalak’s opinion reflected the deep understanding of the American foreign mission in Vietnam’s internal politics. “Cable: 10HANOI11_a,” WikiLeaks, January 27, 2010, https://www.wikileaks.org/plusd/cables/10HANOI11_a.html.
subordination and dependence on China.”

In face of increasingly assertive Chinese behavior, even Chinese-friendly Vietnamese elites feel the need to cultivate ties with the U.S. Goh noted, “Even in Hanoi, where the shadow of Chinese power is most keenly felt, the understanding is that the United States holds the primary strategic position in the region – and this pre-eminence is expected to grow as American economic ties with Vietnam and the region continue to grow.”

In a Pew poll conducted in early 2015, 71 percent of the Vietnamese respondents welcomed more U.S. military presence, highest in Asia. This figure was even higher than respondents from a U.S. treaty ally – Japan (58 percent). Vietnamese survey participants’ attitude reflected a need of U.S. presence in the South China Sea as a balancer to the Chinese behemoth.

For Vietnam, domestic support for more cooperative dimensions with the U.S., especially in defense and security area, has put lots of pressure on top leaders since it complicates their ability to balance between China and the United States. A potential tension with China in the South China Sea could trigger nationalist sentiment, thereby damaging the VCP legitimacy in defending national interests, as well as the bilateral ties.

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Hence, Vietnamese leadership knows their domestic constraints with limited military capability to be unable to counter China militarily. Yet, joining an US-led alliance is not a feasible option that Vietnamese leaders wish because it will lead to other uncontrolled risks. Vietnam’s “three-no’s” policy – no military alliances, no foreign bases on Vietnamese territory, and no use of relations with one country to oppose another – is also considered to limit Vietnam’s deeper cooperation with the U.S. This “three-no’s” policy is a safe card that Hanoi wants to play with Beijing, assuring Zhongnanhai leaders that Vietnam will never tilt to another country to go against China’s benefits. Hence, Vietnam has to primarily depend on its own capabilities to cope with China’s assertive rise.

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China does not welcome the new stance of Vietnam’s foreign policy when Vietnam attempted to move closer to the U.S. Due to the limited options constrained by relative Chinese power, Vietnam does not want to be seen by China as allying with the United States to balance China. Vietnam chooses an indirect way by “encouraging” the U.S. to be active. In order to avoid mistrust from China, Vietnamese leaders keep reassuring China that it would never take part in any alliances, military bases, or military coalitions that might aim at China. They also decline any foreseeable possibility of making Cam Ranh Bay a military base that American naval ships can dock at and refuel. The bay is strategically located along one of the world’s busiest shipping lanes and could provide another resupply and maintenance site for the U.S. navy. Cam Ranh Bay is also the naval base for Vietnamese Kilo submarines.

China still believes that US-Vietnamese military cooperation will not go very far. Qi Jianguo, former Chinese ambassador to Vietnam, commented that the US-Vietnamese relationship, despite being warm, could not be “described as a relationship of allies” because of stark contrast in ideology. However, “the stronger and more assertive China becomes, the more that its neighbors are likely to welcome U.S. backing.” Robert D. Kaplan underscored the importance of the U.S. in the Asia Pacific: “In any case, the fate of Vietnam, and its ability not to be Finlandized by China, will say as much about the American capacity to project power in the Pacific in the twenty-first century as Vietnam’s fate did in the twentieth.”

29 Roy, Return of the Dragon.
31 Stephen M. Walt, “Where Do We Draw the Line on Balancing China?”
32 Kaplan, Asia’s Cauldron: The South China Sea and the End of a Stable Pacific, 70.
Vietnamese leadership’s boosting relations with the U.S. is simple. They want to counter Chinese assertive behavior in the South China Sea and preserve Vietnamese national interests by a sustained U.S. presence in the Southeast Asia. In addition, Vietnam also needs to deepen its trade relations with the U.S. and with U.S.-led free trade area to maintain its economic growth. Nonetheless, Vietnam is not just banking on U.S. advocacy; it also seeks to deepen relationship with other great powers.

1.2. **Russia: Traditional Ties**

Russia is one of the two countries that Vietnam has set up Comprehensive Strategic Partnership with. The other is China. From the Russian perspective, Vietnam was Russia’s best partner in the Southeast Asia during the Cold War era. Vietnam’s current close relationship with Russia is demonstrated on three aspects. The first one is that Russia, as a successor of the Soviet Union, is a traditional friend of a communist Vietnam. By 1991, the Soviet Union, together with other East European countries, helped trained tens of thousands of Vietnamese students, many of whom are holding high-ranking positions in Vietnamese political system. The Soviet Union was Vietnam’s key ally in the 1960’s, 1970’s and the early 1980’s. During the Vietnam War, Russia supplied a huge quantity of weapons. Secondly, Russia is currently the biggest supplier of weapons to Vietnam. Vietnam mainly relies on Russian-made weapons to balance against a rising China. Thirdly, Russia is the country that has most oil and gas joint ventures with Vietnam in the South China Sea. Russian Gazprom and Rosneft oil corporations have conducted exploration and drilling operations in the
blocks in the Nam Con Son, which China also claims sovereignty. Russian moves have buttressed Vietnam’s claims and leverage in the South China Sea.

In return, Vietnam works as a conduit for Russia to expand its influence and portfolio elsewhere in Asia, and as a tool to slow down China’s foray into Russia’s influence in Central Asia. From 2008 onwards, Russo-Vietnamese relationship had some dramatic changes. Vietnam advocated Russia’s bid for WTO accession by recognizing Russian market economy designation in 2007. Hanoi also supported Moscow’s presence in other regional multilateral security and economic institutions, such as the Asia-Pacific Economic Cooperation (APEC), ARF, ASEM, and EAS, which China became a member in 2010-2011. In 2010, Russia and Vietnam extended the oil and gas joint venture Vietsoptro to 2030. In 2012, the two countries upgraded their relationship to a comprehensive strategic partnership during Putin’s first trip to Vietnam. He also invited Vietnam to join its Moscow-led Customs Union bloc (aka Eurasian Economic Union), including Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan with a market of 180 million people and a combined GDP of approximately 2,700 billion. In November 2013, Russian President Vladimir Putin said Vietnam is “a key partner of Russia of the Asia-Pacific region.”

In terms of bilateral trade, the trade volume reached $4 billion in 2013. Two sides hope that the bilateral trade can hit $10 billion in 2020. Russia is also partnering with Vietnam on some key projects such as construction of the first Vietnamese nuclear power plant in the central province of Ninh Thuan, expansion of the first

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Vietnamese Dung Qua oil refinery, and oil and gas exploitation on Vietnam’s continental shelf. In May 2015, Vietnam and the Eurasian Economic Union signed a free trade zone agreement. Vietnam is also the first foreign country to sign the agreement with the EEU.

With regard to military aspect, Russia is the most important country that Vietnamese leaders look to. Vietnamese Defense Minister Phung Quang Thanh stated that Russia is “Vietnam’s primary strategic military partner in the sphere of military and technical cooperation.” Hanoi has acquired 36 Sukhoi-30 fighter jets in total by the end of 2015 to become the third largest operator of this kind of jets. In 2009, VPAN ordered six Kilo submarines equipped with 50 Klub supersonic cruise missiles from Russia to turn Vietnam into the first Southeast Asian nation to arm its submarines with land attack missiles. VPAN was also acquiring the Gepard fleet and Svetlyak-class fast patrol boats as well as a big quantity of advanced radar systems and missiles. In return, Russia and Vietnam have recently discussed regular Russian port visits to Cam Ranh Bay for maintenance, rest and relaxation. In April 2015, during the trip of Russian Prime Minister Medvedev to Vietnam, the two countries agreed to a draft military cooperation pact to advance their military relationship. Their action is speculated to respond to increasingly assertive Chinese behavior.

36 Blank, “Russia and Vietnam Team Up to Balance China.”
In May 2015, when U.S. General Vincent Brooks, the commander of the U.S. Army in the Pacific, demanded that Vietnam cease allowing Russia to use its territory to refuel Russian strategic bombers that have been flying over the Pacific, Hanoi reiterated that Russia was a strategic partner and it would not stop its cooperation with Russia in the military field.\(^{38}\) Colonel Le The Mau from the Vietnam’s Military Strategy Institute was quoted as saying:

Washington’s demand that Vietnam [stops allowing refueling planes to land] can be seen as nothing else but interference in the internal affairs of Vietnam, a sovereign state which determines its own policies for cooperating with its friends and partners… Russia is Vietnam’s strategic partner; we are developing our cooperation in the military and technical sphere, one of the elements of which is providing the Cam Ranh airbase for the landing of Russian refueling planes.\(^{39}\)

However, top pragmatic Vietnamese officials kept silent about General Brooks’s suggestions because they did not want to be caught between the U.S. and Russia. Both of them are very important for Vietnam to increase its leverage with an increasingly assertive China.

Russia is not a direct party to the South China Sea disputes, but it does not mean that Russia is disinterested in what is happening between Vietnam and other great powers towards the management of the disputes. A strategic move by Vietnam with the United States or China could affect Russia’s position in the Southeast Asian region.


1.3. Vietnam’s Balancing Act with Other Powers: India and Japan

Among comprehensive and strategic partners that Vietnam has deepened relationship, Vietnamese leaders pay much focus on India and Japan. One of the main reasons is that these two countries share the same concerns with Vietnam about uncertainties of a rising China. They both are Asian powers and currently engaged in some disputes with China. Vietnam’s extensive outreach to India demonstrates its willingness to take advantage of every potential partner in its hedging strategy against China. Vietnam sees India as an important partner in its soft balancing approach against China since Indian military potential might be of help to Vietnam. For India, Vietnam is an important component of its “Look East” policy.

Besides, the shared strategic concern between Vietnam and India is that India does not want to see China’s dominant stretch of influence covering the Asia Pacific and South Asia. In 2007, during the official visit of Vietnamese Prime Minister Nguyen Tan Dung to India, both countries signed the Vietnam-India Strategic Partnership. Since then, the two countries have exchanged frequent visits of top leaders. In 2014, the time span between the Vietnam visit by Indian President Pranab Mukherjee and the India visit by Vietnamese Prime Minister is only 2 months. The visits reflected the importance of India to Vietnam’s balancing against China.
Table 17. Exchange of visits by top leaders* of Vietnam and the India (2010 - August 2015)

<table>
<thead>
<tr>
<th>Date</th>
<th>Visits to India</th>
<th>Visits to Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct. 2010</td>
<td>Prime Minister Manmohan Singh</td>
<td></td>
</tr>
<tr>
<td>Oct. 2011</td>
<td>President Truong Tan Sang</td>
<td></td>
</tr>
<tr>
<td>Dec. 2012</td>
<td>Prime Minister Nguyen Tan Dung</td>
<td></td>
</tr>
<tr>
<td>Nov. 2013</td>
<td>VCP General Secretary Nguyen Phu Trong</td>
<td></td>
</tr>
<tr>
<td>Sep. 2014</td>
<td>President Pranab Mukherjee</td>
<td></td>
</tr>
<tr>
<td>Oct. 2014</td>
<td>Prime Minister Nguyen Tan Dung</td>
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Source: the author’s own compilation (*: top leaders here refer to the VCP General Secretary, the President, and the Prime Minister)

For Vietnamese leaders, two dimensions that Vietnam can develop deepened cooperation with India are defense cooperation and oil exploration in the South China Sea. To operationalize these targets, during Indian President Pranab Mukherjee’s trip to Vietnam in September 2014, India agreed to provide Vietnam with the Line of Credit of $100 million for purchase of defense equipment, and approved the cooperation between Vietnam Oil and Gas Group (PetroVietnam), and India’s ONGC Videsh Limited for exploration projects in the South China Sea.

As for oil joint ventures, India supports Vietnam’s stance in standing firm to China’s objections to their joint oil exploration. In September 2011, Indian Foreign Minister Krishna stated that China has “no legal basis” to condemn ONGC’s activities in the South China Sea.40 In 2015, Ambassador of Vietnam to India Ton Sinh Thanh said to Indian journalists, “We always welcome that (Indian investments). It is there

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already. The first gas exploration project was started in 1988 ONGC. Now it is exploring some more blocks in Vietnam.” Vietnam wants to assure Indians that Vietnam will protect their business in Vietnam in face of possible harassments from China.

As of 2015, there have been nine annual security dialogues at the Defense Minister level held between India and Vietnam. The Indian Armed Forces have been helping train Vietnamese submarine sailors. In 2013, India agreed to train 500 Vietnamese sailors.\(^41\) Vietnam is also requesting India to help train its pilots to fly Sukhoi -30 fighter jets.\(^42\) Vietnam and India are negotiating over the purchase of BrahMos supersonic anti-ship missiles to increase Vietnamese A2/AD strategy capabilities. Besides, Vietnam is looking into the possibility of purchasing Indian-manufactured surveillance equipment such as unmanned aerial vehicles.\(^43\) When Vietnamese Prime Minister Nguyen Tan Dung visited India in October 2014, Indian Prime Minsiter Narendra Modi said the Brahmos deal has got the approval from Russia, the co-developer of the missile. Vietnam is also interested in purchasing Off-Shore Patrol (OPV) boats, which are capable of implementing constabulary jobs such as coastal surveillance and anti-piracy missions, as well as military missions from the


$100 million line of credit. In addition, India is among the top ten trading partners of Vietnam. Indian investments in Vietnam have reached $1 billion.

In terms of geopolitics perspective, India is not happy with China’s friendly ties with Pakistan and Sri Lanka – India’s neighbors. China’s “string of pearls” policy has made India retaliate with the growing India-Vietnam cooperation. India considered Vietnam as a “diamond on the South China Sea” to be against China’s “Pakistan card” in the Indian Ocean. On July 22, 2011, Indian naval vessel the INS Airavat en route to pay a Vietnam’s port call was requested to move out of “Chinese waters” by a Chinese maritime vessel. The Indian Foreign Ministry correspondingly issued a statement, “India supports freedom of navigation in international waters, including in the South China Sea, and the right of passage in accordance with accepted principles of international law.” In December 2012, Indian Chief of Naval Staff Admiral Joshi stated that India could send their naval vessels to the South China Sea to protect its energy security interests there. Certainly, Vietnamese leaders welcome India’s forays into the Asia Pacific.

Japan is another huge source of help when it comes to Vietnam’s diversifying strategies. In 2006, when Japanese Prime Minister Abe took office for the first time, Japan and Vietnam established strategic partnership. Japan was Vietnam’s second

strategic partner after Russia in 2001. In March 2013, during Vietnamese President Truong Tan Sang’s visit to Japan, both countries agreed to elevate their ties to a new level of Extensive Strategic Partnership. Japan is the only nation that Vietnam has set up this level of partnership.

Japan has been the largest donor country of Vietnam and also the fourth largest trade partner. In the face of Chinese assertive behavior in the South China Sea, the close diplomatic and investment relationship between Japan and Vietnam have been moving toward more security cooperation in recent years. As early as 2000, Vietnam and Japan jointly endorsed a bilateral maritime search-and-rescue operation in the South China Sea. In 2011, Vietnam and Japan endorsed a Plan of Action to operationalize the strategic partnership. A formal Defense Dialogue ensued after the Plan of Action. Japanese-Vietnamese defense cooperation has been institutionalized since then. There have been high-level defense discussions between the two countries. In June 2014, a Japanese landing ship paid a port call at Da Nang. In August 2014, Japan announced that it would provide Vietnam with six patrol boats to enhance Vietnam’s capacity for maritime security. These boats will be commissioned into the Vietnam Coast Guard and Fishery Surveillance Force.48 Vietnam has been largely relying on Japan to strengthen its civilian maritime law enforcement capacity. In early August 2015, the first patrol vessel out of six was delivered to Vietnam for maritime patrols. During the trip of Japanese Defense Minister Nakatani to Vietnam in November 2015, Hanoi and Tokyo agreed to invite a Japanese naval warship to visit

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48 Thayer, “Vietnam’s Extensive Strategic Partnership with Japan.”
Cam Ranh Bay in 2016 and discussed details for their first ever-joint naval drill.\textsuperscript{49} Vietnam’s endorsement of a Japanese naval visit to Cam Ranh Bay, which is home to several \textit{Kilo}-class submarines, is an indication of a new-level cooperation between Japan and Vietnam.

As Tokyo wants to increase its presence in the South China Sea and competes with China for influence in the region, Vietnam does not hesitate to enhance defense cooperation with Japan against China’s assertive behavior. In the light of Vietnam’s recent moves, Hanoi leaders are attempting to boost relations with China’s rivals in an effort to reduce power asymmetry with China and involve other powers into a complex web of security in the region. This move might not change the growing asymmetry significantly, but at least it can complicate China’s calculations when there are more players in the game.

2. Multilateral Framework

Besides bilateral agreements, weaker states often use multilateral approaches to achieve their own interests. One tactic that Vietnamese leaders have followed to impede Chinese behavior in the South China Sea is to ensnare China within the constraints of multilateral institutions and frameworks. ASEAN membership has enabled Vietnam to put some of its institutionalist structures into practice. Vietnam hopes that rule-based framework would be most effective in constraining the power of the stronger and generating maneuvering room for the weaker. If China goes on with its unfettered

unilateral destabilizing behavior in the South China Sea, it might incur legitimacy and reputation loss.

**Vietnam’s Road to ASEAN**

Vietnam’s enthusiastic participation in multilateral framework such as ASEAN is an important element of its hedging strategy. Womack argued that “global and regional institutions are important for buffering” asymmetric bilateral ties. 50 Vietnam’s membership in numerous institutions can explain this buffering strategy. Vietnam hopes to bind China into ASEAN-led institutions. Vietnamese leaders believe multilateral institutions can complement the bilateral ties by serving as the platform to compromise regional issues involving both Vietnam and China such as the South China Sea or the Lower Mekong Basin.

Two events that crowned Vietnam’s departure from the era of isolationism were its accession to the ASEAN and normalization with the U.S. in 1995. These breakthroughs called to attention to numerous strategic benefits for Vietnam: moving closer to the Western world, relying less on China, and taking advantage of the multilateral framework. Vietnam’s entry to ASEAN “has enabled Vietnam to benefit from a greater freedom in the making of its ‘omni-directional’ foreign policy.” 51 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

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50 Womack, *China Among Unequals*, 510.
other states, particularly China.” Vietnam’s membership in ASEAN 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.

It was not an easy job for integrationists in the VCP Politburo to get Vietnam into international arena. The VCP hardliners still considered other non-communist countries as hostile forces against Vietnam’s socialist path. Hardline conservatives advocated solidarity with China, and kept wary of consequences of international integration. In 1991, when the 7th VCP Congress embarked on a foreign policy of “diversification and multilateralization” of relationship and “making friends with all countries,” there were warnings about hostile forces outside of Vietnam and “peaceful evolution” that could undermine the leadership of the VCP. Military generals were vocal conservatives against Vietnam’s opening up to the outside world. Major General Nguyen Van Phiet warned, “Today the factors threatening our socialist regime’s existence and our fatherland’s independence stem not only from certain counter-revolutionary armed violence in the country, or from the deterrent, aggressive military strength of imperialism from the outside.” Le Hong Ha, a liberal colonel, ridiculed that kind of thinking:

From the momentum of normalization with the US and the joining of ASEAN, the party should have focused the strength of the country into integrating with the world economy, community, and culture to develop the nation. A number of leaders, to the opposite, have wasted a bit of time and energy on political security against the enemies’ peaceful evolution and psychological warfare.

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They hold thousands of meetings across the country. They think that doing so will solidify the support of the classes; instead they simply show panic, fear and cringing.\(^{54}\)

Vietnam’s situation in the early 1990s did not allow top Vietnamese leaders to delay their “diversification and multilateralization” policy. Vu Khoan, then Vietnam’s Deputy Foreign Minister, states, “Vietnam’s entry into the regional grouping will ‘finally end’ a decades-long period of antagonistic interregional relations… Vietnam cannot stand outside international organizations to see their members surging ahead.”\(^{55}\)

Conservatives in the Politburo like Dao Duy Tung, Nguyen Ha Phan were outgunned.

