Vietnam’s Hedging Strategy against China since Normalization

LE HONG HIEP

Since the normalization of Sino-Vietnamese relations in 1991, Vietnam’s China policy has been shaped by a combination of approaches which can be best described as a multi-tiered, omni-directional hedging strategy. The article argues that hedging is the most rational and viable option for Vietnam to manage its relations with China given its historical experiences, domestic and bilateral conditions, as well as changes in Vietnam’s external relations and the international strategic environment. The article examines the four major components of this strategy, namely economic pragmatism, direct engagement, hard balancing and soft balancing. The article goes on to assess the significance of each component and details how Vietnam has pursued its hedging strategy towards China since normalization.

Keywords: Vietnam foreign policy, Sino-Vietnamese relations, hedging strategy, Doi Moi.

Vietnam’s relations with China embody a typical pattern of interactions between asymmetrical powers, with the smaller and greater powers pursuing divergent, sometimes conflicting, interests. Each power employs different strategies to handle the relationship.1 Vis-à-vis China, Vietnam’s long-standing objective has been to

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maintain its sovereignty, territorial integrity and political autonomy against the threat of Chinese expansionism, while taking advantage of cultural and trade opportunities for its own national development made possible by its geographical proximity to China. Since independence, Vietnam has pursued a two-pronged strategy to handle a preponderant China: on the one hand, Vietnam has shown its unwavering determination to thwart Chinese attempts to undermine its political autonomy or territorial integrity. On the other hand, Vietnam has also paid due deference to China as long as its own independence and autonomy were respected.

In short, Vietnam’s approach towards China can be characterized as a calibrated mixture of deference and defiance. In recent decades, this approach has been reinforced by two contradictory tendencies that have shaped bilateral relations: ideological affinity and growing economic interdependence have strengthened bilateral relations, yet Vietnam’s entrenched awareness of the China “threat” — primarily due to China’s increasing assertiveness in the South China Sea — has deepened its suspicion of Beijing’s intentions and hence its efforts to counter any undue pressure from China.

Although living next to a powerful China is not a new experience for Vietnam, China’s re-emergence as a proto-superpower in recent decades — especially in terms of its military strength and power projection capabilities — has necessarily renewed and intensified Vietnam’s China challenge. Furthermore, unlike previous historical periods, bilateral relations after the Cold War have also been increasingly conditioned by the international and regional framework in which the bilateral relationship is situated. In particular this is due to the unprecedented expansion of both countries’ foreign relations, their deeper integration into regional and global institutions and arrangements, as well as their gradual embrace of prevalent norms and practices. Against this backdrop, although the dichotomy of deference and defiance still represents the general tendencies in contemporary Vietnam’s China policy, Hanoi’s attempts to manage bilateral relations and uncertainties associated with the rise of China have been much more sophisticated and nuanced than they may appear. For this reason, an examination of the origins, developments and implications of Vietnam’s China policy since normalization — with special reference to Vietnam’s economic and political integration into global and regional systems under Doi Moi — is necessary in order to understand the dynamics and evolution of bilateral relations.
This article argues that since normalization Vietnam’s China policy has been shaped by a delicate combination of various approaches best described as a multi-tiered, omni-directional hedging strategy. The strategy is composed of four major components: economic pragmatism; direct engagement; hard balancing; and soft balancing. Accordingly, Vietnam has made efforts to promote economic cooperation with China and directly engage it in various bilateral arrangements to boost mutual trust and cooperation. At the same time, it has also pursued a balancing strategy against China, which is composed of a “hard” component, represented by its military modernization programme, and a “soft” one aimed at constraining China’s freedom of action and shaping its behaviour through regional multilateral arrangements. The soft balancing component also involves Vietnam’s efforts to deepen its ties with foreign powers to counter undue pressure from China. As such, Vietnam’s hedging strategy against China is premised upon the economic and diplomatic successes that it has achieved under Doi Moi, without which all components of the strategy would be either irrelevant or unfeasible.

The article is divided into three main sections. The first section provides an overview of Vietnam’s hedging strategy. The second analyses the rationale and foundations of the strategy in the Vietnamese context. The third investigates how the strategy has been developed and operationalized by Vietnam since normalization.

**Hedging Strategy: The Theoretical Framework**

How to manage relations with the Great Powers presents a fundamental and challenging problem for small and medium-sized states as far as their national survival and autonomy are concerned. Mainstream theories of International Relations (IR), especially Realism, suggest principal approaches: balancing against the more powerful or threatening state; bandwagoning with it; or hedging against it.

In terms of balancing, the less powerful state can increase defence spending and modernize its armed forces (internal balancing) to deter the stronger power from pursuing aggressive behaviour. Alternatively, or simultaneously, it can forge an alliance with other countries to counter the stronger power (external balancing).

Theorists also differentiate between “hard balancing” and “soft balancing”. Hard balancing refers to strategies by smaller states “to build and update their military capabilities, as well as create and maintain formal [and informal] alliances and counter-alliances”
to match the capabilities of the stronger power. Meanwhile, soft balancing involves “tacit balancing short of formal alliances”, mainly in the form of “limited arms build-up, *ad hoc* cooperative exercises, or collaboration in regional or international institutions”.³ In this connection, it should be noted that a number of scholars categorize smaller states’ efforts to engage the Great Powers in international institutions in order to shape their behaviour and reduce security threats from them as a separate security strategy using the term “engagement”⁴ or “enmeshment”.⁵ However, given the ultimate purpose of these approaches, rather than being classified as separate strategies they should be grouped under the broader strategy of soft balancing as suggested by the above-mentioned definition.⁶

If a small state chooses to bandwagon with a stronger power, it opts not to challenge but to pay deference to the latter and accept an inferior status in the bilateral relationship with the hope of gaining security or economic benefits. Hence, bandwagoning is defined in terms of the smaller state’s political and/or military alignment with the greater power to avoid being attacked,⁷ or a desire to be “on the winning side” to reap economic gains from its relationship with the stronger power.⁸ While the first definition of bandwagoning is straightforward, the second one is more contentious. For example, Denny Roy contends that “the interpretation of bandwagoning as profit-seeking is broad and divorced from security considerations, allowing for bandwagoning to be equated with economic cooperation”.⁹ However, as the intentions of states can not be easily and clearly be identified, and economic, political and security considerations are normally interrelated drivers of states’ foreign policy, it could be argued that even when a smaller state seeks favourable relations with a more powerful one mainly for economic gains, this policy has security implications for the former as well. This is because the promotion of a favourable relationship with the greater power — no matter for what reasons the smaller state may have in mind — will encourage the greater power to view the smaller state as a friendly partner. The favourable bilateral relationship may also generate economic benefits for the stronger power as well, which, as argued by liberal peace theorists,¹⁰ may deter it from taking aggressive action against the smaller one, especially at the additional risk of pushing it into a strategic relationship with rival powers. In other words, as far as bandwagoning is concerned, the policy’s intended purposes are not as important as its actual effects. For that reason, it could be argued that the promotion of a favourable relationship with the greater power, even allegedly
for economic gains, is still an act of bandwagoning with security implications for the smaller state.

