VIETNAM'S FOREIGN POLICY STRATEGY VIS-À-VIS CHINA OVER THE SOUTH CHINA SEA ISSUES

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Abstract

When it comes to Vietnam's response to China's threat in the South China Sea, it can be said that most of the arguments revolve around whether Vietnam employs a balancing, bandwagoning, or hedging strategy toward China. Across the literature, there is a general consensus that since the 1990s, Vietnam has engaged in a hedging strategy against China's threat in the SCS. However, the rise of China and its increasing assertiveness in the SCS, coupled with current explanations of Vietnam's hedging strategy, caused difficulties in identifying Vietnam's strategic behavior toward China. Using "the patterns of hedging" built off of Koga's hedging conceptualization (2018), this paper attempts to identify what type of hedging strategy Vietnam uses and its effectiveness in response to China's aggressive actions in the SCS. The findings indicated first that Vietnam's policy toward China's challenge in the SCS fell into the hedging spectrum but leaned more towards soft hedging given a combination of economic bandwagoning and diplomatic balancing; second, while China increases maritime encroachment in the SCS, rather than pure balancing and bandwagoning, soft hedging is a less risky option for Vietnam against China.

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List of Abbreviations

ADMM	The ASEAN Defense Ministers Meeting
ARF	The ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
China	The People's Republic of China
COC	Code of Conduct
CPV	The Communist Party of Vietnam
DOC	Declaration on the Conduct of Parties
EEZ	Exclusive Economic Zone
EIA	The US Energy Information Administration
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IISS	International Institute for Strategic Studies
MND	Ministry of National Defense of Socialist Republic of Vietnam
MOU	Memorandum of Understanding
OEC	The Observatory of Economic Complexity
SCS	South China Sea
SIPRI	Stockholm International Peace Research Institute
UNCOLS	United Nations Convention on the Law of the Sea
Vietnam	The Socialist Republic of Vietnam
The U.S.	The United States
TDI	Trade dependency index
HYSY 981	The Hai Yang Shi You 981 standoff

Chapter 1. Introduction

This chapter provides an overview of the thesis. It discusses the rationale, objectives, questions, hypotheses, and limitations of the study. The chapter concludes with an outline of the structure and content of each chapter within the thesis.

1.1. Rationale of the Study

The South China Sea (SCS) (also known as the Eastern Sea in Vietnamese or South Sea in Chinese) is subject to some overlapping territorial disputes involving China, Vietnam, the Philippines, Taiwan, Malaysia, and Brunei because of the following reasons. First, the SCS is regarded as one of the most strategically important sea lines of communication (Djalal, 1997: 111). In terms of geography, the SCS is a semi-enclosed area of approximately 3.5 million square kilometers stretching from the Singapore and Malacca Straits in the southwest to the Strait of Taiwan in the northeast (Burgess, 2003: 7). The area includes several hundred small islands, rocks, atolls, cays, shoals, sandbars, and reefs, surrounded by China, Indonesia, Vietnam, Malaysia, the Philippines, Brunei, Cambodia, Taiwan, and Singapore (Burgess, 2003: 7; See Figure 1.1). The SCS provides shipping routes linking Northeast Asia and the Western Pacific with the Indian Ocean and the Middle East. According to China Team Power, nearly one-third of the world's shipping, an estimated USD 3.4 trillion of trade, passed through this waterway in 2016 (China Team Power, 2019). Furthermore, according to the U.S. Energy Information Administration (2013b), about a third of the global crude oil and over half of the global liquefied natural gas annually are transited through the SCS. Taking China as an example, the SCS has played an extremely crucial role for its energy industry because about 90% of the crude oil imported by this country was shipped

through the SCS, accounting for 42% of total crude oil volumes that passed through this waterway in 2016 (EIA, 2015; 2018). The continued strategic importance of the SCS has also been demonstrated by the Japanese Navy's activities during World War II when the Spratly islands were used as a submarine base for the Japanese Navy (Dzurek, 1996: 10). Similarly, for the United States, the SCS is a vital strategic area not only due to freedom and safety of navigation and overflight in the region but also transit point and operating area for the U.S. Navy and Air Force between military bases in Asia and the Indian Ocean and the Persian Gulf areas (Snyder, 1996: 4).

Second, in terms of natural resources, the SCS also possesses considerable energy resources. According to an estimate of EIA, the SCS contains a natural reserve of 11 billion barrels of oil and 190 trillion cubic feet of natural gas (2013a: 2). Also, according to the data of EIA (2013a), in 2011, Vietnam's total oil production in the SCS was 300,000 barrels per day (bbl/d) and natural gas production reached 300 billion cubic feet (cf) while in China, this number was respectively 250,000 bbl/d and 600 billion cf (Table 1.1). However, while a majority of Vietnam's hydrocarbon production comes from the SCS area, that of China is located onshore (EIA, 2015; 2017). The findings show that in comparison to China, the SCS area holds a more critical position for Vietnam in terms of hydrocarbon production.

Table 1.1 South China Sea estimated conventional hydrocarbon production

Country	Estimated production in South China Sea (2011)	
	Oil[1] 1000 barrels/day	Natural gas billion cubic feet
Brunei	120	400
China	250	600
Malaysia	500	1,800
Philippines	25	100
Vietnam	300	300

[1] Oil production includes lease condensate

Source: The U.S. Energy Information Administration, 2013.

Another notable point is fish productivity in the SCS, which is believed to be rich. The SCS falls within the Large Marine Ecosystem (LME), which contains globally significant biodiversity and habitats (L. Teh et al., 2019). About 3365 species and 263 families of marine fishes are recorded in the SCS area (Randall and Lim, 2000). A study of L. Teh et al. shows that in the period 1950 and 2014, the total commercial fishing output of the SCS is about 504 million metric tons of fishes with a total estimated value of USD 584 billion (2019: 9-10). From Table 1.2, we can see that in terms of fish catch productivity and value, between 1950 and 2014, the SCS remained the leading position in the Asian area. In addition, more than half of the fishing vessels in the world are estimated to operate in the SCS area, and this region is contributing about 3.7 million jobs (L. Teh et al., 2019: 14).

Table 1.2 Total catch, annual average catch, total value and annual average value in the period between 1950 and 2014 (Catch in million tons; Values in billion USD)

Area	**Total catch**	**Annual average catch**	**Total value**	**Annual average value**
South China Sea	504.35	7.76	584.90	9
East China Sea	288.28	4.44	410.12	6.31
Bay of Bengal	282.51	4.35	303.78	4.67
Kuroshio Current	159.96	2.46	254.71	3.92
Sea of Japan/East Sea	228.69	3.52	242.48	3.73
Arabian Sea	207.31	3.19	237.95	3.66
Yellow Sea	133.29	2.05	170.29	2.62
Gulf of Thailand	157.75	2.43	151.83	2.34
Indonesia Sea	125.21	1.93	128.94	1.98
Sea of Okhotsk	171.17	2.63	113.18	1.74
Oyashio Current	114.02	1.75	89.69	1.38
Sulu-Celebes Sea	68.67	1.06	76.57	1.18
West Bering Sea	32.45	0.5	24.32	0.37
Total of the Asian area	**2,473.66**	**38.06**	**2,788.77**	**42.90**

Source: L. Teh et al., 2019.

According to Pauly and Liang (2019), Vietnam ranked at the largest second fish catch in the SCS, behind China, however, while the SCS contributed 79% of Vietnam's domestic catch, that of China was 41%. Fisheries in the SCS not only constitute a key economic resource for the countries bordering the SCS but also provide an important dietary staple to many of some 1.87 billion people living in these countries (NIC, 2013). The U.S. National Intelligence Council Report (2013) citing

the data of the United Nations Food and Agriculture Organization shows that between 2002 and 2009, the average seafood consumption per person each day among the eight states bordering the SCS was larger two times than the global average. Access to the SCS, thus, is seen as critical to most states in the region. According to Swanström, control over the SCS would help states gain "total control over the economic development and the trade routes in the region, and moreover, give the occupant military advantages in waging war against all other nations in the region" (1999: 101). Nandini Jawli also claims that China wants to control the SCS to "establish hegemony in East and Southeast Asia that no other country involved in the dispute is capable of" (2016: 86).

Figure 1.1 Map of the South China Sea

Source: US Energy Information Administration, 2013.

Because of such huge interests, the SCS has been the cause of conflict and tension among states having overlapped territorial claims. The SCS disputes between Vietnam and China revolve around claims to the sovereignty over features of the SCS, including the Spratly and Paracel Islands and maritime boundaries related to the use of Exclusive Economic Zone (EEZ) in the east of the

Vietnamese coast (Amer, 2002). The Paracel Islands[1], (also known as Quần đảo Hoàng Sa in Vietnamese), which are claimed by China, and Vietnam, are a group of about 130 small coral islands and reefs in the northwest portion of the South China Sea. They spread over a sea area of 15,000 to 16,000 square kilometers with a land area of only about 7.7 square kilometers. Currently, China controls the whole of this archipelago (H.T. Nguyen, 2012). The Spratly Islands (also called as Quần đảo Trường Sa in Vietnamese), which are claimed in their entirety by China, and Vietnam, and partially by the Philippines, Malaysia, and Brunei (Amer, 2002: 4-5), consist of 750 uninhabited islands, islets, and cays, and some 100 reefs. The islands spread over 160,000 to 180,000 square kilometers of ocean area and a total land area of only approximately 1.24 square kilometers. By 2016, Vietnam controls 21 features of the Spratly Islands while China, the Philippines, and Malaysia were respectively 8, 9, and 5 (Vuving, 2016).

Although Vietnam claims sovereignty over overlapping boundary maritime and archipelagoes with five neighbors, its leaders perceive that most provocative actions threatening self-preservation originate from China. Moreover, while Vietnam and other disputed parties use non-military actions to support their claims, China takes "much more serious steps in building and upgrading their military bases" in the SCS (K. Nguyen, 2018: 19). China's substantial military build-up in the Paracel and the Spratly Islands materialized threats to Vietnam's security. In that context, seeking reasonable protective measures become a daunting task for Vietnam's leaders. The effective measures not only protect the country's territorial integrity, ensure maritime interests, and promote Vietnamese benefits but also avoid exacerbating the situation of the SCS, leading to a hostile standoff and even conflict. However, as Tomotaka Shoji claimed: "as a matter of fact, Vietnam

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[1] Vietnam regards Taiwan as an integral part of the Chinese state, thus the Paracel islands are the subject of dispute between Vietnam and China.

does not have many effective strategic options for addressing the South China Sea issue, given the country's absolutely asymmetric relationship with China, the "northern giant" (2016: 42). From the perspective of neorealism, in order to react to a threat, small states have three options, including balancing, bandwagoning, and hedging. For Vietnam, there is a consensus in the existing literature that since the 1990s, Vietnam chose hedging behavior rather than balancing or bandwagoning against China's threat. The increase of China's aggressive action in the SCS since 2010 led to some analysts stating that Vietnam tended to switch its policy from hedging to balancing. However, they also argued that due to the hedging strategy's advantages, Vietnam has still continued to stay on the hedging track to counter China's threat. The extensive literature sheds light on the explanatory factors of Vietnam's hedging strategy against China's threat, but because of the over-extension of the concept of hedging in which many scholars integrate almost every relevant strategic element into hedging. Consequently, the analyses of Vietnam's hedging strategy in reacting to China's threat becomes "unfalsifiable." Moreover, there has been no analysis of the hedging strategy's effectiveness in a face to a major maritime security challenge from China.

The need for such studies has been justified and has long been felt as necessary. Thus, this thesis sets out to address this gap by focusing on looking at Vietnam's foreign policy toward China in military, economic, and diplomatic fields. This scenario allows identifying what type of hedging strategy Vietnam used and whether this pattern is the best feasible one for Vietnam in managing Sino-Vietnamese bilateral ties in the SCS issues.

1.2. Objectives of the Study

The paper began with a puzzle: how has Vietnam responded to China's threats, especially in the SCS issues? Most answers rotated the arguments of whether Vietnam employs a balancing,

bandwagoning, or hedging strategy toward China. Across the literature, there is a general consensus that Vietnam has engaged in a hedging strategy against China's threats presenting in the SCS area. However, the current explanations of Vietnam's hedging are insufficient to account for the complexities of Vietnam's response to China's aggressiveness in the SCS. This paper thus attempts to determine the model of hedging strategy Vietnam adopted and its effectiveness in managing Sino-Vietnamese bilateral relations in the SCS disputes.

1.3. Research Questions and Hypotheses

The identified research goal can be transferred to the following research questions:

(1) What type of hedging does Vietnam use to respond to China's aggressiveness in the SCS?

(2) Why is this type more effective than balancing and bandwagoning?

Keeping in view the above objectives, the following hypotheses have been formulated:

- The type of Vietnam's hedging strategy vis-a-vis China over the SCS issues is either conventional hedging or soft hedging.
- The risks of balancing or bandwagoning strategy exceed that of the hedging one that Vietnam has employed.

1.4. Limitations

This thesis focuses on identifying Vietnam's strategic behavior vis-à-vis China over the SCS issues in three specific areas: military, economic, and diplomatic. Although it examines the role of external players, such as Russia, the United States, Japan, and India, in Vietnam's hedging strategy against its powerful neighbor, the influence of Sino-American ties on Vietnam's strategy in the SCS issues

is not covered in-depth in this study. The rise of China and its increasing assertiveness in the SCS to seek to be a regional hegemony in Asia, coupled with the United States' rebalancing strategy to maintain its global position and counter China's rise, has led to a hostile situation and even conflict in the region. In that context, one of the critical challenges confronting Vietnam is how to position itself with regard to the changing strategic relationship between the United States and China. The question of whether a significant maritime security challenge from China with the United States counterweight may change Vietnam's strategy toward China in the SCS is not in this thesis.

1.5. Structure of the Study

Chapter 1 introduces the thesis, specifying the rationale, objectives, questions, and hypotheses of the research. It clearly indicates the research limitations.

Chapter 2 begins with the literature review that will provide a brief overview of the definition of balancing, bandwagoning, and hedging and explanations of small states' response to a threat of a great power. It also discusses the literature on Vietnam's alternative strategies in managing the Vietnam-China relationship in general and their bilateral disputes in the SCS. This section, then, examines the concept of hedging by drawing on a wide range of literature. It explores the evolution of this concept, and most importantly, it analyses the redefinition of the established Koga of hedging and types of hedging in the "balancing-bandwagoning" spectrum. This chapter also shows the conceptual framework chosen to set the platform on which this thesis is based.

Chapter 3 addresses the research methodology. It describes the overall research design, including fully detailing the variables involved, the data collection, and the method of analysis. At the same time, I will establish why Vietnam, the case selected, suits this approach.

Chapter 4 includes two sections. The first section presents an analytical discussion of Vietnam's strategic behavior toward China presented in three specific aspects: military, economic, and diplomatic. These analyses will allow me to identify the type of hedging Vietnam used to respond to China's threat in the SCS. The second section evaluates the effectiveness of the strategy Vietnam used against China's threat in the SCS by calculating and comparing the risks produced by hedging, balancing, or bandwagoning.

Chapter 5 draws conclusions from the key findings of the research. It also details the contribution of the study and charts future research.

Chapter 2. Literature Review and Theoretical Framework

2.1. Literature Review

Research on a small state's choices in response to a threat of a more powerful one has mainly focused on questions of how small states behave in the face of security threats and what are the motivations behind their responses. The following section reviews the state of the literature on what ways and reasons they provide for small countries to adopt a particular strategy. Next, it considers the scholarship on Vietnam's response toward China's threats in general and in the SCS issues, in particular.

In order to properly research the strategies used by small states, this paper first clarifies the definition of small states (also known as secondary or minor powers). Given a definition of a small state, scholars, especially neorealists, can speculate its foreign policies in the face of a great power's threats. Yet, there is not much literature providing a universal definition of what constitutes a small state. Neorealists, such as Waltz and Mearsheimer, divide states into two categories: great powers and secondary or small ones. According to Waltz, a country's power is defined on the basis of ingredients such as the size of the population, resources endowment, economic capability, military strength, or political stability (1979: 131). Similarly, Mearsheimer claims that a state's power is primarily based on its wealth and the overall size of its population (2001: 55).

However, according to Michael Handel, the geographical location of a weak state is the central factor in determining its position and behavior in the international system (2006: 151-152). Wivel et al. made a similar view arguing that although the capability-based approach of a small state

allows distinguishing between big and small countries and “identifies why, when and how the security challenges of small states are distinct from those faced by stronger states,” but it is insufficient to explain a state's foreign policy behavior (2014: 7). These authors analyze that a definition of a small state in terms of material power capabilities has three following limitations. First, this definition is too focused on military capability, restricting to understand small states' security today; second, it is difficult to identify the real challenges and opportunities of small states caused by not only states' power capabilities but also geographical position, history, culture, and ideology; and finally, it leads to “no consensus on what constitutes a small state in terms of power possession” (Wivel et al., 2014: 7-8). They, therefore, defined a small state as “the weaker party in an asymmetric relationship, which is unable to change the nature or functioning of the relationship on its own” (Wivel et al., 2014: 9).