Until the end of 1980s, Vietnam barely had any experience in multilateral diplomacy due to its longtime isolation with the Western countries.\(^{56}\) Entry into a regional grouping was so new to Hanoi, which had been absent on the international stage for so long. In July 1992, Vietnam for the first time attended a meeting of ASEAN Ministerial Meeting as an observer. Before that, June 18\(^{th}\)-29\(^{th}\) 1992, VCP General Secretary Do Muoi, in his address to the plenary meeting, expressed an optimistic evaluation of Vietnam’s foreign policy. He said, “During the past year, our party and state have actively and positively expanded foreign affairs activities while strongly opposing the policy of economic blockade and isolation against Vietnam.”\(^{57}\)

The CPV assumed one of the best ways to uphold Vietnam’s “national self-reliance

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56 Carlyle A. Thayer and Ramses Amer, “Conclusion.”
and independence” was the accession to ASEAN. Hanoi’s decision to join ASEAN was prompted by the consequences of the China-ASEAN Conference held in Hangzhou, China in April 1995 when ASEAN officials for the first time raised the issue regarding the Spratly Islands at this multilateral framework.

The economic aspect of joining ASEAN was so crucial to Hanoi. Right ahead of ASEAN membership, 60 percent of Vietnam’s trade was with ASEAN members. In 1994, Singapore outpaced Japan to become Vietnam’s biggest trading partner. A big percentage of foreign investments also came from ASEAN countries. Membership in ASEAN would allow Vietnam to deepen its economic reforms with capital, know-how and technology from Singapore, Malaysia and Thailand.

For Vietnamese leaders, Vietnam’s membership in ASEAN can give them an equal footing with ASEAN’s dialogue partners such as China, the United States, and Japan. In addition, being an ASEAN member is a legitimate ticket for Vietnam to be accepted as part of the regional security community. Vietnam’s image and prestige will certainly be increased with membership in ASEAN. Besides, Vietnam can improve its bargaining position by standing behind ASEAN in negotiating with China over the South China Sea disputes.

Another explanation for Vietnam’s membership in ASEAN is to realize Vietnam’s overall objective of the May 1988 CPV Politburo Resolution of “having more friends and fewer adversaries” and the 7th VCP National Congress policy of

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59 Wurfel, “Between China and ASEAN: The Dialectics of Vietnamese Foreign Policy.”
60 Thayer, “Vietnamese Foreign Policy: Multilateralism and The Threat of Peaceful Evolution,” 5.
“Vietnam being a friend of all countries” adopted in June 1991. In addition, ASEAN has had good relationship with the United States, EU, and China. Hence, Vietnam’s role as an ASEAN member can help Vietnam improve relations with these big powers. ASEAN membership helped Vietnam expand its international relationships. With the normalization with the U.S. also in 1995, Vietnam for the first time in its modern history had established diplomatic relationship with all big powers in the Asia-Pacific.

Vietnam’s accession to ASEAN in July 1995 was considered a stepping-stone for Vietnam towards other international institutions. The ASEAN enabled Vietnam to improve the transparency of Vietnamese trade system through technical assistance projects, paving the way for Vietnam to join WTO later with commitments to tariff reductions under the CEPT Agreement, the removal of non-tariff barriers, and harmonization of customs procedures. In 1993, then Vietnamese Prime Minister Phan Van Khai stated, “In order to win the people’s hearts and their support, to strengthen and enhance the stability of the political structure, we must adopt the developmental strategy of the ASEAN models. The key task is economic growth and social progress, and they become even more urgent as Vietnam is situated in the region marked by most dynamic economic activities in the world.”

Vietnam’s interest in the regional institution is not restricted to economic and security issues. It expands to economic benefits as well. Joining the World Trade Organization (WTO) and an ASEAN Free Trade Area (AFTA) is Vietnam’s next step. Vietnam looks forward to opportunities created by the ASEAN Economic Community

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(AEC). Even the World Trade Organization (WTO) had profusely commended Vietnam on its entry into ASEAN and other regional institutions as a springboard for later accession into WTO. Commenting in the Report of the Working Party for Vietnam’s entry to WTO, the WTO Secretariat lauded Vietnam’s multilateral achievements:

Having joined the Association of Southeast Asia Nations (ASEAN), the Asia-Europe Cooperation (ASEM) and the Asia-Pacific Economic Cooperation Forum (APEC), Vietnam was participating in regional institutions, which were committed to WTO principles and rules, and preparatory and substantially supportive of Vietnam’s accession to the WTO.64

Vietnam’s decision to join ASEAN went together with more broad economic liberalization. In an op-ed marking 20-year anniversary of Vietnam’s accession to ASEAN on the Vietnamese Communist Review magazine, a theoretical and political agency of the VCP, Vietnam appreciates ASEAN’s role in helping Vietnam integrate into the world economy by facilitating Vietnam’s entry into the WTO, the TPP, the ASEAN Investment Area (AIA), and the Initiative for ASEAN Integration (IAI). By the end of 2014, FDIs from ASEAN nations reached $53 billion, accounting for 20 percent of the total cumulative FDIs in Vietnam.

These Vietnamese foreign policy strategies could be deemed part of a fundamental change of Vietnam’s position on international security environment and evidence of a shift in Vietnamese political discourse. On March 15, 2000 the “ASEAN-China Working Group on the Regional Code of Conduct on the South China Sea” held its first meeting. It is not hard to guess that difficulties lie in how to reconcile

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an ASEAN proposal and a Chinese proposal. Specifically, the content and the scope of application are the most challenging tasks.

During the process of drafting the DOC, Vietnam used to suggest including the Paracels but China turned it down.65 Finally the two sides managed to reconcile their differences with the signing of the “Declaration on the Conduct of Parties in the South China Sea” (DOC) on November 4, 2002. Signatories agreed to “exercise self-restraint in the conduct of activities that would complicate or escalate disputes.” In the same year, China and ASEAN also signed the “Framework Agreement on Comprehensive Economic Cooperation.” In October 2003, China agreed to sign the “Treaty of Amity and Cooperation in Southeast Asia” (TAC), which paved the way for future disputes between China and Southeast Asian nations in the South China Sea could be brought up to the 2001 “Rules of Procedure of the High Council of the Treaty of Amity and Cooperation in Southeast Asia.” Chinese scholar Wiu Shicun highly appreciates ASEAN’s positive role in facilitating the conclusion of these documents but he notes that ASEAN is doing a better job in conflict management than dispute settlement.66

So far none of the ASEAN member nations have considered bringing a dispute between them to the High Council for settlement. Thus disputes between ASEAN member states and China will have very little likelihood to be settled in the High Council.67 It means that there is still mistrust among ASEAN member states, and

between China and ASEAN nations. In March 2009, ASEAN endorsed the “ASEAN Political-Security Community Blueprint,” with a commitment to “work towards the adoption of a regional Code of Conduct in the South China Sea.” In 2011, ASEAN concluded the Guidelines for Implementing the Declaration on the Conduct of Parties in the South China Sea.

**Vietnam and Fragmented ASEAN**

Vietnam certainly knows that the regional institutions cannot help it maximize its security interests and views them as a channel of its foreign policy to check China’s assertiveness in the South China Sea. Hence, the ASEAN-centric multilateral security platforms, in Vietnam’s view, are a “necessary but not sufficient condition.”

Hence, Vietnam wants to deepen ties with other major powers to optimize its security interests.

In 2011, Vietnam advocated Indonesia to be the rotating ASEAN Chair in drafting Guidelines to Implement the Declaration on Conduct of Parties in the South China Sea (DOC). China and ASEAN agreed to establish the ASEAN-China Joint Working Group to carry out these Guidelines. In 2011, China adopted a moderate approach to the South China Sea disputes. Fravel argues that China wants to restore China’s tarnished image and to reduce other countries’ need for a more U.S. presence in the region. In July 2011, China and ten ASEAN nations signed an agreement to implement the 2002 DOC. In January 2012, China hosted the first Joint Working Group meeting in a pledge to obey the DOC.

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The biggest loophole for the ASEAN solidarity is that Southeast Asian nations, who are not claimants in the South China Sea, do not want to risk their relationship with China by standing up to China. That is what China is exploiting. On July 13, 2012, at the ASEAN summit in Phnom Penh, ASEAN for the first time could not issue a joint communiqué, demonstrating a friction between member states. Vietnam with the staunch help from the Philippines could not get consensus from all other ASEAN countries to release a joint communiqué with the inclusion of the South China Sea issues.

Murray Hiebert, a Southeast Asia expert at the Center for Strategic and International Studies (CSIS), says, “Within ASEAN, you have countries that really don’t want to rock the boat. They are playing it pretty much down the middle.” Other ASEAN countries are reluctant to confront their most important economic partner. To some countries like Cambodia, China is the biggest investor and a major donor. Aileen Baviera from the University of the Philippines claims that ASEAN was sending a message that some members do not recognize the ongoing existence of shared strategic interests. It also called into question the institutional ability to negotiate as a collective actor and its responsibility to manage its own regional problems. Carlyle A. Thayer also admitted that ASEAN is unlikely to develop a common foreign policy or common security and defense by 2015 even though its goal to set up an ASEAN

71 Between 1994 and 2012, China invested a total of $9.17 billion in Cambodia. By 2012, Chinese loans and grants to Cambodia amounted to $2.7 billion. In 2010, China supplied Cambodia 257 military trucks and 50,000 uniforms to the Cambodian armed forces. In 2014, China provided 26 military trucks and 30,000 sets of uniforms.
Community by that deadline with three pillars: Political-Security Cooperation, Economic Cooperation and Socio-Cultural Cooperation.\textsuperscript{73}

ASEAN and China began their negotiations over a Code of Conduct in 2013, but progress seems so slow when two parties are still disagreeing over what should be included in the Code. For instance, China always opposes the inclusion of The Paracel Islands in the negotiations. Besides, China says it wants to prompt a binding Code of Conduct, but in reality it was unwilling to do so. Even though there are some upticks that China is willing to take some concrete steps including the establishment of hotlines to materialize a binding Code of Conduct with ASEAN countries, some observers are still dubious of the delay strategy from China. As a matter of fact, Beijing’s participation in the process of drafting the Code of Conduct has slowed down the progress because ASEAN had come up with the draft Code of Conduct by 2003. When China agreed to join in the process in 2003, the draft has been revised with China’s inputs and it got stuck there. China has bought time to continue its activities in the South China Sea including reclamation work without any restraints.

On April 26, 2015, at the annual meeting summit, the 10-member Association of Southeast Asian Nations (ASEAN) issued a softly worded statement, “We share the serious concerns expressed by some leaders on the land reclamation being undertaken in the South China Sea, which has eroded trust and confidence and may undermine peace, security and stability.” \textsuperscript{74} Despite challenge from the Philippine foreign secretary Albert del Rosario to ASEAN nations to stand up to China and demand an

\textsuperscript{73} Thayer, “Efforts to Ensure Maritime Security,” 8.
immediate termination to island reclamation. Nonetheless, the summit host Malaysian Foreign Minister played down the strong expectation to rhetorically confront China. As Southeast Asian states are increasingly feeling China’s economic weight and benefits with billions of infrastructure investments with which China’s ambitious “21st Century Maritime Silk Road” can carry, a split between the claimants and non-claimants in dealing with China is inevitable. The non-claimants absolutely do not want a frayed relationship with China, which has offered a big chunk of loans, investment and investments. Recent attempts by Vietnam and the Philippines to unify the regional group behind new ideas to solve the dispute seem to lead the bloc more divided. Thus, a unanimous voice among the Southeast Asian nations over the South China Sea is hard to visualize soon.

**Fragmented ASEAN and a Swaggering China**

China on the one hand lauds the regional multilateral institutions as a reflection of the growing multi-polarity of the globalized world. On the other hand, China is suspicious of those institutions as the tools for the U.S. to exert its unipolar influence. Kurlantzick in his article on the *The National* claims that Chinese president Xi Jinping, and the coterie of leaders around him, have abandoned Deng’s maxim of biding time and keeping low-profile, and ditched the charm offensive. Xi constantly talks about his goal “Chinese dream,” in which China would regain its global dominance.75 Far from

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being over, the era of Chinese assertiveness appears to be entering a new, more complex, and potentially more challenging phase.”76

China might be right when it says that not all ASEAN member states are claimants in the territorial disputes in the South China Sea. Chinese leaders argues that ASEAN as a whole should not be involved in the territorial settlement, and prefers to resolve the disputes on a bilateral basis. However, the point is that China, so far, has not really been serious in addressing territorial disputes on an equal footing. By opting for bilateral negotiations, China can pre-empt any third party’s intervention or adjudication through the UNCLOS or any international institutions. Any bilateral negotiation between China and a Southeast Asian nation can be likened to a talk between a “giant and pygmy.” Such a one-to-one negotiation will give Beijing an upper hand in all dialogues, shattering the principle of ASEAN problem solving collaboration. Furthermore, if a claimant opts to negotiate with China on a bilateral basis, it has to “implicitly or explicitly recognize China’s claim, thus undermining the positions of fellow ASEAN claimants.”77

China might forget that one of the core principles for the establishments of ASEAN is to reduce regional tensions. If ASEAN could not have a common stance in dealing with China, “creeping assertiveness,”78 as Mark J. Valencia called, will be continuously China’s preferred policy in the South China Sea. This strategic bargaining preference by China is undermining the regional grouping to assemble

78 Valencia, China and the South China Sea Disputes, no. 298.:42.
around an issue, while allowing China the freedom to negotiate on an individual basis with each regional government.  

As a matter of fact, this regional institution cannot establish a strong and united position on the South China Sea issue when a nation member, Vietnam, is threatened by China and that member’s diplomat is the incumbent institution’s secretary-general, ASEAN will never take a tougher stance on the Sea issues. Hence, during the friction between China and Vietnam over the stationing of the offshore Chinese oil rig HD 981 in the South China Sea, ASEAN was muted since there are variations among the four claimants. Vietnam and the Philippines are more proactive in resisting Chinese assertive behavior, meanwhile the other two claimant states, Malaysia and Brunei, keep being hesitant. The recent attempts by Vietnam and the Philippines to mobilize this regional institution behind a common stance towards the disputes have left the grouping severely divided.

Despite the fact that a Vietnamese diplomat Le Luong Minh is the sitting ASEAN secretary general as well as Vietnamese and Philippine officials have tried very hard to pressure ASEAN to issue a joint statement condemning China’s provocative behavior, what ASEAN could do best is to issue a weak statement expressing “serious concerns” about China’s behavior. Amitav Acharya, noted Southeast Asian scholar, claimed that China cannot impose the Chinese version of

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80 “ASEAN’s Failure on Vietnam-China.”
Monroe Doctrine in the Southeast Asia. Or else, Southeast Asian countries would stand up to Chinese bully with the backup of the U.S. Mark J. Valencia commented, “China is clearly trying to prevent a coalition of ASEAN and Vietnamese interests on this issue and seems to be employing its classic tactic of ‘killing the chicken to scare the monkey’ – using its actions against Vietnam to threaten other claimants.”

ASEAN is considered to be unable to provide a stronger stance towards China because of China’s huge trade and aid leverage and because not all ASEAN states have been involved in the maritime territorial disputes. In other words, divisions within Southeast Asian nations and the lack of consensus on the best way to reduce tensions has gradually tarnished image as a unified regional institution.

Richard Javad Heydarian, a political scientist from The Philippines, claims that the South China Sea disputes fail ASEAN capacity when this regional institution cannot finalize the negotiations over the implementation of the DOC and the guidelines of the COC. The lack of legal mandate and bureaucratic capacity to enforce compliance has rendered this institution toothless. For many Chinese analysts, the compliance of the DOC was not beneficial to China since the DOC failed to prevent other claimant states from exploiting hydrocarbon resources at the expense of China. Hence, they supported the Chinese government to take more assertive behavior in the

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83 Valencia, China and the South China Sea Disputes, no. 298:19.
South China Sea. It requires ASEAN greater efforts to convince to China to enter substantive negotiations over the details of the conduct.

Realizing the limited capacity of ASEAN in mediating the South China Sea issues, Vietnamese leadership has become more practical and realistic with the prospect of conclusion of COC. Nonetheless, it does not mean that ASEAN does not serve any of Vietnam’s purposes. The Vietnamese leaders use the multilateral framework to strengthen bilateral ties with other powers such as the US, EU, Japan, Australia, South Korea, and India. Besides, ASEAN is also a platform for Vietnam to mobilize support from other nation members in safeguarding regional security. Vietnam’s choice of diplomatic multilateral engagement and institutional framework to solve the Spratly issues reflects its preference for multilateralization and internalization of the disputes. Hanoi does not seem to change this approach in their dealings with China when they still take advantage of other regional forums to involve other great powers into the matter.

**Vietnam and Other Southeast Asian Institutions**

In 2010, ASEAN initiated the establishment of the ASEAN Maritime Forum (AMF) under the terms of the ASEAN Political Security Community (APCS) blueprint. In October 2010, ASEAN established the ASEAN Defense Ministers Meeting Plus (ADMM Plus). Until now, Vietnam has actively participating in six regional maritime security platforms including: (1) ASEAN Regional Forum Inter-Sessional Meeting (ISM) on Maritime Security; (2) ADMM; (3) ADMM Plus; (4) ASEAN-China...

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Implementation of the Guidelines to Implement the DOC; (5) the extended East Asia summit; and (6) ASEAN Maritime Forum.\textsuperscript{87} Of them, the ASEAN Regional Forum (ARF) is still playing a modest role in building security policy transparency and cooperation in the region, even though economic integration is well underway.

Although China actively participated in the ASEAN Regional Forum (ARF) meetings, China declined any attempts to multilateralize the South China Sea issue. After the signing of a non-binding 2002 Declaration on the Conduct of Parties in the South China Sea, China displayed gestures to become a responsible player by building a regional atmosphere of cooperation. At the November 2003 ARF Inter-Sessional Group (ISG), China proactively proposed increasing military exchanges and establishing an annual Security Policy Conference (SPC). At the 2004 Boao Forum China’s President stressed that China “will give full play to existing multilateral security mechanisms. China is ready to set up a security dialogue mechanism with other Asian countries and actively promote confidence-building cooperation in the military field.”\textsuperscript{88} China is using the ARF as “a vehicle to enhance its regional diplomacy.”\textsuperscript{89} It has repeatedly attempted to convince ARF members that it is a benign actor in the South China Sea and is willing to abide by international law. By embracing a non-confrontational approach, Beijing could increase its influence to ASEAN nation members, while “sidelining” the U.S.\textsuperscript{90} China also felt comfortable with the ARF’s

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\textsuperscript{87} Carlyle A. Thayer, “Vietnam’s Security Outlook,” 86.
\textsuperscript{90} David Martin Jones and M.L.R. Smith, “Can ASEAN Ever Solve the South China Seas Dispute Through Multilateral Dialogue?” The Telegraph, November 24, 2015, Vu Tung Nguyen, “Vietnam’s
consensual method of decision-making, implying China does not have to care about enforcement of norms, rules, and obligations. Beijing perceives the ARF as “a vehicle for promoting ‘multipolarity’ to diffuse America’s ‘hegemonic’ status” in the region. Meanwhile, the West and other regional countries want to engage China into a multilateral framework to make China abide by international norms and rules.

In reality, China has little incentive to tie its hands by multilateral institutions. China has always been opposed to any proposals for multilateral negotiations over the South China Sea issues. The ASEAN Regional Forum was, in the first place, an appropriate place to raise the issue and the purpose of establishing this regional multilateral security institution in 1994 was to engage China into a whole set of regional issues. When China occupied the Mischief Reef in 1995, ARF officials did not discuss the issue at the meeting. On July 23, 2009 when the ARF met in Thailand with the presence of China, China’s Ambassador to ASEAN Xue Hanqin wanted the discussion of the occupation issue to be off the ARF agenda. The ARF turned out to be toothless and could not demonstrate its collective strength.

At the July 2010 meeting of the ASEAN Regional Forum in Hanoi, Vietnam serving as the ASEAN’s rotating chair, rallied the support from other countries to put pressure on China’s assertive behavior in the South China Sea. When American Secretary of State Hillary Clinton addressed the 2010 annual meeting of the ARF, saying “Legitimate claims to maritime space in the South China Sea should be derived

92 Chien-peng Chung, China’s Multilateral Co-Operation in Asia and the Pacific: Institutionalizing Beijing’s “Good Neighbour Policy” (London: Routledge, 2010), 10.
solely from legitimate claims to land features,” Chinese State Councilor Yang Jiechi retaliated furiously, “China is a big country and other countries are small countries, and that’s just a fact.” As a matter of fact, China is always aware of its power dominance in the region, expecting other smaller countries to listen to it. Added to the statement is China’s insistence that any non-claimant nation does not have a legitimate voice in how the South China Sea issues are resolved. According to China’s argument, the U.S., Japan, EU and India are not qualified to discuss about the South China Sea.