However, pure forms of balancing and bandwagoning are hardly desirable strategies for states, especially under the normal conditions of international relations short of imminent threats or crises. This is because these strategies tend to limit a state’s choices and freedom of action. Therefore, theorists have proposed another major strategy called “hedging”, which has been defined in various ways by IR scholars.\(^\text{11}\) In essence, hedging is a strategy to enable states to deal with uncertainties in their partners’ future behaviour by relying on a basket of policy tools that, while helping to promote bilateral cooperation, also entails competitive elements aimed at preparing themselves against potential security threats posed by their partners. The policy tools available in this basket are virtually the same for every state and situated anywhere along a continuum extending from pure bandwagoning to pure balancing. According to Kuik Cheng-Chwee, for example, these tools include limited bandwagoning, binding engagement, economic pragmatism, dominance denial and indirect balancing.\(^\text{12}\) However, the adoption of specific tools — as well as the significance of each selected tool — depends on a state’s security perception of the partner to which the strategy is to be applied. The diversity and convertibility of the tools therefore enable states to easily move back and forth along the bandwagoning-balancing continuum, depending on developments in bilateral relations and changes in the international environment. In extreme cases, a state may even quickly switch to pure balancing or bandwagoning strategies without requiring a major overhaul of its foreign and security policies. As such, hedging offers states the much needed flexibility to best deal with their partners’ uncertain future behaviour while enabling them to get the most out of the existing relationship.

With the rise of China over the last three decades, regional states have been faced with the question of how best to handle the uncertainties associated with China’s ascension to global power status. Scholars have captured regional responses to the rise of China in different ways and advocated different policy prescriptions, which undoubtedly reflects the diversity of theoretical formulations discussed above. For example, Aaron Friedberg argues that the end of the Cold War ushered in an age of unstable multipolarity for Asia, in which power politics dominates and countries in the region are likely to rely on balancing as the primary measure to deal with emerging security threats, including those related to
China’s rise.\textsuperscript{13} Meanwhile, David Kang finds that “Asian states do not appear to be balancing against [...] China. Rather they seem to be bandwagoning.”\textsuperscript{14} He goes on to contend that a hierarchical regional order centred upon an emergent and benign China as the core will help shape a peaceful and stable future for Asia, as it did in the past. These perspectives, however, have been criticized as too simplistic, as the balancing-bandwagoning dichotomy, in Amitav Acharya’s words, “is too limited to capture the range of choices a state has in responding to a rising power”.\textsuperscript{15}

Therefore, hedging in the above-mentioned broad sense has been identified by many scholars as the key approach that regional states are pursuing to manage the rise of China.\textsuperscript{16} In Southeast Asia, the literature also suggests that hedging is the favoured strategic option. However, each country’s position on the bandwagoning–balancing continuum, as well as the significance of specific tools used in the strategy, varies from country to country, mainly depending on their security concerns \textit{vis-à-vis} China.\textsuperscript{17} In the case of Vietnam, several scholars have also directly or indirectly argued that the country has employed a hedging strategy to deal with China.\textsuperscript{18} The following two sections examine the foundations of Vietnam’s hedging strategy and its operationalization from 1991 to 2013.

**Hedging as an Option in Vietnam’s China Strategy**

Vietnam’s adoption of hedging as its key strategy \textit{vis-à-vis} China after 1991 was a rational choice given its historical experience, domestic and bilateral conditions, and changes in Vietnam’s external relations and the international environment.

**Historical Experience**

Prior to normalization, Vietnam pursued pure forms of either bandwagoning or balancing as its key strategies towards China. Specifically, in the period from the early 1950s to the mid-1970s, Vietnam arguably adopted a bandwagoning strategy in the form of an informal alliance with China that was described by both Chinese and Vietnamese officials as close as “lips and teeth”.\textsuperscript{19} As a result, the long-standing threat that China posed to the country was downplayed during this period.\textsuperscript{20} Furthermore, Hanoi also enjoyed significant benefits from the relationship as Beijing provided it with considerable economic and military aid during this period.
However, from the mid-1970s, this strategy became irrelevant due to the deterioration of the bilateral relationship, which culminated in the 1979 border war following Vietnam’s military intervention in Cambodia the previous year. After the war, China maintained military pressure on Vietnam along the northern border and used the Cambodian issue to drain Vietnam economically and isolate the country diplomatically. China’s re-emergence as a major source of threat therefore prompted Vietnam to switch to balancing as its key China strategy. The strategy was conducted both internally and externally, and underpinned by Vietnam’s 1978 treaty of alliance with the Soviet Union. Accordingly, Moscow provided Vietnam with a limited form of security assurance and moral support, and, more importantly, the much needed economic and military aid for the country to maintain its intervention in Cambodia during the 1980s and resist Chinese military pressure along the border. Unfortunately, the balancing strategy and the enduring hostilities against China became a major national security and economic liability for Vietnam until the two countries normalized their relations in late 1991. Therefore, although Cold War conditions constrained much of Vietnam’s strategic choices, it is obvious that neither bandwagoning nor balancing could help Vietnam ensure its security in the face of a more powerful China. Moreover, such strategies also undermined Vietnam’s autonomy as they required a significant level of dependence on external powers, be it China in the case of bandwagoning or the Soviet Union in the case of balancing. Vietnam’s historical experience, therefore, encouraged its leaders to explore other strategic options vis-à-vis China following normalization in 1991.

Vietnam’s traditional strategic culture is arguably another important factor that led Vietnam to adopt a hedging strategy towards China. Jack Snyder, who coined the term “strategic culture”, describes it as a “body of attitudes and beliefs that guides and circumscribes thought on strategic questions, influences the way strategic issues are formulated, and sets the vocabulary and the perceptual parameters of strategic debate”. Accordingly, Vietnam’s strategic culture, and Vietnamese leaders’ “attitudes and beliefs” in essence, have necessarily been conditioned by the country’s historical experience in dealing with its northern neighbour. As Andrew Butterfield rightly points out, “Vietnam’s strategic culture is still marked by sometimes conflicting desires regarding China: to seek and receive help from China, but also to resist undue Chinese influence or domination.” This dual perception persists, and can
find its manifestation in Vietnam’s hedging strategy vis-à-vis China. Mirroring the past, Vietnamese leaders today seek harmonious and cooperative ties with China to maintain peace and promote the country’s domestic economic development, but at the same time look for measures to ensure its security against a rising China.

**Domestic and Bilateral Conditions**

When Vietnam normalized relations with China, the country’s socio-economic reforms introduced in 1986 under the banner of *Doi Moi* were already well underway. Therefore, the questions of how to maintain a favourable relationship with China that would enable the country to both minimize potential threats posed by China and make the most of the bilateral relationship for its domestic agenda acquired great significance for Vietnamese strategists. The hedging strategy therefore emerged as a rational choice, as its balanced and flexible nature was an essential merit that could facilitate the country’s attainment of both strategic objectives.

In addition, the dynamics of Vietnam’s domestic politics have also shaped the country’s hedging strategy. On the one hand, Vietnam’s communist rule and its political affinity with China tend to push Vietnam further to the bandwagoning end of the bandwagoning-balancing continuum. This tendency is well reflected in the contemplation by a segment of the Vietnamese leadership to form a *de facto* alliance with China to safeguard socialism in both countries following the collapse of communist regimes in Eastern Europe in the late 1980s and early 1990s. On the other hand, nationalist sentiments underlined by the historical experience of Chinese domination and accentuated by the ongoing bilateral disputes in the South China Sea tend to push the country towards the balancing option.