Regarding Vietnam, comprising just about 331,210 square kilometers, it pales in comparison to its 9,596,960 square kilometers neighbor, China (IndexMundi, 2019b). Even in 2018, Vietnam’s population of 97 million is less than one-tenth of China's population (IndexMundi, 2019a). In terms of GDP, in 2018, Vietnam's GDP just valued at USD 245.21 billion, while that of China is USD 13,600 billion (The World Bank, 2019). China is also Vietnam's neighboring state in terms of geography, sharing a border length of 1,297 km (IndexMundi, 2019b). Maybe these variables are not absolute to define Vietnam as a small state in the international sphere, but Vietnam easily qualifies as a small state directly compared to China. A study by Womack (2006) shows that historically, the Sino-Vietnamese bilateral ties has been characterized in a structure of asymmetry.

As Jeongseok Lee argued, a small state often suffers “strategic asymmetry and vulnerability in relationship with great powers” (2012: 5). Before that, Waltz also emphasized that the more power

a state owns in the international system, the more safety it enjoys and the more advantage it has in establishing the game's rules (1979: 194-195). As such, small states must be continuously on the alert and be extremely cautious in choosing a strategy to respond to a rising power's threat as well as the change of international and regional power distribution. The main approaches to address these issues have been the framework of balancing, bandwagoning, and hedging strategies.

Balancing is defined as a state strategy that is designed to counter an external threat (Walt, 1988) by either hard (by using military means, such as military buildups, war-fighting alliances, and transfers of military technology) or soft balancing (by using nonmilitary means, including international institutions, economic statecraft, and diplomatic arrangements) (Walt, 2009: 100-104). Balancing may also be a result of the actions of states seeking to secure their survival in an anarchic system by either internal (by building up their own economic and military capacity) or external balancing (by forming allies) (Waltz, 1979: 118).

Alternatively, states may choose to bandwagon with the threatening power. Bandwagoning behavior is described as a self-autonomic surrender to powerful states (Waltz, 1979: 126); or denotes aligning with a potential source of threat (Walt, 1985: 4). Walt (1985: 7-8) identifies security and profit are two central determinants in states' calculation. Here, he argues that states choose a balancing behavior because of security, while the bandwagoning approach helps a state first to avoid an attack on itself and then to share the profits of victory with the dominant power (Walt, 1985: 5-8). Previously, Waltz argued that states would adopt balancing behavior to maintain their positions in the system, whereas if states sought to maximize their power, bandwagoning behavior would be preferred (1979: 126). However, according to Walt (1985), bandwagoning is a risky strategy that requires trust that the dominant power will be benevolent; thus, he argues that

“balancing is preferable to bandwagoning.” He concludes that strong neighboring states will balance through forming alliances against the potential hegemon; meanwhile, small and weak states will prefer to bandwagon simply because they do not have enough capabilities or are unattainable security alliances given scarce or distant (Walt, 1985: 18). Schweller analyzes that “the aim of balancing is self-preservation of values already possessed, while the goal of bandwagoning is usually self-extension: to obtain values coveted” (1994: 82). Thus, he concludes that “power, not threats, drives the state’s choice” (Schweller, 1994: 82).

Recently, research on Southeast Asian states’ response to China’s rise also provides a more comprehensive understanding of why they choose either balancing or bandwagoning. For example, Robert S. Ross (1999) argues that due to the effect of geography and polarity, especially the United States/China bipolar power system, smaller Asian countries must choose to align themselves with either China or the US to ensure their security and interests; Aaron Friedberg (2011) emphasizes that most Asian countries are balancing or will balance against China because of the advantage of security cooperation with the United States, as well as the lack of stability-enhancing mechanisms to reduce and manage conflict in the region. In contrast to the above arguments, Kang (2003) shows that due to historical experiences presenting hierarchical regional order with the leading role of China in Asia, shared culture, norms, the rise of economic interdependence, and the development of institutional linkages, the Asian states choose bandwagoning instead of balancing against China’s growth. Kang believes that bandwagoning with China fits with the historical path of Asian countries and allows them to mitigate the security threat stemming from China's rise. Similarly, Stuart-Fox (2004) shows that in the light of history based on the tribute system in East Asia, the Southeast Asian states today react to growing Chinese power as they did in the past. However, according to Amitav Acharya (2003), Kang confuses Asian countries' economic self-

interest with bandwagoning. He argues that Asian countries increase trade and investment with China because of economic pragmatism rather than a bandwagoning strategy to cope with China's rise. Thus, he concludes that the Asian states' approach toward China should not be limited to just bandwagoning or balancing.

Moving away from the balancing and the bandwagoning school, a new category of literature emerged to explain how small states respond to the threat of great powers. Instead of balancing or bandwagoning, small states employ a hedging strategy against security threats. Current explanations define hedging strategy as a set of strategies/a combination of policies that can vary across sectors and zones to maximize economic benefits and minimize security risks (Chung, 2004; Goh 2005; H.H. Le 2013; Koga 2018; Kuik 2008, 2016; Lee 2012; Roy 2005). The ultimate goal of this strategy is to provide small states with policy flexibility to respond against a threatening state.

Compared with the literature on small states' response to the threat of a great power, research on how Vietnam reacts to China's threat has also attracted a number of scholars. For instance, Vuving (2006) claims that since the 1990s, based on the balance of power and interplay of interests of major international and domestic actors, Vietnam's strategy toward China has been a "mix of solidarity, deference, balancing, and enmeshment." Chen and Yang argue that Vietnam adopted a soft balancing against China (2013: 277-281), while Goh (2005) analyzes that Vietnam hedged against China's threat by improving the relationship with other larger powers such as the United States, Japan, and India, and engaging in regional and international forums to seek peaceful resolution of the SCS disputes. H.H Le's study (2013) shows that at different periods, Vietnam had divergent approaches toward China. In particular, between 1950 and 1970, Vietnam adopted a

bandwagoning strategy because of the economic and military interests China aided. From the mid-1970s to the end of the 1980s, Vietnam shifted into balancing due to an alliance with the Soviet Union as well as the consequence of the border war between Vietnam and China in 1979. From 1991 to the present, Vietnam has pursued a hedging strategy against China's rise because of its historical experience with China and changes in its external relations (H.H. Le, 2013: 338-340). H.H. Le (2013) also analyses that Vietnam's hedging strategy is a combination of four components: economic pragmatism, direct engagement, hard balancing, and soft balancing. Here, he states that such an approach can help Vietnam not only to maintain interests from the cooperative relationship with China but also to ensure its security against China's pressures. Joining H.H. Le, both Colberg (2014) and T.U. Tran (2018) also state that Vietnam employed a hedging strategy to counter China's threat. They argue that the rationale of the hedging strategy is that this strategy not only assists Vietnam to maximize benefits from its bilateral relation with China but also provides this country with greater autonomy and independence. Before that, Thayer (2008) argues that from 1991 to 2008, Vietnam's foreign policy toward China was a mix of many strategies, including internal balancing to modernize its military forces and maintain national unity, engagement strategy to maintain its bilateral relations with China; and omni-enmeshment strategy through membership in ASEAN and other regional multilateral organizations, such as ARF and the Greater Mekong Subregion to manage relations with China. It should be noted that Thayer's description of Vietnam's omni-enmeshment strategy matches Goh's definition of this strategy referring as "process of engaging with a state to draw deep involvement into international or regional forums and enveloping it in a web of sustained exchanges and relationships, with the long-term aim of integration" (Thayer, 2008: 26-27).

In order to manage the relationship with China in the SCS issues, the Vietnamese government alternately adopted three possible main strategies: balancing, bandwagoning, or hedging. According to T.H. Do (2015) and Amer (2002), the period before 1975, because the overarching goal of reunification had overshadowed North Vietnam's concern regarding the question of Sino-Vietnamese territorial differences in the SCS, the government of this area adopted a bandwagoning strategy in the form of an informal alliance with China to receive the support of China in a war against the United States intervention and aggression. In contrast, the South Vietnamese government pursued a balancing strategy by allying with the United States to protect its sovereignty over the Paracel and Spratly islands. In the 1975-1991 period, after North and South Vietnam were reunited as one country, the country employed a balancing strategy against China because China's threats on Vietnam materialized not only through the disputes in the SCS and the Gulf of Tonkin but also by the land conflicts on the border of North of Vietnam (H.H. Le, 2013). In the period from 1991 to 2010, after the China and Vietnam relations had been fully normalized, Vietnam's leaders switched its strategy from balancing to hedging with China to overcome differences[2] in resolving maritime disputes (Goh, 2005; Thayer 2008, 2011; Lee, 2012; H.H. Le, 2013; Amer 2014). However, while the disputes in the Gulf of Tonkin were solved by Agreement[3] on the Demarcation of Waters, EEZs, and Continental Shelves in the Gulf of Tonkin signed by the Foreign Ministers of Viet Nam and China in 2000 and then effected in 2004, the conflicts in the SCS saw less progress (Amer, 2014). Moreover, according to H.H. Le (2016), Thayer (2017) and

[2] The differences relate to oil exploration in the SCS and the signing of contracts with foreign companies for oil exploration, including events from April to June 1994, in April and May 1996, and in March and April 1997. Another difference is what disputes the parties want to include on the agendas. For example, Vietnam intends to discuss the issue of the Paracel Islands as an issue alongside that of the Spratly Islands, while China only wants to discuss the Spratly Islands.

[3] The two parties agreed on a delimited maritime line comprising 21 points, from the Bei Lun river mouth to the Southern mouth of the Gulf. The line connecting point 1 to point 9 is the boundary of the territorial waters and point 9 to point 21 is the delimitation line of the exclusive economic zones and continental shelves. Also, according to the Agreement, Viet Nam is entitled to 53.23% of the Gulf's total area and China 46.77%

T.U. Tran (2018), since 2010, China's increasing assertiveness over the SCS disputes caused the Vietnamese leaders to consider switching its policy in the direction of balancing against China. In particular, H.H. Le (2016) argues that China's aggressive actions in the 2014 oil rig crisis reflected clearly its offensive intention on Vietnam; in the meantime, the deepening defense ties with powerful partners, including the United States and Japan, might support Vietnam to balance against China. Thayer (2017: 11-12) also argues that the 2014 oil rig crisis pushed Hanoi to consider the possibility of forming an alliance politics with the United States to balance against China. Tran (2018) argues that the intense domestic pressure on territorial disputes relating to China caused Vietnam to increase its defense cooperation with the United States to balance against China. However, these above authors also claim that although Vietnam has the motivation to balance against China, this country still continues to employ the hedging strategy because this strategy not only gives Vietnam various options to manage its disputes without provoking China escalating tensions in the SCS but also avoids over-reliance on any external power.

Taken as a whole, security and profit are two central determinants in states' calculation in choosing strategy. A small state chooses a balancing strategy against threats to ensure its survival. By contrast, states may select a bandwagoning strategy to minimize security risks and gain more profit from a threatening power. Finally, smaller states may adopt a hedging strategy to have policy flexibility to avoid dependence on any single external power. In the case of Vietnam, in terms of history, in each stage, Vietnam rotationally used balancing, bandwagoning, and hedging strategies to cope with China's threat. This country also applied such approaches in managing the relationship with China in the SCS issue. However, there is a consensus in the existing literature that since the 1990s to early 2010s, Vietnam applied hedging rather than balancing and bandwagoning. China's growing aggression in the past decade in the SCS area pushed Vietnam to

move toward balancing against China. Nonetheless, the literature shows that Vietnam still prefers the hedging strategy in managing China-Vietnam bilateral ties over the SCS issues.

The core literature provides an understanding of how small states respond to a threat of a great power and the driving force behind these responses. In the case of Vietnam, much of the existing literature suggests that when coping with China's threat in general and on the SCS issues in particular, Vietnam benefits more by hedging. Nonetheless, with the exception of the research of Le (2013), the rest of the literature provides very little empirical evidence that has been offered to support this claim. My focus differs from the recent works: (i) it concentrates on providing empirical evidence to identify Vietnam's strategic behavior vis-a-vis China on the SCS issues; and (ii) it examines whether the strategy Vietnam adopted is a more feasible option than balancing and bandwagoning.

2.2. Theoretical framework

This section develops a conceptual framework of hedging strategy to guide the later work. It reviews the literature on hedging strategy and establishes a conceptual framework that enables the research gap to be investigated. The purpose is to build a reasonable approach to Vietnam's hedging strategy regarding the SCS issues.

The hedging strategy has been subject to research for some time and has been redefined and given different perspectives by academics since the mid-2000s. Most of the literature treats hedging as a combination of policy choices that can vary across sectors and zones. An early example can be found in Evelyn Goh's study defining hedging as "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" (Goh, 2005: 2). By giving this definition in the context of security strategies in the Asia – Pacific, Goh (2005) placed hedging in a middle position between balancing and bandwagoning. She sees that in this region, the countries adopt engagement policies at the same time with indirect balancing ones. Goh is not alone in this observation, Denny Roy, similarly, illustrates hedging - "keeping open more than one strategic option against the possibility of a future security threat" (2005: 306) in where hedging may involve not only balancing and bandwagoning but also engagement. Chung, too, was a pioneer in this regard, characterized hedging strategy as "pragmatic hedging behavior" aimed to "optimize economic benefits and minimize security risks" under the uncertain situation (2004: 35). Similarly, Lee refers to hedging as a "diversification strategy to prepare an uncertain future" (2012: 8). By examining the response of secondary powers in East Asia to rising China, Lee (2012) demonstrates that hedging is a combination of various policies that can include hiding, balancing, bandwagoning, engagement, transcending, accommodation, and appeasement. H.H Le (2013) separates Vietnam's hedging strategy into four components, including economic pragmatism, direct engagement, hard balancing, and soft balancing; and every component entails multiple policies. Le placed economic pragmatism and direct engagement at the bandwagoning end of the balancing-bandwagoning continuum, while the remaining two components are situated towards the opposite end as illustrated in Figure 2.1.

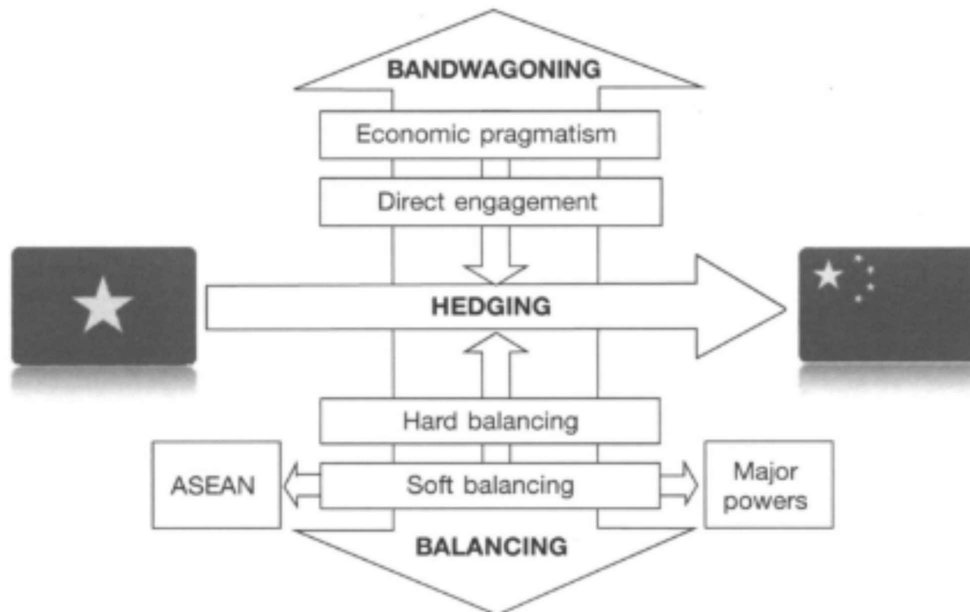

Figure 2.1 Vietnam's Hedging Strategy Vis-à-vis China

Source: Le, 2013.

According to Le, economic pragmatism is to deepen bilateral Sino-Vietnamese trade relations to promote domestic economic growth; direct engagement involves the expansion and deep of bilateral mechanisms for confidence-building between Vietnam and China and, "thereby shaping China's behavior;" hard balancing is undertaken through domestic military modernization to cope with Chinese aggressiveness; and soft balancing refers to engaging in multilateral institutions and enhancing relations with external partners to reduce pressures from China (2013: 344). Le, thus, concluded Vietnam's hedging strategy vis-à-vis China as "multi-tiered, omni-directional hedging" (2013: 335).

Kuik refers to hedging as "a behavior 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" (2008: 163). By this definition, he determines the objective of hedging behavior is to "seek to offset risks" to avoid taking the wrong position in the relationship with great powers. Kuik, thus, concluded that a state might pursue hedging behavior if it satisfies

three following conditions: (1) “the absence of an immediate threat,” (2) “the absence of any ideological fault-lines,” (3) the absence of an all-out Great Power rivalry” (2008: 165). In the latter study, Kuik describes hedging as “an insurance-seeking behavior under high-stakes and high-uncertainty situations, where a sovereign actor pursues a bundle of opposite and deliberately ambiguous policies vis-à-vis competing for powers to prepare a fallback position should circumstances change” (2016: 505). The author placed hedging not only in a middle position (between pure-balancing and pure bandwagoning) but also in an opposite position involving two sets of mutually counteracting policies known as “return-maximizing” and “risk-contingency (Kuik, 2016: 503). The risk-contingency option is made up of three approaches, including economic-diversification, indirect-balancing, and dominance denial. This approach allows states to avoid dependence on a single great state and minimizing security and political risks. The return-maximizing policy conducted through a combination of binding engagement and limited bandwagoning options is to maximize economic, diplomatic, and political benefits from a rising power. Hedging, as KuiK (2016) defined, is a strategy attacking the middle ground without committing to a larger power; thus, it allows a state to exhibit both forms of “power acceptance” and “power rejection,” as is illustrated in Figure 2.2.