In the same year, Vietnam assumed the role of ASEAN chairmanship and quickly pushed the formation of the ASEAN Defense Ministers Meeting Plus (ADMM Plus). It is not difficult to understand that Vietnam also wanted to take advantage of the ASEAN to multi-lateralize the South China Sea disputes. ADMM Plus was established to address the regional maritime security issue that ASEAN Regional Forum (ARF), heavily criticized as a talk shop, could not handle. When Vietnam hosted the first ADMM Plus meeting in 2010, it was successful in setting up the platform for major powers to voice their concerns over imminent tensions in the South China Sea. However, ADMM Plus was convened every three years, so any timely action to multilaterally manage the maritime security in the region is not expected.

At the 2012 ARF and ASEAN Ministerial Meeting (AMM), China was able to ruin ASEAN’s consensus on the South China Sea issues by pressuring then-host nation Cambodia. ASEAN Foreign Ministers could not agree on issuing the joint communiqué on regional security. In 2013, a few ASEAN members held back their

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criticisms against China for tensions since they believed that the Philippines had pushed the tension too far by bringing a case against China to international arbitration.\textsuperscript{94} In 2014, China’s unilateral oil rig deployment in Vietnam’s EEZ that China also claims caused Vietnam to react strongly. Southeast Asian nations at this time thought China overreacted and supported Vietnam. Vietnamese Prime Minister Nguyen Tan Dung hinted at bringing this case against China to the international court. Sino-Vietnamese relationship hit the record low since 1991. Prior to the inauguration of the 2014 ARF, China had to withdraw its oil rig earlier than expected since ASEAN foreign ministers had already drafted a joint statement that would call on sides to refrain from unilateral provocative actions.\textsuperscript{95} This was also the first time that China had to reconsider its assertive behavior in the South China Sea before a regional meeting. As a weaker state in an asymmetric relationship, Vietnam knows that no single approach can address the problem. With the oil rig tension, Vietnamese leaders applied a multi-pronged approach to force China to recalibrate its policy including (1) diplomatic relations; (2) political ties; (3) hint of international arbitration; (4) call for international concerns; and (5) maintaining coast guard force at the oil rig at deployment scene.

Apart from the ARF, the Shangri-La Dialogue, an annual track-one intergovernmental security forum held by the Institute of International Strategic Studies (IISS) in Singapore, is an important multilateral defense platform that Vietnam has been employing to voice their increasing concerns about Chinese assertiveness in


\textsuperscript{95} Ibid.
the South China Sea. In his keynote address at the 2013 Shangri La Dialogue, Vietnamese Prime Minister Nguyen Tan Dung stated, “Somewhere in the region, there have emerged preferences for unilateral might, groundless claims and actions that run counter to international law and stem from imposition and power politics… No regional country would oppose the strategic engagement of extra-regional powers if such engagement aims to enhance cooperation for peace, stability and development.”

Undoubtedly, Dung implied China as a destabilizing factor in the region and he welcomed the presence of the U.S. as stabilizer. He emphasized that territorial disputes should be settled “on the basis of international law, respecting independence, sovereignty and the legitimate interests.”

Normally China does not send its top defense official to the Shangri-La Dialogue. In 2012, it sent Deputy Chief of the PLA General Staff Ma Xiaotian. In 2013, PLA Major General Yao Yunzhu from China’s Academy of Military Sciences delivered a speech. In 2014, it sent Lieutenant General Wang Guangzhong to deliver a speech. In 2015, Admiral Sun Jianguo, deputy chief of staff of the PLA, came to the Shangri-La Dialogue to repeat lengthy statements about China’s peaceful intentions and the legality of China’s land reclamation in the disputed South China Sea. Hence, what China has presented itself at the Shangri-La Dialogue is a “missed opportunity” for China to alleviate others’ concerns about Chinese intentions in the South China


Sea. Vietnamese leadership has done better than China at the Shangri-La Dialogue when they have successfully put the South China Sea issues become the center stage of this annual defense meeting.

One important point is that Vietnam has been cooperating very closely with the U.S. in regional institutions, such as the ARF, the ADMM, the Lower Mekong Initiative, and the East Asia Summit (EAS). Vietnamese leaders have developed a common strategic interest with the U.S. in boosting the Southeast Asian’s dominant role in defining regional structures and security landscapes. Last May, 2015 U.S. Defense Secretary Carter addressed the Shangri-La Dialogue that the U.S. objects to any militarization of islands in the South China Sea and island reclamations does not establish sovereignty.

Ishaan Tharorr, a foreign affairs journalist of the Washington Post, claims that there is a growing Southeast Asian resentment toward perceived Chinese expansionism, with the Philippine government taking confrontational stance and following legal measures against China’s claims in the South China Sea, and the Vietnamese public opinion is expressing anger at China’s foreign policy and Chinese products. Even though the ARF is labeled as a “talking shop” since it does not offer any feasible solution to security issues in the region. Yet, “it has [...] nurtured dialogue and mutual confidence among ministerial participants, and has developed an “esprit de corps” among ISG participants. The ARF has surely served the goal of Stage I, which focuses on confidence-building measures, and has become the sole region-wide

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political-security intergovernmental dialogue and cooperation framework.\textsuperscript{99} Being aware of power asymmetry and nature of the regional institutions, Hanoi leaders have incessantly employed multilateral frameworks as platforms to voice its concerns about Chinese assertiveness. By any measure, Vietnam has garnered support from several Southeast Asian nations and other great powers since the oil rig incident in May 2014.

Vietnam also needs to look at the truth that it is the lack of political will rather than the lack of regional institutions to resolve disputes. China has spared no measures to undermine the importance of these Southeast Asian-centered institutions. It uses multilateral framework to appease the others, but it insists on bilateral framework to resolve disputes as it is more beneficial to China in actual practice. At the very least, Vietnam has been successful in using these multilateral platforms to raise international awareness on concerns in the South China Sea. Yet, Vietnam’s determination in multilateral frameworks, to some extent, is not sufficient to put pressure on China.

CHAPTER 10 THE SOUTH CHINA SEA

This chapter attempts to find out the hedging strategies in Vietnam’s management of the South China Sea issues. As a weaker state in the asymmetric relationship, Vietnam prefers to use diplomatic and political means rather than confrontation when tensions arise. Besides, Vietnam is hedging its position in the South China Sea by inviting other actors such as the United States, Russia, India, Japan and other institutions into the region, as well as by consistently reiterating its stance that territorial disputes should be resolved peacefully. When maritime flashpoints have been rising as the most prominent of a series of issues “that are symptomatic of the underlying tension in the Sino-Vietnamese relationship despite the formal reestablishment of party-to-party ties,” 1 Vietnam’s “cooperation and struggle” motto can be visibly reflected in its struggles against Chinese assertiveness in the South China Sea.

Structural asymmetries make explicit cooperation utterly difficult in the South China Sea. China prefers to act unilaterally and Vietnam is hesitant to accept China’s coercive suggestions since they could increase Vietnam’s vulnerability in the long run in terms of national interests. This chapter also reviews trends in maritime security as well as maritime rights to explore and exploit resources.

1. Background of the South China Sea

The South China Sea is a semi-enclosed body of water with strategic waterways for more than half of the world’s supertanker traffic passing. It is circled

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1 Michael Leifer, “Vietnam’s Foreign Policy in the Post-Soviet Era: Coping with Vulnerability.”
by Brunei, China, Indonesia, Malaysia, the Philippines, Taiwan and Vietnam with hundreds of small islands, rock features, shoals and reefs. The South China Sea is also very important to the economies of littoral states by providing resources in fishery, oil and gas, as well as providing jobs in fishing, maritime transportation, and mineral exploration and exploitation. The South China Sea comprises vital sea-lanes connecting the Indian Ocean and the Pacific Ocean. Control of the South China Sea will mean controlling ship and movements in the waters.

As for China, the South China Sea is very important in a sense that if China can control the sea, it can then have a greater access to the Pacific and Indian Ocean via the Strait of Malacca, monitoring all the oil and gas transportation from the Middle East to Northeast Asia. Robert D. Kaplan even draws an analogy, “The South China Sea is to China what the Greater Caribbean was to the United States.” ² Lai Hongyi remarked, “China’s rising demand for oil imports and its heavy reliance on sea lanes for oil transport has resulted in Chinese policy-makers’ concerns with sea lanes security.”³ Likewise, the South China Sea also carries much importance to other great powers since one third of world trade and half the global oil shipping pass through the water every year. It is the world’s second busiest sea lane.⁴ Strategically, if China

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⁴ Nong Hong, “Maritime Trade Development in Asia: A Need for Regional Maritime Security Cooperation in the South China Sea,” in Maritime Security in the South China Sea: Regional Implications and International Cooperation, ed. Shicun Wu and Keyuan Zou (Surrey: Ashgate, 2009), 42.
succeeds in securing its territorial claims, Beijing would be able to extend its jurisdiction around 1000 nautical miles from its mainland.5

The sea is composed of four groups of islands. Of them, the Pratas Islands are the center of disputes between China and Taiwan, and Scarborough Reef and Macclesfield Bank are claimed by the Philippines, China and Taiwan. The Paracels are over 170 nautical miles from China and Vietnam. They are claimed by China, Taiwan and Vietnam but China has exclusively occupied the Paracel Islands since 1974. However, the islands are a lingering source of tension between China and Vietnam, with regard to the arrest of Vietnamese fishing vessels and fishermen as well as the recent parking of Chinese oil rig HD 981.6 The Spratlys are over 500 nautical miles from China, while they are around 160 nautical miles from Vietnam.7 The political, juridical and historical circumstances of the sovereignty claims in the South China Sea are very complicated. Various individual claimants occupy these islands and reefs, so overlapping claims are created based on different interpretations of historical occupation and interpretations of the 1982 United Nations Convention on the Law of the Sea (UNCLOS).

As of 2009, Vietnam occupies 29 features, the Philippines 9, China 7, Malaysia 5, and Taiwan 1 in the Spratly Islands.8 The biggest island Taiping Itu Aba, reportedly

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1400 meters long and 400 meters wide, is now occupied by Taiwan. On top of Itu Aba, the next four largest features in the Spratlys are Spratly Island, Nanyit Island, Southwest Cay, and Sin Cowe Island occupied by Vietnam. China controls all the Paracel islands.

Table 18: Competing South China Sea claims

<table>
<thead>
<tr>
<th>Country/Territory</th>
<th>Paracel Islands Claimed</th>
<th>Paracel Islands Controlled</th>
<th>Spratly Islands Claimed</th>
<th>Spratly Island Occupied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>All</td>
<td>None</td>
<td>All</td>
<td>29</td>
</tr>
<tr>
<td>China</td>
<td>All</td>
<td>All</td>
<td>All</td>
<td>7</td>
</tr>
<tr>
<td>Taiwan</td>
<td>All</td>
<td>None</td>
<td>All</td>
<td>1</td>
</tr>
<tr>
<td>Philippines</td>
<td>None</td>
<td>None</td>
<td>60</td>
<td>9</td>
</tr>
<tr>
<td>Malaysia</td>
<td>None</td>
<td>None</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>Brunei</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Source: the author's own compilation

Obviously, the disputes in the South China Sea carry “broad geopolitical implications reaching far beyond ownership of the scattered fly specks and any oil the area may harbor.”9 The complexities of overlapping maritime claims and historical legacy make the settlement of the South China Sea disputes seem impossible. For the time being, the disputes in the South China Sea can be distinctly categorized as: sovereignty claims over the Paracels and Spratlys, maritime delimitation of Vietnam’s EEZ, sovereign rights to oil, gas, and minerals within Vietnam’s EEZ, and fishing rights.10 They are also Vietnam’s principal interests in the South China Sea. Unlike

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9 Valencia, Van Dyke, and Ludwig, Sharing the Resources of the South China Sea, 31:7.
Vietnam and other claimants, China claims up to about 90 percent of the South China Sea defined by the nine-dash line stretching hundreds of miles from its southernmost tip of Hainan province. Its claim consists of all the islands, atolls, and submerged banks inside the line, but it has not indicated clear whether China has claimed the waters enclosed.\(^{11}\) China often expands their claims by assigning the “adjacent waters” to an island that they are occupying. These islands, of course, are not entitled to any EEZ according to 1982 UNCLOS because these rocks, reefs and land features cannot sustain human life.

As Robert Kaplan puts it, the South China Sea has become “Asia’s cauldron.”\(^{12}\) So far claimants have attempted to contain the imminent conflicts than to resolve the disputes.\(^{13}\) Although this measure is criticized as merely sweeping the disputes under the carpet, Vietnam does not have other choices with a powerful China. Yet to observers, Vietnam is still the most serious contender to China in the South China Sea among claimants. The critical point in the South China Sea disputes is both China and Vietnam claim that they have enough historical evidence to justify their sovereignty over Paracel and Spratly Islands. From the Chinese perspective, Vietnam is blamed for escalating the South China Sea dispute by unilaterally exploiting natural resources from waters claimed by China.

Beijing also paints itself as a peace-loving actor committed to a non-violent settlement of the territorial disputes in the South China Sea through peaceful negotiations. With the help of mainstream state-run media, China repeatedly

\(^{12}\) Kaplan, *Asia’s Cauldron: The South China Sea and the End of a Stable Pacific*.
underscores that it always shows a self-restraint and constructive attitude in solving disputes in the South China Sea. In addition, China accuses Vietnam of complicating the problem by internationalizing and multilateralizing the dispute.\textsuperscript{14} China insists that the waters in the South China Sea be in its jurisdiction without provision of legal rationale, leading to unresolvable maritime disagreements. Thus, a number of questions were raised: What is the legitimate basis for China’s claims and the nine-dash line? Does the nine-dash line imply de facto sovereignty even though the international community does not recognize it? Will China keep on pushing its maritime claims with new strategies? How will Vietnam react to Chinese assertiveness?

2. The Economic Stakes in the South China Sea

The Mineral Resources Factor in the South China Sea

According to the U.S Energy Information Administration (EIA), the South China Sea is estimated to hold 11 billion barrels of oil and 190 trillion cubic feet of natural gas. These estimates are similar to the amount of proved oil reserves in Mexico. About 20 percent of these resources are likely to be found in disputed areas, in the Reed Bank at the northeast end of the Spratly Islands. The Paracel areas have less natural gas and no oil.\textsuperscript{15} As demonstrated in the Figure below, much of these oil and gas reserves are

\textsuperscript{14} Roy, Return of the Dragon, 119.
deposited close to the various countries’ shorelines, out of disputed territory. The areas around the Paracels and Spratly have the least probable reserves of oil.

Figure 14. South China Sea Oil and Natural Gas Proved and Probable Reserves

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As shown in the figure, proven oil and gas reserves in the South China Sea are much lower than in other regions. The uncertainty of oil deposits in the South China Sea has made any deep-see exploration investments become risky. Besides, the oil deposits in the Spratlys are difficult to extract. Other reports from Stratfor estimate that the resource reserves in South China Sea are around 21.6 billion barrels of oil and around 8.5 trillion cubic meters of natural gas. Nonetheless, these estimates come with a warning that these figures derive from geological information, not from actual on-site exploration.

The Chinese are very optimistic about the prospects of oil reserves in the South China Sea. Their oil deposit evaluation is more than 200 billion barrels. In 2012, Chairman of CNOOC gave an estimate: 125 billion barrels of oil and 500 trillion cubic feet of natural gas. According to a report from Global Security, Chinese estimates of the South China Sea oil are optimistic because they imply potential oil resources. There are about 7.5 billion proven barrels of oil deposited in the South China Sea. The Global Security report argues that there is insufficient exploratory drilling in the Paracel and Spratly Islands, so proven oil reserve estimates for these islands are nonexistent.

The Chinese talked about the South China Sea as another North Sea with huge deposits of oils. In 2005, China Ministry of Land and Resources pointed out that the

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South China Sea was one of the ten strategic energy zones, thereby receiving investments for deep-water oil and gas exploitation research.\textsuperscript{21} China also estimates that the combustible ice reserve in the northern part of the South China Sea would account for 5 percent of all the oil reserves on China’s land territory.\textsuperscript{22}

Chinese elites are even afraid that other claimants are exploiting oil and gas in disputed waters that are supposed to belong to them. General Zhu Chenghu warned in an op-ed on the hawkish \textit{Global Times} that other rival claimants in the South China Sea were sucking Chinese oil, “China’s oil and gas resources without scruple, turning the South China Sea into an ATM machine.”\textsuperscript{23} Other Chinese scholars warned that “currently the oil and gas resources in the South China Sea are being exploited at an alarming rate and scale by other claimant states.”\textsuperscript{24}

\textbf{Importance of the Oil and Gas Resources to Vietnam and China}

By any measure, the considerable oil and gas resources in the South China Sea are important for both Vietnam and China. These two countries are depending much on oil imports. Vietnam is a net exporter of crude oil and concurrently a net importer of oil products. When the economy continues rising at a stable pace, oil consumption has been increasing year over year up to 413,000 barrels per day (bbl/d) in 2013 from

\begin{itemize}
\item \textsuperscript{22} Ibid.
\item \textsuperscript{24} Zhang, "China’s South China Sea Policy: Evolution, Claims and Challenges,” 63.
\end{itemize}
238,000 bbl/d in 2004.\textsuperscript{25} Yet, Vietnam’s oil production has been decreasing when its output peaked in 2004 with above 400,000 bbl/d. Since then, oil production has slightly declined, falling down to 326,000 barrels per day in 2011. At the end of 2013, an official from Vietnam Oil & Gas Group, known as PetroVietnam, said Vietnam could maintain its oil production level of about 340,000 barrels per day “for the next few years,” a 12 percent decrease from a 2004 peak. It is also the highest level of output since 2006.\textsuperscript{26} Thus, Vietnam is boosting offshore exploration to satisfy oil demand. The government has been attempting to incentivize exploration and production in offshore waters with foreign oil companies.\textsuperscript{27}

According to EIA, Vietnam consumed 320,000 barrels per day of oil in 2010, and its consumption started to exceed production in 2011. PetroVietnam is expecting new projects could compensate declines at maturing oil fields such as Bach Hoi oilfield. In the long term, a new decline will be inevitable if no major oil fields are found. Vietnam for the time being has only one operating refinery in the central province of Quang Ngai, which has the capacity of 140,000 bbl/d. It can cater a bit more than one-third of Vietnam’s oil consumption that reached 413,000 bbl/d in 2013. Vietnam’s state-owned PetroVietnam planned to upgrade the refinery’s crude


distillation capacity to 200,000 bbl/d by 2017 and develop its ability to handle sweet and less expensive sour crude oil from Russia, and the Middle East.²⁸

**Figure 15: Vietnam’s Oil Production and Consumption, 1990-2011**


According to EIA, most of Vietnam’s oil developments are from small fields. Most of Vietnam’s oil and gas reserves are in the Cuu Long and Nam Con Son Basins. Two key projects are in Cuu Long Basin’s Block 15-1 are the Su Tu Den (Black Lion) and Su Tu Vang (Golden Lion) fields that pumped out a combined 100,000 barrels per day in 2011. The Nam Con Son Basin, south of the Cuu Long basin, is estimated to make up about 20 percent of Vietnam’s hydrocarbon resources (4.5 billion barrels of oil equivalent). Vietnam produced 25,000 barrels per day from Chim Sao (Blackbird)

oil field. The *Business Insider* argues that Vietnamese economy heavily relies on the oil production off the coast in the South China Sea. It also claims that stoking tension with China will be a good option to divert public discontent away from its domestic mismanagement and corroborate the legitimacy of rule. In reality, oil and gas resources in the South China Sea have heavily economic impact on Vietnam since PetroVietnam has been consistently among the top five tax payers in Vietnam.

Meanwhile, China’s miraculous economic development fuels China’s growing appetite for hydrocarbon consumption. China became a net oil importer in 1993, and was the third largest oil importer in 2003. At the end of 2013, the U.S. Energy Information Administration (EIA) stated that China surpassed the U.S. to be the world’s largest importer of oil. Choucri and North explains lateral pressure as states experience high rates of populations growth and technological change require increasing stocks of resources to fuel further economic development. China’s largest oil fields have already reached its peak productions, leading the state oil companies to concentrate on exploring untapped reserves in the western interior provinces and offshore fields. China’s oil production peaked in 2011 but then declined until now.

