



*Vietnamese protesters hold national flags and an anti-China banner during a rally near the Chinese Embassy in Seoul, South Korea, July 24, 2016 (AP photo by Ahn Young-joon).*

## What a Nixed Energy Project Reveals About Vietnam's South China Sea Calculus

Prashanth Parameswaran | Thursday, April 5, 2018

Late last month, Vietnam suspended ongoing work on a major oil drilling project in disputed waters between it and China in the South China Sea, reportedly under Chinese pressure

(<https://www.reuters.com/article/us-southchinasea-vietnam/vietnam-halts-south-china-sea-oil-drilling-project-under-pressure-from-beijing-idUSKBN1GZ0JN?il=0>). The incident revealed the ongoing challenge Vietnam faces in protecting its interests in the vital waterway as Beijing continues to aggressively assert its maritime claims.

Vietnam is no stranger to this kind of Chinese behavior in the South China Sea. For Hanoi, the disputes are just part of a wider, centuries-old problem of managing ties with its giant northern neighbor, which occupied it for nearly a millennia and with which it has fought multiple wars, including most recently in 1979. Due to its proximity to China, the vast asymmetry of its capabilities relative to Beijing, and the long historical evolution of their relationship, Vietnam has long pursued a mix of engagement and balancing, recognizing the threats and opportunities from Beijing.

Yet China's current round of assertiveness, which kicked off in 2009, has heightened concerns in Hanoi, as it has in other capitals in Southeast Asia. Though the most dramatic manifestation was the

deployment of a Chinese deep-water oil rig ([https://www.washingtonpost.com/world/china-withdraws-oil-rig-from-waters-disputed-with-vietnam-but-warns-it-could-return/2014/07/16/51f584a0-6128-4cd4-bad0-cb547907be30\\_story.html](https://www.washingtonpost.com/world/china-withdraws-oil-rig-from-waters-disputed-with-vietnam-but-warns-it-could-return/2014/07/16/51f584a0-6128-4cd4-bad0-cb547907be30_story.html)) in waters claimed by Vietnam back in 2014, Beijing's actions really run across the board. It has harassed fishermen, built up and militarized reefs and rocky outcroppings, and engaged in forms of diplomatic and economic coercion that sometimes remain undisclosed to the public. China's moves are suggestive of a power that wants the capability to control the South China Sea in order to realize its expansive and unlawful claims, even if it comes at the expense of other states—and no matter what the other costs might be.

Its recent tensions with Vietnam over energy exploration have been an outgrowth of this policy. China has long been trumpeting the value of “joint development” of resources between it and its Southeast Asian neighbors, even as Beijing continues to flout the very international laws that would help specify the contours in which such development would occur. In Beijing's eyes, Vietnam's efforts at what it considers “unilateral development” fly directly in the face of that approach, even though Hanoi is merely doing what it needs for its own security and prosperity.

China has reacted with bouts of coercion mixed with charm in order to get its point across to Vietnam—that the risks of its ventures are much greater than any perceived rewards. Last June, in one highly publicized incident, China canceled a defense meeting with Vietnam, part of a pressure campaign to stop Vietnamese oil and gas exploration in the South China Sea. In July, allegedly under Chinese pressure, the Vietnamese government told Spanish company Repsol to suspend drilling in Block 136/03, which sits in the southeastern end of what Vietnam claims as its exclusive economic zone. Beijing has often followed up these actions with stabilization efforts at the level of both Vietnam's ruling Communist Party and the government itself, including high-level visits and boosts to economic ties to reinforce the point that China is central to Vietnam's economic development.

*Rather than a “free and open Indo-Pacific,” Beijing seems to be making far more progress creating an unfree and closed Sino-centric order.*

This trend shows few signs of easing anytime soon, as indicated by reports in late March that Repsol had once again been ordered to suspend a project off Vietnam's southeastern coast, this time for a project known as “Red Emperor,” which is part of Block 07/03, close to the other block where Repsol had to halt drilling. Reuters cited a source confirming that there was Chinese pressure involved in the decision to pause the project, while the government debates whether to suspend or indefinitely

terminate Repsol's contract.

The clearest, most direct implications of this latest episode are economic. Vietnam has maintained that it needs to develop these fields for its energy security needs, and with an estimated 45 million barrels of oil and 172 billion cubic feet of gas, Block 07/03 is no minor oil play. If the project were in fact permanently terminated, the Vietnamese government would not only be forgoing those gains, but would presumably incur a loss as well, as it would have to compensate Repsol and its partners for their investments, which are reported to be around \$200 million.

But the decision could also have a broader impact on other existing energy exploration in the South China Sea, including foreign investment in it. To be sure, the risk involved for other ongoing or mulled oil and gas drilling will vary depending on several factors, including geographic location and the types of activities conducted. But in general, as Vietnam's state oil and gas giant, PetroVietnam, tersely noted in a rare public statement (<https://www.reuters.com/article/us-southchinasea-petrovietnam/in-rare-comment-petrovietnam-says-south-china-sea-tension-to-hurt-offshore-operations-idUSKCN1HA0QO?il=0>) on its website following the latest incident over Repsol's drilling, "unpredictable developments" in the South China Sea "will impact the company's oil, gas exploration and the efforts to attract foreign companies to invest in offshore open fields."