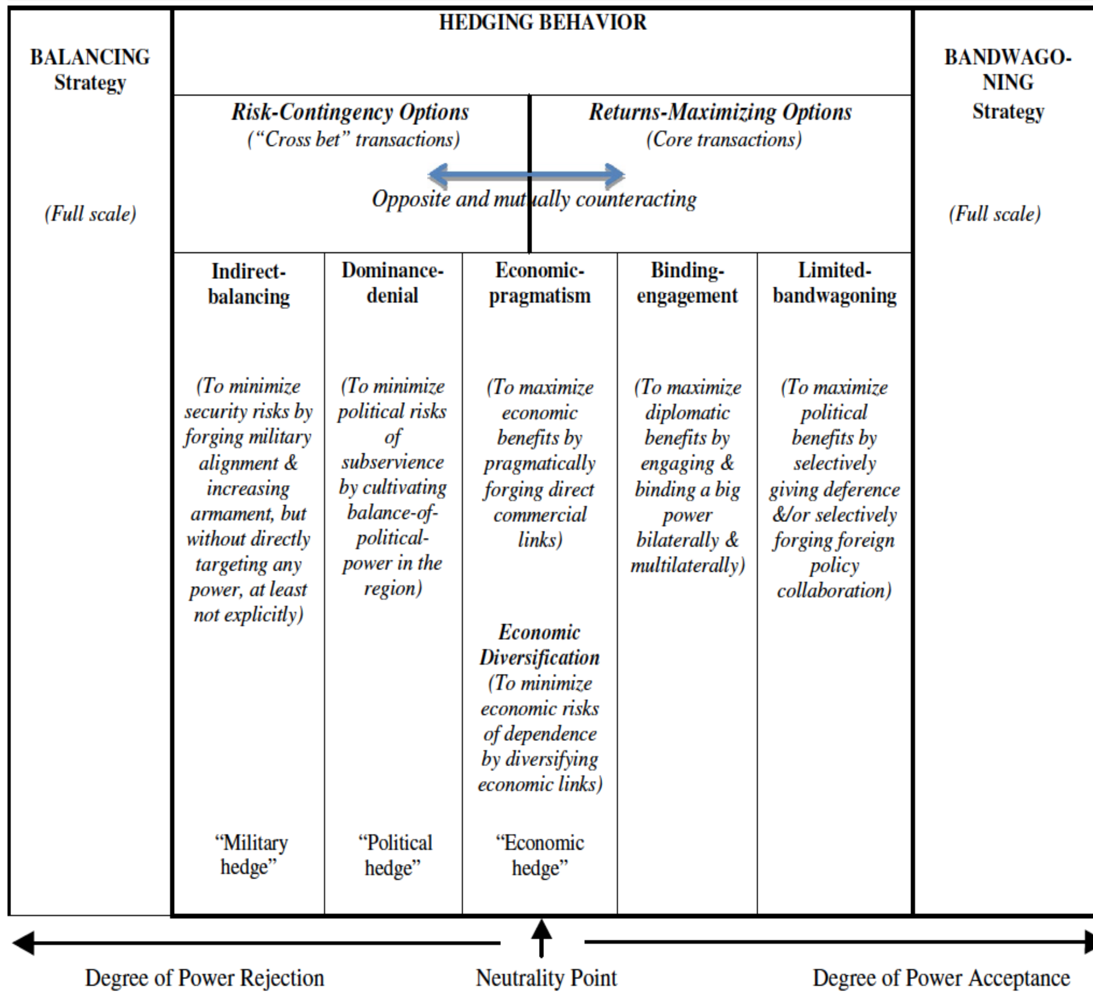

Figure 2.2 Power rejection/acceptance spectrum

Source: Kuik, 2016.

However, according to Kei Koga, the concept of hedging, as Kuik suggested, is too restrictive as establishing conditions for determining hedging behavior (2018: 638). Koga, thus, defines the concept of hedging as a state's behavior designed to "reduce or avoid the risks and uncertainties of negative consequences produced by balancing or bandwagoning alone" (2018: 638). Here, Koga calculates risks based on "a certain probability of negative consequences caused by a particular course of action." At the same time, the degree of uncertainties, he agreed, is difficult to be able

to measure. He, thus, proposed that by accepting a certain level of uncertainty, risks will be the key factor in determining states' choice (Koga, 2018: 638). Along with identifying motivations of hedging, Koga also determines conditions, including “the availability or pre-existence of allies or alignment” and “geographical proximity to shape states’ behavior (2018: 640). Although Koga’s conceptual framework was based on Japan’s strategic interactions with the United States and China in the context of ongoing global power shifts, to operationalize this framework, Koga places the patterns of hedging in the context of the “balancing-bandwagoning” spectrum within the “balance of power” theory and examines a state's strategic behavior in three areas: military, economic, and diplomatic. He proposed that “if military or economic indicators do not clearly determine whether the state is balancing or bandwagoning, then the diplomatic factor will be examined” (Koga, 2018: 643). As a result, Koga arrived at six hedging models: conventional hedging, soft hedging, economic hedging, security hedging, diplomatic hedging, and politico-military hedging, as illustrated in Table 2.2.

Table 2.2 Forms of hedging behavior

	Economic Balancing	**Military Balancing**	**Diplomatic Balancing**
Economic Bandwagoning	-	Conventional Hedging	Soft hedging
Military Bandwagoning	Economic Hedging	-	Security Hedging
Diplomatic Bandwagoning	Diplomatic Hedging	Politico-military Hedging	-

Source: Koga, 2018.

In Table 2.2, Koga offered six patterns of hedging based on various combinations among economic balancing/bandwagoning, military balancing/bandwagoning, and diplomatic balancing/bandwagoning (2018: 641). In particular, economic balancing refers to the use of economic instruments to impose on a target state to alter their behavior; economic bandwagoning is policies aiming to strengthen economic interactions with a target state; military balancing is undertaken through creating a new alliance to counter against a target state; military bandwagoning is conducted by allying with a potential source of threat; diplomatic balance is a strategy to bind a target state in the institution or keep the target states out an institution; and diplomatic bandwagoning refers to the use of international institution to build trust among members (Koga, 2018: 642). Koga also notes that in the military indicator, "joint military exercises or defense diplomacy are seen as tools of either balancing or bandwagoning, depending on the political context (2018: 642). Consequently, by disaggregating a state's strategic behavior toward a target state in the military, economic, and diplomatic fields, the patterns of hedging strategy Koga proposed become clear to determine. For this reason, this thesis will adopt Koga's hedging conceptualization to identify the type of hedging Vietnam adopted to respond to China's threat in the SCS.

In addition, although types of hedging, as Koga outlined, are ample, and the underlying purpose of any hedging strategy proposed is all to maximize security and autonomy (Koga, 2018: 638). In the case of Vietnam, its aims in the SCS are to protect the sovereignty of the Paracels and the Spratlys, gain exclusive control of resources on and under Vietnam's continental shelf, as well as living resources in the sea out to 200 nautical miles, collect customs duties, and prevent illegal activities within Vietnam's territorial waters. These aims tend to generate direct conflicts between Vietnam and China, forming a permanent threat to Vietnam's national security. Any strategy

Vietnam choosing causes a certain risk on Vietnam's security in particular and Sino-Vietnamese bilateral relations in general. Therefore, in order to evaluate the effectiveness of Vietnam’s hedging against China’s threat, the thesis will apply Koga’s approach by calculating the risks of balancing, bandwagoning, and hedging. On the basis of that, the author determines whether the risks of hedging Vietnam adopted are lower than that of balancing and bandwagoning.

Chapter 3. Research Design

The empirical analysis focuses on defining the type of Vietnam's hedging strategy toward China and its effectiveness in managing Sino-Vietnamese bilateral relations over the SCS issues. In order to research whether the established hypotheses hold, I will look at the variables involved, the data collection, and the method of analysis. At the same time, I will prove why the SCS and the case selected, Vietnam, suit this approach.

3.1. Variables

This thesis is, first, interested in what type of hedging Vietnam adopted to respond to China's behaviors in the SCS. In other words, I look for whether Vietnam's response toward China would fall under one of the patterns of hedging Koga (2018) proposed. Thus, the first hypothesis will be tested by observing Vietnam's behavior and policy in military, economic, and diplomatic fields. In terms of the military area, two variables observed are defense policy and military capabilities. Defense policy is traced through Vietnam's annual defense policy documents, such as white papers released by the MND, the CPV statements, and the Vietnamese government. Military capabilities will be calculated by examining Vietnam's defense budget, the GDP share for military expenditure, and military modernization compared with that of China. It should be noted that although the above two variables are similar to those used by Koga, the author expanded the components of the variable involving military capabilities by examining Vietnam's military modernization compared with that of China. This figure can provide a more in-depth view of the military capabilities of Vietnam and China.

In the economic realm, two variables observed are economic capabilities and interstate economic interaction. Economic capabilities are measured through the size and growth trend of Vietnam's GDP compared to that of China. This indicator is used to show a state's potential amount of economic resources that can be converted to military capabilities. The indicator is also an important part of identifying whether a country engages in internal balancing or not. Economic interaction between Vietnam and China is determined on the basis of Vietnam's trade dependency index (TDI) upon China. TDI will be calculated by establishing how much of Vietnam's economic links with China regarding its overall image of economic relations. It should be noted that this study measures TDI based on the ratio of Vietnam's total trade (exports + imports) with China to its GDP. This calculation is built from on the trade-to-GDP ratio defined by The Organization for Economic Co-operation and Development (OECD) as follows:

> Trade -to-GDP ratio is the sum of exports and imports divided by GDP. This indicator measures a country's "openness" or "integration" in the world economy. It represents the combined weight of total trade in its economy, a measure of the degree of dependence of domestic producers on foreign markets and their trade orientation (for exports) and the degree of reliance of domestic demand on foreign supply of goods and services (for imports). (OECD, 2007: 16)

Expressed as a percentage, the index evaluates the importance of a trading partner to the Vietnam economy. When TDI is low, balancing expected is the major behavior of states, whereas when TDI is high, bandwagoning is predicted instead of balancing. However, here, the author examines Vietnam's TDI with not only China but also the countries that are top trading partners of Vietnam in the period between 2009 and 2018. Although this indicator is beyond the ones Koga used to evaluate interstate economic interaction, it can provide a more adequate explanation of how much

of Vietnam's economic dependence on China, thereby identifying the importance of the Chinese market within the Vietnam economy's overall trade profile.

In the diplomatic area, a variable observed is how Vietnam used international institutions, particularly ASEAN, to manage Sino-Vietnamese bilateral relations. Vietnam is a member of ASEAN, while China is one of ASEAN's partners. ASEAN is also the core of a regional multilateral organization, the ARF, that serves to manage relations with China. Vietnam's ASEAN participation, thus, affects Vietnam's strategy toward China in the SCS disputes. Vietnam's ASEAN membership can determine whether Vietnam engaged in diplomatic balancing or bandwagoning toward China. Table 3.1 reflects all these variables to test hypothesis 1.

Table 3.1 Overview of variables

Vietnam's pattern strategy associated with China	**Fields**	**Variables**
- **Conventional Hedging** (Military balancing/Economic bandwagoning) - **Security Hedging** (Economic bandwagoning/Diplomatic balancing)	Military	- Vietnam's defense policy - Military capacities
	Economic	- Economic capabilities - Interstate economic interactions
	Diplomatic	The way Vietnam has used international institutions to manage the Sino-Vietnamese conflicts in the SCS

The second hypothesis will be tested by calculating the degree of risk when Vietnam adopted the pattern of hedging against China's threat in the SCS. It should be noted that based on Koga's hedging approach, the level of uncertainty is not accounted for in this study. The degree of risk

will be calculated by referring to the cost a state must pay when it chooses a strategy. While Koga provided us with clear proof that the degree of risk associated with states' choice is affected by the economic cost, other costs, such as the cost of joining alliances (the alliance dilemma, entrapment, and abandonment), are only measured contextually and operationally. The higher cost associated with a strategy the more risks is for the country to pursue that one. Table 3.2 reflects all these variables and indicators for the second hypothesis.

Table 3.2 Overview Variables and Indicators

Dependent Variable	**Independent Variable**	**Indicator**
Vietnam's pattern strategy associated with China's threat in the SCS area	The degree of risk	The economic cost
		The other costs (the cost of alliance)

3.2. Data Collections

The required data were collected through the library and internet research. A part of data serving the research is gathered from the governments and international organizations, such as the Observatory of Economic Complexity (OEC) databases, the World Bank (WB) databases, Institution for Southeast Asian Studies, International Institute for Strategic Studies (IISS), International Crisis Group, SIPRI Military Expenditure Database, the Foreign Investment Agency of Vietnam, etc. All these sources will be used to create a complete picture of the economic and military capabilities of Vietnam and China. The rest of the data was mostly extracted from books and articles, including relevant literature on the SCS case and historical records that are useful in

analyzing Sino-Vietnamese bilateral relations. Furthermore, the required data came from the accumulation of studies utilized to analyze the ASEAN's approach to the SCS issues. Besides, as a native Vietnamese speaker, the data I collect comes not only from English databases but also from works of Vietnamese researchers, which makes my paper being quite different in comparison to previous studies.

3.3. Method of Analysis

This paper is a single case study of Vietnam's strategic choice toward China over maritime security challenges in the SCS. It will adopt a within-case analysis that identifies the nature of the strategy Vietnam has pursued. For the first hypothesis, analytical-descriptive research methodology through a mixture of qualitative and quantitative observations is used to identify Vietnam's pattern of hedging vis-à-vis China's behaviors in the SCS area. The quantitative observation is utilized to define the economic and military capabilities of Vietnam and China. In contrast, the qualitative observation is used to monitor the characteristics of Vietnam's defense and diplomatic policy with respect to the management of Sino-Vietnamese bilateral relations on the SCS issues.

For hypothesis 2, process tracing is used to finding evidence showing that the hedging Vietnam used is more effective than balancing and bandwagoning. The evidence is based on calculating the risks of hedging in comparison with that of balancing and bandwagoning. As a result, the comparative method is also involved to compare the probability of risks of hedging, balancing, and bandwagoning strategies when Vietnam adopted them in economic, military, and diplomatic fields. If I hypothesize that the degree of risk of Vietnam's hedging is H1, the result (the efficacy of H1) is tested, as illustrated in Table 3.3.

Table 3.3 The effectiveness of patterns of hedging test

Result	The degree of risk of balancing (B1)	The degree of risk of bandwagoning (B2)
Fail	H1<B1	H1<B2
Effectiveness	H1>B1	H1>B2

By calculating the degree of risk of hedging in the above case, I expect to find evidence that shows hedging is a feasible strategy contributing to managing Sino-Vietnamese bilateral relations over the SCS issues.

3.4. Case Selection

Vietnam's response to China's threat in the SCS offers an opportunity to research a strategy of a small state against a great power's threat. Why focus on Vietnam? Firstly, China represents a conceivable threat to Vietnam. According to Stephen Walt (1988), a threat is defined by four elements: aggregate power, offensive power, geographic proximity, and perceived aggressive intentions. From the Vietnamese perspective, China's threat to Vietnam satisfies all of these characteristics. In terms of size and population, China's aggregate power overwhelms Vietnam. In particular, Vietnam comprises just about 331,210 square kilometers while China is 9,596,960 square kilometers; with about 97 million in 2018, Vietnam is less than one-tenth of China's population. Beijing's rapid naval modernization is why Vietnam has been the reason to be anxious about China's offensive power toward it. Especially in recent years, China has built up a range of

permanent infrastructure on all features in the Paracel and Spratly islands it controlled. Figure 3.1 shows that China built a range of weapons emplacements, radars and radomes, deep-water berths, runways, aircraft hangars, and weapons-storage facilities on both the Paracel and Spratly islands. In terms of geographic proximity, China is Vietnam's neighboring state sharing a border length of 1,297 km. Moreover, Vietnam has the reason to be anxious about China's aggressive intentions because not only historically Vietnam had over a thousand years under Chinese rule but also between the two countries has remained a range of unresolved territorial and maritime disputes in the SCS.