Another factor that leads to China’s ambitious thrust in the South China Sea is China’s changing perceptions of the role of seas to the development of China. The traditional Chinese mentality that land outweighs sea must be abandoned, and great

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importance has to be attached to managing the seas and oceans and protecting maritime rights and interests. It is necessary for China to develop a modern maritime military force structure commensurate with its national security and development interests, safeguard its national sovereignty and maritime rights and interests, protect the security of strategic SLOCs and overseas interests, and participate in international maritime cooperation, so as to provide strategic support for building itself into a maritime power.  

33 China National Offshore Oil Corporation (CNOOC) was “a powerful voice within the system amplifying the sea’s potential. The bigger the reserves appeared to be, the stronger the case for winning more funding from the state.”

34 CNOOC decides to invest US$29 billion (RMB 200 billion) by 2020 to build around 800 deep-sea oil rig platforms.

35 Wang Yilin, the chairman of state-owned National Offshore Oil Corporation (CNOOC), quoted by The Guardian, said in 2012, “Large deep-water drilling rigs are our mobile national territory.” CNOOC planned to invest roughly $29 billion by 2020 to build 800 offshore deep-water drilling rigs in order to be able to produce 500 million tons of crude oil by 2020.

36 Additionally, China is increasingly assertive in their South China Sea claims because China’s control of the South China Sea “fits exactly with its policies for energy and national security since it relates, first, to state survival, and second to

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35 Li, “The South China Sea: Possible Pathways to Cooperation,” 98.

36 Ibid., 98.
showcasing its governance model.”

Ian Storey, senior fellow at the Institute of Southeast Asian Studies in Singapore, argued, “Although the perception that the South China Sea is rich in energy sources remains a key driver of the dispute, there are many factors at work. Nationalism, attempts by the various parties to enforce their historical and jurisdictional claims and geostrategic rivalry will keep this issue at or near the top of the regional security agenda.”

**Marine Fishing Resources Factor in the South China Sea**

On top of oil and gas resources, fishing resources have emerged as flashpoints among claimants in recent years. Even though fishing resources in the South China Sea do not catch the world’s attention as much as the energy resource, fishing is crucial to the livelihoods of millions of fishermen and people working in the marine fishing industry. From 1985 to 2002, China tripled the percentage of its total fish catch from offshore waters – skyrocketing from 10 percent to 35 percent. This number continues to increase over the years. In 2010, the Chinese households consumed five times as much fish as they had forty years earlier. By 2030, the UN predicts that China’s fish consumption will increase more than 60% from 2008 levels, to 57.4 million tons (63.3 million tons).

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38 Ibid.
As stated in the above chart, the total marine fishery production of the three Chinese provinces (Guangdong, Guangxi, and Hainan) which border the South China Sea had exceeded that of three nations Vietnam, Malaysia and the Philippines combined by 2008. Since 2008, the combined fishing production of the three countries has caught up with the three Chinese provinces. This match was contributed largely by the Vietnamese fishing growth. With big populations, growing consumption and improvements of fishing technology, the increasing need for fish resources among claimants has intensified, which can entail more conflicts between China’s fishery-relevant agencies and Vietnamese fishermen. In addition, fishing right contention between China and other claimant states including Vietnam has been another source

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42 Ibid.
of tensions. The Chinese government and scholars claimed the South China Sea has been a historical fishing ground for Chinese fishermen.\(^{43}\)

3. Territorial and Maritime Disputes in the South China Sea

In 1947 the Territory Division of the Chinese Ministry of Home Affairs published a map of the location of Chinese islands in the South China Sea with a U-shape 11-dot line encompassing them. The map appeared in the Atlas of the Administrative Areas of the Republic of China.\(^{44}\) In 1950 China occupied Woody (Yongxing) Island, part of the Amphitrite Group in the western wing of the archipelago. In August 1951 during the Allied peace treaty negotiations with Japan in San Francisco, Chinese Premier Zhou Enlai declared China’s sovereignty over the Paracel and Spratly Islands. Zhou invoked history as evidence for Chinese claims: “just like the entire Nansha Islands, Zhongsha Islands and Dongsha Islands, the Xisha Islands and Nanwei Islands have been Chinese territories since ancient times.” In 1954, China took over some parts of Paracels. In September 1958, China reaffirmed its claims to these islands when it asserted its rights to territorial waters. According to Fravel, the 1958 declaration was the first time that China linked its claims to territorial sovereignty with the assertion of maritime rights and rights to territorial waters.\(^{45}\) In 1959, South Vietnam asserted control over the Crescent Group.

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\(^{43}\) Zhang, “China’s South China Sea Policy: Evolution, Claims and Challenges,” 64.


From the mid-1970s until now, China has kept using similar rhetoric to uphold its sovereignty claim. The most frequent statement is “China has indisputable sovereignty over the Spratly Islands and adjacent waters.” On January 19-20, 1974, a clash between PLAN and South Vietnamese force erupted in the Paracels. The Chinese side consisted of four Hainan class fast attack craft, two mine sweepers and two fishing boats. The South Vietnamese fleet was made up of three destroyers and a corvette. The result was the South Vietnamese lost three islands in the Crescent Group to China and around some 60 soldiers. Since then all the islands in the Paracels have been occupied by China. In the same year, Beijing also claimed sovereignty over the Spratly Islands. So far, China still keeps de facto control of the Paracels and uses the islands to justify the unilateral deployment of the offshore drilling rig HD 981 in 2014.

During the period of strained ties in 1970s, China reasserted their sovereignty claims over disputed waters with Vietnam. In July 1977, Chinese Foreign Minister Huang Hua stated, “The territory of China reaches as far south as the James Shoals, near Malaysia’s Borneo territory… I remember that while I was a schoolboy, I read about those islands in the geography books. At the time, I never heard anyone say those islands were not China’s… The Vietnamese claim that the islands belong to them. Let them talk that way. They have repeatedly asked us to negotiate with them on the issue; we have always declined to do so... as to the ownership of the islands, there are historical documents that can be verified. There is no need for negotiations since they

originally belonged to China.”\textsuperscript{47} However, China has not officially clarified the meaning of the dashed line, which claims a wide expanse of water.

In part because of China’s limited power projection, Beijing remained nearly inactive in the Spratlys until the second half of the 1980s.\textsuperscript{48} In mid-1980s China adopted a more escalating strategy towards the South China Sea by occupying more features by other claimants. In 1987, Beijing planned to establish a permanent position by occupying nine vacant features. The first target was Fiery Cross (Yongshu Đảo Chữ Thập), occupied in January 1988. Vietnam felt the pressure from China in a race to occupy other reefs and atolls in the Spratlys. As a consequence, a clash happened. On March 14, 1988, a clash took place over Johnson Reef, claiming 74 Vietnamese soldiers. In the end, the occupation of the Johnson Reef was an addition to the list of 6 features that China controlled, short of three features as planned.\textsuperscript{49} China’s actions prompted other claimants to accelerate their occupation of other features and consolidate defense of those reefs. Garver argues that China’s bold thrust into Spratlys during the 1980s was owing to rapid modernization. In 1988, PLAN Commander Zhang Lianzhong underscored that three major weaknesses of Chinese Navy’s long distance operations in the past including resupply operations at sea, long distance communications, and navigation capabilities, and lack of a global navigation system have been overcome during the 1980s.\textsuperscript{50}

\textsuperscript{47} Junwu Pan, \textit{Toward a New Framework for Peaceful Settlement of China’s Territorial and Boundary Disputes} (Leiden: Martinus Nijhoff Publishers, 2009), 166.
\textsuperscript{49} Fravel, “China’s Strategy in the South China Sea.”
Since the early 1990s, the territorial dispute in the South China Sea has become a political rather than a military issue in part owing to the diplomatic normalization between China and Vietnam. However, the territorial dispute was still a main security concern between two states’ leaders. On February 25, 1992, China’s National People’s Congress promulgated a law on territorial waters, which claimed all islands in the South China Sea. In February 1992, China also occupied a small island in the Spratly, Da Ba Dau (Three headed rock). In the same month, Chinese Foreign Minister Qian Qichen visited Hanoi and signed an agreement to form joint working groups to negotiate the territorial disputes. Nonetheless, in the same month, China had a move that did not allay any tension between the two countries over the maritime disputes by promulgating a new law on territorial waters that claim the Paracels and Spratlys and most of the South China Sea waters as China’s territory.

Three months later, Beijing signed an agreement with a US-based Crestone Energy Corporation on an oil gas exploration deal in a 10,000-square mile area called Vanguard Bank/Wan’an Bei (WAB-21 block) in the South China Sea, also claimed by Hanoi. In December 1993, Vietnam asked Crestone to cancel this offshore oil exploration deal. China offered to share WAB-21 production with Vietnam on the condition that Vietnam acknowledged China’s sovereignty over the block. Of course, Vietnam refused.

Back to the diplomatic stage, when Chinese Premier Li Peng met with his Vietnamese counterpart Vo Van Kiet in Vietnam in December 1992, the South China

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Sea issues were the hot topics between them. There was not much progress after the bilateral meeting, but both leaders agreed to resolve the disputes in a peaceful manner and upgrade the level of dispute settlement. With regard to the Crestone incident, Vietnam refused China’s proposal of dividing the area because Vietnam claimed the entire area was on its continental shelf as stipulated by the 1982 UNCLOS.\textsuperscript{52} China’s claim of the 10,000-square mile area was based on the nine-dash line and a feature in the Spratlys that China thought it could generate a 200-nautical mile EEZ. Thus, its claim rests on the assumption that islets, and rock features in the Spratlys could be entitled to EEZs, so most of the South China Sea including features, either high-tide elevation or low-tide elevation, belong to China. Until the third round of the bilateral technical talks in January 1993, no progress was recorded.\textsuperscript{53}

In May 1993 a Chinese drilling ship again encroached onto Vietnam’s part of the WAB-21 concession area, which Vietnam granted to BP and Norway’s Statoil Vietnam. According to the Chinese Foreign Ministry’s statement, the seismic operations by the Chinese vessel in the waters off the Spratly islands are “regular scientific exploration activities.”\textsuperscript{54} The survey vessel left the scene on the eve of a visit to Vietnam by Chinese Defense Minister. In October 1993, Vietnam invited foreign oil companies to participate in a bidding contract for nine offshore blocks near WAB-21. In February 1994, China warned Conoco Oil Company against securing an oil deal with Vietnam or facing no business deal in China. In April 1994 Vietnam protested against Crestone’s seismic survey in the maritime area that Vietnam calls Bai Tu

\textsuperscript{52} Valencia, Van Dyke, and Ludwig, \textit{Sharing the Resources of the South China Sea}, 31.:90–1.
\textsuperscript{53} Ibid., 31.:91.
\textsuperscript{54} Wu, \textit{Solving Disputes for Regional Cooperation and Development in the South China Sea: A Chinese Perspective}, 113.
Chinh. For the Vietnamese, they claim they have full jurisdiction over the waters in their EEZ, and refute China’s claim based on the EEZ generated by the islands they control in the Spratly islands, which do not conform to Article 121 of the UNCLOS. In 1994 China occupied the Mischief Reef from the Philippines. The South China Sea lulled for a few years after this incident.

In the wake of this reef occupation, China switched its strategy in the South China Sea: terminating occupying more reefs, and using diplomacy to assuage other countries’ reactions to its occupations. It was nicknamed “delaying strategy” by many analysts. In 1996, China specified baselines for its territorial waters. In 1998, the NPC promulgated a Law on the Exclusive Economic Zone and the Continental Shelf, adding more maritime rights that had not been contained in the 1992 law. The EEZ law did not refer specifically to the Paracels or the Spratlys, but when combined with the 1992 law on territorial seas, it provides a basis for claiming maritime rights in the South China Sea. In July 1998, Vietnam protested the law since it covered the disputed areas of the South China Sea. In August 1998, Vietnam submitted a Note Verbale to the Secretary General of the United Nations, expressing objections to China’s Law on the Exclusive Economic Zone and the Continental Shelf.

In the lead-up to China’s more assertive behaviors in the 2000s, China started imposing an annual unilateral fishing ban in the South China Sea in 1999 for the period of approximately 2 months and then increased to 3 months, effective from twelve degrees north parallel. According to the Chinese authorities, the ultimate purpose of the annual ban was “to promote the sustainable development of the fishing industry in

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55 Fravel, “China’s Strategy in the South China Sea.”
the South China Sea and protect the fundamental interests of fishermen.” Violators of the ban might face fines, confiscation and even criminal charges. China argues this ban is applicable to not only fishermen from other South China Sea littoral countries but also its own fishermen. Yet, China’s claims to preserve and refill fish stocks have been met with doubts. Vietnam views China’s fishing ban in disputed waters as part of an effort to control Vietnam’s EEZ in the Gulf of Tonkin. In addition, China wants to consolidate its claims in disputed waters. Like the Philippines, Vietnam believes China is simply bullying smaller claimants in the South China Sea.

In a move to demonstrate its commitment to peaceful settlement of territorial disputes in the South China Sea, China and ASEAN in 2002 signed the Declaration on the Conduct of Parties in the South China Sea (DOC), which is a non-binding agreement. Due to the self-restraint nature of the DOC, it does not have the authority to force signatories to obey the rules. To address this problem, ASEAN wants to secure an agreement on a legally binding Code of Conduct (COC) but individual members are still divided on how to pursue the COC and what to include in the COC. For instance, Vietnam wants to include the Paracels in the scope of the COC but other ASEAN member assume the Paracel islands are the bilateral problem between China and Vietnam. In 2005, China, Vietnam and the Philippines signed a 3-year trilateral Joint Marine Seismic Undertaking (JMSU) agreement in the agreed area in the South China Sea. Then, the agreement did not extend since the accusations from the Philippine media said that the agreement violated its national legal stipulations as well.

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as national security.\textsuperscript{57} In addition, other claimants also criticized the agreement for undermining the ASEAN relations.

On August 25, 2006, China made a statutory declaration to the U.N. secretary-general that China would opt out of any international court or arbitration in disputes over sea delimitation, territorial disputes, and military activities.\textsuperscript{58} In April 2007, China protested Vietnam’s joint development of oil fields with foreign oil companies in area that China also claimed. Chinese Foreign Ministry spokesman Qin Gang protested Vietnam’s plan to develop a natural gas pipeline in the Nam Con Son Basin with British Petroleum (BP), “Any unilateral action taken by other countries in the waters infringes on China’s territorial sovereignty, sovereign rights and interests and jurisdiction, and thus is illegal and invalid.”\textsuperscript{59} Since 2007, China has solidified its claims in the South China Sea, including warning Western energy companies to stay away from disputed waters, and announcing plans to send tourists to islands in disputed waters. Yet, tensions between China and Vietnam over the South China Sea could be considered dormant between 1991 and 2008.

Nonetheless, the late 2000s saw a growing concern in China that Chinese moderate policy failed to protect Chinese sovereignty and interests.\textsuperscript{60} Year 2009 marked a dramatic phase of Sino-Vietnamese disagreements over the South China Sea dispute. Tension re-emerged again in May 2009 when Vietnam submitted a “partial


\textsuperscript{58} David Scott, “Conflict Irresolution in the South China Sea,” \textit{Asian Survey} 52, no. 6 (December 1, 2012): 1019–42.


\textsuperscript{60} Zhang, “China’s South China Sea Policy: Evolution, Claims and Challenges,” 63.
submission” relating to Vietnam’s extended continental shelf in the northern part of the South China Sea and a “joint submission” with Malaysia over the southern part of the South China Sea to the UN Commission on the Limits of the Continental Shelf.\textsuperscript{61} Vietnam and Malaysia in their joint submission state their maritime claims extending from their respective baselines, demonstrating that these nation states implicitly acknowledge that the Spratly islands and features do not generate any EEZ.\textsuperscript{62} In other words, Vietnam does not claim any additional waters from the islands they are occupying in the Paracel and Spratly archipelagoes, except for a 12-mile territorial sea.

These two submissions prompted Beijing to protest. China quickly submitted two \textit{Notes Verbales} to the UN Secretary General expressing objections to the joint submission by Malaysia and Vietnam, and the individual submission by Vietnam to the UN Commission on the Limits of the Continental Shelf. China included a crude map depicting nine line segments and did not bother to state the geological and geomorphological criteria established by the UNCLOS when they were competing against the Convention deadline to declare maritime claims.\textsuperscript{63} China’s move left unclear the nature of its maritime claims.

Since late 2000s, China’s superior maritime capabilities have allowed this country to protect its rights and maritime interests in the South China Sea. In March 2009, China deployed its largest surveillance vessel, \textit{Yuzheng 311}, to the South China

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Sea to patrol in the disputed waters. *Yuzheng 311* was one of the 1,300-vessel surveillance fleet that China has built to protect its fishery resources in the South China Sea. In July 2010, an op-ed on the Chinese *Global Times* warned other countries that China would not allow more violations of China’s rights and interests in the South China Sea,

China’s tolerance was sometime taken advantage of by neighboring countries to seize unoccupied islands and natural resources under China’s sovereignty. China’s long-term strategic plan should never be taken as a weaker stand. It is clear that military clashes would bring bad results to all countries in the region involved, but China will never waive its right to protect its *core interest* with military means.64

In reality, China has been claiming their fishing historic rights within the nine-dash line but also the sovereign rights to exploit natural resources. In addition, China also orders private fishing vessels and trawlers to work as patrol boats to enhance China’s sovereignty in the overlapping territorial waters.65 As China increases its presence in the disputed waters, tensions between China and other smaller countries will be expected.

In 2010, China’s State Development and Reform Commission issued a plan to develop fishery logistics and tourism in the Paracels, titled the “2010-2020 Grand Plan for the Construction and Development of Hainan as an International Tourism Island.” Tran Cong Truc, former head of Vietnam’s Government Border Committee, called this plan “a Trojan horse,” condemning China using “a total civil and peaceful activity

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combining culture and tourism to cover an intricate strategy” to extend sovereign claims in the South China Sea.\textsuperscript{66} China’s fishery and tourism development plan on the Paracels is to reassert its sovereignty jurisdiction over the islands they are occupying despite protests from Vietnam.

The first half of 2011 was full of tensions between China and Vietnam. In January 2011, Chinese State Bureau of Surveying and Mapping (SBSM) issued online map service “Map World” including the nine-dash line. In March 2011, Hainan authorities launched plans for developing the Paracels and the Spratlys. Vietnam protested against these actions, but China responded that it has the “disputable sovereignty over the South China Sea Islands and their adjacent waters.”\textsuperscript{67} On April 14, 2011, China sent a \textit{Note Verbale} to the UN Commission on the Limits of the Continental Shelf, reaffirming that the Spratly Islands were “fully entitled” to territorial water and EEZ and a continental shelf.

Disputes between Beijing and Hanoi over seismic surveys or exploration for gas and oil could likely escalate into conflict. In May and June 2011, Chinese patrol boats harassed VietnamPetro’s exploration vessels in Vietnam’s EEZ, which China also claims. Vietnam accused China Maritime Surveillance Ships of deliberately cutting a Vietnamese seismic survey ship’s cable towing seismic monitoring equipment when this ship was operating in Block 148, right in Vietnam’s EEZ. The cable cutting incident happened twice. The announcement from China’s foreign affairs spokesman came out as “the fishing net of one of the Chinese boats became tangled

\textsuperscript{66} Bellacqua, “The China Factor in U.S.-Vietnam Relations.”
\textsuperscript{67} Amer, “China, Vietnam, and the South China Sea: Disputes and Dispute Management,” 21.
with the cables of a Vietnamese oil exploring vessel.” 68 Vietnam lodged the protest and asked for reparation. In June 2011, China issued a statement, claiming “China has indisputable sovereignty over the South China Sea islands and adjacent waters,” 69 and what the relevant Chinese agencies did was normal in China’s jurisdictional area. Despite warnings from China, Vietnam did not recoil and still stepped up their efforts to explore new gas and oil fields in their EEZ.

In face of the renewed tension, the reaction of Vietnamese top leadership was through bilateral ties. Hanoi leaders adopted both party-to-party relations as well as state-to-state relations to defuse the tension. Vietnam sent a special envoy to Beijing to find out the solution. On June 25, 2011 the tension was cooled down when two countries’ representatives met in Beijing to discuss the resolution of their maritime disputes peacefully. 70 In October 2011, VCP General Secretary Nguyen Phu Trong signed an Agreement on Basic Principles Guiding the Settlement of Maritime Issues, also known as a “six-point agreement,” with his Chinese counterpart as the basic principles to resolve the South China Sea disputes peacefully. The two leaders, Nguyen Phu Trong and Hu Jintao, agreed to speed up negotiations on the sea issue and seek the solutions acceptable to both countries. In December 2011, Vietnamese Prime Minister Nguyen Tan Dung met with the State Councillor of China, Dai Bingguo, in Myanmar and reaffirmed the importance of “the basic principles” as the guideline for the bilateral ties. 71 Vietnamese party and state leaders attempted to use political

70 Hong, UNCLOS and Ocean Dispute Settlement, 31.
engagement to defuse tensions before it could gravely affect other areas of the bilateral ties. The effectiveness of the Agreement on Basic Principles Guiding the Settlement remains to be seen in the future, but tensions have been cooled down.