In particular, the ongoing disputes in the South China Sea against the backdrop of China’s emergence as a global superpower is arguably the most important variable in the shaping of Vietnam’s current perception of China and its contemporary China policy. The effects of the dispute are substantial, in at least three ways. First, they revive and reinforce Vietnam’s traditional perception of China as an expansionist and aggressive power. Second, it highlights the power asymmetry between the two countries and Vietnam’s vulnerabilities, causing the country to favour balancing measures, which may invite hostile responses from China and further destabilize the bilateral relationship. Third, the dispute is central to the rise of anti-China nationalism in the country and thus minimizes any
positive influence that the ideological and cultural affinity as well as the growing economic interdependence may generate in bilateral relations. As such, the disputes are complicating Vietnam’s efforts to handle the rise of China, and work as a pendulum that swing its China strategy between the two extremes of balancing and bandwagoning. If the disputes intensify, Vietnam is likely to reinforce its balancing strategies. On the other hand, if the disputes are well managed, or eventually resolved, a less threatening China will encourage Vietnam to contemplate a more accommodating posture that tilts towards the bandwagoning end of the spectrum.

Changes in Vietnam’s External Relations and International Strategic Environment

Taking into account the above two conditions, hedging becomes a rational — if not convenient — strategy for Vietnam to manage China. The question remains, however, as to why Vietnam adopted the strategy only after the normalization of bilateral relations, given the fact that most of those conditions had been in place long before that. The answer lies in the changes in Vietnam’s foreign policy in the late 1980s and shifts in the regional strategic landscape following the end of the Cold War.

As hedging requires substantial linkages with foreign partners and international institutions, Vietnam’s pursuit of this strategy would have been impossible if the country had not successfully “diversified and multilateralized” its foreign relations in the early 1990s. Therefore, changes in Vietnam’s foreign policy played a crucial part in the formulation and operationalization of its hedging strategy. At the same time, shifts in regional geopolitics over the last few decades have also facilitated Vietnam’s hedging strategy. Specifically, post-Cold War trends, such as China’s rise and regional wariness about its growing power, the emergence of ASEAN as the key broker of multilateral security arrangements, the renewed interest and involvement of external powers in the region, and the likely future intensification of strategic rivalry between the United States and China, have all been favourable to Vietnam’s efforts to deepen its linkages with other countries and strengthen the external foundations of its hedging strategy vis-à-vis China. Without these external conditions, the strategy would not have been a viable option for Vietnam.

In sum, Vietnam’s adoption of hedging as its main China strategy since normalization is the result of a combination of various factors. While historical experience as well as domestic
and bilateral characteristics of the bilateral relationship serve as necessary conditions, changes in the country’s external relations and shifts in the regional strategic environment have been sufficient ones to make the strategy viable.

Operationalizing the Hedging Strategy

Evolving Policy Foundations

As mentioned above, around the time of normalization, a segment of the Vietnamese leadership still contemplated the idea of forming an alliance with China to safeguard socialism and the Communist Party of Vietnam’s (CPV) rule. However, Vietnamese leaders soon realized that this policy was unrealistic when China adopted a more assertive policy in the South China Sea shortly after normalization. For example, in February 1992, China occupied Da Ba Dau (Three-headed Rock), a feature in the Spratlys. Three months later, during a visit to Beijing by the CPV’s Central Committee Senior Advisor Nguyen Van Linh, China signed an agreement with Crestone Energy Corporation to conduct exploration activities in the Tu Chinh basin located on Vietnam’s continental shelf. These events disabused Vietnamese leaders of the illusion that China would adopt a compromising posture towards Vietnam based on a shared ideology, and tended to further strengthen their preference for hedging as the key strategy to deal with China.

The foundation for such a strategy was laid out in official documents adopted by the CPV at its 7th Congress in 1991, which, among other things, provided guidelines for the country’s foreign policy. Accordingly, Vietnam sought to diversify and multilateralize its foreign relations “to be friends with all countries in the world community.” Without a broad base of foreign relations, Vietnam would be subject to greater dependence on China, rendering any attempt to hedge against it impossible. Along with the emergence of this new foreign policy was a transformation in the Vietnamese leadership’s strategic mindset. Specifically, Vietnam departed from the rigid ideology-based strategic approach to embrace a more flexible, pragmatic one, embodied in what CPV strategists label the cooperation-struggle strategy. Hong Ha, then secretary of the CPV Central Committee and head of the Party’s External Relations Department, explained this strategy as follows:

[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. But we struggle in order to push forward cooperation, avoiding the weak spots that would push us into a corner and generate provocation.\textsuperscript{31}

By 1993–94, this approach had been incorporated into the CPV’s official documents as a guiding foreign policy principle. For example, in July 1994 the CPV Politburo concluded that with regard to Vietnam’s accession to ASEAN, “The motto of ‘cooperating while struggling’ [vua hop tac vua dau tranh] should be fully grasped in order to take advantage of common points and minimize discrepancies [between Vietnam and other countries], while staying vigilant to guard against schemes of certain forces that seek to make use of ASEAN against our interests”.\textsuperscript{32} Obviously, the struggle-cooperation approach resonates the essential logic of the hedging strategy and plays a central role in shaping the transformations that followed in Vietnam’s relations with major foreign partners, especially China and the United States.

The cooperation-struggle approach was further elaborated and supplemented by the introduction of two related strategic concepts, namely doi tac and doi tuong. Specifically, the “Strategy of Fatherland Defence in a New Situation” adopted by the CPV Central Committee in July 2003 used the two terms to refer to “objects of cooperation” and “objects of struggle”, respectively.\textsuperscript{33} However, the introduction of the terms did not necessarily mean that any given country would be classified exclusively as a doi tac or a doi tuong. Instead, the application scope of the concepts would be narrowly based on specific areas of the bilateral relationship, whereby a partner country may be considered as a doi tac in areas of common interests and a doi tuong in areas of discrepancies. Accordingly, Vietnam has viewed its relations with China (as well as other countries, especially the United States) as containing elements of both cooperation and struggle.\textsuperscript{34}

The dichotomies of hop tac versus dau tranh, and doi tac versus doi tuong have since served as a major strategic approach guiding Vietnam’s foreign relations. Especially, the approach has great implications for Vietnam’s relationship with China, which undoubtedly highlights the relevance of the dichotomies more clearly than any other of Vietnam’s bilateral relationships. On
the one hand, Vietnam seeks to exploit conditions conducive to bilateral cooperation, especially in the economic sphere, to promote its domestic development. On the other hand, competing claims in the South China Sea and China’s increasingly threatening posture dictate that Vietnam must “struggle” with China in this aspect to best protect its national interests. The dichotomies, therefore, inform a hedging strategy vis-à-vis China. In effect, since normalization, Vietnam has been developing the strategy with four major components in mind:

1. Economic pragmatism, i.e. deepening bilateral economic cooperation to facilitate domestic development;
2. Direct engagement, i.e. expanding and deepening various bilateral mechanisms to build mutual trust and nurture cooperation, thereby shaping China’s behaviour;
3. Hard balancing, i.e. pursuing military modernization to deter China from aggressive actions; and
4. Soft balancing, i.e. promoting participation in multilateral institutions and deepening relations with major partners to counter against undue pressure from China.

Figure 1 illustrates the components and operational mechanisms of Vietnam’s hedging strategy vis-à-vis China. It is obvious that the
first two components — namely economic pragmatism and direct engagement — tend to slide towards the bandwagoning end of the balancing–bandwagoning continuum, while the remaining two components are situated towards the opposite end.

The individual components of the strategy will now be analysed to highlight how Vietnam has operationalized this strategy.