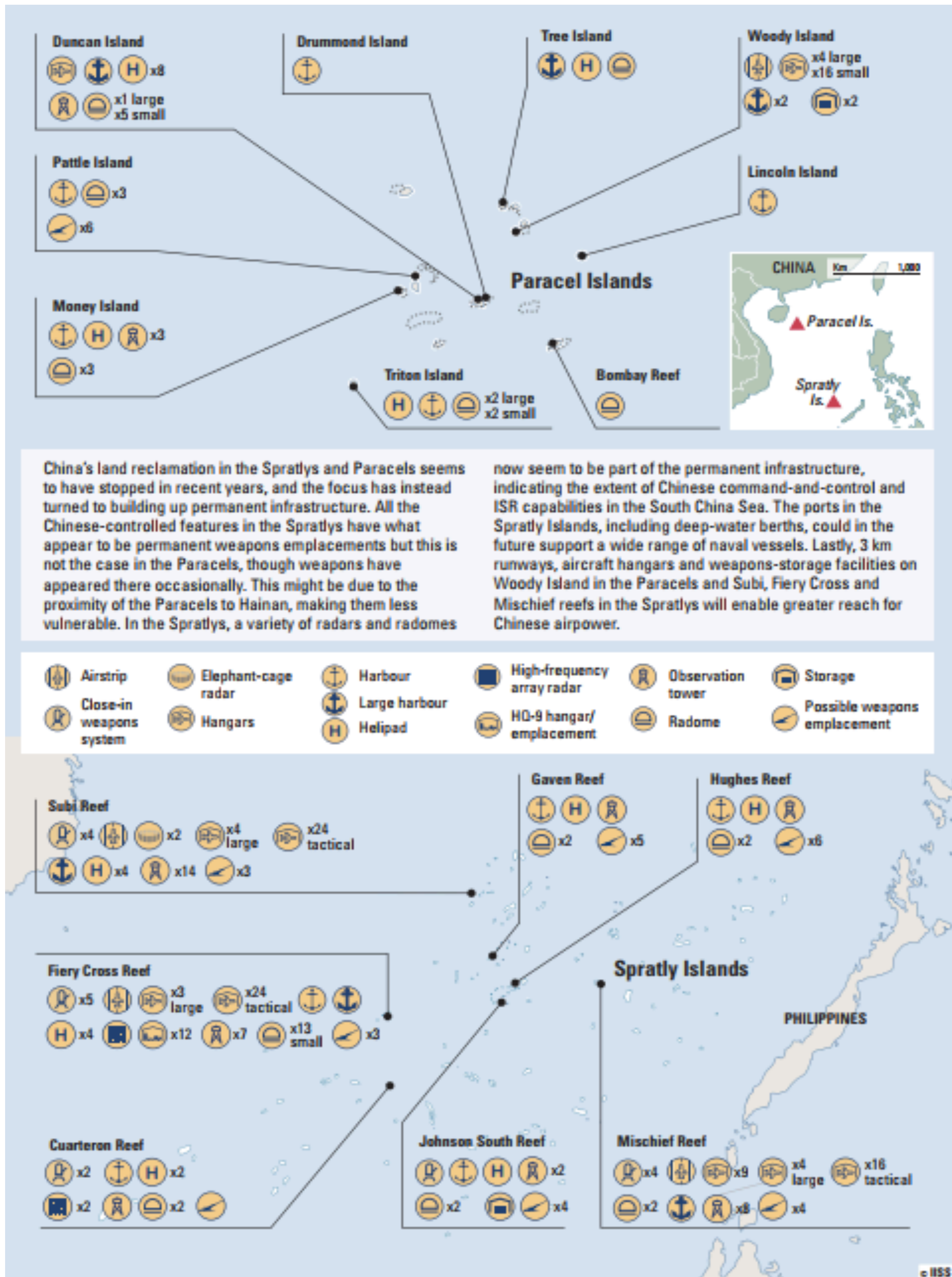

Figure 3.1 Chinese military facilities in the South China Sea

Source: International Institute for Strategic Studies, 2019.

Secondly, Vietnam, a coastal country, has a large coastline of 3,260 km with a sovereign sea area covering more than 1 million km²; and over 50% of Vietnam's major cities are coastal cities with a half national population settling down (C. H. Nguyen and Hoang, 2015: 445). Such natural geographical position means the sea in general and the SCS area in particular play an important strategic role in Vietnam's economy and security. Third, Vietnam has tended to view China not only as a potential threat but also as a role model. Many aspects of Vietnam's ideology and economic-political system have been borrowed from China, making China become one of the most influential states in Vietnam (Thayer, 2011). According to Hannah Cotillon, "China and Vietnam share similar societal institutions, stemming from their common traditional heritage," especially in the period of revolution and reform, China is the most important reference for Vietnamese politics (2017: 54). Such ideological cooperation created good bilateral relations between two countries even so previously, both experienced certain aspects of disagreement. Nonetheless, China's increasing aggression in the SCS escalated tensions between the two countries. The SCS disputes involving Vietnam and China revolve around claims to sovereignty over overlapping boundary maritime and archipelagoes. Figure 3.2 presents the claims made in the SCS from different countries. It is shown that China and Vietnam claimed sovereignty over the Paracel and the Spratly archipelagoes while the Philippines, Malaysia, and Brunei had claims over the sovereignty of certain parts of the Spratly Islands. Among the claims made in the SCS, China's claims consist of a large portion of the SCS described as the "nine-dash line" or " U line," including the Paracel, the Spratly archipelagoes, and some isolated islands and reefs such as James Shoal, the Pratas Islands, the Scarborough Reef (Amer, 2002: 4; See Figure 3.2).

Figure 3.2 Countries' claims in The South China Sea

Source: Burr, 2014.

China established sovereignty over the eastern of the Paracel islands in 1956 and then seized the remainder from the South Vietnamese government in 1974 using military force (H.T. Nguyen 2012: 188). For the Spratly island, China entered this island for the first time in 1988, then continuously expanded its control over the islands, and is currently controlling some islands, cays, and reefs (Amer, 2002: 4). However, in accordance with the Declaration on Principles of International Law concerning Friendly Relations and Cooperation among States in accordance with the Charter of the United Nations, no territory of a state resulting from the threat or use of force and no territorial acquisition resulting from the threat or use of force shall be recognized as legal (United Nations General Assembly, 1970). Therefore, the occupation of these islands by China cannot change their legal status.

According to Bijendra De Gurung, "Beijing justifies its claims over the entire SCS based on historic rights of the third century Han Dynasty's conquest of some features in the SCS" (2018:10). But Beijing goes further when it argues that China's sovereignty over the SCS area is not only justified in terms of its history of fishing, navigation, and other activities in this region; but also meets the standards of international law, including the customary law of discovery, occupation, and historical title (Gao and Jia, 2013). Before that, Teh-Kuang Chang (1991) provided a range of references showing that China discovered the Paracel and Spratly islands as early as the second century B.C. The author concludes that in light of international law, China's claims are based on discovery and effective occupation. Shen made the same argument in her research published in 1997. The author claims that based on a range of historical evidence, China was the first recorded discoverer of the Paracel and the Spratly and other groups of islands in the SCS, as well as a continued display of its authority over these features after the discovery (Shen, 1997: 72-74). On this basis, in 2009, China refused the joint submission of Vietnam and Malaysia regarding the southern part of the SCS to the Commission on the Limits of Continental Shelf (Bijendra De Gurung, 2018: 10).

Vietnam, on the other hand, argues that its claims to features of the SCS are founded in both history and law. According to Kelly (1999), Do (2015), Pedrozo (2014), and Thayer (2016b), historical records from the pre-colonial time showed that Vietnam was the first country to control and administer the Paracel and the Spratly islands. In particular, Vietnam's claims to exercise its sovereignty over these island chains are, initially, mentioned in an annotated atlas written between 1630 and 1653 (T.H. Do, 2015: 33; Pedrozo, 2014: 38). Vietnam's historic sovereignty over the islands is continually asserted through a range of publications, official documents of the Nguyen Dynasty, and maps and documents made by other countries between the 17th and 19th centuries.

Economic exploitations and effective administration of these islands by the Nguyen dynasties in the period of 1802 and 1835 provided more clear evidence of Vietnam's sovereign claims (Thayer, 2016b: 2002; Do, 2013: 39-41; Pedrozo, 2014: 38-50). During the French colonial period (between 1884 and 1954), France continued to exercise sovereignty over the islands on behalf of Vietnam through scientific surveys of the islands as well as the construction of lighthouses, meteorological posts, and radio stations on both of them (Do, 2015: 41-42; Thayer, 2016b: 202). According to H.H. Nguyen (2012) and Pedrozo (2014), Vietnam's claims built off of France's action in the Spratly in the 1930s are based upon the “Terra res nullius” argument: a principle of international law that argues that territory may be acquired by effective and uninterrupted occupation. French jurisdiction was disrupted for a short time by the Japanese invasion between 1941 and 1945. However, after World War II, French authorities reoccupied these islands, including the western part of the Paracels and some islands in the Spratlys. From 1954, after France’s withdrawal from Vietnam, the Republic of Vietnam, and afterward, the Socialist Republic of Vietnam took over the two groups of islands and have never been ceased to assert Vietnamese sovereignty over the islands. Both Vietnam and China have failed to reach a compromise to solve the territorial differences in the SCS. Consequently, a series of clashes and incidents have happened over disputed waters from 1974 to the present.

Table 3.4 Major actions raising tensions in the South China Sea between Vietnam and China (from 1974 to the present)

Time	**Actions**	**Source**
January 1974	China used military force to seize the Paracel Islands group from the South Vietnam government, and killing over fifty Vietnamese in the Paracel Islands.	T.H. Do, 2015.

March 1988	A battle between Chinese and Vietnamese navy in the Johnson South Reef Skirmish on Mabini reef in the Spratly Islands caused the death of at least seventy Vietnamese personnel.	T.H. Do, 2015.
1994	Two Chinese warships blockade a Vietnamese oil rig.	Thayer, 2016b.
January 2005	Chinese ships fired upon two Vietnamese fishing boats in the Gulf of Tonkin, where these boats were legally fishing, killing nine people and illegally detaining one ship with eight people on Hainan Island.	Ngo and Minh, 2005.
May 2011	A clash between the Vietnamese oil and gas survey ship and Chinese maritime patrol vessels occurred 120 km off the south-central coast of Vietnam and 600 km off south of China's Hainan island. Vietnam claimed that its oil and gas survey ships, many times, had their cables cut by Chinese patrol boats.	Green et al., 2017.
2012-2013	A number of incidents relating to China's activities threatened to raise the tensions between the two countries, including the arrest of Vietnamese fishers, the opening of blocks for oil concessions in the SCS area, the cutting of the cable of a Vietnamese seismic survey vessel in the vicinity of Con Co Island, an area located within Vietnam's EEZ.	Green et al., 2017
May 2, 2014	A clash between Vietnamese naval ships and Chinese vessels occurred as China set up an oil rig in the Hai Yang Shi You 981 (HYSY 981) area to which both nations have the legal right to claim under the 1982 UNCLOS.	Bower and Poling, 2014.

May 26, 2014	A Vietnamese fishing boat sank near the Chinese deep-water oil rig that was placed in disputed waters off the coast of Vietnam, after it collided with a Chinese vessel.	Perlez, 2014.
2017-2018	The Vietnamese government suspended Repsol's drilling in a disputed area of the SCS following strong threats from China.	Hayton, 2017.
July-October 2019	China dispatched the ship Haiyang Dizhi 8 to conduct seismic surveys in Vietnam's EEZ, the Vanguard Bank area.	Kuok, 2019.
2 April 2020	A Chinese vessel clashed with a Vietnamese fishing boat, which sank near Paracel Islands without casualties.	International Crisis Group, 2020.
13 April 2020	The Haiyang Dizhi 8, a Chinese geological survey ship, returned to Vietnam's EEZ.	Grossman, 2020.
18 April 2020	China declared that it had established new administrative units for the disputed Paracel and Spratly Islands.	Grossman, 2020.
July-August 2020	China carried out two military drills around the disputed Paracel Islands	Vu, 2020; Mai, 2020.

Actions listed in Table 1.4 showed that a series of incidents between the two countries has occurred in maritime disputes on the SCS since 1974. Notably, China has engaged in highly assertive behavior in recent years. These actions include the increase in exploring for or extracting energy resources in disputed waters, the detainment of Vietnam's fishermen and fishing boats, the hindrance of Vietnamese oil exploitation activities, and the conduct of military drills around the disputed area, etc. Especially in a backdrop of the COVID-19 pandemic, while, like the rest of the world, Vietnam focuses on preventing the outbreak and overcoming the domestic consequences of this pandemic, China is increasing aggression in the South China Sea. China held two of the

exercises near the disputed Paracel Islands in just two months. Such drills raised tension between the two countries. As a statement of Vietnam's Ministry of Foreign Affairs spokeswoman, Le Thi Thu Hang, China's action “violates Vietnam's sovereignty over the islands, goes against the spirit of the DOC, and is not conducive for negotiations related to the COC, as well as the maintenance of peace, stability, and cooperation across the waters” (Mai, 2020).

Facing such situations, historically, Vietnam alternatively used balancing, bandwagoning, or hedging strategies against China, although the existing literature shows that since the 1990s, Vietnam has adopted hedging rather than balancing and bandwagoning. However, Vietnam is currently experiencing multiple strategic dilemmas, such as its limited military and economic capabilities, its massive economic dependence on China, and China’s increasing aggressiveness in the SCS. All these factors make the case of Vietnam particularly relevant for research in the field of international relations as it can help us understand how and why Vietnam adopts a hedging strategy toward China in the SCS. The significance of this puzzle goes even further in academia, as the case of Vietnam also can provide insight into how small states behave in conflicts with larger ones.

Chapter 4: Vietnam’s Strategy in Managing Sino-Vietnamese Bilateral Disputes in the South China Sea

4.1. Vietnam’s foreign policy with China’s increasingly aggressive behavior in the South China Sea: Balancing, bandwagoning, or hedging?

4.1.1 Military aspect

This section aims to identify whether Vietnam adopts military balancing or bandwagoning against China’s threat in the SCS. In order to sort out this puzzle, I will examine Vietnam’s defense policy toward the SCS issues and its military capabilities in comparison to that of China.

Vietnam’s defense policy toward the SCS issues

Being well aware of the characteristics and strategic position of the economy, politics, and security of the SCS area in the cause of national construction and defense, the Vietnamese government and the CPV have issued many orientations, solutions, and directives on marine economic development associated with managing and protecting territorial sovereignty over this area. From very early, in 1977, the Vietnamese government issued a Declaration on the territorial sea, contiguous zone, the exclusive economic zone, and the continental shelf of Vietnam. The Declaration stated that as follows:

> 1. The territorial sea of the Socialist Republic of Vietnam has a breadth of 12 nautical miles measured from a baseline which links the furthest seaward points of the coast and the outermost points of Vietnamese offshore islands, and which is the low-water line along the coast.

> 2. The contiguous zone of the Socialist Republic of Vietnam is a 12-nautical-mile maritime zone adjacent to and beyond the Vietnamese territorial sea, with which it forms a zone of 24 nautical miles from the baseline used to measure the breath of the territorial sea.
>
> 3. The exclusive economic zone of the Socialist Republic of Vietnam is adjacent to the Vietnamese territorial sea and forms with it a 200-nautical-mile zone from the baseline used to measure the breadth of Vietnam's territorial sea.
>
> 4. The continental shelf of the Socialist Republic of Vietnam comprises the seabed and subsoil of the submarine areas that extend beyond the Vietnamese territorial sea throughout the natural prolongation of the Vietnamese land territory to the outer edge of the continental margin, or to a distance of 200 nautical miles from the baseline used to measure the breadth of the Vietnamese territorial sea where the outer edge of the continental margin does not extend up to that distance.
>
> The islands and archipelagos, forming an integral part of the Vietnamese territory and beyond the Vietnamese territorial sea mentioned in Paragraph 1, have their own territorial seas, contiguous zones, exclusive economic zones and continental shelves, determined in accordance with the provisions of Paragraphs 1, 2, 3 and 4 of this statement. (Dzurek, 1983)

This declaration is seen as the earliest one in Southeast Asia in line with the spirit of the 1982 UNCLOS. After this declaration, on November 12, 1982, the Vietnamese Council of Ministers released a declaration on the baseline used to measure the breadth of the territorial sea of the country that was claimed in the 1977 declaration (The Geographer Bureau of Intelligence and Research of the Department of State, 1983); on November 30, 1987, the CPV Political Bureau issued Resolution No. 06/1987/NQ-TW on the protection of Vietnam's sovereignty over Hoang Sa (Paracel) and Truong Sa (Spratly) archipelagoes and its increased presence on the East Sea and Truong Sa archipelagoes. The Resolution affirmed not only Vietnam's sovereignty to these

archipelagoes but also their important role in the country's defense, security, and marine economy development (The CPV Political Bureau, 1987). The Resolution is the legal foundation for the Vietnamese Navy to strengthen forces, build defensive postures on the archipelagoes and in the SCS areas. In order to exercise the rights of a coastal state, on January 29, 1980, the Vietnamese government also issued Decree No. 30-CP on operations of foreign vessels in the sea areas of Vietnam, and Decree No. 31-CP on fishing activities of foreign fishing vessels in the sea areas of Vietnam.

It can be seen that, in the period from 1975 to 1987, Vietnam took strategic steps in affirming the national sovereignty over its sea areas as well as in exercising the rights of a coastal state through legal documents. In four national defense white papers published respectively in 1998, 2004, 2009, and 2019, the MND also identifies the threat resulting from border disputes, both on land and at sea, and especially the SCS disputes are one of the main threats to Vietnam's national security (MND, 1998: 15; 2004: 11; 2009: 18; 2019: 18-19). The MND responds to this threat with a strategy that combines a policy of independence, self-reliance, peace, cooperation, and development in external affairs; and a policy of openness, diversification, and multi-lateralization in international relations. This strategy is, especially, based on a non-alignment principle.