In another context, Beijing in response to the Philippines’ official note delivered to the UN Secretary General in April 2011 reiterated China’s sovereignty to the claims in the South China Sea in its diplomatic note, claiming Chinese-occupied Spratly Islands can sustain economic life of their own and have their own EEZ:


In 2012, China issued a passport that included a China’s map with all of its maritime claims in the South China Sea, entailing protests from both Vietnam and the Philippines. In June 2012, China condemned Vietnam for passing a law that stipulated Vietnamese control over the Paracel and Spratly Islands. Beijing summoned Vietnamese Ambassador to China Nguyen Van Tho to protest the law and reiterate Chinese “indisputable rights” over the South China Sea. It is visible that one of the usual and also favorite ways that China often uses to express their discontents with Vietnamese claims in the South China Sea is the summoning of the Vietnamese ambassador.73 Hence, there is also a rumor that the position of Ambassador to China is the most unwanted job among Vietnamese diplomats due to being frequently

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73 Cáceres, China’s Strategic Interests in the South China Sea, 111.
summoned by the Chinese Foreign Ministry to hear diplomatic protests. The outgoing Ambassador Nguyen Van Tho has served more than two terms in a row.

In retaliation, in June 2012, China upgraded the administrative status of the islands in the South China Sea by establishing a prefectural level city, Sansha, which is situated on Woody Island. On September 4, 2012, China’s Foreign Minister, Yang Jiechi, told his American counterpart Mrs. Clinton that China has “plenty of historical and jurisprudence evidence to show that China has sovereignty over the islands in the South China Sea and the adjacent waters.” They repeatedly underscore that their claims are based on history since prior Chinese dynasties and governments considered all the islands in the South China Sea as their territory. In addition, China’s precondition for all the joint development in the South China Sea is the recognition by Vietnam as well as other claimants that the territorial sovereignty of the South China Sea belongs to China.

There were some signs of cooperation between China and Vietnam in 2013 when joint-working groups to discuss co-development in disputed waters and a hotline for fishing incidents were established. Even though the bilateral relationship trajectory was upward, China in May 2014 deployed an offshore drilling oil rig near the Paracel Islands, right in an area which Vietnam claims its EEZ under the 1982 UNCLOS. Vietnamese policymakers were taken surprised by China’s bold move. Both sides accused each other of harassing, ramming and sinking vessels around the oil rig parking area when the Vietnamese ships tried to approach the oil drilling platform. From the Chinese perspective, Vietnamese vessels conducted disruptive activities in violation of China’s sovereign rights.
As a weaker side, Hanoi still believed in previous bilateral commitments to solve maritime disputes. Even though Hanoi denounced China’s deployment of the oil rig, it was cautious not to escalate the tension such as sending warships to the oil rig area, inviting U.S. or Japanese navy vessels for joint patrols in the area, or lodging a legal case against China’s moves. The U.S. administration condemned China’s offshore rig deployment “as part of a broader patter of Chinese behavior to advance its claims over disputed territory in a manner that undermines peace and stability in the region.”74 The oil drilling platform incident is a reminder that tensions in the South China Sea still remain. The bilateral relationship between China and Vietnam needs more substance to address thorny issues.

In April 2015, satellite images showed that China is building up an airstrip on reclaimed island in the Spratlys. According to a press report from Business Insider, Chinese construction at Fiery Cross Reef is a long airstrip that could accommodate most of Chinese military aircraft. Besides, reclamation work is also implemented on Johnson South Reef, Johnson North Reef, Cuarteron Reef, and Gaven Reef in the Spratlys.75

In May 2015, The Economist opines that Chinese behavior in the South China Sea is striking in a sense that it is inconsistent with other recent trends in its foreign policy, breaking the spirit of an agreement that it reached in 2002 with ASEAN, the

Declaration on the Conducts of the Parties in the South China Sea. With recent flare-ups in the South China Sea, China has lost much of its goodwill that it built up in the late 1990s and early 2000s when being a signatory to a code of conduct in the South China Sea, and launching a charm offensive, or soft power, of financial aid, trade, and cultural promotion in Southeast Asian region. China’s Foreign Minister Wang Yi defends Chinese reclamation work, “This construction does not target or affect anyone… We are not like some countries who engage in illegal construction in another person’s house, and we do not accept criticism from others when we are building facilities in our yard. We have every right to do things that are lawful and justified.”

China is not the only claimant to reclaim reefs and islands in the South China Sea. Other claimants such as Vietnam, the Philippines, Taiwan, and Malaysia have made some island reclamation work before. China also argues that Vietnam occupies more land features in the South China Sea than China. Indeed, China is the latecomer in building an airfield in the Spratly islands compared to other claimants, but what other countries are afraid of China’s land reclamation is the speed and scale of construction. Besides, they are concerned that these islands may have potential military applications.

In response to others’ concerns, Chinese Foreign Ministry spokesman Hong Lei in a press briefing denounced reclamation work done by other claimants in the

South China Sea violating China’s territory. He stated, “For a long time, the Philippines, Vietnam and other countries have been carrying out reclamations on the Chinese islands they are illegally occupying in the Nansha Islands, building airports and other fixed infrastructure, even deploying missiles and other military equipment.” He added that the Philippines is building an airport and Vietnam was building infrastructures on more than 20 islands and shoals.

In August 2015, the U.S. Defense report, titled “The Asia-Pacific Maritime Security Strategy,” said that as of June 2015, China had reclaimed 1,173 hectares of landmass in the South China Sea. Vietnam has reclaimed 32 hectares. Malaysia has reclaimed 28 hectares. The Philippines has reclaimed 5.7 hectares and Taiwan has reclaimed 3 hectares. China has a 3,110 meter-long airfield on Fiery Cross Reef, which can accommodate a multitude of aircraft. China’s airfield is the largest in the Spratlys. Vietnam has a small airbase on Spratly Island. The Philippines, Taiwan, and Malaysia have bigger airfields than that of Vietnam on Thitu Island, Itu Aba Island and Swallow Reef respectively.

**China’s Claims in the South China Sea**

A primary source of tensions in the South China Sea is the competing legal claims of territorial sovereignty over the islands and waters in the South China Sea.

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Given the absence of institutional mechanism to dispute settlement between Vietnam and China, Vietnam puts a lot of attention to the United Nations Convention on the Law of the Sea (UNCLOS), which was ratified in 1982. All signatories to the UNCLOS are bound by UNCLOS’ rules. The 1982 UNCLOS has been taken as the fundamental legal framework governing maritime jurisdictional claims and delimitation of maritime boundaries for the most parts of the world. Both China and Vietnam are parties to the 1982 UNCLOS. Vietnam signed the UNCLOS in 1982 and ratified it in July 1994. China signed the UNCLOS in July 1994 and ratified it two years later in 1996.82

According to the 1982 UNCLOS, from the baseline along the coast, a littoral state can claim 12 nautical miles of territorial seas, and 200 nautical miles of Exclusive Economic Zones (EEZs) as well as continental shelf and specifies that islands could generate their own EEZs or continental shelves. The fuzzy issue is how many islands in the South China Sea would be entitled to an EEZ and continental shelf according to the 1982 UNCLOS. The most basic requirement for an island is its capability of sustaining habitation or economic life of its own. Article 121 of UNCLOS stipulates that “[T]he territorial sea, the contiguous zone, the exclusive economic zone [EEZ] and the continental shelf of an island are determined in accordance with the provisions of this Convention application to other land territory.”

Article 121 also states that a feature, in order to qualify as an island, must be naturally formed. Thus, artificial islands and permanently submerged features are not

82 For the whole text of the 1982 UNCLOS, please see at this link http://www.un.org/depts/los/convention_agreements/texts/unclos/UNCLOS-TOC.htm
qualified to enjoy maritime jurisdiction as an island. Article 60(8) of the 1982 UNCLOS Article 60 of UNCLOS also makes it very clear, “Artificial islands, installations, and structures do not possess the status of islands. They have no territorial sea of their own, and their presence does not affect the delimitation of the territorial sea, the exclusive economic zone, or the continental shelf.”

China’s largest claim in the South China Sea is based on the nine-dash line, which was published by the Chinese Nationalist Ministry of Interior in 1947. At that time, the map drawn by the Chiang Kai-shek’s government originally included eleven dashes. This map is then the groundwork for the Declaration on China’s Territorial Sea. The map showed Paracel and Spratly island groups within Chinese territory. Chinese claims to maritime rights, to many legal experts, are ambiguous and murky. Many of the land features that China claims would not qualify as islands under Article 121(3) of UNCLOS and thus could not be served as the basis for a claim to an EEZ.83

Yet, given China’s history of skepticism towards submitting state sovereignty to a third party verdict and its insistence on sovereignty claims to the South China Sea islands, one would guess that international legal mechanism is hardly acceptable to China. China has declined to participate in any arbitration and will “disregard any judgment against it.”84 China prefers bilateral talks with other claimants since it can use power advantage to play an upper hand.

China has two domestic laws to justify its historical claims to the South China Sea. The 1992 Law of the PRC on the Territorial Sea and the Contiguous Zone claims sovereignty to all the island groups in the South China Sea. The 1998 Law of the PRC on the Exclusive Economic Zone and Continental Shelf underscores that legal developments do not affect China’s historical rights in the South China Sea. Zou Keyuan, a Chinese scholar, argues that the nine-dash line has existed long before the adoption of UNCLOS and even before the 1958 Geneva Conventions on the law of the sea. Thus, “the historic rights deriving from this line cannot be disregarded.”85 However, Zou also admits that China’s historic rights claim in the South China Sea has not obtained “unanimous support” among Taiwanese scholars, split between those who advocated the idea of historic waters and those who are cautious that it does hardly make such a claim in international law.86

Zhu Feng, a security professor at Beijing University, notes that “The strategic competition between China and major powers has gone beyond Cold War issues, such as Taiwan, Tibet, and human rights, and extended to a series of new areas such as naval force and the maritime sphere of influence. As a result, maritime security has become a new hot-point in China’s periphery security.”87 Actually, the ultimate rationale for China in the South China Sea is its self-claimed territorial integrity. Shi Yinhong, director of the Center for American Studies at Renmin University and

86 Zou, Law of the Sea in East Asia, 149.
adviser to China’s State Council, in a reply to Bloomberg interview claimed, “The South China Sea dispute is not some struggle for energy. This is a dispute for maritime territory and there is no compromise over claims.”88 Shi’s statement summed up the exact current situation in the South China Sea.

**Evaluation of the South China Sea Disputes**

It must be admitted that the tools of international law analysis might be helpful in understanding the dispute problems. The legal framework may provide the solution to dispute settlement. However, the disputes may be political as well. China consistently refuses to use the legal procedures to settle the disputes. The territorial disputes between Vietnam and China are indeed political in nature. Li Mingjiang, a Singapore-based Chinese professor, in an interview to Bloomberg opined, “If you’re a big power and know you’re more powerful, you don’t want to be constrained by international law. You want to use political and other means to resolve the dispute.”89 The disputes between China and Vietnam involve differing opinions concerning sovereignty claims. China’s sovereignty claims to the islands in the South China Sea are based on historical claims of discovery and occupation. Occupation can give rise to sovereignty if there are effective control with the intention and willingness to act as sovereign.

China’s repeated historical argument is Chinese activities in the South China Sea date back to over 2,000 years ago from the Han dynasty in 200 BC. China was the first country to discover, name, explore and exploit the resources of the South China

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88 Tweed, “What Do Weak Oil Prices Mean for the South China Sea?”
Sea Islands, Chinese scholars argue that China effectively exercised sovereignty in the South China Sea until the French intervened in 1933 and the islands have “always been part of Chinese territory.” Since 1974, China has begun to expand the claims to “surrounding sea areas” (or adjacent sea areas,” or “nearby waters”) of the islands and the maritime resources thereof. However, China still remains ambiguous over its maritime claims. Yet, the Chinese activities in the Paracel islands are considered to be better documented than in the Spratly Islands, which are far away from Chinese mainland.

Chinese scholars also attempt to invalidate Vietnam’s sovereignty claims in the South China Sea. Wu Shicun notes that Vietnam’s claims lack “accuracy in the interpretation of historical evidence” and “comprehensive interpretation of the relevant peace treaties.” Another Chinese scholar, Shen Jianming argues that China’s sovereignty over the Spratlys was unchallenged until 1930s when the French colonialists in Vietnam annexed these islands. The annexation of these islands into Vietnam’s sovereignty took place when China was plagued with domestic conflicts and Japanese aggression. Chinese sources also argue that the South China Sea islands were illegally occupied by Japan in the 1930s and that Cairo and Potsdam Declarations

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91 Hong, *UNCLOS and Ocean Dispute Settlement*, 16.
agreed to return them at the end of the Second World War.\textsuperscript{96} The Chinese account asserts that France as the representative for Vietnam in the 19th century acknowledged Chinese sovereignty over the South China Sea Islands in the 1880s and North Vietnam accepted Chinese sovereignty over the Paracels in 1958.\textsuperscript{97}

In addition, China has adopted a policy of selectively quoting historical documents to justify their claims and invalidate Vietnam’s. The most visible attempt is to the 1958 letter sent by Vietnamese Prime Minister Pham Van Dong to Chinese counterpart Zhou Enlai in response to China’s letter on “Declaration on the Territorial Sea.”\textsuperscript{98} China’s claim to the Spratly Islands on the basis of “historical evidence” contradicts the concept that the past empires did not exercise sovereignty because pre-modern Asian countries were characterized by undefined, unprotected and changing frontiers.\textsuperscript{99}

Given China’s provision of historical evidence to back up their claims, several additional arguments can disprove China’s claims. Firstly, China has not clarified its claims. The vagueness of China’s claims presents “a major weakness to its legal status. Claims to historic waters must be notorious, announced to all the world, and efforts must be made to enforce such claims.”\textsuperscript{100} Major General Zhu Chenghu, a professor at China’s National Defense University, argued that China decided not to announce the

\textsuperscript{97} Friedberg, “Ripe for Rivalry: Prospects for Peace in a Multipolar Asia.”
\textsuperscript{100} Valencia, Van Dyke, and Ludwig, \textit{Sharing the Resources of the South China Sea}, 31.:27.
exact coordinates of its maritime claims in the South China Sea because “it has not negotiated with its neighbors yet.” His view is rather awkward for international law. These inconsistent Chinese interpretations have created lots of outcry from other claimants for its vagueness and ambiguity.

Secondly, the application of history to the South China Sea has some shortcomings because littoral states have their own version of historical narrative and no state seems to “have actually exercised dominant authority to the exclusion of all others.” Meanwhile, China’s assertion of claims to the South China Sea is that the islands have ‘always been part of Chinese territory.’ Vietnam also has its own version of long-time sovereignty over these islands. However, Chinese accounts attempt to defend Chinese sovereignty in the South China Sea by explaining why a relatively long history of other states’ authority and control over some of the territory does not affect China’s current claim to sovereignty.

Thirdly, China’s claims in the South China Sea are mostly based on history, but the fact is these claims do not have any influence according to international law and do not grant China any favor over other claimants in international arbitration. The shortcoming with the historical argument is “China’s claim to the Spratlys on the basis of history runs aground on the fact that the region’s past empires did not exercise sovereignty. In pre-modern Asia, empires were characterized by undefined,

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103 Valencia, Van Dyke, and Ludwig, Sharing the Resources of the South China Sea, 31.:22.
unprotected, and often changing frontiers.”¹⁰⁴ Malik argues that China’s so-called “historic claims” to the South China Sea only appeared when the Chinese nationalist government under Chiang Kai Shek at that time drew the ambiguous “eleven-dash line” on Chinese maps of the South China Sea without pinpointing the coordinates of its claims. China under the Chinese Communist Party leadership claims itself to be the heir to China’s imperial legacy, which boasted a strong maritime tradition.

China uses folklore, myths, and legends, as well as history, to bolster greater territorial and maritime claims. Chinese textbooks preach the notion of the Middle Kingdom as being the oldest and most advanced civilization that was at the very center of the universe, surrounded by lesser, partially Sinicized states in East and Southeast Asia that must constantly bow and pay their respects.¹⁰⁵

Modern international law holds that discovering some territory is not enough to “vest in the discoverer valid title of ownership to a territory.”¹⁰⁶

Finally, two principles that are governing the claims in the South China Sea both work against China’s claims. The first one is called “effective occupation,” which entails an ability and intention to exercise continuous and uninterrupted jurisdiction, which is distinguished from conquest. This principle goes against China’s claims in the Paracel Islands, which China seized by force from the South Vietnamese government in 1974 and the Spratly Islands, except for the nine islands that China is occupying. The second principle is legal related, the United Nations Convention on the Law of the Sea (UNCLOS).¹⁰⁷ Mark Valencia also comments that China “will have

¹⁰⁵ Ibid.
to defend [its sovereignty claims in the South China Sea] in the context of current international law, and… a claim to most of the South China Sea as historic waters will be very difficult to defend.”

In addition to a sense of historical entitlement, China is scared of the fact that any Chinese compromise on the Paracels and the Spratlys will have a direct impact on China’s domestic politics and other China’s maritime disputes. For both China and Vietnam, territorial sovereignty implies both legal and political dimensions. Any concession in the South China Sea is seen as appeasement, which can hurt the legitimacy of both ruling CCP and VCP. It is a puzzle for both state leaders to convince each other and their own citizens what they are doing in the South China Sea does not goes against territorial integrity and national interests.

**China’s Evolving Strategies in the South China Sea**

China is positioning itself to grow more assertive in the South China Sea. Li Minjiang posits Chinese assertiveness is the demonstration of three factors coming into play: “China’s growing discontent with other regional states’ actions, its desire for economic benefit in the South China Sea, and the fast-growing pace of its capabilities and power.” China is using various strategies to push its territorial claims in disputed South China Sea, both militarily and non-militarily. However, in recent years, China has been very cautious to avoid any dramatic action that could escalate into war. To reinforce it claims in the South China Sea, Beijing leaders have sought to boost

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110 Li, “The South China Sea: Possible Pathways to Cooperation,” 96.
jurisdictions over islands and rock features with lighthouses, temples, airfields, infrastructures, tourist packages and small populations. China’s motive in the South China Sea is to slowly legitimizing its presence in the South China Sea. Some Western analysts name some of China’s recent strategies such as pole diplomacy, salami slicing, and creating facts-on-the-ground among others.

China’s top-level hesitancy in elaborating on the nine-dash line has facilitated other Chinese governmental agencies to come up with their own definitions of China’s interests in the South China Sea.\(^{111}\) China’s policy of ambiguity in coordinating the nine-dash line has served its purposes well. The South Sea Regional Fisheries Administration Bureau (SSRFAB) says that its operations aim to protect Chinese fishermen within a traditional boundary line (\textit{chuantong jiangjie xian}).\(^{112}\) A contingency that could potentially escalate into tension is China’s unilateral fishing ban. In 1999, China unilaterally imposed a fishing ban in overlapping waters with the purpose of protecting fish stocks. It might be a noble act from China for environmental protection, but it caused protests from other littoral countries since the scope of the fishing ban includes overlapping waters. In reality, China did not consult with Vietnam about the ban, whose scope overlapped Vietnam’s EEZ. In 2005, to enforce the unilateral fishing ban, eight Chinese fishery administration vessels were summoned to keep Vietnamese fishermen out. Vietnam lodged a diplomatic protest but to no avail. China reportedly detained 33 Vietnamese fishing boats and 433 fishermen during this

\(^{111}\) Fravel, “China’s Strategy in the South China Sea,” 2011.

period. One boat was rammed and sunk by a Chinese fishery administration vessel.\textsuperscript{113} In 2005, the Chinese navy fired on Vietnamese fishermen in Vietnamese waters in the Gulf of Tonkin and again in 2007 off the Paracels.\textsuperscript{114} In 2010, China kept imposing a unilateral fishing ban in the South China Sea for three months. Two Chinese fishery administration vessels were used to enforce the ban and watch over one thousand Chinese fishing boats. Chinese authorities also penalized the Vietnamese fishermen for intruding into China’s claimed EEZ by confiscating their navigational aids, communications equipment, and even boats. Some Vietnamese took shelter in Chinese waters to escape storms were also detained.\textsuperscript{115} From 2005 to 2010, China seized 63 fishing boats and detained 725 fishermen from Quang Ngai Province alone.\textsuperscript{116}

Meanwhile, the Chinese source claims that over 380 reported incidents of Chinese fishing boats and fishermen were attacked, robbed, detained, and killed by foreign countries in the South China Sea from 1989 to 2010. Even some Chinese remarked that the Chinese government was being too soft to protect their fishermen in the South China Sea when “small countries could bully the big power” (\textit{xiaoguo qifu daguo}).\textsuperscript{117} Among Southeast Asian claimants in the South China Sea, Vietnam’s maritime police force is rather reluctant to harass Chinese fishermen in the South China Sea since they do not want to stoke the tension. In addition, their force is still understaffed and ill-equipped to be able to protect Vietnam’s maritime rights in the

\textsuperscript{115} Ibid., 28–9.
\textsuperscript{116} Vu Trong Khanh, “Vietnam Official Woos China Ahead of U.S. Visit.”
\textsuperscript{117} Zhang, “China’s South China Sea Policy: Evolution, Claims and Challenges,” 64.
overlapping waters. Yet, Indonesia is rather heavy-handed with Chinese boats, which the Indonesian authorities assumed to enter their jurisdictional waters illegally. In response to recent harsh Indonesian treatment of a Chinese fishing boat near Natuna Islands, the Chinese Ministry of Foreign Affairs Hua Chunying framed her statement in a strongly-worded tone: “The Indonesia naval warship has abused their force, to harass and shoot at the Chinese fishing boat and has threatened the safety and property of the Chinese fishermen.” In return, Indonesia said Chinese boats often illegally enter Indonesian waters.