**Economic Pragmatism**

With economic development as the central task in its domestic agenda, Vietnam has every reason to seek a peaceful relationship with China. Such a relationship will not only help to reinforce a stable regional environment favourable for Vietnam’s internal development, but also enable it to take advantage of the opportunities offered by China’s rise for its own interests. In fact, Vietnam’s economic ties with China have witnessed unprecedented growth since bilateral normalization. In 2011, two-way trade turnover reached US$35.7 billion — 1,100 times larger than it was in 1991. China has been Vietnam’s largest trade partner since 2004. In terms of investment at the end of 2011, there were 833 Chinese Foreign Direct Investment projects in Vietnam with total registered capital of $4.3 billion. As such, Vietnam’s efforts to promote economic ties with China may be purely motivated by economic reasons. However, stronger and deeper economic ties with China also have important security implications for the country.

First and foremost, trade and investment ties with China have undeniably contributed to the economic growth of Vietnam over the last two decades. As economic capacity constitutes a major element of national power, stronger economic foundations achieved through strengthened economic ties with China obviously help to strengthen Vietnam’s security posture vis-à-vis China. This security rationale behind Vietnam’s efforts to promote bilateral economic ties also resonates in the CPV’s identification of “lagging behind other countries economically” as the most serious threat to national as well as regime security. In effect, Vietnam’s enhanced national security and defence capabilities achieved through its on-going military modernization programme would have been impossible without the country’s significant economic development under Doi Moi, due in part to expanded economic ties with China.

Second, despite its asymmetric nature, economic ties obviously thicken the network of bilateral interactions, which serves as a cushion to absorb tensions arising from other domains of the bilateral relationship, including those related to the South China Sea dispute. Although Vietnam cannot rely on its growing economic
interdependence with China to constrain its assertiveness in the South China Sea, Beijing cannot freely choose to use economic measures such as trade disruption to sanction Vietnam or elicit concessions from it over the dispute. This is simply because such actions also involve potential costs for China, which are increasing in tandem with the rising volume of bilateral trade and investment. More specifically, although Vietnam accounts for a minor fraction of China’s total foreign trade and investment, the disruption or suspension of bilateral economic ties would certainly do significant damage to the economies of China’s southern provinces as well as those industries that have a large stake in maintaining their exports to Vietnam. It is also these provinces and industries that are likely to lobby the central government for favourable relations with Vietnam. In other words, while China has the option of using its economic clout as a tool of coercion against Vietnam, the potential costs involved make it an unattractive choice. Instead, deepened bilateral economic ties tend to raise the stakes for all parties to the point that they may ultimately favour a cooperative and stable bilateral relationship rather than an antagonistic one. Therefore, such logic obviously still makes Vietnamese strategists consider economic pragmatism as an important component of the country’s hedging strategy against China.

**Direct Engagement**

As far as hedging is concerned, direct engagement, just like pragmatic economic cooperation, should be given a priority because it pays significant security dividends without requiring substantial resources as in the case of hard balancing. The key logic underlying engagement is the promotion of bilateral communication and mutual trust, thereby facilitating cooperation and providing effective avenues to address conflicts of interests that may otherwise do serious harm to the overall relationship. In effect, Vietnam has paid serious attention to building a network of engagement with China through three major channels: government-to-government, party-to-party and people-to-people interactions. As explained below, these efforts have led to positive results.

In the first channel, which is also the most important, the key institution is the exchange of visits between high-ranking leaders. As summarized in Table 1, between 1991 and 2013, Vietnam and China exchanged thirty-six visits by top party and state leaders. These visits normally witnessed the signing of agreements to promote
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<th>Visits by Vietnamese Leaders to China</th>
<th>Time</th>
<th>Visits by Chinese Leaders to Vietnam</th>
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<tr>
<td>General Secretary Do Muoi and Prime Minister Vo Van Kiet</td>
<td>Oct 1991</td>
<td>Dec 1992 Premier Li Peng</td>
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<td>President Le Duc Anh</td>
<td>Nov 1993</td>
<td>Nov 1994 President Jiang Zemin</td>
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<td>General Secretary Do Muoi</td>
<td>Nov 1995</td>
<td>Jun 1996 Premier Li Peng</td>
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<td>General Secretary Do Muoi</td>
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<td>Prime Minister Phan Van Khai</td>
<td>Oct 1998</td>
<td>Dec 1998 Vice President Hu Jintao</td>
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<td>General Secretary Le Kha Phieu</td>
<td>Feb 1999</td>
<td>Dec 1999 Premier Zhu Rongji</td>
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<td>Prime Minister Phan Van Khai</td>
<td>Sept 2000</td>
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<td>President Tran Duc Luong</td>
<td>Dec 2000</td>
<td>Apr 2001 Vice-President Hu Jintao</td>
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<td>General Secretary Nong Duc Manh</td>
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<td>General Secretary Nong Duc Manh</td>
<td>Feb 2002</td>
<td>President Jiang Zemin</td>
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<td>Prime Minister Phan Van Khai</td>
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<td>General Secretary Nong Duc Manh</td>
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<td>Prime Minister Phan Van Khai¹</td>
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<td>President Tran Duc Luong</td>
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<td>General Secretary Nong Duc Manh</td>
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<td>President Nguyen Minh Triet</td>
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<td>General Secretary Nong Duc Manh</td>
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<td>President Nguyen Minh Triet²</td>
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<td>President Nguyen Minh Triet</td>
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bilateral cooperation in various fields. More importantly, they helped set the larger political framework for bilateral relations, as demonstrated by the adoption of the “Joint Statement on Comprehensive Cooperation in the New Century” during President Tran Duc Luong’s visit to China in December 2000 and the statement on the “comprehensive strategic partnership” between the two countries during CPV General Secretary Nong Duc Manh’s visit to Beijing in May 2008.

The visits have also resulted in progress towards better managing bilateral problems. For example, during CPV General Secretary Do Muoi’s official visit to China in July 1997, the leaders of the two countries agreed to conclude a treaty on land border demarcation and another on the maritime delineation in the Gulf.
of Tonkin before the end of 2000.\textsuperscript{39} This political commitment resulted in the conclusion of the two treaties in 1999 and 2000, respectively, thereby stabilizing Vietnam’s northern border and removing a potential security threat for the country. Meanwhile, during CPV General Secretary Nong Duc Manh’s visit to China in May 2008, the two sides agreed to establish a hotline between the two countries’ top leaderships to handle emergency or crisis situations.\textsuperscript{40} By improving communication at the top decision-making levels, the hotline may serve as an important tool for Vietnam to manage crises with China, especially in the South China Sea.

Apart from high-ranking visits, other important cooperative mechanisms between the two governments have also been established. Among these, the central mechanism has been the Steering Committee on Vietnam-China Bilateral Cooperation established in 2006. Under the Committee, ministries and agencies of the two countries have also set up direct links to promote cooperation in their respective portfolios, ranging from coordinated efforts against human trafficking to fishery cooperation and combined naval patrols in the Gulf of Tonkin. Particularly important for Vietnam’s security has been the establishment of cooperation mechanisms between the two defence ministries. In 2010, the two defence ministries held the inaugural annual strategic defence dialogue, which have subsequently served as an important channel for the two armed forces to build mutual trust and develop cooperation. The dialogues have resulted in concrete measures to prevent potential conflicts in the South China Sea, such as the establishment of a hotline between the two ministries.\textsuperscript{41} Other notable cooperative measures include the exchange of visits by high-ranking military leaders, combined naval patrols and port calls, combined patrols along the land border, officer training programmes and scientific cooperation between military research institutions.