The non-alignment principle is constituted from four core pillars: (1) no military alliances, (2) no foreign bases on Vietnam's soil, (3) no siding with one country against a third one, and (4) no using force or threatening to use force in international relations. The first and third parts of this principle were initiated in the 1998 White Paper (MND, 1998: 20) and then highlighted in other white papers. The second pillar was first mentioned in the 2004 White Paper in which Vietnam did not allow others to have military bases in Vietnam (MND, 2004: 14) and added that Vietnam did not

permit any other countries to use its territory to carry out military activities against other countries. The principle of no use or threat of force was presented in the 2019 White Paper (MND, 2019: 23-24), but the idea of this pillar appeared in these earlier White Paper too. In particular, the 1998 White Paper states that Vietnam does not participate in any military activities that are contrary to the spirit of peacekeeping and non-participation in any military activities threatening to use force (MND, 1989: 20); and the 2004 White Paper claims that "Vietnam will never take part in any military activity that uses force or threatens to use force against any other country (MND, 2004: 14).

In the development stage of the principle of non-alignment, its pillars are integrated into different ways. However, it holds on to one core rule: no alliance. This principle limits Vietnam's strategic options when Vietnam cannot engage in an external balancing strategy (by allying with a great power against China's threat) or bandwagoning strategy with China. In order to overcome this limitation, in the 2019 White Paper, the MND noted that:

> Depending on circumstances and specific conditions, Viet Nam will consider developing necessary, appropriate defense and military relations with other countries on the basis of respecting each other's independence, sovereignty, territorial unity and integrity as well as fundamental principles of international law, cooperation for mutual benefits and common interests of the region and international community. (MND, 2019: 24)

This view indicates that Vietnam may make a strategic shift in its traditional "no alliance" defense policy if it faces unacceptable threats from any state. In other words, Vietnam may pursue stronger military ties abroad as China challenges Vietnam's maritime sovereignty claims, even it may seek a military alliance if Beijing's aggressive behavior in the SCS continues to escalate. However, in the current context, all official documents or leaders' statements of the Vietnam government show

that Vietnam has still chosen not to join any military alliances with any states to balance against China's threats. Instead of joining a coalition to ensure its security, Vietnam pursues defense diplomacy to manage Sino-Vietnamese ties over the SCS issues. In the history of world diplomacy, defense diplomacy appeared in the post-Cold War, and is defined as "a set of activities carried out mainly by the representatives of the state defense bodies, as well as of other state institutions, aimed at pursuing the foreign policy interests of the state in the field of security and defense policy and whose actions are based on the use of negotiations and other diplomatic instruments" (Pajtinka, 2016: 184); or "a practice of conducting negotiations, requiring the use of such means, methods and instruments that do not increase hostility and, at the same time, is implemented under international law" (Drab, 2018: 69). In Vietnam, the first time the term of "defense diplomacy" mentioned is in the 2009 White Paper in which the MND embraced defense diplomacy as a part of its diplomacy (MND, 2009: 23). However, before that, on May 6, 1993, the CPV Political Bureau issued Resolution No. 03 / NQ-TW on a number of tasks for the development of the marine economy in the immediate years in which the Party provided major solutions to implement the goal of the marine economic growth along with further defending national sovereignty and interests, protecting marine resources and the eco-environment. One of these major solutions was to "multi-lateralize external relations to create a counterbalance against great states' threat and a position and force for the peaceful settlement of the marine disputes" (CPV Political Bureau, 1993). This solution can be seen as the tactical policy of the defense of national sovereignty and interests through diplomacy, and also was a step forward in the awareness about Vietnam's defense diplomacy relating to maritime sovereignty. Similarly, in the 2004 White Paper, the MND confirmed that Vietnam pursued a foreign policy of independence, diversification, and multi-lateralization (MND, 2004: 13).

The MND, then, identified "the goal of defense diplomacy is to establish and develop defense relations with all countries based on equality, and mutual respect that contributes to the cause of building the country, building the armed forces, consolidating national defense and security, safeguarding the Homeland, and making contributions to the maintenance of regional and world peace and security" (MND, 2009: 23). In order to implement this goal, Vietnam established defense diplomacy encompassing bilateral security cooperation via the exchange of military delegations, information and experience sharing, collaboration in training and education, and solving humanitarian issues; and multilateral security cooperation through participation in multilateral fora, military exercises, and summit meeting within ASEAN centered frameworks (MND, 2009: 24-25).

Defense diplomacy through bilateral security cooperation

Vietnam has been using bilateral security cooperation in an effort to counter China's threat in the SCS. Vietnam's view is to develop defense relations with all nations, especially countries having strategic and comprehensive partnerships. This policy aims to garner international actors' support and assistance to prevent risks and respond to potential aggression. Among states, Vietnam established defense relations, Russia, India, Japan, and the United States are undoubtedly its preferred foreign partners. While Russia, the former ally of Vietnam in the Cold War period, is the largest supplier of military equipment and personnel training to Vietnam, the United States, India, and Japan share their mutual concerns with China's increased military presence in the SCS as well as its assertiveness in maritime disputes in the region.

In order to boost its military capabilities, Vietnam purchased a large number of military equipment from Russia. The statistics of Table 4.1 shows that over 1995 to 2019, Russia emerged as the

largest supplier of weapons and military techniques to Vietnam with a share of over 57% of Vietnam's import deals, followed by Ukraine, Israel, Canada, Belarus, the United States, South Korea, Romania, and India, accounting for 15%, 11 %, 4%, 2,7%, 2.7%, 2.7% 2,7% and 1.4% respectively. A major part of the military equipment purchased from Russia, like 4 Tarantul Corvettes, 8 Svetlyak patrol vessels, 2 Gepard-3 frigates, 2 K-300P Bastion-P coastal defense systems, and especially six Kilo-class submarines worth approximately USD2 billion, is utilized to modernize its navy and strengthen its coastal defense (Thayer, 2013b; 2016a: 26-27; Tsvetov, 2018: 152-153; T. T. Tran, 2017: 181; Simha, 2015; Banlaoi 2009: 211; H.H. Le, 2013: 353).

Table 4.1 Vietnam's Major Defense Deals made for 1995 to 2019

Source Country	**Item**	**ordered**	**Delivered**	**Notes**
Belarus	9 Vostok-E/Air search radar	2013	2017-19	Assembled or produced in Viet Nam as RV-02
	5 S-125T Pechora-2T/SAM system	2008	2014-16	
Canada	3 DHC-6/MP aircraft	2010	2014	
	3 DHC-6 Twin Otter/Transport aircraft	2010	2012-13	
	6 PW100/Turboprop/turboshaft	2014	2014-15	
India	4 L&T 35m/Patrol craft	2016	N/A	$100 million deal;
Israel	150 RAM/APV	2006	2006-09	
	100 AccuLAR/Guided rocket	2010	2014-16	
	100 EXTRA/Guided rocket/SSM	2010	2014-16	
	3 EL/M-2022/MP aircraft radar	2012	2014	
	2 EL/M-2288 AD-STAR/Air search radar	2012	2013	
	200 Derby/BVRAAM	2015	2016-18	

	200 Python-5/BVRAAM	2015	2016-18	
	5 SPYDER-MR/SAM system	2015	2016-18	
Romania	12 Yak-52 trainer aircraft	1997	1997	
	10 Yak-52 trainer aircraft	2008	2009-11	
Russia	2 Project-1241/Tarantul Corvettes	1994	1996	
	6 Su-27S/Flanker-B fighters	1994	1995	
	75 R-73/AA-11/SRAAM	1994	1995	
	4 ST-68/Tin Shield/Air search radar	1994	1995-97	
	80 Strela-2/SA-7/Portable SAM	1994	1996-99	
	6 Su-27S/Flanker-B fighters	1996	1997-98	
	400 Igla-1/SA-16/Portable SAM	1996	1999-2014	
	20 Kh-35 Uran/SS-N-25/Anti-ship missile	1996	2001	
	2 Project-1241/Tarantul Corvettes	1998	1999	
	20 P-15M/SS-N-2C/Anti-ship missile	1998	1999	
	50 Igla/SA-18 Portable SAM	2001	2002	
	2 Project-10412/Svetlyak patrol vessels	2001	2002	
	4 Mi-8MT/Mi-17 Transport helicopter	2002	2004	
	(75) 48N6/SA-10D Grumble surface-to-air missiles (SAM)	2003	2005-06	
	2 S-300PMU-1/SA-20A SAM systems	2003	2005	
	4 Su-30MK/Flanker fighters	2003	2004	$100-120 million deal
	100 R-73/AA-11/SRAAM	2004	2004	
	20 Kh-31A1/AS-17 anti-ship missiles (ASM)	2004	2004	For Su-30 fighters
	250 Kh-35Uran/SS-N-25 ASM	2004	2008-16	For Gepard-class frigates and Tarantul corvettes

	50 R-73/AA-11/SRAAM	2004	2004	
	200 9M311/SA-19/SAM	2006	2011	
	2 Gepard-3/Frigate	2006	2011	
	30 Kh-35 Uran/SS-N-25/Anti-ship missile	2006	2011	
	2 K-300P Bastion-P coastal defense systems	2007	2009-11	
	(40) Yakhont/SS-N-26 ASM	2007	2009-11	For Bastion coastal defense systems
	6 Projects-10412/ Svetlyak patrol vessels	2007	2011-12	
	50 3M-54 Klub/SS-N-27/Anti-ship MI/SSM	2009	2013-16	
	80 53-65/AS torpedo	2009	2013-16	
	200 KAB-500/1500/Guided Bomb	2009	2011-12	
	80 Kh-31A1/AS-17/Anti-ship missile/ARM	2009	2011-12	
	6 Project-636E/Kilo-class Submarines	2009	2013-17	$1.8-2.1 billion deal
	(40)3M-54 Klub/SS-N-27 ASM	2009	N/A	Project-636E/Kilo-class Submarines
	8 Su-30K/ FGA aircraft	2009	2010-11	$400-500 million deal;
	250 R-73/AA-11 SRAAM	2009	1010-12	
	80 TEST-71 AS/ASW torpedo	2009	2013-16	For Project-636 (Kilo) submarines
	12 Su-30K/ FGA aircraft	2010	2011-12	$1 billion deal
	2 Gepard-3 frigates	2012	2017-18	
	30 Kh-35 Uran/SS-N-25/Anti-ship missile	2012	2017-18	

	12 Su-30MK/FGA aircraft	2013	2014-16	$450-600 million deal
	10 Project-1241/Tarantul corvettes (1241.8/Molniya version)	2004	2009-16	Licensed to be produced in Vietnam
	30 TEST-71/AS/ASW torpedo	2012	2017-18	
	64 T-90S/Tank	2017	2018-19	
Spain	3 C-295 Transport aircraft	2014	2014-15	For Vietnam Marine Police
South Korea	1 Po Hang Corvette	2016	2017	Second-hand
	1 Po Hang Corvette	2017	2018	Second-hand
Ukraine	6 MiG-21PFM/Fishbed-F Fighter aircrafts	1995	1996	Second-hand
	4 DR-76/Gas Turbine	1998	1999	
	4 DR-77/Gas Turbine	1998	1999	
	16 DR-76/Gas Turbine	2004	2008-16	
	16 DR-77/Gas Turbine	2004	2008-16	
	8 Su-22/Fitter-H/J/K FGA aircraft	2004	2005-06	Second-hand
	4 DT-59/Gas Turbine	2006	2011	
	16 DR-76/Gas Turbine	2004	2008-2016	
	4 Kolchuga air search system	2009	2012-13	$54 million deal
	4 DT-59/Gas Turbine	2012	2017-18	
	2 ST-68/Tin Shield Air search radar	2012	2014	
The United States	1 Hamilton/OPV	2016	2017	Second-hand (aid)
	1 Hamilton/OPV	2019	N/A	Second-hand (aid)

Source: SIPRI Arms Transfers Database, 2019; statistics by author.

Besides the signed agreements on the acquisition of a variety of weapons and modern military technologies from Russian, Vietnam also received the assistance of this country's companies in servicing and maintaining the existing military equipment, cooperating to produce a variety of missiles and armaments, and developing a submarine fleet (Thayer, 2013b). For example, Vietnam gained Russia's license to produce 10 Tarantul corvettes in Vietnam; Vietnam and Russia also signed an agreement to co-produce anti-ship missiles in Vietnam in 2012 (H.H. Le, 2013: 356); in 2015, Vietnam has begun the production of the KCT 15 anti-surface warfare missile based on technology transferred from Russia (Dao Toan, 2016). Defense cooperation between the two countries is more and more expanded and comprehensive when on 6 February 2020, the Vietnamese Minister of National Defense and the Russian Defense Minister have signed a Joint Vision Statement on Viet Nam-Russia Defense Cooperation for 2020-2025 in which both committed to cooperate in military technology as well as in personnel training (The Vietnamese Government, 2020).

For many years, Russia has become the most critical defense partnership of Vietnam not only because this country has been a major supplier of weapons and military equipment to Vietnam, assisting Vietnam to enhance its military capabilities against potential aggressors, but also because Russia helps Vietnam enhancing its bargaining position vis-à-vis foreign states, including China. However, according to Anston Tsvetov (2018), although Russia has maintained a neutral position on the territorial and maritime disputes in the SCS, this country prioritizes its relationship with more important Asian partners like China. In particular, after the July 2016 Hague Tribunal Ruling on the SCS dispute in favor of the Philippines, Russia stated that it supported Beijing's stance standing against any interference by a non-regional power in the dispute; and in September 2016, Russian President Vladimir Putin also expressed supporting China's stance on the non-recognition of the court ruling (Tsvetov 2018). Given the context of the relationship between Russia and China

that have been developing steadily, the very existence of these statements has triggered speculation about Russia possibly siding with China in the SCS issues. Therefore, in the short term, Russia-Vietnam relations are still holding an important role in Vietnam's defense policy, but in the long term, Vietnam needs to reduce its reliance on Russian weapons and military equipment by diversifying its sources of arms imports. As a result, the Vietnamese leaders seek positive relations with a number of different players to hedge against China.

For India, Vietnam perceives that its deepening ties with India are a helpful means to improve its strategic position with China (H.H. Le, 2013: 257). First, India is the second-largest supplier of military equipment and personnel training to Vietnam, just after Russia. In particular, in March 2000, Vietnam and India signed a Defense Cooperation Agreement under which India agreed to provide training to Vietnamese naval personnel as well as assist Vietnam by repairing and upgrading its current stock of Soviet-era military equipment, including Osa-II fast attack missile craft, Petya-class anti-submarine corvettes, thermal sights fire control systems for armored vehicles, T-54 and T-55 tanks, and M-17/MI-8 helicopters (Thayer, 2014: 138; 2018: 432). This assistance allowed Vietnam to extend the equipment's service lifespan as a temporary measure before being able to have new-builds. In the period between 2005 and 2007, India shipped to Vietnam 150 tons of spare parts for its Petya frigates and Osa-II fast-attack missile craft, and 5,000 essential spare parts for its Petya-class anti-submarine ships (Thayer, 2014: 138). Second, Vietnam received a range of military supports from the Indian government. For example, in September 2014, India's USD100 million Line of Credit was transferred to Vietnam to build high-speed patrol vessels for the Vietnamese Border Guards (Jha and Vo, 2020). In November 2018, another USD 500 million Line of Credit to modernize Vietnam’s defense industry was also approved by H.E. Shri. Ram Nath Kovind, President of the Republic of India (The Vietnamese Government, 2018). Third, apart from

military training and assisting the Vietnam People's Navy to develop strike capabilities, India and Vietnam have agreements in the economic field mainly related to oil cooperation between the Indian company ONGC Videsh and PetroVietnam to exploit Vietnamese oil blocks in areas contested by China (X.V. Vo, 2019: 19). Moreover, free of navigation and unimpeded commerce in the SCS is one of the major concerns of India because "around 55 percent of its seaborne trade passes through the SCS" (Granados, 2018: 129).

Another notable point is India's views regarding disputes and China's behaviors in the SCS. India advocates a peaceful resolution of the SCS disputes in accordance with international law, especially the 1982 UNCLOS; supports the implementation of the 2002 DOC; and emphasizes the conclusion of a binding COC between ASEAN and China (X.V. Vo, 2019: 19). India also refused China's U-shaped line claim in the SCS (Granados, 2018: 130). India, thus, becomes one of the most critical defense partnerships for Vietnam. Vietnam perceives that the presence of India in the SCS may provide Vietnam the necessary supports to prevent China's dominance in the area.