Besides, the disputed nature of Huangyan Island, which the Philippines also claims has likely caused Chinese boats to be captured by the Philippine naval gunboats. For instance, Chinese Ministry of Foreign Affairs slammed that the Philippines navy harassed 12 Chinese fishermen in April, 2012. When there is no clear-cut agreement on fishery in the disputed waters, the reciprocal accusations of mistreating each other’s fishermen still persist.

The fishing problems will absolutely continue without any sign of cooling down when the nation claimants have not come up with a joint fishing area in disputed areas and the need for fishing resources is increasing. China with its relative maritime capabilities attempts to unilaterally establish its own fishery rules in the South China Sea. If other claimants such as Vietnam, the Philippines comply with China’s fishing ban, they implicitly recognize Chinese jurisdiction in the disputed waters. Hence,

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fishermen from claimant states are exposed to risks and dangers in the disputed area when China is becoming more assertive.

In 2011, China kept on unilaterally issuing a fishing ban for disputed waters in the South China Sea. To enforce this ban, China deployed Fishery Administration vessels to the waters surrounding the Paracel. Vietnamese fishermen were the ones who suffer most from this ban. Big-size, more powerful Chinese vessels have not only chased Vietnamese fishing boats out of the area, but “have arrested fishing boats, seized their catch and held their crews until payment of a fine (ransom).”

China’s unilateral fishing ban and aggressive behaviors were viewed by Vietnam as both disregard for its legitimate sovereign claims, and as evidence of Chinese realpolitik behavior. In response, China also accused Vietnamese naval boats of chasing its fishing vessels away. Besides, Chinese state-owned media denounced Vietnamese live-fire drills of June 2011 in the South China Sea as a show of force to complicate the matter. While there has been no cooperation between China and Vietnam over protection of fish stocks in the South China Sea, Vietnamese fishermen are still unable to fish in their traditional fishing waters.

122 Hong, UNCLOS and Ocean Dispute Settlement, 31.
There have been some signs of cooperation between China and Vietnam over fishing issues. In June 2013, during the visit of Vietnamese President Truong Tan Sang to China, the two agriculture ministers of Vietnam and China signed an agreement to set up a hotline to resolve fishing incidents in disputed waters. Besides, Beijing and Hanoi leaders agreed to settle emerging problems with constructive attitude, not let

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them undermine the two countries’ friendship. The effectiveness of this communication mechanism remains to be seen, but it helps to manage emergency incidents between China and Vietnam. **It also means that tensions over fishing rights in the South China Sea will not subside soon when China and Vietnam do not back down on their “historic rights” and maritime rights in the overlapping waters.**

In another scenario, the Hainan authorities in 2013 passed a new law stating that beginning January 1, 2014, non-Chinese fishing boats need a “fishing permit” from Beijing to be able to fish in the South China Sea. This unilateral ban drew protests from the U.S., the Philippines, and Vietnam as contradicting the governing international law. 124 Meanwhile, Reuters reported that the Chinese authorities encouraged their fishermen to go as far as the Spratlys, approximately 1,100 km to the South with some fuel subsidies and financial incentives. A captain of a 500-horsepower (HP) boat can be subsidized between $320 and $480 a day for fishing journeys in the disputed waters by the local authorities. 125 Eight new 55-meter long trawlers received $322,500 each for renovation grants. Vietnam accused one of these trawlers ramming and sinking its small fishing boat. 126 On June 26, 2015, the Vietnam Fisheries Trade Union accused two Chinese vessels coded 44044 and 33101 attacking a

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126 Ibid.
Vietnamese fishing boat by ramming, throwing their fishing tools, and seizing their catch.\textsuperscript{127}

As reaction to China’s unilateral fishing ban, Vietnam’s Ministry of Foreign Affairs and the Vietnam Fisheries Society have repeatedly emphasized, “China’s unilateral implementation of such fishing ban in the East Sea is a violation of the Vietnamese sovereignty over Paracel archipelago, sovereign rights and jurisdiction for Vietnam’s exclusive economic zone and continental shelf, violating the Declaration on the Conduct of Parties in the South China Sea, further complicating the situation in the East Sea.”\textsuperscript{128} In addition, given the nature of fishermen to follow the fish catch and neglect maritime delimitation line, other arrests and confrontations are inevitable. As China is acting tougher with its fishing ban in disputed waters, more serious casualties for Vietnamese fishermen are likely.\textsuperscript{129}

Conservative American analysts are increasingly expressing their concerns about new developments with the fishing disputes. Harry J. Kazianis, the executive editor of \textit{The National Interest}, called the government support of Chinese fishermen’s venture in disputed waters “fishing pole diplomacy.”\textsuperscript{130} In addition to issuing maps that include nine-dash lines and claiming it outright, deploying offshore oil rig off rival claimants’ coastlines and building up a world-class military with strong anti-

\begin{flushleft}
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access/area-denial capabilities (A2/AD) to deter the US out of the region in the event of the crisis, China is increasingly equipping fishermen’s boats with geo-location devices, subsidizing fuels, and encouraging them to the disputed waters.

The interactions between Chinese fishing fleets and other countries’ maritime police vessels in the disputed waters in the South China Sea are simmering for igniting a bigger conflagration. On the other hand, Vietnamese fishing fleets are also facing risks and dangers when being chased by Chinese coast guards. Vietnamese media increasingly run articles depicting Vietnamese fishermen being caught by the Chinese maritime police while they were catching fish in the South China Sea.

The Chinese government wants to use Chinese fishermen as a new force in claiming their territorial sovereignty in the South China Sea. They encourage fishermen to head to disputed waters with the escorts of Chinese maritime police fleets. The Chinese government also provides subsidies for fishermen. Meanwhile, they impose the fishing ban to fishing ships from other countries.  

According to Zhang Hongzhou, an associate research fellow with the China Program at the S. Rajaratnam School of International Studies (RSIS), China’s subsidy for fishing fuel grew more than seven times from 2006 to 2012, amounting to $3.8 billion (RMB23.4 billion).  

Alan Dupont, a professor at the University of New South Wales, opines, “It’s pretty clear that the Chinese fishing fleet is being encouraged to fish in disputed waters. I think that’s now become policy as distinct from an opportunistic thing, and that the

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government is encouraging its fishing fleet to do this for geopolitical as well as economic and commercial reasons.”¹³³

According to Andrew Erickson, a professor at the U.S. Naval War College and Connor Kennedy, China is waging a “People’s War at Sea” by providing thousands of militia boats with “China’s Beidou navigation satellite system, which allows them to track other units, transmit short messages, and even features a tablet screen for crews to hand-write Chinese characters. Such systems are instrumental in launching the maritime militia into ‘informatized’ (Information Age) war fighting.”¹³⁴ The role of maritime militias is to help maintain a Chinese presence in the South China Sea and to disguise Chinese military purposes with civilian vessels. According to Renato Cruz de Castro, China in 2013 established the Coast Guard under the Chinese State Oceanic Administration from the combination of four civilian agencies: China Marine Surveillance, Maritime Border Police, Fishing Regulation Administration, and the General Administration of Customs.¹³⁵ The Chinese Coast Guard is assigned to patrol and detain fishing boats as well was seismic vessels from other claimant states violating Chinese claimed waters.

China has kept assuaging fears of the international community that it will respect the freedom of navigation in the South China Sea and resolve the disputes in peaceful means. Nonetheless, China’s leadership has not elaborated on how their rhetoric fits into its policy of increasing assertiveness: unilateral ban on fishing and oil explorations by other claimants which do not recognize China’s territorial claims. There is a huge disconnect between what China says and what China really does. China has driven Vietnamese fishermen out of their traditional fishing grounds. From Chinese perspective, they have full authority to impose unilateral fishing ban on their territorial water, so any fishermen whether they are from China or somewhere else are supposed to oblige to the ban.

The Chinese insist that they never planned to settle who owns what in a multilateral forum but are willing to negotiate with other claimants on a bilateral basis. David Brown, a retired American diplomat, claims that China “has no intention of submitting its sweeping territorial claims to rulings by international tribunals. It evidences little more interest in negotiating a Code of Conduct with the Association of Southeast Asian Nations. At most, Chinese spokesmen have hinted at a disposition to be generous when and only when Vietnam or the Philippines acknowledge the superior merit of China’s claims.”\(^{136}\) China wants to play an upper hand in bilateral negotiation like between a giant and a pygmy. At the same time, China has systematically been creating “facts on the ground”\(^{137}\) or “salami slicing” in the South China Sea. When it comes to territorial disputes, Chinese government is determined


\(^{137}\) “Fight or Flight in the South China Sea.”
to play hardball with its smaller neighbors. China is smart enough to advance its claims quietly and create “facts on the water” and “facts on the ground” step by step without provoking other great powers. China also knows the push-and-pull strategy by actively de-escalating conflict or tension before it gets out of Chinese hand.

When China is becoming more assertive in the South China Sea, Vietnam’s negotiating stance has been weakened by circumstances that might be more serious in the long term. Firstly, China has developed considerable maritime capabilities to unilaterally implement its own activities in the South China Sea. China’s maritime superiority ranges from offshore deep-water oil rigs to well-equipped naval vessels. As a consequence of the imbalance of capabilities, Vietnam will find it harder to protect its maritime interests in the future. Secondly, Vietnam cannot garner much support from the United States because Vietnamese leaders do not want to provoke China. Besides, the United States does not want to take sides in the disputes and it wants to keep workable relations with China. Thirdly, Vietnam’s increasing trade dependence on China has restricted Vietnam’s options of policy against China.

4. Vietnam’s Multi-Pronged Strategies in the South China Sea

Even China is getting more aggressive in the South China Sea with the unilateral deployment of its oil rig in Vietnam’s exclusive economic zone (EEZ), Vietnam attempts not to provoke China by tacitly deepening ties with the U.S. and improving relationship with other regional powers such as Japan and India. Vietnamese leaders are cognizant of the fact that they alone cannot solve the South China Sea issues with China. Vietnam’s policy in the South China Sea was a combination of multiple
strategies including self-help with military modernization and weapons acquisition, invitation of third parties, internationalization of the issue, self-restraint, deference to China and emphasis on solidarity between two communist parties and defense ministries to defuse tensions.\textsuperscript{138} Chinese scholar Wu Shicun notes that Vietnam’s recent moves in the South China Sea are to turn the dispute into “a regional and international issue.”\textsuperscript{139} Due to the pressing needs to maintain sustained economic growth, Vietnam has been increasingly interested in exploiting maritime resources in the South China Sea comprising oil, gas, and fisheries.

\textbf{Vietnam’s Marine Strategy}

In an ambitious effort to turn Vietnam into a maritime power, the Vietnamese Communist Party (VCP) Politburo issued Resolution No. 03-NQ/TW entitled “On a Number of Tasks for Developing the Marine Economy in the Forthcoming Years” on May 6, 1993. The resolution claimed, “Becoming a strong marine economy is a strategic goal derived from the objective demands and conditions of the cause of building and defending the Vietnamese Fatherland.”\textsuperscript{140} The ultimate aim is to develop Vietnam’s marine economy and defend its maritime interests in the South China Sea.

With more than 2000km-long coastline, the fisheries sector is a significant element of Vietnam’s economy. The total Vietnamese fish stock is estimated to be


\textsuperscript{139} Wu, \textit{Solving Disputes for Regional Cooperation and Development in the South China Sea: A Chinese Perspective}, 112.

about 4.0-4.2 million tons.\textsuperscript{141} In 2003, Vietnam passed the Law on Aquatic Resources, stating that “the protection and development of aquatic resources must be closely associated with the protection of their habitat to ensure the reproduction rate of aquatic species is maintained to support the immediate and long-term livelihood of fishermen as well as the economic efficiency of the entire society.”\textsuperscript{142}

In order to defend its maritime interests, Vietnam is strengthening the Maritime Police to improve supervisory and monitoring work of fishing activities in Vietnam’s waters. Japan and the U.S have provided Vietnam’s Marine Police with some fast patrol boats. In addition, Vietnam signed fisheries agreement with Indonesia, Philippines and China to define “the conditions and procedures for permitting foreign nationals to exploit marine living in its waters.”\textsuperscript{143} In 2004, Vietnam’s government and FAO co-operated to devise a national strategy for marine fisheries management and development 2005-2015. Since 1997, the government has had a subsidy program for building big offshore fishing vessels. Preferential loans are given to fishermen to build vessels to 90 horsepower (HP) as well as equip their vessels with modern fishing equipment. However, the program did not succeed mainly because of insufficiency of

\begin{footnotesize}
\begin{enumerate}
\item\textsuperscript{141} A Vietnamese official, Nguyen Chu Hoi, has another estimate. He says Vietnam’s marine fish stocks are estimated at 5.3 million tons, excluding shrimp and squid, with an allowable fishing limit of some 2.3 million tons. Coastal waters provide 80 percent of Vietnam’s total fishery capture. In 2012, around 2.4 million tons of fish caught from coastal waters accounted for $6.1 billion. Please see Nguyen Chu Hoi and Hoang Ngoc Giao, “National Marine Policy: A Vietnamese Case Study,” in Routledge Handbook of National and Regional Ocean Policies, ed. Biliana Cicin-Sain, David L. VanderZwaag, and Miriam C. Balgos (Oxon and New York: Routledge, 2015).
\item\textsuperscript{142} Hong Thao Nguyen, “Good Order at Sea: The Challenges and Priorities of Vietnam,” in Maritime Challenges and Priorities in Asia: Implications for Regional Security, ed. Joshua Ho and Sam Bateman (Oxon and New York: Routledge, 2013), 166.
\item\textsuperscript{143} Ibid., 169.
\end{enumerate}
\end{footnotesize}
modern fishing technologies, shortage of skilled labor forces, and backward fishing logistical services.  

In January 2007, the VCP issued a resolution to develop a national “Maritime Strategy towards the Year 2020.” The strategy aims to make Vietnam become a strong seaborne nation by 2020. The main objectives and directions of the strategy are to “increase the growth of the marine economy; address social concerns relating to marine affairs; promote inter-sectoral coordination in marine management; preserve key coastal and marine ecosystems; reform the current policy and institutional development strategies; reduce poverty among local communities; and link economic development with national defense, security, and safety for general national interests.” The resolution also underscores the need for strong naval capabilities with “the core being the navy, air force, marine police, coast guard, paramilitary … to effectively support fishermen, marine resources exploratory and other activities.”

Briefly speaking, the strategy is part of larger efforts to turn Vietnam into a maritime power, developing its maritime economy and enhancing its naval capabilities. The VCP resolution set the target that by 2020, Vietnam’s marine-based economies will make up around 55 percent of the GDP and 55-60 percent of total exports. The strategy is considered as a milestone in Vietnam government’s efforts to boost marine economic development in Vietnam.

In 2012, Vietnam’s National Assembly passed the Law of the Sea to provide a legal document on marine and island management in Vietnam as well as on sovereignty and maritime rights and interests in Vietnam. This law promulgation caused some diplomatic protests from China as the scope of the law covers both Paracel and Spratly Islands. In January 2013, Vietnam set up the Vietnam Fisheries Resources Surveillance (VFRS) under the Directorate of Fisheries. Plans were also mapped out to build four 3,000-horse power (HP) patrol vessels and 18 smaller capacity boats.147 In June 2014, the Vietnamese Prime Minister Nguyen Tan Dung announced that the government would grant low-interest grants to fishermen to build steel-hulled fishing boats. According to the Deputy Minister of Agriculture and Rural Development, Vietnam now has about 25,000 fishing boats with a capacity of 90 HP or higher.148

In 2015, Vietnam issued a master plan on fisheries development of Vietnam to 2020, vision to 2030. According to the master plan, Vietnam’s expected fisheries output target is 7.0 million tons by 2020 and 9.0 million tons by 2030. In order to obtain these targets, the government needs to “arrange offshore ship building and repairing units in huge fishing centers and fishing boat repairing service units on the islands.”149 In addition, fishermen are given low-interest loans to build steel-hulled vessels for long-distance fishing grounds. The government is expected to protect

fishermen by strengthening surveillance and law enforcement vessels. Nong Hong observes that a large naval base is being built in Haiphong to be the second largest base of Vietnam after Cam Ranh. After completion, the naval base can accommodate 40,000-ton warships and up to 60 naval vessels and submarines. Clearly, Vietnam’s marine strategy was to turn Vietnam into a maritime power soon to protect its maritime interests in the South China Sea. It is a kind of internal balancing that the Vietnamese government has been endorsing to improve its own maritime capabilities.

**Vietnam’s Energy Strategy with the Involvement of Foreign Oil Companies**

While China became increasingly active in exploring the South China Sea oil and gas deposits, Vietnam amended its Petro Law to draw more foreign oil companies to invest in the South China Sea in 2000. The foreign investors can hold as much as 80 percent of stakes in a joint venture energy company. This action can be understood as a strategy to involve foreign oil companies in order to assert territorial claims. China also warned international oil companies against cooperating with Vietnam for exploration contracts in areas Vietnam claims as its EEZ.

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151 Hong, *UNCLOS and Ocean Dispute Settlement*, 25.