As shown in Table 2, in addition to the key mechanisms mentioned above, there are also other arrangements through which Vietnam and China engage each other in different aspects of their bilateral relationship. These engagements generate a network of frequent interactions, thereby improving bilateral communication and minimizing the risk of misunderstandings or misperceptions. The establishment of three hotlines is a significant payoff, and a primary example of how direct engagement has been serving as an important tool for Vietnam to improve its security vis-à-vis China.
Table 2
Major Direct Engagement Mechanisms between Vietnam and China

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<tbody>
<tr>
<td>High ranking visits; Hotline between high-ranking leaders</td>
<td>Government-to-government</td>
</tr>
<tr>
<td></td>
<td>Party-to-party</td>
</tr>
<tr>
<td>Steering Committee on Vietnam-China Bilateral Cooperation</td>
<td>Government-to-government</td>
</tr>
<tr>
<td>Annual meetings between Central Departments of External Affairs/</td>
<td>Party-to-party</td>
</tr>
<tr>
<td>Propaganda of the two communist parties</td>
<td></td>
</tr>
<tr>
<td>Annual consultation meetings between the Ministries of Foreign Affairs</td>
<td>Government-to-government</td>
</tr>
<tr>
<td>Annual strategic dialogues and hotline between the two Ministries of Defence;</td>
<td>Government-to-government</td>
</tr>
<tr>
<td>Annual anti-crime conferences between the two Ministries of Public Security</td>
<td>Government-to-government</td>
</tr>
<tr>
<td>Committee on Bilateral Economic and Trade Cooperation</td>
<td>Government-to-government</td>
</tr>
<tr>
<td>Committee on Bilateral Scientific and Technological Cooperation</td>
<td>Government-to-government</td>
</tr>
<tr>
<td>Joint Committee on Land Border, Joint Working Groups on the South China Sea</td>
<td>Government-to-government</td>
</tr>
<tr>
<td>Agreement on Fishery Cooperation in the Tonkin Gulf; Hotline between the two Ministries of Agriculture on fishery incidents</td>
<td>Government-to-government</td>
</tr>
<tr>
<td>Annual meetings between border provincial governments</td>
<td>Government-to-government</td>
</tr>
<tr>
<td>Vietnam-China Youth Festivals, Vietnam-China Youth Friendship Meetings,</td>
<td>People-to-people</td>
</tr>
<tr>
<td>Vietnam-China People’s Forum</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s own compilation based on various media sources.


**Hard Balancing**

Although direct engagement is a useful tool for Vietnam to manage its relations with China, it does not provide enough assurance for the country in South China Sea, especially given China’s superior military capabilities. The rapid modernization of the Chinese navy is particularly worrisome for Vietnam, as many of its modernized naval capabilities are deployed in the South China Sea. For example, in the early 2000s, China began construction of a naval base near Yalong Bay on Hainan Island, which is capable of housing up to twenty submarines, including nuclear ballistic-missile submarines, as well as China’s future aircraft carrier battle groups. The base facilitates the Chinese navy’s power projection into the South China Sea.

As the possibility of armed conflict over the land border diminished following the conclusion of the bilateral land border treaty in 1999, dealing with China’s dominant and growing naval power in the South China Sea has become the focus of Vietnam’s national defence policy as well as its China strategy. Against this backdrop, Vietnam has accelerated its military modernization efforts to address this concern.

Vietnam has sought to modernize its military capabilities through two key measures: acquiring modern hardware from foreign countries, and developing a domestic defence industry. Indeed, the country’s 2009 National Defence White Paper stated that:

> in order to provide enough weapons and technological equipment for the armed forces, in addition to well maintaining and selectively upgrading existing items, Vietnam makes adequate investments to manufacture on its own certain weapons and equipment commensurate with its technological capabilities, while procuring a number of modern weapons and technological equipment to meet the requirements of enhancing the combat strength of its people’s armed forces.

Vietnam began to modernize its armed forces soon after *Doi Moi* was initiated, and these efforts were accelerated in the mid-1990s due to China’s increasing assertiveness in the South China Sea. In May 1995 CPV General Secretary Do Muoi called for the modernization of the country’s navy and stated that “we must reinforce our defence capacity to defend our sovereignty, national interests and natural marine resources, while at the same time building a maritime economy.” Since then, Vietnam’s military modernization programme has made substantial progress, particularly in terms of naval power.
Vietnam’s military modernization has been facilitated by the country’s growing prosperity under *Doi Moi*, which has enabled the government to increase defence spending. In the early 1990s, the country’s defence budget was still very limited. Commenting on a report on the defence budget presented to the National Assembly in late 1991, the *Quan doi Nhan dan* (People’s Army) lamented that “the projected expenditures cannot meet even the bare minimum requirements of the Army”.\footnote{47} According to figures compiled by the Stockholm International Peace Research Institute (SIPRI), Vietnam’s defence budget in 1992 was a modest $745 million (in 2011 US dollars). Yet, it accounted for 3.4 per cent of the country’s GDP. About a decade later, economic growth achieved under *Doi Moi* gave the Vietnamese government more room to expand its defence budget, while constantly maintaining its share of the GDP within a range of 2 to 2.5 per cent. Figure 2 provides details of Vietnam’s military expenditures from 2003 to 2012.

**Figure 2**

*Vietnam's Estimated Military Expenditure, 2003–12*

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure (Mil. 2011 US$)</th>
<th>Share of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1,471</td>
<td>2.1</td>
</tr>
<tr>
<td>2004</td>
<td>1,507</td>
<td>2.0</td>
</tr>
<tr>
<td>2005</td>
<td>1,572</td>
<td>1.9</td>
</tr>
<tr>
<td>2006</td>
<td>1,850</td>
<td>2.1</td>
</tr>
<tr>
<td>2007</td>
<td>2,386</td>
<td>2.5</td>
</tr>
<tr>
<td>2008</td>
<td>2,350</td>
<td>2.3</td>
</tr>
<tr>
<td>2009</td>
<td>2,581</td>
<td>2.5</td>
</tr>
<tr>
<td>2010</td>
<td>2,878</td>
<td>2.5</td>
</tr>
<tr>
<td>2011</td>
<td>2,686</td>
<td>2.2</td>
</tr>
<tr>
<td>2012</td>
<td>3,397</td>
<td>2.4</td>
</tr>
</tbody>
</table>

The figures show that from 2003 to 2012, Vietnam’s military expenditure increased steadily, at an annualized average rate of 10.3 per cent (with the exception of 2011). A significant share of the increased budget is dedicated to the procurement of advanced weapons systems. Against the backdrop of rising tensions in the South China Sea, it is not surprising that the navy and air force have benefitted most from rising defence spending and new acquisitions. Table 3 shows the most notable arms transfers that Vietnam has received or ordered from foreign partners since 1995.

As Table 3 shows, Vietnam’s most notable arms procurement so far has been the order for six Kilo-class submarines worth approximately $2 billion from Russia. The deal also entails Russian assistance in the training of Vietnamese submariners and refurbishment of submarine facilities at the Cam Ranh Bay naval base.\textsuperscript{46} The first submarine is scheduled to be delivered in November 2013, and the sixth in 2016.\textsuperscript{49} Other major naval acquisitions include two Gerpard-class frigates (two more to be delivered in 2014–16) and more than a dozen Tarantul-class corvettes and Svetlyak-class patrol vessels. Another significant deal has been the K-300P Bastion-P coastal defence systems and associated missiles worth $300 million.\textsuperscript{50} The systems’ ability to strike naval warships within a range up to 300 kilometres not only strengthens Vietnam’s Anti-Access/Area Denial capabilities but also enables it to effectively cover parts of the Paracels and the Spratlys. Meanwhile, Vietnam’s fleet of Su-30MK fighter aircraft can also provide air cover over the South China Sea. Since April 2013, Vietnam has employed Su-30 fighters to conduct regular patrols over the Spratlys.\textsuperscript{51} Undeniably, these enhanced naval and air capabilities provide Vietnam with a considerable level of deterrence against China in the South China Sea.