For Japan, Vietnam views this country as an important strategic player in security on the SCS as well as a key partner in its balancing strategy to deal with rising tensions with China in the SCS. Both have maritime disputes with China in their respective region and share common interests in maintaining maritime security in the SCS as well as strengthening maritime security cooperation. However, before 2011, the bilateral relationship between Vietnam and Japan focused mainly on economic development, cooperation in science and technology (Thayer, 2016a: 28; Do and Dinh, 2018; T. U. Tran, 2018). Cooperation in the defense realm has just started to develop after Vietnam and Japan signed the MoU on Bilateral Defense Cooperation and Exchange that aims to promote high-level exchanges, regular dialogue at the vice-ministerial level, and cooperation on

humanitarian assistance and disaster relief in October 2011 (T. T. Do and Dinh, 2018). In the following years, Japan and Vietnam have witnessed remarkable achievements in the realm of security, particularly maritime security. In particular, in 2013, both sides agreed to cooperate in human resource training, bomb and mine clearance, modernization of Vietnamese marine police forces, and military-technical areas (T. T. Do and Dinh, 2018); in 2014, Japan and Vietnam uprated their ties from strategic partnership to extensive one (Thayer, 2016a: 29); in June 2017, they signed "John Statement on Deeping the Japan-Vietnam Extensive Strategic Partnership;" and the "Joint Vision Statement on Japan-Viet Nam Defense Cooperation towards the next decade" in April 2018 (Japan MOFA, 2018: 2); in 2017, Japan committed to supplying Vietnam with six new boats worth USD 338 million to strengthen Vietnam's maritime patrol in the SCS (M. Nguyen and Pham, 2017); and in July 2020, they signed an agreement in which Japan provided Vietnam with maritime capacity-building support worth USD 347 million to build six brand-new patrol vessels (H. Nguyen, 2020).

Besides that, between 2016 and 2020, Vietnam and Japan implemented a range of exchange visits successfully to boost defense cooperation, including the visit of the Director-General of the Defense Plan and Policy Department of Japan's Joint Staff Office, Major General Takayuki Onozuka, to Vietnam (June 2016); the visit of Deputy Defense Minister of Vietnam to Japan (June 2017); the visit of Defense Minister of Vietnam, Mr. Ngo Xuan Lich, to Japan (April 2018); the visit of Defense Minister of Japan, Takeshi Iwaya, to Vietnam (May 2019); the visit of Japanese Deputy Defense Minister Nishida Yasunori (November 2019); and the visit of Chief of the Joint Staff of the Japan Self-Defense Forces General Koji Yamazaki to Hanoi (March 2020) (Tien, 2016, Thu Trang, 2018; H. Tran, 2019; 2020; Huu Duong, 2017). In these visits, Vietnam and Japan committed to strengthen the exchanges of arms and services of the two militaries, cooperate in human resources training, defense equipment and technology, aviation search and rescue, UN

peacekeeping operations, natural disaster response, and cybersecurity. In sum, because of the shared concerns about China's assertiveness in the region and the achievements in the bilateral ties, security cooperation with Japan has taken a strategic position in Vietnam's defense diplomacy. Vietnam views Japan as a key external actor in its strategy against China's threat in the SCS.

Regarding the United States, U.S.-Vietnam bilateral relations have developed significantly after both countries normalized relations in 1995, especially since the joint statement on the establishment of the U.S.-Vietnam comprehensive partnership in 2013 and the joint statement for enhancing the comprehensive partnership in 2017 (B. T. Tran, 2019). Among the areas of cooperation, defense and security cooperation is one of the most worth noting fields. However, until 2009, their bilateral defense relationship has just had significant strides along with the reemergence of the SCS issue (Shoji, 2016: 3). Both Vietnam and the United States share not only a common strategic interest in maintaining regional stability and maritime security in the SCS but also common concerns over China's provocative and unilateral actions in this region (P. Nguyen, 2018; M. Hiebert, Nguyen, and Poling, 2014; B. T. Tran, 2019: 1). China's actions in the SCS have directly challenged Vietnam's sovereignty and national interests, while for the United States, that issue has negatively impacted its freedom of navigation as well as regional security and world order. In addition, the United States has always publicly questioned the legitimacy of China's "nine-dash line," which caused growing China-US tensions (McDevitt, 2014). Vietnam, thus, perceives the presence of the United States in the SCS area as a counterbalance to an increasingly aggressive China.

Defense cooperation between Vietnam and the U.S. is implemented via three primary forms: strategic dialogues, the holding of regular U.S. Navy port calls in Vietnam as well as joint naval

exercises, and the increase of the presence of the U.S. Navy in Vietnam (Shoji, 2016: 48-49). Among the above cooperation forms, the most notable form is strategic dialogues. Since 2008, Vietnam and the U.S. have undertaken a series of strategic dialogues ranging from ministerial-level visits to working-level meetings, known as the U.S.-Vietnam Political, Security, and Defense Dialogue and the U.S.-Vietnam Defense Policy Dialogue (M. Hiebert, Nguyen, and Poling, 2014: 5-6; Thayer, 2016a: 37-38; Shoji, 2016: 8). During the annual dialogues, both sides signed MOU on Advancing Bilateral Defense Cooperation (2011) that figured out five areas of security cooperation, including the establishment of regular high-level dialogues between defense ministries, maritime security, research and rescue, humanitarian assistance, and disaster relief and the United Nations peacekeeping operations; and MOU on Agreement on Coast Guard Cooperation (2013) that provides formal training and curriculum development assistance to the Vietnam Coast Guard (M. Hiebert, Nguyen, and Poling, 2014: 5-6).

Moreover, common concerns over China's aggressive actions in the SCS have driven the United States and Vietnam together. In 2016, the United States lifted a ban on legal arms sales to Vietnam (B.T. Tran, 2020). As a result, from 2017 to 2019, the United States transferred a Hamilton-class cutter and eighteen patrol boats to the Vietnamese Coast Guard (B.T. Tran, 2020). The U.S. Navy also conducted two visits to Vietnam, the first aircraft carrier visit in March 2018 and the second one in March 2020, that marked both countries' efforts in preventing expansionism by China in the SCS as well as in ensuring peace, stability, and freedom of commerce across this region (Pearson 2020). Besides that, the United States has increased its military funding for Vietnam to enhance its military capabilities, especially for the coast guard. Accordingly, between the fiscal year 2013-2018, under External Military Funding Program, the U.S offered Vietnam over USD 56 million aimed to transfer and refurbishment of a former cutter that the U.S. Coast Guard delivered

to Vietnam; between the fiscal year 2015-2018, under the Department's Southeast Asia Maritime Security Initiative, the U.S. allocated to Vietnam $26.25 million to assist in enhancing maritime domain awareness; and Vietnam received over $16 million from the Department of Defense to improve its maritime capabilities (Bureau of Political-Military Affairs, 2019).

In sum, defense ties between the U.S and Vietnam have greatly increased since 2009, especially due to the conjunction of Vietnamese and U.S. strategic interests in the SCS. The Vietnamese leaders in Hanoi have viewed a strategic partnership with Washington as a strategic target to assist Vietnam in enhancing defense capabilities.

Defense diplomacy via multilateral security cooperation

Besides increasing interactions with foreign military partners, Vietnam also strengthens multilateral defense cooperation to improve national defense strength and potential as well as demonstrate the prestige and position of Vietnam and its army in the international and regional arena. Internationally, Vietnam focuses on coordinating with multilateral security and defense cooperation mechanisms such as the United Nations peacekeeping operations; Humanitarian Assistance and Disaster Relief operations, Search and Rescue (MND, 2009: 27; 2019: 27-28). For example, by 2019, 37 officers of Vietnam were sent to UN peacekeeping missions in the Central African Republic and South Sudan; Vietnam deployed two Level-2 Field Hospitals with a scale of 63 personnel each to the tasks in South Sudan (MND, 2019). Regionally, Vietnam concentrates on building cooperation through ASEAN, ARF, the Shangri-La Dialogue, ADMM, the ADMM-Plus, and the Meeting of ASEAN Chiefs of Security Agencies (MND, 2009; 2019).

Vietnam's position in the international and regional arena has been increasingly affirmed when it was the successful assumption of international responsibilities such as a non-permanent member of the United Nations Security Council for the 2008 -2009 tenure; an ASEAN chairman in 1998, 2010; host of the Asia-Pacific Economic Community (APEC) Year 2006 and 2017 (MND, 2004; 2009; 2019). On the back of such successes, Vietnam has received support from multiple countries to become a non-permanent member of the UN Security Council for the 2020-2021 tenure as well as the Chairman of ASEAN in 2020 (ASEAN, 2020b; Viet Nam News, 2019). Joining the Joint US-ASEAN military exercise in the SCS area in September 2019 is a signal showing that Vietnam is more active in strengthening multinational defense cooperation (Agence France-Presse, 2019).

In short, Vietnam’s defense policy toward China’s challenges in the SCS reflects two major characteristics. Firstly, Vietnam is neither external balancing nor bandwagoning against China in the SCS issues. Secondly, Vietnam pursues defense diplomacy to manage Hanoi-Beijing bilateral relations on the SCS issues. By pursuing defense diplomacy, Vietnam can attract the assistance and support of various actors, especially major powers, such as the United States, Japan, or India, in its dispute with China to gain greater advantages. In the Resolution 36-NQ/TW on The Strategy for Vietnam’s Sustainable Marine Economy Development towards 2030 with a Vision towards 2045, the CPV Political Bureau (2018) affirmed that strengthening and expanding foreign relations and international cooperation is one of the key solutions to protect the sovereignty and legitimate interests of the country on the sea as well as to deal with disputes and disagreements on the SCS. Therefore, instead of an external balancing or bandwagoning strategy, Vietnam chose defense diplomacy to give itself both greater flexibility in dealings with China's threat in the SCS. As Hoang Hai Ha argued, "Vietnam seeks to use defense diplomacy as a “soft balance” which aims

to maintain its strategic autonomy and improve its self-confidence in the face of security challenges caused by the growing power of the “Northern Giant”—China” (2018: 599).

Vietnam’s military capabilities

The question of whether Vietnam engages in internal balancing by increasing its economic resources and military strength against China is answered partially from the perspective of Vietnam's military capabilities compared with that of China. As illustrated in Figure 4.1, between 2003 and 2018, the defense budget of both Vietnam and China increased, on average, by 13.7% and 14.2%, respectively. When considering military spending as a share of GDP, China’s defense expenditures have dropped noticeably — from 2.1% in 2003 to 1.9% in 2018. In contrast, in Vietnam, after a marked decline from 2.1% in 2003 to 1.8% in 2005, its spending had returned to 2.3% in 2018. Although China’s ratio remained lower than that of Vietnam, in the period 2003 and 2018, on average, its budget has been over 44 times larger than that of Vietnam. Moreover, despite considerable increases over the past fifteen years from USD 0.84 billion in 2003 to 5.5 billion in 2018, Vietnam's military budget pales compared to that of China with USD 249.996 billion in 2018, making a 712% increase from the 2003 budget of USD 35.126 billion. Therefore, even if Vietnam has significantly pushed for a defense spending increase, its budget cannot match China's. In other words, China’s defense budget far exceeds that of Vietnam.

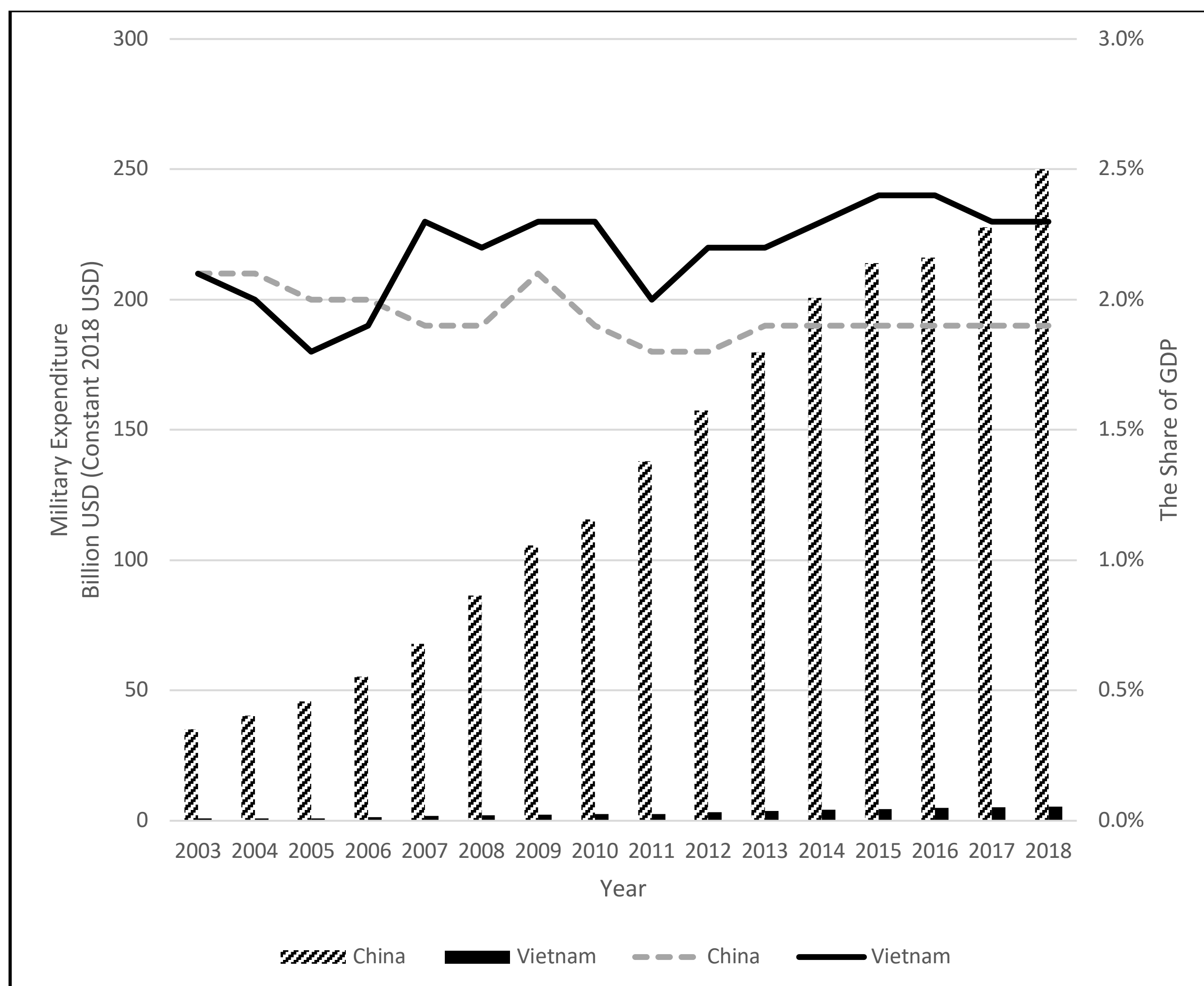

Figure 4.1 Military Expenditure from 2003 to 2018

Source: SIPRI Military Expenditure Database.

Another notable point is that the Chinese Navy's capabilities far surpass that of Vietnam. As presented in Table 4.2, as of 2019, the Chinese Navy force owned 59 submarines, 87 principal surface combatants, 205 patrol and coastal combatants, 50 mine countermeasures, 112 amphibious ships, 145 logistic and support equipment, and 72 coastal defense equipment (IISS, 2019: 258-260). In comparison, Vietnam's navy only includes 8 submarines, 4 principal surface combatants, 68 patrol and coastal combatants, 13 mine countermeasures, 19 amphibious ships, 27 logistic and support equipment, and 4 coastal defense equipment (IISS, 2019: 314-315). Moreover, among submarines

the Chinese Navy had, there were four operational SSBNs in 2019, and two more have reportedly just joined the fleet in April 2020 (Chan, 2020). The presence of these SSBNs expanded China's power in terms of nuclear power. As a result, China's military advantages exceed far that of Vietnam.

Table 4.2 Military equipment and assets of Vietnam's Navy and China's Navy

Type		China	Vietnam
Submarine		**59**	**8**
	Nuclear-powered ballistic missile submarines (SSBN)	4	-
	Nuclear-powered attack submarines (SSN)	6	-
	Diesel-electric attack submarines (SSK)	48	6
	Diesel-electric ballistic missile submarines (SSB)	1	-
	Inshore submarines (SSI)	-	2
Principal surface combatant		**87**	**4**
	Aircraft carrier	1	-
	Destroyer	27	-
	Frigate	59	4
Patrol and coastal combatant		**205**	**68**
	Corvette	41	6
	Patrol craft guided missile (PCG)	26	-
	Patrol craft coastal (PCC)	48	6
	Patrol craft fast guided missile (PCFG)	60	-
	Patrol boat (PB)	30	20
	Patrol craft fast guided missile with CIWS missile or SAM (FCFGM)	-	12
	Patrol craft offshore (PCO)	-	5
	Patrol boat fast guided missile (PBFG)	-	8

	Patrol boat fast with torpedo (FBFT)	-	2
	Patrol hydrofoil (PH)	-	2
	Patrol boat riverine (PBR)	-	4
	Patrol hydrofoil with torpedo (PHT)		3
Mine countermeasure		**50**	**13**
Amphibious ships		**112**	**19**
	Principal amphibious ships	5	0
	Landing ship	49	7
	Landing craft	63	12
Logistic and support equipment		**145**	**27**
Coastal defense		**72**	**4**

Source: International Institute for Strategic Studies, 2019.