Table 19: Disputes Over Drilling and Exploration for Oil and Natural Gas in the South China Sea

<table>
<thead>
<tr>
<th>Date</th>
<th>Countries</th>
<th>Disputes</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1992</td>
<td>China,</td>
<td>China signed a contract with U.S. firm Crestone to explore for oil near the Spratly Islands in an area that Vietnam says is located on its</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>continental shelf, over 960 km south of China’s Hainan Island.</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>越南 said the area was on its continental shelf.</td>
</tr>
<tr>
<td>May 1993</td>
<td>China,</td>
<td>Vietnam accused a Chinese seismic survey ship of interfering with British Petroleum’s exploration work in Vietnamese waters. The Chinese ships left</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>Vietnamese block 06 following the appearance of 2 Vietnamese naval ships.</td>
</tr>
<tr>
<td>December 1993</td>
<td>China,</td>
<td>Vietnam demanded that Crestone cancel offshore oil development in nearby waters.</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>Vietnam accused China of drilling for oil in Vietnamese waters in the Gulf of Tonkin.</td>
</tr>
<tr>
<td>1994</td>
<td>China,</td>
<td>Crestone joined with a Chinese partner to explore China’s Wan Bei-21 (WAB-21 block). Vietnam protested that the exploration was in Vietnamese</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>waters in their blocks 133, 134, and 135. China offered to split Wan Bei production with Vietnam on the condition that China retained all sovereignty.</td>
</tr>
<tr>
<td>August 1994</td>
<td>China,</td>
<td>Vietnamese gunboats forced a Chinese exploration ship to leave an oil field in a region claimed by the Vietnamese.</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>Vietnam leased exploration blocks to U.S firm Conoco, and ruled out cooperation with U.S. oil firms that signed Chinese exploration contracts in disputed waters. Vietnamese blocks 133 and 134 cover half the zone leased to Crestone by China.</td>
</tr>
<tr>
<td>April 1996</td>
<td>China,</td>
<td>Vietnam launched a protest after the Chinese Kantan-3 oil rig drilled in an area Vietnam calls block 113. This block is around 100 km off Vietnam’s Chan May Cape and 71 miles off China’s Hainan Island.</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>Vietnam protested after Chinese exploration ship No. 8 and two supply ships entered the Wan Bei exploration block (Bai Tu Chinh in Vietnamese)</td>
</tr>
<tr>
<td>March 1997</td>
<td>China,</td>
<td>Vietnam protested after Chinese exploration ship No. 8 and two supply ships entered the Wan Bei exploration block (Bai Tu Chinh in Vietnamese)</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>Vietnam protested after Chinese exploration ship No. 8 and two supply ships entered the Wan Bei exploration block (Bai Tu Chinh in Vietnamese)</td>
</tr>
<tr>
<td>December 1997</td>
<td>China,</td>
<td>Vietnam protested after Chinese exploration ship No. 8 and two supply ships entered the Wan Bei exploration block (Bai Tu Chinh in Vietnamese)</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>Vietnam protested after Chinese exploration ship No. 8 and two supply ships entered the Wan Bei exploration block (Bai Tu Chinh in Vietnamese)</td>
</tr>
<tr>
<td>September 1998</td>
<td>China,</td>
<td>Vietnam protested a cooperation between China and Crestone to do their exploration survey in the Spratly Islands and Wan Bei region (Bai Tu Chinh)</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>Vietnam protested a cooperation between China and Crestone to do their exploration survey in the Spratly Islands and Wan Bei region (Bai Tu Chinh)</td>
</tr>
<tr>
<td>2006</td>
<td>China,</td>
<td>China protested after Chevron signed a deal to explore in disputed waters east of Vietnam’s coast. Chevron had to stop their operations.</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>China protested after Chevron signed a deal to explore in disputed waters east of Vietnam’s coast. Chevron had to stop their operations.</td>
</tr>
<tr>
<td>2011</td>
<td>China,</td>
<td>China warned Indian oil firm ONGC Videsh Ltd in blocks 127 and 128 that were also claimed by China.</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>China warned Indian oil firm ONGC Videsh Ltd in blocks 127 and 128 that were also claimed by China.</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
<th>Action Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>China, Vietnam</td>
<td>Vietnam protested after an American oil and gas company Harvest Natural Resources Inc. got the deal from China to drill in the disputed waters in the South China Sea. Later, Harvest gave up.</td>
</tr>
<tr>
<td>June 2012</td>
<td>China, Vietnam</td>
<td>Vietnam protested after CNOOC offered nine oil and gas blocks to foreign bidders in the South China Sea areas overlapping with Vietnam’s EEZ.</td>
</tr>
<tr>
<td>May 2014</td>
<td>China, Vietnam</td>
<td>Vietnam protested after China deployed a deep-water oil rig in the disputed water overlapping with Vietnam’s EEZ.</td>
</tr>
<tr>
<td>October, 2014</td>
<td>China, Vietnam</td>
<td>China protested after Vietnam offered two more blocks to ONGC for exploration</td>
</tr>
</tbody>
</table>


Beside its traditional oil partner – Russia, the Vietnam Petroleum (PetroVietnam) has been now inviting other players into the South China Sea exploration game. Talisman is offered by Vietnam to be drilling in an area that China contracted to Crestone Corporation in 1992. In 1993, more foreign oil companies began interested in exploring Vietnamese waters. In 1996, Chevron started its offshore business in Vietnam. In 2000, Vietnam modified its Law to improve bidding procedures and created favorable conditions for foreign oil companies. ExxonMobil is also joining in exploratory drilling off Vietnam.154

In March 2005, the troika including the PetroVietnam, the Philippines National Oil Company (PNOC), and the China National Offshore Oil Corporation (CNOOC) endorsed a tripartite agreement to jointly explore oil and gas resources in the South China Sea. However, the tripartite agreement did not end well. A series of tensions

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154 Theresa Fallon, “Jockeying for Position in the South China Sea: Cooperative Strategy or Managed Conflict?”
among the three nations in 2007 aggravated the agreement. In April 2007, China condemned Vietnam of violating its territorial sovereignty by inviting British Petroleum (BP) and another oil company to develop two gas fields in the Con Son Basin. In June 2007, BP decided to suspend its oil operations in Vietnam until further notice, arguably under pressure from China. In August 2007, China planned to send tourists to the Paracels. In December 2007, China established a county-level city called Sansha to administer China’s territorial claims over the Paracel and Spratly Islands. For the Vietnamese, the formation of the Sansha administration fueled their fury. Demonstrations broke out in Hanoi and Ho Chi Minh City, protesting against Chinese “hegemony” in the South China Sea.

In 2005 Cheveron expanded its operations after buying Unocal in 2005, currently operating three product-sharing contracts in the Cuu Long and Phu Khanh Basins. In 2006, PetroVietnam signed a production-sharing contract with an Indian oil company Oil and National Gas Corporation (ONGC) in the Phu Khanh Basin. Since 2006, Vietnam has begun to increase offshore oil exploration in areas claimed by China.

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Figure 18: International Oil Companies in Vietnam


In October 2011, Vietnam’s President Truong Tan Sang endorsed a three-year agreement on oil and gas exploration during his trip to India. In 2012 Russia’s Gazprom signed a deal with Vietnam to explore two licensed blocks with 49 percent stake in Vietnam’s continental shelf in the South China Sea. These two blocks are estimated to hold 1.9 trillion cubic feet of natural gas and more than 25 million tons of gas condensate.\(^{157}\) In 2013, during VPC General Secretary Nguyen Phu Trong’s trip to India, Vietnam offered India’s oil company ONGC Videsh Ltd. seven oil blocks in the South China Sea.\(^{158}\) In October 2014, Vietnam’s Prime Minister Nguyen Tan Dung, in his third visit to India, offered more oil exploration cooperation to India. According to Satish Chandra, the former Indian deputy national security adviser, in an op-ed on The New Indian Express on November 6\(^{th}\), 2014 penned, “India understood that two of the blocks offered by Vietnam to India for exploration are not in disputed waters, but one of the blocks already under exploration by ONGC Videsh is in waters disputed by China.” These drilling and exploration operations have supported Vietnam’s claims in the Nam Con Son Basin. In July 2014, Talisman Energy, Inc, a Canadian oil firm, announced that they would drill two world-class exploratory wells in their joint-venture blocks with PetroVietnam.\(^{159}\) French oil company Perenco became the largest energy investor in Vietnam in 2012 after acquiring ConocoPhillips’s Vietnam assets, including 6 offshore blocks.\(^{160}\)


\(^{159}\) Spegele and Dawson, “China Flexes Might With Energy Giants.”

\(^{160}\) Laursen, “China, Vietnam Consider Joint Offshore Development.”
In August 2015, Japan Oil, Gas, and Metals National Corporation (JOGMEC) announced that Idemitsu Kosan Co., Ltd. And Sumitomo signed the production-sharing contract with PetroVietnam for offshore blocks 39 and 40/02. The new contract with Japanese partners is another successful effort of Vietnam to invite nearly all powers to take part in production-sharing contracts with them in the South China Sea. By this method, Vietnam is using external forces to balance against China in a competition for oil explorations in the South China Sea. China may have reasons to be concerned the governments of these foreign oil firms, which are having cooperation with PetroVietnam might find an excuse to intervene in the South China Sea to protect their companies’ interests.

Vietnam’s offers to foreign oil firms are considered more generous than China’s to make up for the potential losses those companies have to incur from China’s retaliation. China has been pressuring the companies that are partnering with Vietnam in oil exploration and exploitation in the South China Sea to relinquish or they will face no investment chance in China. Besides, China opposes Vietnam’s oil joint ventures by harassing oil-related activities in the South China Sea, e.g. the cable cutoff of PetroVietnam’s vessels in 2011. However, China claimed that it was only an accident, not intentional. For whatever reason, joint exploration offers must be appealing enough to make up for potential losses that the foreign oil companies might suffer. The China Daily warned the Indian company “without the permission from the Chinese government, activities conducted by any foreign company in these disputed waters are illegal.” The Chinese newspaper also threatened the Indian oil company
should “reconsider its oil exploration plans” with Vietnam.\textsuperscript{161} Earlier in June 2012, Vietnam’s foreign ministry protested against the China National Offshore Oil Corporation’s (CNOOC) decision to invite foreign companies to attend the bidding of “open blocks in waters under jurisdiction of the People’s Republic of China,” claiming that “this is absolutely not a disputed area. [CNOOC’s move] is illegal and of no value, seriously violating Vietnam’s sovereignty.\textsuperscript{162} In addition, PetroVietnam asked foreign oil firms to boycott the CNOOC’s oil invitations.

The granting of oil exploration concessions in disputed waters in the South China Sea from either China or Vietnam is a common way for claimant states “to exercise jurisdiction.”\textsuperscript{163} According to a study done by Australian Trade Commission, oil foreign companies having collaboration with Vietnam oil and gas market include Russian companies, US firms including ConocoPhillips, ExxonMobil and Chevron, Malaysian Petronas, British-based TNK-BP, Premier Oil and Soco, Canadian Talisman, Australian Santos, Italian Eni, and Japanese Mitsu Oil Exploration Co. (MOECO).\textsuperscript{164} Results from these joint ventures have been revealed. For instance, a joint-venture exploration between VietnamPetro and Japanese companies including Japan National Oil Company, Nippon Mitsubishi Oil Corporation and Mitsubishi Corporation has been operating Rang Dong (Block 15-2) oil field, roughly 100km off


\textsuperscript{163} Valencia, Van Dyke, and Ludwig, \textit{Sharing the Resources of the South China Sea}, 31.:10.

\textsuperscript{164} “Oil and Gas to Vietnam.”
the Vietnamese coast, but also within China’s nine-dash line. The company was reported to produce approximately 55,000 bbl/day in 1999.165

Table 20. Chinese Protests against Vietnamese Petroleum Joint Ventures (2006-2011)

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Date</th>
<th>Block</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>KNOC</td>
<td>South Korea</td>
<td>(no date) 2006</td>
<td>11-2</td>
<td>Gas first produced from this block in December 2006</td>
</tr>
<tr>
<td>Pogo</td>
<td>US</td>
<td>May 15, 2006</td>
<td>124</td>
<td>PSC signed in April 2006</td>
</tr>
<tr>
<td>Chevron</td>
<td>US</td>
<td>May 15, 2006</td>
<td>122</td>
<td>PSC for this block awarded in 2006</td>
</tr>
<tr>
<td>ONGC</td>
<td>India</td>
<td>Nov. 1, 2006</td>
<td>127/128</td>
<td>PSC signed in May 2006</td>
</tr>
<tr>
<td>Premier Oil</td>
<td>UK</td>
<td>Nov. 6, 2006</td>
<td>12</td>
<td>Discoveries announced on June 30 and October 11, 2006</td>
</tr>
<tr>
<td>BP</td>
<td>UK</td>
<td>Dec. 26, 2006</td>
<td>117</td>
<td>Now owned by Exxon Mobil. Under development</td>
</tr>
<tr>
<td>BP</td>
<td>UK</td>
<td>June 3, 2007</td>
<td>05-2</td>
<td>Major development of gas fields announced in March 2007. Block now being developed by Talisman.</td>
</tr>
<tr>
<td>Gazprom</td>
<td>Russia</td>
<td>June 18, 2007</td>
<td>112</td>
<td>Commercial gas flow reported in August 2007. Under development</td>
</tr>
<tr>
<td>Gazprom</td>
<td>Russia</td>
<td>June 26, 2007</td>
<td>112</td>
<td>Commercial gas flow reported in August 2007. Under development</td>
</tr>
<tr>
<td>CGGVeritas</td>
<td>France</td>
<td>June 27, 2007</td>
<td>n/a</td>
<td>CGGVeritas was conducting surveys for VietsoPetro in Nam Con Son Basin.</td>
</tr>
<tr>
<td>Idemitsu</td>
<td>Japan</td>
<td>July 10, 2007</td>
<td>05-1</td>
<td>First exploratory well drilled in 2007</td>
</tr>
<tr>
<td>CGGVeritas</td>
<td>France</td>
<td>July 27, 2007</td>
<td>n/a</td>
<td>CGGVeritas was conducting surveys for VietsoPetro in Nam Con Son Basin.</td>
</tr>
<tr>
<td>CGGVeritas</td>
<td>France</td>
<td>August 2, 2007</td>
<td>n/a</td>
<td>CGGVeritas was conducting surveys for VietsoPetro in Nam Con Son Basin.</td>
</tr>
<tr>
<td>PGS</td>
<td>Norway</td>
<td>August 6, 2007</td>
<td>n/a</td>
<td>Conducted seismic survey in Phu Khanh Basin</td>
</tr>
<tr>
<td>Pearl Energy</td>
<td>UK</td>
<td>August 6, 2007</td>
<td>06-94</td>
<td>PSC for this block awarded on August 1, 1996</td>
</tr>
</tbody>
</table>

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165 Drifte, Japan’s Security Relations with China Since 1989, 62.
The participation of these oil companies in the area also claimed by China may involve countries where these companies are from directly in territorial disputes. Their energy developments serve Vietnam’s dual purposes: Vietnam’s exercise of sovereign jurisdiction in areas claimed by China, and multilateral involvement of interests in the South China Sea or Vietnam’s “limited internationalization” of the South China Sea.

**Bilateral Mechanism to Manage the South China Sea Problems**

The South China Sea disputes are not only about hydrocarbon deposits, fishing resources but also about the geostrategic significance of the features and nationalism behind territorial integrity. As a weaker state in the asymmetric relationship, Vietnam relies on institutional bilateral framework as the main method to solve problems. Vietnam employs institutional dialogues between the two countries to ease tensions. The dialogue mechanism is comparatively well-structured and comprehensive. They are (i) expert-level talks; (ii) government-level talks, i.e. deputy minister; (iii) foreign minister-level talks; (iv) high-level talks, i.e. Presidents, Prime Ministers, and Party General Secretaries. In 2009, there were two government-level talks held in August and in November. In 2010, Chinese Premier Wen Jiabao met with his Vietnamese

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Fravel, “China’s Strategy in the South China Sea,” 2011, 302.
counterpart Nguyen Tan Dung in Hanoi and both sides agreed to “seek satisfactory solutions to existing issues relating to” the South China Sea. In October 2011, the Agreement on Basic Principles Guiding the Resolution of Maritime Issues was signed in Beijing. The Agreement stated, “Both countries agree that the satisfactory settlement of sea-related issues between Vietnam and China is suitable for the basic interests and common aspirations of the two countries’ people and helpful for regional peace, stability, co-operation and development.”\textsuperscript{167} In 2012 and 2013, Hanoi and Beijing have initiated talks at the department-level on “demarcation of areas outside the mouth of the Gulf of Tonkin.”\textsuperscript{168}

In October 2013, during the visit of Chinese Premier Li Keqiang to Vietnam, both sides agreed to enhance existing negotiation and consultation institutions in maritime cooperation. In addition, China and Vietnam agreed to establish a bilateral maritime development joint working group to seek cooperative solutions. At the end of 2013, there were some preliminary cooperation in areas of marine environmental management near the Gulf of Tonkin.\textsuperscript{169} Even though the cooperation started in the fields of marine research and maritime environment management, there is some hope for further bilateral cooperation in territorial issues.

In October 2014, during a meeting between Chinese State Councilor Yang Jiechi and Vietnamese Foreign Minister Pham Binh Minh, China and Vietnam agreed to adopt an existing border dispute mechanism to find a solution in the South China Sea. The meeting statement said, “Vietnam-China relations developing healthily and

\textsuperscript{167} Wu Shicun and Nong Hong, eds., \textit{Recent Developments in the South China Sea Dispute: The Prospect of a Joint Development Regime} (London: Routledge, 2014), 32.

\textsuperscript{168} Amer, “China-Vietnam Bilateral Overhang or Legacy,” 85.

\textsuperscript{169} Hai and Zhang, “Cooperation in the South China Sea Under International Law.”
stably is suitable with the desire and fundamental interests of the two countries, benefitting peace, stability and development. Both sides will together make an effort to seriously implement the agreements.”

Improvement of bilateral ties will be good for Vietnamese leaders as well as Vietnam’s economy. Vietnam’s tourism was hit very badly as the consequence of anti-Chinese protests against the oil rig deployment and it has not shown full recovery. Vietnam want to avoid further tensions that might spark anti-China sentiment, pushing its citizens behaving out of control.

During the trip of Vietnamese Deputy Minister Pham Binh Minh to Beijing in June 2015 to attend a joint meeting of the China-Vietnam Steering Committee for Bilateral Cooperation, he stressed “the Party and government of Vietnam have always viewed relations with China as a strategic choice and a diplomatic priority.” His political rhetoric was welcomed by Chinese observers and leaders. Xu Liping, Southeast Asia expert, opined, “Vietnam has realized that controlling disputes with China in the (South China) sea is in line with its national interests.”

Despite many progresses, both Vietnam and China need to work harder to get to the substance of the issue.

Vietnamese leaders capitalize on the well-established party-to-party and state-to-state framework between two countries to defuse tensions and advance bilateral cooperation. The formal institutionalization of bilateral frequent visits by high-ranking officials is a good channel for Vietnam to discuss with China on a regular basis. China

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and Vietnam also have successful experience on negotiations to delimit maritime zones in the Gulf of Tonkin. Those bilateral agreements can set precedents for territorial delimitations in the South China Sea. These developments are evidenced in Vietnamese leaders’ reluctance to join the Philippines in bringing the nine-dash line to the International Tribunal of the Law of the Sea (ITLOS).

### Internationalization and Multi-lateralization of the South China Sea

Vietnam absolutely benefits from the attention of external powers in the South China Sea, especially the United States, Japan and India. These states view the South China Sea as a theater of whether China is rising within the constraints of existing international norms and rules. Vietnamese officials normally say that they do not hope the US to take sides in the dispute but they expect that the US should underscore that all parties to the dispute should adhere to common principles, such as promoting transparency, adhering to the rule of law, refraining from undertaking unilateral actions, and committing to the freedom of navigation.\(^\text{172}\) Vietnam suggests joint surveillance patrols and exercises with the Philippines and Japan, which would complicate China if they want to disrupt these patrols because they have to aim three at once. By inviting more players into the game, Vietnam’s purpose is obvious: If China wanted to dominate the South China Sea as its own pond, it would have to confront not only Vietnam but other powers as well. In April 2015, Obama stated, “Where we get concerned with China is where it is not necessarily abiding by international norms and rules and is using its sheer size and muscle to force countries

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into subordinate positions. We think this can be solved diplomatically, but just because the Philippines or Vietnam are not as large as China doesn’t mean that they can just be elbowed aside.”

China’s increasingly assertive behavior in the South China Sea will proportionally increase Vietnam-U.S. amity, which China does not prefer. Beijing has compelled Hanoi to look for external sources of engagement and arms to deter any possibility of violent confrontation with China. The U.S. State Department issued a statement describing China’s unilateral stationing of the offshore drilling rig Haiyang Shiyou HD 981 as a “provocative … unilateral action” that “appears to be part of a broader pattern of Chinese behavior to advance its claims over disputed territory in a manner that undermines peace and stability in the region.” Earlier in July 2010, at the meeting of the ASEAN Regional Forum (ARF) in Hanoi, Vietnam Secretary of State Hillary Clinton says that “the United States has a national interest in freedom of navigation, open access to Asia’s maritime commons, and respect for international law in the South China Sea.” The statement was deemed as a temporary victory for Vietnam’s efforts to internationalize the disputes.

In December 2014, Vietnam submitted its position on the South China Sea dispute to the international arbitration tribunal in The Hague that is investigating the

Philippines’ charges against China’s territorial claims. Vietnam’s position submission to the Permanent Court of Arbitration (PCA) includes three main claims. Firstly, Hanoi recognized the PCA’s jurisdiction over the Philippine case. Secondly, the court is requested to give due regard to Vietnam’s rights and interests in the case. Finally, Hanoi considers China’s nine-dashed line as being illegal. Even though China stated its rejection against all international arbitrations of the territorial dispute, China still reacted to Vietnam’s stance submission, saying that Vietnam’s claims are unlawful. Vietnam’s move demonstrates that Vietnam might follow a legal path in solving the South China Sea dispute. Another dramatic shift in Vietnam’s strategy in the South China Sea in an effort to garner more support from the international community is to change from maximize its gains in the South China Sea to minimize its loss. Vietnam’s claims have been changed in accordance with the 1982 UNCLOS.