In addition to arms imports, Vietnam is also developing its own defence industry. In the early 1990s, following the termination of Soviet military aid, Vietnam identified the need for an indigenous arms industry as a priority for the country’s defence policy.\textsuperscript{52} In 1991 a report by the Central Military Party Commission stated, “We should consolidate and step by step develop the network of national defence industries relevant to the development of the national economy.”\textsuperscript{53} More than a decade later, Vietnam’s 2004 National Defence White Paper stated that the country’s “R&D and application programmes of military technologies as well as defence industry establishments satisfied the requirements of repairing, upgrading, and manufacturing weapons and equipment for the armed forces.”\textsuperscript{54} In 2008 the National Assembly Standing Committee enacted the
Table 3

Vietnam’s Major Defence Acquisitions since 1995

<table>
<thead>
<tr>
<th>Source Country</th>
<th>Item</th>
<th>Ordered</th>
<th>Delivered</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belarus</td>
<td>7 Vostok-E radar systems</td>
<td>N/A</td>
<td>2005</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20 Stoke-E radar systems¹</td>
<td>2013</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>6 DHC-6 Twin Otter transport aircraft</td>
<td>2010</td>
<td>2012–14</td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>12 Yak-52 trainer aircraft</td>
<td>1997</td>
<td>1997</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10 Yak-52 Trainer aircraft</td>
<td>2008</td>
<td>2009–11</td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>2 Project-1241/Tarantul corvettes</td>
<td>1994</td>
<td>1996</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2 Project-1241/Tarantul corvettes</td>
<td>1998</td>
<td>1999</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2 Project-10412/Svetyak patrol vessels</td>
<td>2001</td>
<td>2002</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(75) 48N6/SA-10D Grumble surface-to-air missiles (SAM)</td>
<td>2003</td>
<td>2005–06</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2 S-300PMU-1/SA-20A SAM systems</td>
<td>2003</td>
<td>2005</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 Su-30MK/Flanker fighters</td>
<td>2003</td>
<td>2004</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(20) Kh-31A1/AS-17 anti-ship missiles (ASM)</td>
<td>2004</td>
<td>2004</td>
<td>For Su-30 fighters</td>
</tr>
<tr>
<td></td>
<td>(400) Kh-35 Uran/SS-N-25 ASM</td>
<td>2004</td>
<td>2008–12</td>
<td>For Gepard-class frigates and Tarantul corvettes</td>
</tr>
<tr>
<td></td>
<td>2 Gepard-3 frigates</td>
<td>2006</td>
<td>2011</td>
<td>Designated Dinh Tien Hoang &amp; Ly Thai To</td>
</tr>
<tr>
<td>Item</td>
<td>Year 1</td>
<td>Year 2</td>
<td>Notes</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>--------</td>
<td>-------------</td>
<td>----------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>2 K-300P Bastion-P coastal defence systems</td>
<td>2007</td>
<td>2009–11</td>
<td>For Bastion coastal defence systems</td>
<td></td>
</tr>
<tr>
<td>(40) Yakhont/SS-N-26 ASM</td>
<td>2007</td>
<td>2009–11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Project-10412/\textit{Svetlyak} patrol vessels</td>
<td>2007</td>
<td>2011–12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Project-636E/Kilo-class submarines</td>
<td>2009</td>
<td>2013–16</td>
<td>For Project-636 Kilo-class submarines</td>
<td></td>
</tr>
<tr>
<td>(40) 3M-54 Klub/SS-N-27 ASM</td>
<td>2009</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Su-30MK/\textit{Flanker} fighters</td>
<td>2009</td>
<td>2010–11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Su-30MK/\textit{Flanker} fighters</td>
<td>2010</td>
<td>2011–12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 \textit{Gepard-3} frigates</td>
<td>2012</td>
<td>2014–16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Su-30MK fighters²</td>
<td>2013</td>
<td>2014–15</td>
<td>$600 mil. deal</td>
<td></td>
</tr>
<tr>
<td>10 Project-1241/\textit{Tarantul} corvettes (1241.8/\textit{Molniya} version)</td>
<td>(2004)</td>
<td>2008–16</td>
<td>Licensed to be produced in Vietnam</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>3 CASA — 212-400</td>
<td>N/A</td>
<td>2012–13 For Vietnam Marine Police</td>
<td></td>
</tr>
<tr>
<td>4 Kolchuga air search systems</td>
<td>(2009)</td>
<td>2012</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\textit{Note:} Information concerning the year of order, year(s) of deliveries are in brackets if the accuracy of the data is uncertain. 
\textit{Source:} Author’s own compilation based on \textit{The SIPRI Arms Transfers Database}, <http://www.sipri.org/contents/armstrad/at_data.html> and various media sources.
Ordinance on Defence Industry which provided a framework to develop domestic arms production.

Since the early 1990s Vietnam has produced a range of weapons and equipment, such as small arms, mortars, automatic grenade launchers, fuel components for Scud missiles, radar-absorbent paint, military-grade communication equipment and basic unmanned aerial vehicles (UAVs). In 2012 the Vietnam People’s Navy commissioned two TT-400TP warships locally built by Hong Ha Shipyard. The ships — which are capable of anti-ship missions, protecting bases against amphibious assaults and escorting civil ships and naval patrols — were praised as a “breakthrough” for the national defence industry. It should be noted that the ships’ preliminary designs were purchased from an undisclosed country.

Vietnam has been active in seeking technology transfers from foreign partners in order to develop its domestic defence industry. For example, Vietnam obtained a license from Russia’s Vypel Shipyard to assemble six Project 1241.8 Molniya-class missile boats, with the option of producing four more by 2015. Another major deal with Russia has been an agreement to jointly produce anti-ship missiles in Vietnam in 2012. But Russia is not the only country from which Vietnam seeks to promote the transfer of military technologies. Other important partners include Belarus, India, the Netherlands and the Ukraine. For example, in 2011, Vietnam entered into negotiations with the Netherlands to acquire four Sigma-class corvettes. The deal included the possible provision for two of them to be constructed at Vietnamese shipyards. Through cooperation with the Netherlands’ Damen Shipyards Group, Vietnam also completed the construction of the DN 2000-class patrol vessel in 2012, which later became the Vietnam Marine Police’s largest patrol vessel.

In sum, Vietnam has invested significantly in improving the capabilities of its armed forces, especially the navy and air forces in order to safeguard its maritime interests in the South China Sea. Although China’s military capabilities far exceed Vietnam’s, the modernization of the Vietnamese armed forces provides the country with a credible deterrence and, in the worst case scenario, the ability to strike back against China.

Soft Balancing

Vietnam’s soft balancing against China is conducted through two main channels: deepened bilateral ties with major powers, and more effective participation in regional multilateral arrangements
to pursue a specific agenda. These efforts are generally in line with Vietnam’s policy of “diversification and multilateralization” of its foreign relations. However, there are indications showing that Vietnam is trying to use these channels as important tools to soft-balance China. Before examining the role of the China factor in these efforts, however, it is important to review how Vietnam has deepened its ties with major powers and turned multilateral arrangements to its advantage.