In sum, in order to defend itself from China's threat, Vietnam significantly increased its military expenditure to conduct the military modernization program. As Le argued, "although China's military capabilities far exceed Vietnam's, the modernization of the Vietnamese armed forces provides that country with a credible deterrence and, in the worst-case scenario, the ability to strike back against China" (2013: 356). Nevertheless, in fact, in terms of material sense, Vietnam's military capabilities are difficult to make it engage in internal balancing against China.

4.1.2. Economic aspect

This section aims to identify whether Vietnam engages in balancing or bandwagoning toward China from the perspective of the economic capabilities. As a whole, Vietnam's economic capabilities are much smaller than China's. Data from the World Bank regarding the index for 2018 covering 204 countries indicates that China is the global second-largest economy, second only to the United States, while Vietnam is ranked forty-six (World Bank, 2019). In terms of GDP, there is a vast gulf between Vietnam and China. In particular, during the past ten years, China's GDP was, averagely, 54 times larger than that of Vietnam (Figure 4.2). As of 2018, China's GDP was

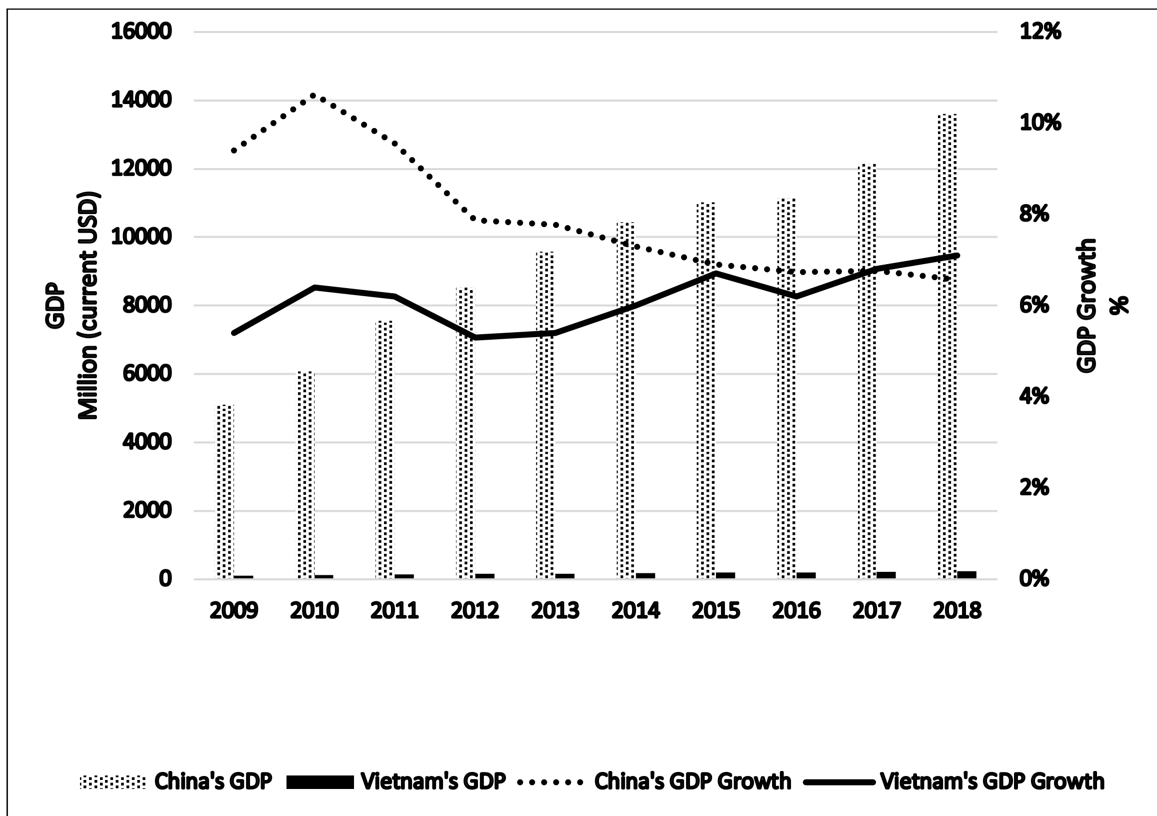

Figure 4.2 GDP and GDP Growth (2009-2018)

Source: World Bank Database

USD 13,608 billion, up to 8,506 billion compared to 2009, while Vietnam's GDP just reached USD 241 billion, an increase of 139 billion in the same period.

Figure 4.2 also shows the economic growth of Vietnam and China during the 10-year period, in which except for the increase occurring in 2009-2010, China's GDP growth has gradually decreased from 9.4% in 2009 to 6.6% in 2018. Whereas, Vietnam's GDP growth rate has stably increased with an average of 6.2% from 2009 until 2018, reaching the highest of 7.1% in 2018 and the lowest of 5.3% in 2012. It is important to note that, although statistics show that Vietnam's GDP growth increased dramatically, and even in 2018 surpassed that of China, its size is behind China's, averagely, by 55 times. This finding indicated that Vietnam's potential amount of economic resources that can be converted to its military strength, indeed, is much lower than that of China. As a result, in terms of the potential amount of economic resources, Vietnam is tough to pursue internal balancing against China.

In terms of economic interaction between Vietnam and China, after both normalized their relationship in 1991, China has become one of the most important partners of Vietnam in a variety of sectors, especially in the economic sector (Thayer, 2011: 353). Hanoi's trade with Beijing has expanded very rapidly to the point where China is now Vietnam's largest trading partner and one of Vietnam's largest sources of bilateral foreign direct investment (FDI). In 2019, FDI stock from China into Vietnam was valued at USD 4062 million, becoming the fifth largest investor in Vietnam, behind South Korea (ranked 1st at USD 7917 million), Hong Kong (ranked 2nd at USD 7868 million), Singapore (ranked 3rd at USD 4501 million) and Japan (ranked 4th at USD 4131 million) (see Figure 4.3).

Also, as presented in Table 4.3, from 2012 to 2019, China was usually among the top ten sources of foreign investment in Vietnam, and the key trend was a general rise in the rankings and scale. To be specific, China's FDI in Vietnam increased approximately 12 times from USD 0.34 billion in 2012 to 4.06 billion in 2019, although between 2013 and 2014, it experienced a sharp drop, nearly six times from USD 2.34 billion down to 0.42 billion.

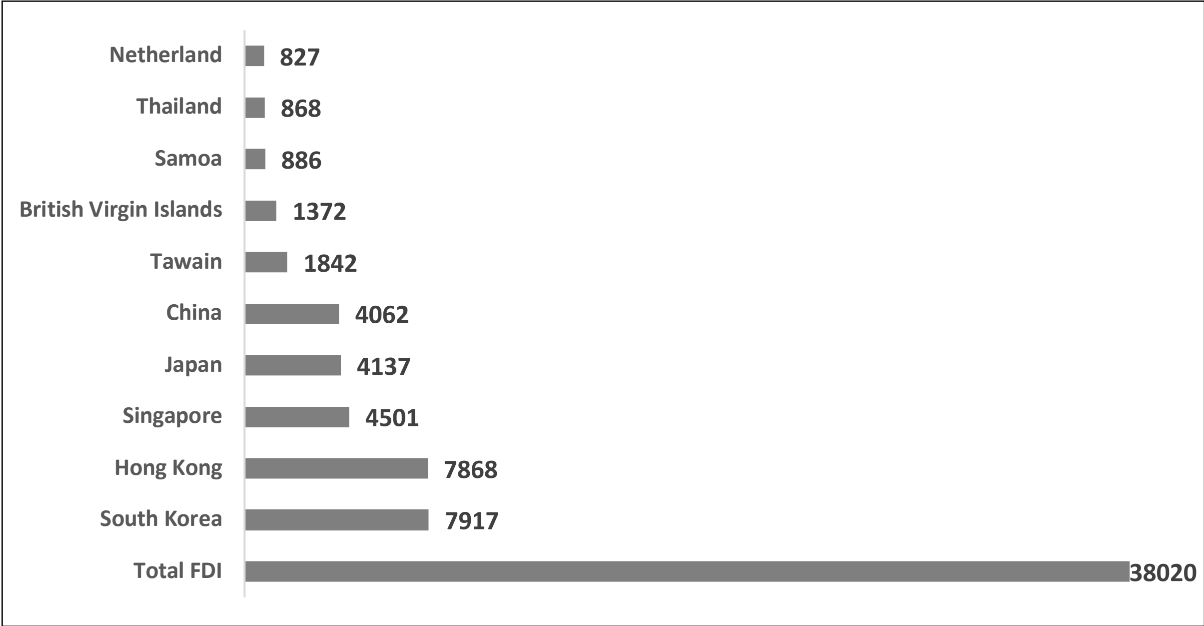

Figure 4.3 Top 10 Countries and Territories for Investments in Vietnam in 2019

Source: Vietnam's Foreign Investment Agency, 2020.

Table 4.3 China’s Investments in Vietnam from 2012 to 2019 (USD billion)

Year	Ranking	Total FDI in Vietnam	China's FDI	Share from China
2019	5	38.02	4.06	10.68%
2018	5	35.47	2.46	6.94%
2017	4	33.09	2.05	6.20%
2016	4	24.38	1.88	7.71%
2015	10	24.12	0.74	3.07%
2014	7	20.23	0.42	2.08%
2013	4	22.35	2.34	10.47%
2012	9	13.01	0.34	2.61%

Source: Vietnam’s Foreign Investment Agency, 2020.

A stronger picture of the economic interaction between Vietnam and China emerges when we look at Vietnam’s trade with China over time. The value of two-way trade has risen exponentially since the two countries normalized in 1991. In particular, in 1991, Vietnam’s trade with China was estimated at USD 32 million (Cheng, 2011: 392), and nearly three decades later, this value increased 4284 times to USD 137.1 billion in 2018. Statistics in Figure 4.4 indicated that between 2009 and 2018, China always remained the largest import partner of Vietnam in which the import of Vietnam from China changed by USD 67.4 billion from 15.9 billion in 2009 to 83.3 billion in 2018, accounting for 32.9% of Vietnam’s import trade while the following partners, South Korea and Japan, accounted 19,2% and 6.2% respectively. In terms of export, in 2009, Vietnam depended on the United States the most, accounting for 19.9% of Vietnam’s export trade, while China ranked in the third position with 7.2%, respectively. However, ten years later, China overtook the USA and Japan to become the biggest exporter of Vietnam with 19.6%. As a result, China accounted

for nearly one-third of imports and around one-fifth of exports of Vietnam, made China becoming Vietnam's largest overall trade partner.

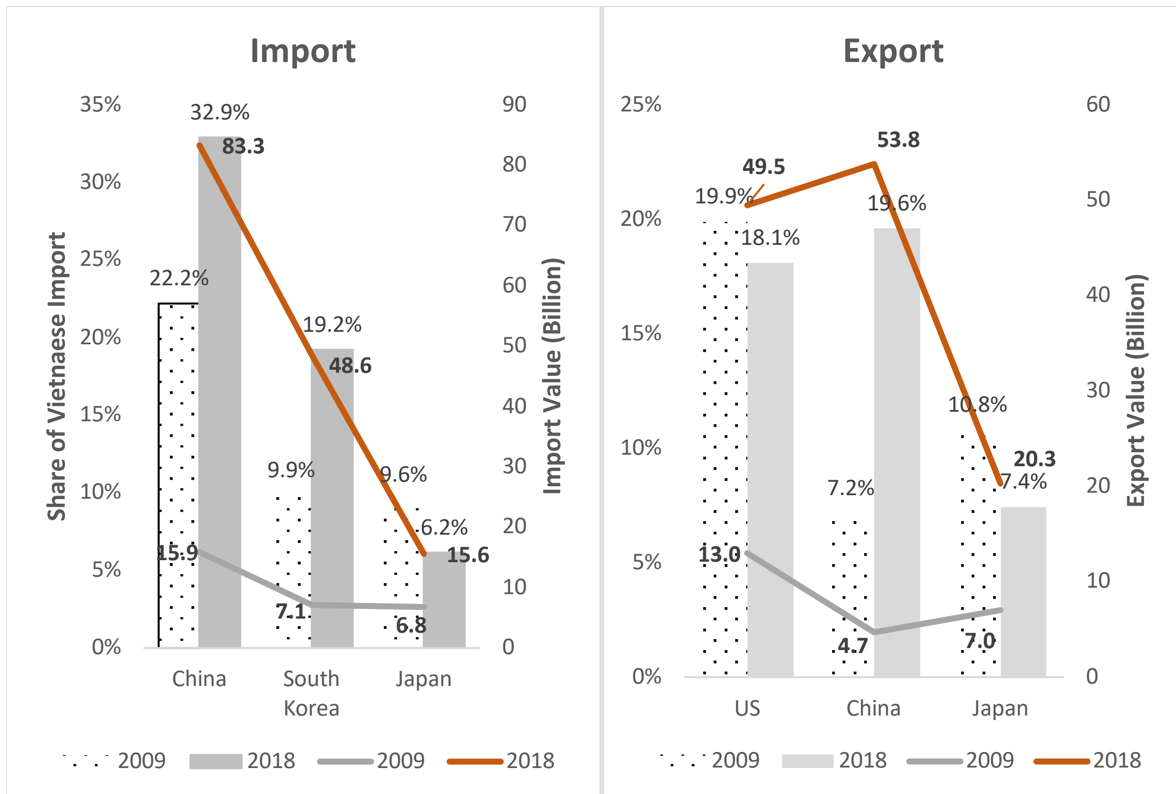

Figure 4.4 Vietnam's Top Three Biggest Trading partners (Share of Vietnamese export and import values)

Source: The Observatory of Economic Complexity, calculations by author

Another notable point is that, during the recent ten years, China always accounted for the highest overall Vietnam trade in comparison with the shares of other selected partners, including the United States, Japan, South Korea (see detail in Figure 4.5). According to data provided by the Observatory of Economic Complexity (OEC), these selected countries are top trading partners of Vietnam in the period between 2009 and 2018. In particular, in 2009, China accounted for 15.1% of the overall Vietnam trade while that of the United States, Japan, and South Korea was 11.8%, 10.1%, and 6.8%, respectively. Ten years later, the rate was 26.1% for China, 11% for the United

States, 6.8% for Japan, and 13% for South Korea. More importantly, China's trade share has grown sharply over the decade while that of the US has remained relatively constant, and that of Japan has decreased significantly. The percentage of overall trade that Vietnam has with China and selected trading partners shows us the importance of China in the overall trade profile of the Vietnam economy.

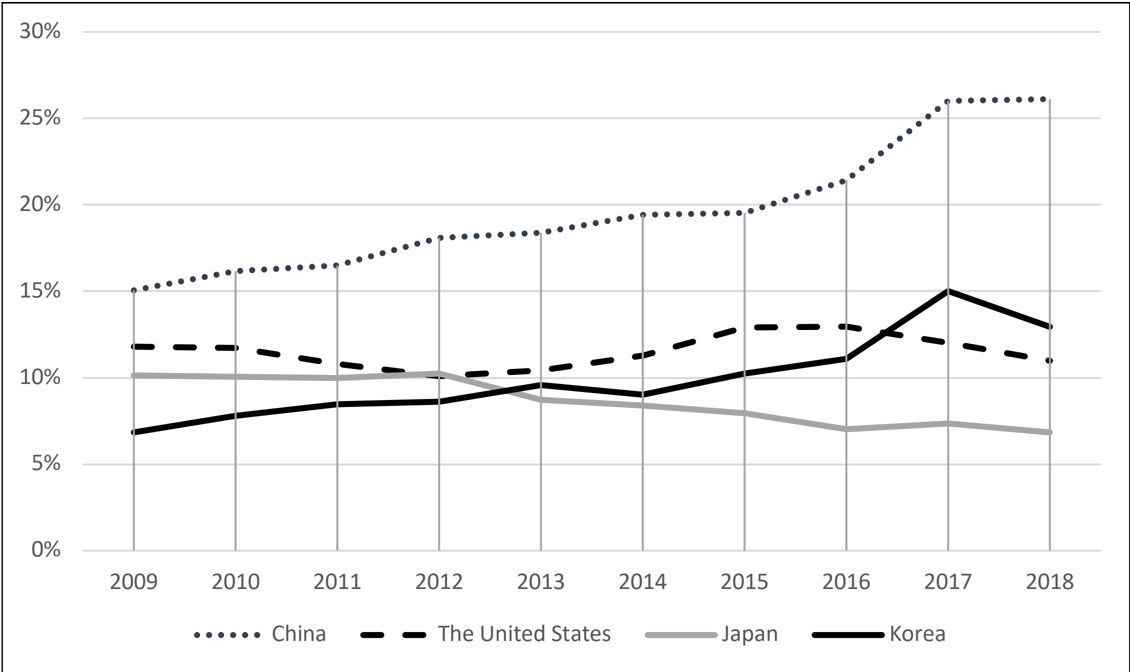

Figure 4.5 Shares of Vietnam's trading partners in Vietnam's total trade, between 2009 and 2018

Source: The Observatory of Economic Complexity; calculations by author

Note: Trade share (expressed in percentage) = trade (exports + imports, expressed in $ values) with a trading partner/a country's overall trade expressed in $ values

Examining the degree of trade dependence, Table 4.4 depicts a trend that shows Vietnam's increasing reliance on its trade with China. First, statistics indicated that trade relations between Hanoi and Beijing made a significant contribution to the rise of the total trade volume of Vietnam. In the period 2009-2018, both countries maintained an increasing trend in bilateral trade in which

the percentage of Vietnam-Sino trade in the total foreign trade volume for Vietnam increased from 15.1% to 26%, while this proportion for the Chinese side rose from 0.9% to 3.3%. However, while the trade volume between China and Vietnam, averagely, occupied 19.66% of the total turnover in Vietnam, the rate in China was only 1.7%. This finding shows that the influence of Vietnam-China bilateral trade on the economy of Vietnam is much greater than that on the economy of China. In other words, Beijing is not as dependent on the Vietnamese market as the Chinese market is to Hanoi. Besides, from 2009 to 2018, Vietnam's trade with China has increased 665.5%, while its trade with the world, excluding China, has grown at a much slower speed by only 126.6% in the same period (Figure 4.6).