There are no doubt broader strategic implications here, too. Most of all, the episode is a sobering reminder that even Vietnam, which has been the most forward of the four Southeast Asian claimants in the South China Sea and is by far the most capable militarily, is struggling to contend with Chinese assertiveness. Suspending drilling under Chinese pressure twice in less than a year feeds into anxieties that Washington's talk of a "free and open Indo-Pacific" is just that—talk. With its actions, Beijing seems to be making far more progress in creating an unfree and closed Sino-centric order, imposing real costs on smaller states to either force them to bend to its will or at least complicate the decision-making in Hanoi, Manila and other regional capitals enough to limit their ability to push back.

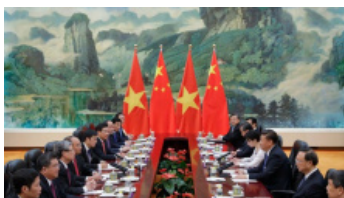
To be sure, things should still be kept in perspective. Ongoing oil and gas exploration activities are just one part of Vietnam's efforts to achieve its energy security. And Repsol's projects are just some of those underway; others include not just local firms but foreign ones like American and Indian giants ExxonMobil and ONGC Videsh. Other components of Vietnam's balancing act against Chinese activities, such as investments in its military modernization and strengthening of ties with other Asia-Pacific powers like Japan, India and the United States, have not only continued, but accelerated. Vietnamese policy in this respect is also far from predetermined. The fact that it remains a one-party state should not obscure the reality that there is debate on these questions domestically, or that a single decision or outcome is reflective of a broader stance.

How things play out will also depend on not just what Vietnam and China do, but how others react. Though momentum might seem to be with China now, it can quickly swing the other way as claimants and other interested actors become alienated following another round of pressure from Beijing, while other major powers accelerate their own regional activities. Indeed, Vietnamese policymakers have long grappled with the sobering reality that part of Vietnam's regional calculus is acknowledging that as a smaller country, its fate will be shaped as much by what others do as it is with what it does itself. The South China Sea is certainly no exception.

*Prashanth Parameswaran is an associate editor at The Diplomat magazine. He is currently based in Washington, D.C., where he writes mostly on Southeast Asia and Asian security affairs. He is also a doctoral candidate in international affairs at The Fletcher School of Law and Diplomacy at Tufts University. You can follow him on Twitter @TheAsianist (<https://twitter.com/theasianist>).*

## MORE WORLD POLITICS REVIEW

### Related



**While Courting China, Vietnam Prepares For a Future South China Sea Crisis**

(<http://www.worldpoliticsreview.com/articles/19978/while-courting-china-vietnam-prepares-for-a-future-south-china-sea-crisis>)



**India's 'Look East' Policy Takes on Maritime Edge**

(<http://www.worldpoliticsreview.com/articles/139/indias-look-east-policy-takes-on-maritime-edge>)



**Energy, Defense Deals Highlight Vietnam's Role in India's 'Act East' Policy**

(<http://www.worldpoliticsreview.com/articles/1409/energy-defense-deals-highlight-vietnams-role-in-indias-act-east-policy>)



**After Much-Awaited Judgment Day, What's Next in the South China Sea?**

(<http://www.worldpoliticsreview.com/articles/1409/after-much-awaited-judgment-day-whats-next-in-the-south-china-sea>)

Explore WPR



### How the Trump-Kim Summit Will Break the Rules of Peacemaking

(https://www.worldpoliticsreview.com/articles/24485/how-the-trump-kim-summit-will-break-the-rules-of-peacemaking?utm\_source=Active+Subscribers&utm\_campaign=02bc49cb05e22bbe890-64273265)



### 'Only American Neurotics Think We're Racist': Debating Discrimination in the Netherlands

(https://www.worldpoliticsreview.com/articles/24486/'only-american-neurotics-think-we-re-racist'-debating-discrimination-in-the-netherlands?utm\_source=Active+Subscribers&utm\_campaign=02bc49cb05e22bbe890-64273265)



### Making Sense of Trump at War: Ramping Up in Afghanistan, Scaling Back in Syria

(https://www.worldpoliticsreview.com/articles/24487/making-sense-of-trump-at-war-ramping-up-in-afghanistan-scaling-back-in-syria?utm\_source=Active+Subscribers&utm\_campaign=02bc49cb05e22bbe890-64273265)



### Can Pakistan and Sri Lanka Find Common Ground Beyond the Realm of Defense?

(https://www.worldpoliticsreview.com/articles/24488/can-pakistan-and-sri-lanka-find-common-ground-beyond-the-realm-of-defense)

Powered by (https://contextly.com)