By 1995 Vietnam had successfully established diplomatic ties with all major powers, including the United States. Since the early 2000s Hanoi has endeavoured to deepen bilateral ties through the establishment of “strategic partnerships”. By September 2013, Vietnam had established strategic partnerships with Russia (2001), Japan (2006), India (2007), China (2008), South Korea, Spain (2009), the United Kingdom (2010), Germany (2011), Italy, Thailand, Indonesia, Singapore, and France (2013). Among these, the partnerships with Russia and China have been upgraded to the “comprehensive strategic” level. Meanwhile, Vietnam has also entered into “comprehensive partnerships” with Australia (2009) and the United States (2013). Although Vietnam has never clarified what the criteria is for these partnerships, it seems that comprehensive partnerships and the two variants are generally the designations Vietnam uses to label relationships which it deems important and wishes to develop further.⁶²

These countries generally fall into one or more of four major categories:

1. Political powers (e.g. members of the UN Security Council, key members of ASEAN, and/or influential regional medium powers);
2. Economic powerhouses (e.g. G-20 members, and/or countries with which Vietnam maintains significant economic ties);
3. Military powers (e.g. major strategic players and/or countries that are important sources of arms and military technology transfer for Vietnam); and
4. Countries that play significant roles in the management of the South China Sea dispute.

By deepening ties with these countries, Vietnam hopes to improve its international diplomatic status, facilitate its domestic economic development, strengthen its military capabilities and better defend its interests in the South China Sea.
Among these bilateral ties, some are more significant than others, especially with regards to Vietnam’s relations with China. For example, Russia has been the biggest source of Vietnam’s arms imports, while India has also emerged as an important partner in terms of military cooperation. These two countries are also active partners of Vietnam in its oil exploration and development activities in the South China Sea. Japan is not only an important economic partner, but has also become an increasingly significant political and strategic partner for Vietnam. As both countries have ongoing maritime disputes with China and shared concerns over China’s growing assertiveness, they find common ground to strengthen their strategic ties. In 2013, for example, the two countries discussed the transfer by Japan of patrol vessels to Vietnam to help the country strengthen its maritime security capabilities. Meanwhile, the strategic partnerships with Indonesia, Singapore and Thailand — influential ASEAN members but non-claimants in the South China Sea — are likely to facilitate Vietnam’s efforts to forge an intra-ASEAN consensus on the dispute.

Above all, as far as Vietnam’s efforts to balance China are concerned, its improved relationship with the United States is the most challenging, but also the most promising one. Since 1995, US-Vietnam ties — especially economic ties — have developed at a pace that has surprised many observers. After a bilateral trade agreement was concluded in 1999, trade ties developed quickly, and in 2002 the United States became Vietnam’s largest export market. In 2008, Vietnam also joined the United States and other regional countries to negotiate the Trans-Pacific Partnership (TPP), which if successful will further integrate the two economies. In the political sphere, the two countries currently hold annual political, security and defence dialogues in addition to those on human rights issues. The erstwhile enemies have also strengthened military ties through visits by high-ranking military officials, port calls by US naval ships, training programmes and non-combat military exercises. After Washington announced its “pivot” or “rebalance” towards Asia in 2011 — interpreted by some in China as part of a wider strategy to “contain” the country — bilateral relations were enhanced further, culminating in the establishment of the bilateral comprehensive partnership during President Truong Tan Sang’s trip to Washington in July 2013.

Although Vietnam has repeatedly emphasized that its improved relationships with foreign powers are not directed against a third
Vietnam’s Hedging Strategy against China since Normalization

country, it is clear that one of the major drivers behind Hanoi’s efforts to forge closer ties with the United States is related to its growing rivalry with Beijing in the South China Sea. Indeed, the United States is currently the only country capable of effectively challenging and constraining China’s military ambitions, including in the South China Sea. Closer ties with America therefore provide Vietnam with greater confidence and more options in dealing with China, especially when Washington itself is also seeking strong friends and allies to support its rebalancing strategy. Vietnam’s intention has been reflected in its efforts to strengthen military ties with America and mobilize US diplomatic support on the South China Sea. For example, in the very first item of the joint communiqué announcing the establishment of the bilateral comprehensive partnership in July 2013, the two countries “reaffirmed their support for the settlement of disputes by peaceful means in accordance with international law” and “the principle of non-use of force or threat-of-force in resolving territorial and maritime disputes”.

In sum, a major approach in Vietnam’s efforts to soft-balance China has been the deepening of its relations with major powers, especially regional ones. At the same time, Vietnam has been supplementing this bilateral approach with a multilateral one that involves mainly the rallying of international diplomatic support through multilateral arrangements to resist pressure from China, and to engage it into patterns of cooperative interactions.

The primary focus of Vietnam’s multilateral approach is ASEAN. Hanoi’s desire to use ASEAN as a diplomatic tool in its disputes with China has been demonstrated by its continuous efforts to make sure that the South China Sea is placed high on the Association’s political and security agenda. This effort is opposed by China — which prefers the disputes to be dealt with bilaterally — but is shared by some regional countries, especially the other claimant states. At the 17th ARF in Hanoi in July 2010, for example, Vietnam was encouraged when representatives of more than half of its twenty-seven member states addressed the South China Sea disputes in their official speeches. Notably, US Secretary of State Hillary Clinton stated that “the United States, like every nation, 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.” In what was generally interpreted as an attack on the vague legal basis of China’s expansive claims in the South China Sea,
Clinton added that “legitimate claims to maritime space in the South China Sea should be derived solely from legitimate claims to land features”. In Vietnam, Clinton’s speech was well received.

However, Vietnam’s efforts to manage the South China Sea through ASEAN has its limitations. Most notably, at the 45th ASEAN Ministerial Meeting (AMM) hosted by Cambodia in July 2012, despite the insistence of Vietnam and the Philippines, Cambodia refused — allegedly under China’s pressure — to include references to incidents in the South China Sea in the final communique. Cambodia’s intransigence ultimately led to the AMM’s failure to issue a joint statement for the first time in the organization’s 45-year history. Vietnamese Foreign Minister Pham Binh Minh’s statement that he was “very disappointed” over the incident further testified to Vietnam’s consistent efforts to soft-balance China through ASEAN.71

While the two above examples illustrate the successes as well as the limitations in Vietnam’s efforts to soft-balance China through ASEAN, the 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea (DoC) is a mixed bag. The agreement — which Vietnam and the Philippines strongly advocated72 — has arguably been the most tangible outcome of Vietnam’s efforts to constrain China in the South China Sea through multilateral arrangements. Although non-binding, the DoC still subjects China to certain normative constraints, thereby limiting its freedom of action and providing Vietnam with legitimate grounds to condemn China’s aggressive and illegal activities in the sea.73 However, the DoC still falls short of Vietnam’s expectations. For example, it does not explicitly include the Paracels in its geographical scope. Moreover, the normative constraints have not proven strong enough to preclude China’s growing assertiveness in the South China Sea. Consequently, Vietnam, together with its ASEAN partners, has begun consultations with China on a supposedly more legally binding Code of Conduct (CoC) to replace the DoC. The outcome of these talks remains to be seen. The problematic CoC process highlights the fact that the effectiveness of soft-balancing as an approach for Vietnam to handle China is heavily conditioned by external factors that Vietnam cannot control.

Conclusion

Facing a far more powerful China, Vietnam has been employing a multi-tiered, omni-directional hedging strategy to handle its relations
Vietnam’s Hedging Strategy against China since Normalization

with its northern neighbour. This strategy was a rational choice for the country given its historical experience of failed experiments with balancing and bandwagoning as alternative China strategies, as well as the dominant domestic and bilateral conditions after normalization, such as Vietnam’s economic reform under Doi Moi and persistent bilateral tensions in the South China Sea. In addition, Vietnam’s expanded external relations, and changes in regional strategic setting since the late 1980s, also played important roles in shaping this strategy. These conditions not only turned hedging into a rational choice for Vietnam, but also made it feasible for the country to put the strategy into practice with the lowest strategic costs possible.