5. Implications for the Future

For both China and Vietnam, sovereignty claims are sensitive issues. Any challenge to or violation of Vietnam’s claim in the South China Sea is deemed as a challenge to or violation of Vietnam’s national sovereignty. The same story goes for China. Concessions on the territorial disputes can have adverse impacts on domestic politics and be seen as appeasement. Hence, it is not realistic to believe that there can be any viable solution to the South China Sea disputes than the status quo. Negotiations between China and Vietnam might continue but remain focused on technical issues.

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like joint scientific research or joint exploration. No breakthrough in negotiations can be expected soon even though both countries are working hard to project an image that they have reached a mutual understanding. The current lack of Sino-Vietnamese relationship does not derive from insensitivity on China’s part to recognize how much Vietnam matters, nor is it the consequence of Vietnam’s moving closer to other powers. It originates from mismatched capabilities and divergent views on sovereignty in the South China Sea. Making China the centerpiece of Vietnamese strategy will require Hanoi to set priorities more carefully to avoid snubbing Beijing. However, Vietnam should remember that China might cool down tensions tactically, but patterns of Chinese assertive behaviors in recent years in the South China Sea show that it will not stop its move until it feels high costs of provocations.

Friction between China and Vietnam in the South China Sea does not necessarily come from the aggravating relationship between China and Vietnam, but it comes from the dynamics of power asymmetry. Tension is not the cause, but the symptom. Hence, for Vietnam, it is mandatory to align with other great powers to reduce asymmetry with China. At the same time, Vietnamese leadership also has an impetus to deepen political, economic engagement with China to minimize any misunderstanding that might cause friction. There is possibility for potential conflicts in the South China Sea since there are ineffective regional multilateral mechanisms for preventing future conflicts. Besides, China’s assertive acts might lead to miscalculation, thereby likely turning into conflicts.
There is a likelihood that states tend to “shift ideological considerations toward the backburner when confronting a serious threat.” Vietnam’s move reflects a pragmatic approach of Vietnamese national interests. The risks for Vietnam are incredibly high if Vietnam puts all eggs into this “court basket.” Vietnam does not have a treaty ally with the U.S., so any military confrontation between China and Vietnam will be costly to Vietnam. In addition, getting into an alliance can dramatically affect Vietnam’s flexibility in dealing with much bigger powers around.

One improvement in the management of the South China Sea dispute between Vietnam and China is that they have agreed to adopt the mechanism that they used successfully for the maritime boundary delimitation in the Gulf of Tonkin to solve the ongoing disputes between the two countries. This is a very important step in institutionalizing the dispute resolution. In order for the South China Sea dispute resolution to be effective, Vietnam and China should break down their South China Sea dispute into many areas, and try to resolve them step by step. It should not be a “wholesale” negotiation. They can start with something easy to approach first, e.g. joint fishing rights in the disputed waters. China is, for the time being, imposing the unilateral fishing ban every year. This affects millions of Vietnamese fishermen and even Filipinos, and Malaysians.

When China and Vietnam can settle the dispute in resource exploitation, they can move on to territorial disputes and sovereignty. Indeed, there is room for optimism in the South China Sea dispute resolution since Vietnam and China both have had lots of experience in territorial negotiations and importantly, top level leaders with

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ideological affinity might want to resolve the dispute peacefully in order to not affect their ruling party’s legitimacy. During recent visit of President Xi to Vietnam, he reaffirmed the need to manage tensions through consultations. President Xi did not bring with him any solutions to the disputes. Hence, it is hard to see any breakthrough in the immediate future. However, there is some hope for further bilateral collaboration. Beijing has advocated cooperation in selected fields such as marine scientific research, marine environmental safeguard, and sea communications. Yet it is impossible to have joint development of resources if China and Vietnam cannot come up with agreement on what area is disputed and what is not.

The South China Sea issue is also susceptible to the involvement of non-state factors in Vietnamese domestic politics. Vietnamese people have plenty of reasons, ranging from historical to territorial to feel insecure against a rising China. Anything that can be portrayed as a controversial Chinese behavior in the South China Sea is quickly grasped by the Vietnamese public, worsening their perceptions of China. Hanoi leaders are more cautious with their policy to avoid provoking Beijing. Realizing their limited capabilities, Vietnamese leadership is trying to keep the territorial dispute from poisoning the bilateral relationship, and importantly, their ruling legitimacy. However, domestic politics to some extent may affect the bilateral ties, as nationalism in both countries, if unchecked, can be detrimental to national efforts. Beckman noted, “The Spratly Islands have become a potent symbol of nationalism for the populations of the claimants. Accordingly, the public often perceives its government as weak as it fails to aggressively assert its claims over the Spratlys. This makes it difficult for the claimants to make reasonable compromises in
negotiations without being accused of surrendering their sovereignty.”¹⁷⁸ The growing nationalism in China and Vietnam asking to protect the sacred sovereignty in the South China Sea has put both governments “under pressure to take tougher position, hence more vigorous action against perceived ‘harassment’ by the counterparty.”¹⁷⁹ Both governments might sometimes play their nationalistic card at home, but the Vietnamese government is more cautious with it. The anti-Chinese sentiment turned into riots beyond their control in May 2014, which undermined their efforts to attract more FDI’s when rioters looted Taiwanese factories.

Concurrently, Vietnam is swiftly upgrading its military capabilities in order to create a credible deterrence to act when China steps decisively beyond the rules of the norms and rules of international order. Vietnamese leaders have learned a valuable lesson from the Cold War era that internal balancing is always the most important component of hedging. Through the military buildup, Vietnam hopes to raise costs of the potential excessive Chinese exercise of power in the South China Sea. In addition, Vietnam’s active participation in multilateral framework shows its commitment and sincerity in resolving the disputes peacefully. The U.S. also welcomes Vietnam’s peaceful negotiations with China as the freedom of navigation in the strategic seaways through the South China Sea will be guaranteed.

¹⁷⁹ Wu, Solving Disputes for Regional Cooperation and Development in the South China Sea: A Chinese Perspective, 112.
CHAPTER 11 CONCLUSION

Vietnam’s foreign policy since the normalization came out of the contest between constraints and requirements of Vietnamese political economic system and social structure on the one hand, and the challenges of a rising China on the other hand. Firstly, regarding the overall direction and tenor of Sino-Vietnamese relations, the Vietnamese governments since 1991 has stressed the utmost importance of the bilateral ties. This can be seen in many improved areas between two countries from economy, trade, politics, education, culture, security to military.

1. Future Scenarios of the Bilateral Ties

For the current scenario, Vietnam should try to share with China a mature asymmetry based upon mutual interests and mutual respect. A more concrete dimension regards the constrained behaviors in the South China Sea that both countries’ leaders agree to follow. A more generic interpretation alludes to China’s hope for Vietnam’s open acknowledgement as a regional power. The Vietnamese are well cognizant of their weak nation status and close proximity to a more powerful actor, so they realize that the Sino-Vietnamese ties are not ideal. Their rational approach is to pursue pragmatism to make things work. The pragmatic measures taken by the Vietnamese leaders to improve relations as well as promote various dialogue mechanisms have led to the strengthening of bilateral ties between China and Vietnam.

It is certainly possible to imagine a scenario in which China is pushing too hard for its regional hegemony, and then Vietnam’s options would be narrower. Any move toward closer alignment with the United States will make China displeased, but it also
depends much on China to what extent Vietnam might align with other powers. China’s current behavior in the South China Sea is running the risk of eroding Vietnam’s trust in mutual agreements and guidelines that the two countries have endorsed. Given the tumultuous history between the two countries, China’s efforts to reclaim its past glory as the Middle Kingdom will definitely raise concerns among Vietnamese public. As Vietnamese expectations regarding national interests and economic matters are hardly fulfilled, they engender frustrations.

The more likely scenario is a continuation of the enduring asymmetric pattern of Vietnam’s accommodation of China. In addition, divergences over unresolved issues are likely to continue such as the South China Sea and the trade deficit. The differences remain serious and get more urgent. Regarding the South China Sea matters, the differences between China and Vietnam will be inclined to keep on and even deepen due to China’s increasing assertiveness in the region. This scenario fits the historical pattern when Vietnam has attempted to “compartmentalize the territorial dispute to prevent it from fouling the overall relationship with China.”\(^1\) For Vietnam, China shows little sign of being willing to reduce territorial tensions in the South China Sea, or let the third party to take part in solving the issues. China also maintains its resistance against any multilateral framework. Despite recurrent frustrations regarding trade deficit and territorial tension with China, Vietnam’s strategic compromises to China remained unaltered for the most part. Their ideological ties are still active, and Vietnam got stuck with its dependence on Chinese equipment and input materials.

\(^1\) Roy, *Return of the Dragon.*
China’s economic allure is hard to envision when the bilateral trade deficit is still worsening. Economic opportunities that China could offer are Chinese investments are pouring into Vietnam even though some have bad names for negligence of environmental standards, and work safety. It is still unclear whether the threat stemming from China’s rise will give way to opportunities. Other points of contention consist of Chinese cheap products that dominate Vietnam’s consumers’ market and drive numerous local producers into collapse.

There are some common interests in terms of the relative priority attached to regional security. Both countries know that maintaining peace is crucial to their economic growth. Vietnamese engagement policy has been successful because peace has been maintained between China and Vietnam. A major source of negative dynamics to potentially undermine Vietnam’s hedging strategies with the focus on accommodation is China’s rapid economic growth, which allows China to follow its revisionist goals and regional hegemony. Vietnamese leaders’ restraint and deference in the face of Chinese aggressive behavior in the South China Sea might cost them legitimacy at home. Vietnam’s foreign policy needs to be driven by its own national interests and not by the pressures of China or other big powers. Therefore, it is necessary for Vietnam to diversify and deepen its foreign relations and economic ties with other strong economies. Importantly, perception divergences, power disparity and the very different views of the world have reinforced the difficulties of Vietnam in finding a stable policy for accommodation and for a sustainable cooperation.

Sino-Vietnamese relations would absolutely benefit from bilateral acknowledgement and respect of mutual interests. Vietnam could acknowledge the
role of China as a regional power, importantly contributing to regional prosperity and stability. In exchange, China should acknowledge the role of Vietnam in Indochinese peninsula as well as its perseverance to resolve the South China Sea disputes in a peaceful manner. In response to a rising China, Vietnam’s hedging strategies with an emphasis on accommodation 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 greatest challenges for Vietnam’s hedging strategies are to translate Vietnam’s intentions into reality.

Hence, the best strategy for Vietnam is to maximize its hedging capabilities to actively pre-empt or minimize any unwanted consequences. However, Vietnamese leadership may well remember Joseph Nye’s much quoted mantra, “If you try to make China an enemy, it will become one.” Hence, deference towards China in Vietnam’s foreign policy is usually preferred when tension is heightened. Vietnamese leaders should be sensitive to the fact that Vietnam’s deepening relationship with the U.S. and Japan might confirm China’s perception of being surrounded by “unfriendly states” and push China to a more aggressive behavior.

Vietnamese leaders recognize the benefits of boosting security ties with other powers such as the U.S., Japan and India, but they are sensible enough to exercise their foreign policy autonomously based on national interests by avoiding moving too close
to the U.S. The slow progress in military ties with the U.S. has caused frustration among Vietnamese and American policymakers who want to push the ties further. Yet, Vietnam’s external balancing relies not only on Vietnamese leadership’s willingness but also on international context, including great powers such as the U.S. policy in the Asia-Pacific. Concurrently, Vietnam should, to the extent possible, seek to address the chronic mistrust between China and Vietnam.

The future of Sino-Vietnamese relations will also rely on the broader policy battles that are being, and will be, laid out in the Chinese government. Vietnam is still unlikely to be viewed more important by the top Chinese leadership. The behavior of China and its economic status will affect the bilateral relations. In order to ensure a stable friend on its southern border, China is expected to resist the temptation to use coercive force in the South China Sea. In addition, China’s economic stability is crucial to Vietnam’s sustained development. If China’s economy got into recession, Vietnamese economy would be dragged into trouble in three major aspects: depreciation of Chinese currency leading to worse influx of Chinese goods into Vietnamese market, more fierce competition for Vietnam’s exports from China, and tourism.

Looking toward the future, it is imperative to consider that the spiral of Sino-Vietnamese relations will absolutely look different when China expands its power. As China increases its own force capabilities, it makes Vietnam feel less secure. The weight of each component in Vietnam’s hedging strategies has to be altered to ensure Vietnamese national interests. Vietnam has to seek ways to insure against perceived risks. Hanoi leaders might accelerate their internal balancing and soft external...
balancing approaches when China offers fewer carrots and more sticks. In that scenario, Vietnam has incentives to reinforce defense ties with the U.S. and Japan. Thus, an over-engagement with China may backfire for Vietnam. It is always better for Vietnam to deepen cooperation with China and other powers, as well as attempt to bind China into various multilayered security framework. Bilateral dialogue and cooperation will continue to deepen but frictions might increase too. The Vietnamese may also 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. They are well aware that the bilateral ties go beyond maritime disputes. Convergent interests far outweigh the risks between the two countries.

2. Contributions of the Study

This concluding chapter reflects on the central thesis question addressed in the thesis: which strategy that Vietnam has adopted to respond to a rising China. The follow-up questions such as what kind of accommodation and hedging that Vietnam is embracing are also addressed with the key findings laid out in Part III, ranging from chapters 6 to chapter 10. I have provided ample evidence to contribute to the discussion of Vietnam’s hedging strategy towards a rising China. Other than scholars than the number of scholarly research and papers on Sino-Vietnamese relationship, I have provided sufficient evidence in this doctoral thesis that demonstrates Vietnam’s five components of strategies including deference, party-to-party and state-to-state engagement, economic pragmatism, internal balancing and external balancing. I have
argued in the study that other scholars have not fully analyzed Vietnam’s foreign policy towards China. They instead have focused on the static bilateral ties with an emphasis on noticeable achievements gained from both China and Vietnam. In addition, the thesis has also extended the existing literature on the role of Vietnamese nationalism in shaping Vietnam’s foreign policy. The research has noticed the increasing influence of Vietnam’s public opinion on the decision-making process. Hence, I argued that nationalism may be used a playing card by the Vietnamese government in dealing with China over territorial disputes in the South China Sea.

This doctoral thesis makes two major contributions to the existing literature. Firstly, it provides empirical evidence to the literature on Vietnam’s hedging strategies towards a giant northern neighbor. Secondly, it makes a theoretical contribution to the literature on asymmetric relationship. The current literature has not provided evidence of how and why Sino-Vietnamese relationship can maintain a stable status. The existing scholarship on the bilateral scholarship primarily focused on the static status of the ties. Some scholars like Alexander Vuving and Le Hong Hiep have had some attempts at providing some preliminary analysis of the bilateral ties from the Vietnamese perspectives. Yet, their study did not answer the questions how and why Vietnam employs the hedging strategy.

3. Theoretical and Methodological Challenges

The main theoretical challenge that lies ahead in the research is the asymmetry theory by Brantly Womack does not offer a perfectly fit paradigm to be able to capture the whole picture of Sino-Vietnamese relationship. The relationship between China and
Vietnam has distinctive features compared to other asymmetric dyads. To address the challenge, I have incorporated other factors that are specifically applicable to the case of China-Vietnamese bilateral ties, i.e. Vietnam’s economic dependency, and ideological similarity.

In addition, I have added empirical evidence to support Womack’s argument that in a weak-strong power relationship, the weaker state tends to be acutely aware of its inferior position and be more sensitive to the stronger state’s behavior. The former’s foreign policy will be decisively influenced by this perception. I have also provided empirical evidence to the discussion of how a second-tier or a third-tier power reacts to a much more powerful nation in a realist perspective. In doing so, I have provided evidence of Vietnamese leaders’ deference visits and gestures to China, Vietnam’s public perception and, attitudes, bilateral trade and investment figures, Vietnam’s defense expenditures, and tilting alignments, which better demonstrates what Vietnam’s foreign policy towards China is and how Vietnam is operationalizing its response to a rising China. Most previous research on Sino-Vietnamese relations has provided some snapshots of Sino-Vietnamese relationship rather than a systematic research of this interesting dyad.

Womack’s book “China and Vietnam: The Politics of Asymmetry” (2006) is a detailed, well-researched book on China-Vietnam relations, but he devoted most of his book to a panoramic view of a long two-millennium history of the bilateral relations. He did not provide details of how Vietnam reacted to a rising China, and policy package that Vietnam is embracing or should be embracing to sustain the relationship. Hence, I challenged Womack’s lack of predictions of Sino-Vietnamese relationship
projections. Importantly, the contribution of the research as I argued in the thesis is that Vietnam actively adopts its hedging strategy, which is not found systematically and fully in other studies.

4. Limitations of this research and avenues for future study

Even though the study has achieved its overarching aim of delving into a Sino-Vietnamese relationship and its related ramifications from the unequal balance of power, I also have to acknowledge limitations in this thesis. First of all, a deficiency in this research is the lack of time to do more in-depth academic investigations, and limited access to official Vietnamese materials on its foreign policy towards China. Some officials have declined my invitation for interviews. I am not sure about the true reason for their refusals. Nonetheless, as a native Vietnamese, I can anticipate their hesitancy for a formal interview about the bilateral ties, which are considered as a sensitive issue in Vietnam. They might suppose that the Sino-Vietnamese relationship is a sensitive issue if they really go deeper into lingering tensions between China and Vietnam. Or, they might think that my research work might affect their political career.

Even though the interviews are kept informal, the research respondents are people that I have known. I have selected them for my research as I am aware that they have the knowledge and authority to provide me with some insights to the research questions. Yet, my work may bear the claim that it is biased. The biggest concern is my prior knowledge of these research subjects might lead to my biased selection of those whom I enjoy the advantage of approaching for interviews. In addition, there may be another concern that my awareness of their viewpoints may have undermined
the impartiality of the research. To address this bias vulnerability, I have attempted to treat the interview respondents as a research source of data rather than a friend or a colleague.

Another limitation is that the research has not investigated fully into Chinese perspectives on the bilateral ties. I have attempted to dig into Chinese language materials to provide Chinese figures, assessments, perspectives and attitudes towards landmark events in the bilateral ties, but that is surely insufficient. More in-depth investigation into Chinese attitudes will certainly add more values to the research. Nonetheless, time constraints and limited access to Chinese documents of valuable significance have impeded my research. I am fully conscious that more research data and analysis on China will have given the thesis a more well-balanced and comprehensive nature, but this might also compromise the focus of the study, which is Vietnam’s policy towards a rising China.

Another shortcoming is that the theoretical framework was not fully conceptualized. Too many actors come into play in the bilateral relationship such as historical linkages, cultural affinity, ideological similarities, economic dependency, and geographical proximity. They have complicated a number of defining factors that really make China-Vietnam relations different from other asymmetric relations. Some readers might feel that the theoretical paradigm is not so clear-cut.

The research trajectory may trigger a whole set of questions, such as what makes Sino-Vietnamese relationship different from Sino-Philippine relationship or other dyads? Is there any difference in my research’s hedging strategies with others? How would Sino-Vietnamese ties evolve if there were no territorial disputes in the
South China Sea? What do Vietnamese leaders really think about the ideological path that they share with China? What factors really shape Vietnam’s choice of buying weapons? Why has Vietnam purchased those weapons? Addressing these questions will help answer how the bilateral relationship can maintain stable in the future.

The generalizability of the findings can be quite restricted by the uniqueness of the Sino-Vietnamese relationship. The peculiarity of the bilateral ties stems from the shared unique historical experience, ideological similarity, and Vietnam’s economic dependency on China. Both countries have had some characteristics that cannot be found in other pairs of countries, which call for a more detailed investigation of comparisons between Sino-Vietnamese dyad and other dyads.

Furthermore, analysis of China’s perspectives on Vietnam’s hedging strategy will be illuminating the comprehensiveness of the bilateral ties. In addition, there has not been a research that has incorporated the method of extensive interviews with high-ranking Vietnamese officials on Sino-Vietnamese relations since 1991. A study of what and how Vietnamese elites’ think of a rising China will contribute to the unveiling of Hanoi leaders’ mindset on their policymaking process against China. Besides, many Vietnamese documents on foreign policy that have not been declassified, so further examination of Vietnamese leaders’ closed-door meetings in the future will help understand better endogenous factors influencing Vietnam’s foreign strategies.
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