Vietnam’s hedging strategy against China gradually emerged in the 1990s as a result of the country’s evolving strategic thinking. Accordingly, Vietnamese strategists departed from the rigid Cold War-style strategic thinking based on ideology and a clear division between friends and enemies to embrace a more pragmatic and flexible one derived first and foremost from the perceived interests of the nation as well as the CPV regime. Accordingly, they started to view foreign relations to be inherently composed of both cooperative and competing elements, which was well manifested in the emergence of the dichotomies of hop tac (cooperation) versus dau tranh (struggle) and doi tac (object of cooperation) versus dou tuong (object of struggle) in their strategic vocabulary. These dichotomies, in turn, best manifested themselves in Vietnam’s China strategy since normalization.

Vietnam’s current China strategy is composed of four major components, namely economic pragmatism, direct engagement, hard balancing and soft balancing. These components reflect the essence of the hedging strategy, providing Vietnam with the opportunities to maintain a peaceful, stable and cooperative relationship with China for the sake of its domestic development, while enabling it to counter undue pressure from China and deter Chinese aggression.

So far, Vietnam’s operationalization of this strategy has proved to be effective. It has managed to continuously promote economic ties with China and foster a greater level of economic interdependence, which may act as a cushion to absorb tensions arising from the South China Sea dispute. It has also developed a dense network of bilateral engagement with China through various avenues and at various levels to improve communications, thereby enhancing mutual trust. At the same time, Vietnam has also pursued efforts
to hard-balance China by modernizing its armed forces, particularly the navy and air force. Finally, efforts to soft-balance China has also achieved considerable results, illustrated by the establishment of more than a dozen strategic partnerships with major powers and regional countries as well as Vietnam’s purposeful utilization of regional multilateral arrangements, especially ASEAN, to counter China’s assertiveness.

Nevertheless, Vietnam still faces certain challenges in effectively maintaining the strategy. First, although economic pragmatism and direct engagement serve as key mechanisms for Hanoi to foster a stable and cooperative relationship with Beijing and manage the South China Sea dispute peacefully, they are subject to uncertainties caused by the disputes themselves. If, for some reason, the disputes escalate then economic exchanges may be disrupted and bilateral engagements may be frozen. Second, Vietnam’s hard balancing against China is largely dependent on the size of its defence budget, which is directly tied to the economic performance of the country. Vietnam’s military modernization programme is therefore likely to be negatively affected by the economic hardship that the country experienced in the late 2000s and early 2010s. Third, the soft-balancing component of the strategy mainly relies on Vietnam’s external ties with regional powers and institutions. This also exposes the strategy to a number of operational risks, including shifts in regional and global power dynamics and Beijing’s counter-measures. In this connection, the US rebalancing to Asia, and China’s responses as well as China’s efforts in fragmenting ASEAN over the South China Sea, are two important variables that may impact the effectiveness of Vietnam’s hedging strategy against China in the future.

NOTES


Vietnam’s Hedging Strategy against China since Normalization


6 My argument is limited to individual states’ efforts only. The cited sources also refer to engagement/enmeshment as a collective strategy for institutions/groups of states (such as ASEAN) to use “economic incentives and disincentives to extract desirable behaviours” and to “tie down” great powers by common norms and practices. See, for example, Roy, “The ‘China Threat’ Issue”, op. cit., p. 766.


11 For example, hedging has been defined as “a behaviour in which a country seeks 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”; “a set of strategies aimed at avoiding [...] a situation in which states cannot decide upon more straightforward alternatives such as balancing,


20 Mutual trust between Vietnam and China during this time was relatively high. For example, following the 1955 Geneva Accords, Vietnam asked China to take over Bach Long Vi Island in the Tonkin Gulf on its behalf. The Chinese did and returned the island to Vietnam in 1957. See Luu Van Loi, *Cuoc tranh...*
Vietnam’s Hedging Strategy against China since Normalization

chap Viet-Trung ve hai quan dao Hoàng Sa và Trương Sa [The Sino-Vietnamese dispute over the Paracels and Spratlys] (Ha Noi: Cong an Nhan dan, 1995).


24 Butterfield, Vietnamese Strategic Culture, op. cit., p. 18.


26 Ibid.


28 Ibid., p. 525.


36 Ibid., p. 167.


Le Hong Hiep


31 In July 2013, the two countries also decided to establish a hot line between their fishery authorities to handle the rising number of incidents related to fishermen. See Pham Anh, “Duong day nong ngu dan Viet Nam-Trung Quoc: Xu ly rui ro, tranh chap nghet ca tren bien” [Vietnam — China hotline on fishermen: Handling risks and disputes on marine fishing], Tien Phong, 5 September 2013, <http://www.tienphong.vn/Kinh-Te/644616/Xu-ly-ru1-ro-tranh-chap-nghe-ca-tren-bien-tp.html>.


35 Ministry of Defence, Quoc phong Viet Nam [Vietnam’s national defence] (Ha Noi: Ministry of Defence, 2009), p. 91.


37 Cited in ibid., p. 5.


Vietnam’s Hedging Strategy against China since Normalization


By August 2013, it had become clear that Vietnam would acquire two rather than four corvettes from the Netherlands. The deal, which was reported to be worth $660 million, provided for one of the corvettes to be built in the Netherlands, the other in Vietnam. See “Viet Nam mua 2 tau ho ve tang hinh Sigma Ha Lan” [Vietnam to acquire 2 stealth Sigma-class corvettes from the Netherlands], *Dat Viet*, 23 August 2013, <http://baodatviet.vn/quoc-phong/toan-canh/bao-ha-lan-viet-nam-mua-2-tau-ho-ve-tang-hinh-sigma-ha-lan-2353145/>.

Generally speaking, Vietnam considers comprehensive strategic partnerships as the most important, followed by strategic ones and then comprehensive ones. However, this might not always be the case. For example, according to some well-informed foreign policy analysts in Vietnam, although Hanoi highly regards its relationship with the United States, it has not designated the bilateral relationship as “strategic” because this might unnecessarily upset China.

For example, Vietnam was reportedly interested in acquiring Brahmos supersonic missiles from India. In 2013, India also offered Vietnam a $100 million credit line to purchase four patrol boats. See “India offers Vietnam credit for military ware”, *The Hindu*, 28 July 2013, <http://www.thehindu.com/news/national/india-offers-vietnam-credit-for-military-ware/article4960731.ece>.


See, for example, Michael D. Swaine, “Chinese Leadership and Elite Responses to the US Pacific Pivot”, *China Leadership Monitor* 38 (2012).


In March 1999, the ARF assigned the Philippines and Vietnam the task of drafting the proposed code, which eventually became the DoC. For more information about the DoC as well as the role of Vietnam in its framing, see Nguyen Hong Thao, “Vietnam and the Code of Conduct for the South China Sea”, *Ocean Development & International Law* 32, no. 2 (2001): 105–30; Nguyen Hong Thao, “The 2002 Declaration on the Conduct of Parties in the South China Sea: A Note”, *Ocean Development & International Law* 34, nos. 3–4 (2003): 279–85.

A survey of statements by Vietnam foreign ministry spokesperson shows that the DoC is constantly invoked in Vietnam’s diplomatic protests against Chinese activities in the South China Sea. An archive of statements by foreign ministry spokespersons is available at <http://www.mofa.gov.vn/vi/it_baochi/pbnfn>.