Second, when I look at Vietnam's trade with China broken down into exports and imports (Table 4.4), I discover that both have increased over time: in 2009, China accounted for 22.2% of Vietnam's import trade, and this proportion was 32.9% in 2018 while in terms of exports, Vietnam's trade with its northern neighbor increased from 7.2% in 2009 to 19.6% in 2018. However, notably, imports from China are larger than exports, resulting in trade deficits with China being USD 29.5 billion in 2018.

Table 4.4 Total turnover of Vietnam-China bilateral trade, 2009-2018 (trade value: USD million)

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Export Total	65.3	79.1	103	128	149	172	184	208	220	274
Export to China	4.7	6.8	10.7	14.5	15.3	17.6	19.3	26.8	39.9	53.8
Export share China	7.2%	8.6%	10.4%	11.3%	10.3%	10.2%	10.5%	12.9%	18.1%	19.6%
Import Total	71.5	88.7	111	120	137	156	170	197	205	253
Import from China	15.9	20.3	24.6	30.4	37.3	46.1	49.8	60	70.6	83.3

Import share China	22.2%	22.9%	22.2%	25.3%	27.2%	29.6%	29.3%	30.5%	34.4%	32.9%
Two-way trade in total	20.6	27.1	35.3	44.9	52.6	63.7	69.1	86.8	110.5	137.1
Vietnam's total trade	136.8	167.8	214	248	286	328	354	405	425	527
Total trade share China	15.1%	16.2%	16.5%	18.1%	18.4%	19.4%	19.5%	21.4%	26.0%	26.0%
China's total trade	2233	2940	3500	3640	3860	3970	3630	3500	3950	4200
Total trade share Vietnam	0.9%	0.9%	1.0%	1.2%	1.4%	1.6%	1.9%	2.5%	2.8%	3.3%

Source: The Observatory of Economic Complexity.

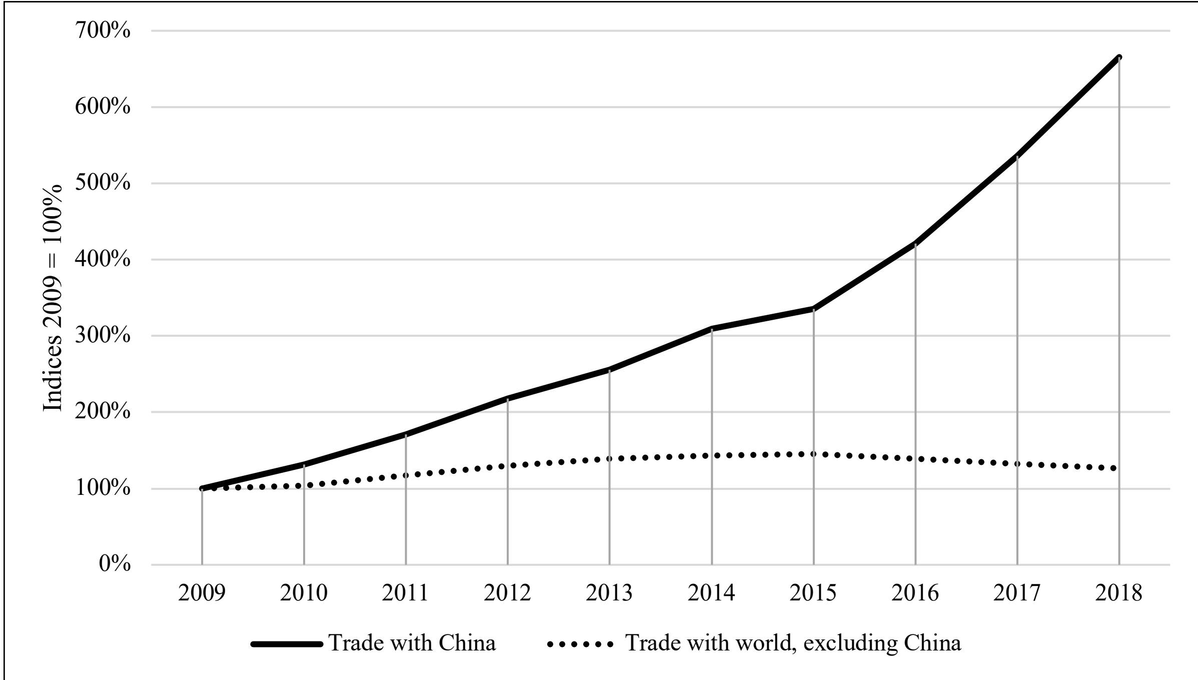

Figure 4.6 Growth of Vietnam's trade with China and the world, 2009-2018

Source: The Observatory of Economic Complexity, 2020; Calculations by author

Third, when taking into consideration Vietnam's trade dependence index (TDI) with China and then comparing this indicator with the TDI of Vietnam's other partners, I see that Vietnam has been heavily dependent on trade with China rather than other partners. Figure 4.7 presents Vietnam's TDI with China, the United States, Japan, and South Korea. Statistics of Figure 4.7 indicate that Vietnam has the highest TDI with its next-door neighbor, China. To be specific, in 2018, Vietnam's total value of trade with China accounted for 55.9% of Vietnam's overall GDP, that is much higher than Vietnam's TDI with the United States at 23.5%, Japan at 14.6%, and South Korea 27.7%. This index suggests that China was Vietnam's most important trading partner in 2018. Moreover, when comparing Vietnam's TDI with China to that of the United States, Japan, and South Korea from 2009 to 2018, it can be seen that all these indexes increased. Nevertheless, while China grew tremendously with an increase of 36.5% from 19.4% in 2009 to 55.9% in 2018, the United States rose 8.3%, South Korea was 18.9%, and Japan was only 1.6% in the same period. The substantial increase in Vietnam's TDI with China suggests China's growing importance in the Vietnam economy.

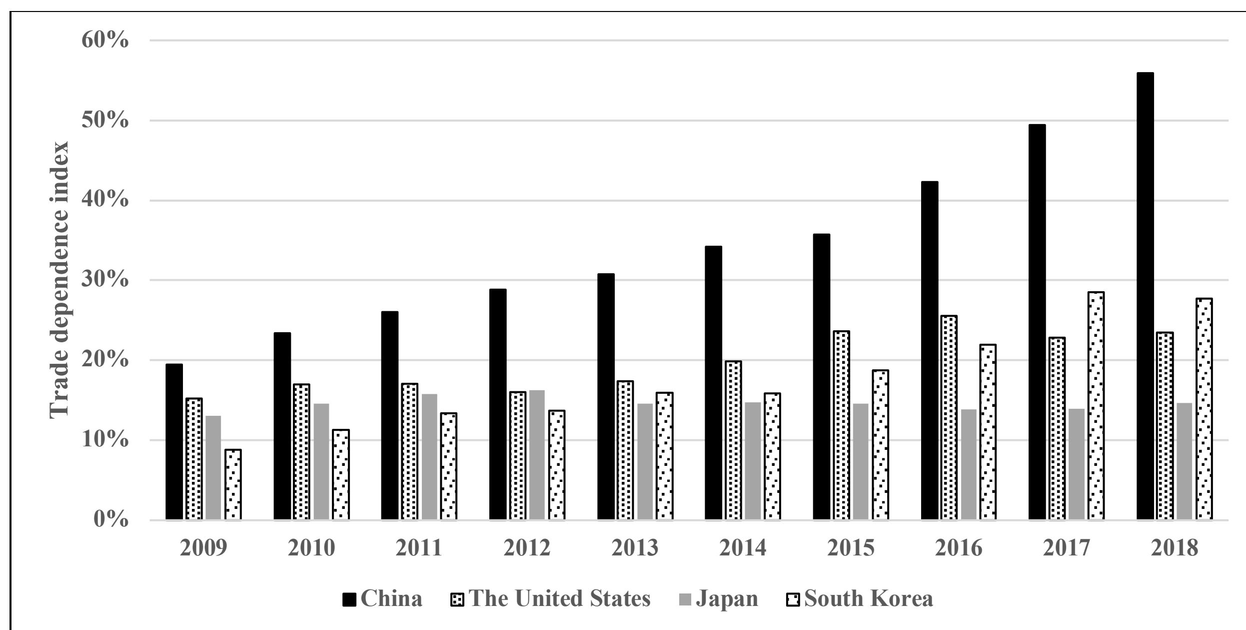

Figure 4.7 Vietnam's trade dependence index (TDI) with China and its selected partners, 2009 – 2018
Source: The Observatory of Economic Complexity, calculations by author
Note: TDI (expressed in percentage) = trade (exports + imports, expressed in $ values) with a trading partner /GDP (expressed in $ values) of Vietnam

Although Vietnam has made efforts to lessen the dependency on the Chinese market by signing or joining a range of free trade agreements with major economies, like Japan, South Korea, India, or 28 European Union members, or by participating in major international and regional economic organizations, such as the ASEAN in 1995, APEC in 1998, and the World Trade Organization in 2007, this country still needs the trade relationship with China for ensuring the stability of its economic growth. As Ge Hongliang (2020) claimed, "Vietnam needs China to fulfill its 2045 dream of economic revival." Therefore, Vietnam is pursuing an economic bandwagoning strategy with China to reap economic gains from its northern neighbor. In fact, Vietnam's economy will be borne significant damages if interaction with China is broken. A specific example of the impact of Sino-Vietnamese bilateral relations on Vietnam's economy is the 2014 oil rig crisis. China's FDI in Vietnam increased significantly from 0.34 billion in 2012 to 4.06 billion in 2019, but between

2013 and 2014, it sharply declined from 2.34 billion down to 0.42 billion. The reason for the sharp decline is related to the tension between the two countries in the SCS concerning the oil rig Haiyang Shiyou 981 near the Paracel Islands in May 2014 (Rongxing Guo, 2018: 131-132).

4.1.3. Diplomatic Factor

The purpose of this section is to identify whether Vietnam's strategic behavior in the diplomatic field is characterized as either balancing or bandwagoning. Here, the key factor in determining Vietnam's behavior is how this country uses international institutions to manage Sino-Viet bilateral relations. The Sino-Vietnamese relationship has wavered between collaboration and conflict through a thousand years of history (Amer, 2004: 1213). China ruled Vietnam for about a millennium before Vietnam gained its independence in the tenth century (Amer, 2004: 1212). The relationship between the two countries was closer than ever when China provided Vietnam with extensive economic and military assistance during the Vietnam war against the French and then the anti-American resistance (Amer, 2004: 1213). As the late Vietnamese leader, Ho Chi Minh, identified, bilateral relations between Hanoi and Beijing were characterized as "comrades plus brothers" (Khoo, 2011: 1). However, this relationship was broken when Chinese forces invaded Northern Vietnam in retaliation for Vietnam's invasion of Cambodia in 1979 (Amer, 2004: 1214). After more than a decade of hostility, in 1991, Vietnam and China normalized relations, and since Sino-Vietnamese bilateral relations have broadened, deepened, and improved in all fields. Nonetheless, there have still been tensions in their relations that have primarily been caused by differences relating to territorial disputes, including demarcation of the 850-mile land boundary, delineation of the Gulf of Tonkin, and overlapping sovereignty claims in the SCS, particularly the Paracel and Spratly Islands (Amer, 2004: 1214).

In order to manage their disputes, China and Vietnam established a system of dialogues and talks which was structured from bottom to top, including expert-level talks, government-level talks, and high-level (Thayer, 2008; Le, 2013; Li and Amer, 2015). In the talks at the government-level in 1993, both sides set up an agreement on the principles for handling the land border and the Gulf of Tonkin disputes (Thayer, 2008: 3). As a result, the Treaty of Land Border between China and Vietnam was signed in December 1999, and the Agreement on the Demarcation of Waters, EEZs, and Continental Shelves in the Gulf of Tonkin together the Fishery Agreement in the Gulf of Tonkin was signed on December 25, 2000 (Thayer, 2008; Le, 2013; Li and Amer, 2015). Bilateral negotiations via high-level and government-level visits between the two countries were also implemented to control the tensions in the SCS, yet this approach failed (Le, 2013: 346-348; Li and Amer, 2015: 250-253). The reasons are that, first, Vietnam wanted to discuss sovereignty of the Paracel Islands—occupied by China in 1974 whereas China considered the matter closed; secondly, Vietnam wanted to discuss the Spratly Islands issues in a multilateral mechanism while China preferred a bilateral approach (T. H. Do, 2015; Li and Amer, 2015: 254). China's option is believed not in favor of claimants other than China since this country has used its military and economic power to thrust for bilateral negotiations in line with its arguments (Lefler, 2015: 78). The announcement of the Chinese administration in Position Paper on the Matter of Jurisdiction in the South China Sea Arbitration Initiated by the Republic of the Philippines stated that "China has always maintained that they should be peacefully resolved through negotiations between the countries directly concerned" (Chinese MFA, 2014: art. 30). Whereas, rather than bilateral negotiation, the choice of Vietnam's leaders is through collaboration in international bodies, primarily in ASEAN, to manage or neutralize China's behavior in the SCS.

ASEAN is an intergovernmental organization aimed primarily at promoting economic growth and regional stability among its ten members, including Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Laos, Myanmar, Cambodia, and Vietnam (ASEAN, 2020a). ASEAN emerged as an alternative negotiating tool not only for Vietnam but also for other members of ASEAN, such as Malaysia, the Philippines, and Indonesia, involving the SCS disputes. According to Buszynzki (2003), the purpose of ASEAN was to attempt to gain China's endorsement of international norms of behavior over the SCS issues. At the starting point, in July 1992, the ASEAN foreign ministers adopted the ASEAN Declaration on the SCS, which called for the peaceful resolution of "all sovereignty and jurisdictional issues pertaining to the SCS," the exercise of "restraint," as well as the application of "the principles contained in the Treaty of Amity and Cooperation in Southeast Asia as the basis for establishing a code of international conduct over the SCS (Foreign Ministers of the member countries of ASEAN, 1992). Despite receiving the call from the ASEAN ministers, the Chinese foreign minister refused to sign this declaration. After the 1995 Mischief Reef incident between China and the Philippines, ASEAN had sought to "internationalize" the SCS issues through the ASEAN and ARF meetings and other international gatherings (e.g., the Non-aligned Movement) (Severino, 2010: 44). In July 1999, in the 29th ASEAN Ministerial Meeting, the ASEAN foreign ministers "endorsed the idea of concluding a regional code of conduct in the SCS" (ASEAN, 1996: para. 11). The COD, according to Buszynzki (2003), is a set of regional norms and rules in the SCS which aims to bring a consensus among ASEAN countries in light of the SCS issues and to "oblige China to apply those principles of cooperative behavior which it had consistently proclaimed as central to its relations with the external world" (350-351). However, until 2000, China started negotiations with ASEAN on the COD, and after two years of negotiation, China agreed to the signing of the Declaration on the

Conduct of Parties in the South China Sea. The DOC is designed to establish the most important principles in the management of disputes in the SCS. It is also a set of norms of conduct aiming to maintain the status quo, promote confidence-building measures among the disputants, engage in practical maritime cooperation, and set the stage for the discussion and conclusion of a formal and binding the COC (H. T. Nguyen, 2003: 281; Thayer 2013a: 77). Meidi Kosandi evaluated the DOC as follows:

> The DOC as a steppingstone for further dispute settlement among the "parties". So far, this is the only institutional arrangement to solve the disputes, in which the parties can promote peace and cooperation through dialog." (2014: 2)

Some analysts also believed that the DOC brought a victory for ASEAN when China, for the first time, had accepted a multilateral approach to solving the SCS problem (Buszynzki, 2003). However, according to H.H. Hoang, because of differences between China and ASEAN with respect to the role of ASEAN in the matter of the SCS, the formulation of implementation guidelines of the DOC was postponed for ten years (2019: 4). In August 2017, ASEAN and China reached an agreement on the Framework of the COC in the SCS, and one year later, the two parties arrived at a Single Draft Negotiating Text (SDNT) of the COC (Thayer, 2018a). The SDNT provides a basis for further negotiations on specific provisions in the COC that would serve as a rules-based framework in managing incidents between China and the Southeast Asian claimants. Thayer (2018a) concludes that SNDT is a "living document," which means the parties may add to or subtract from the draft text.

However, there are several ASEAN's limitations in dealing with the SCS issues. First, ASEAN's approach (also known as "ASEAN Way[4]") is a hindrance to ASEAN's efforts in managing the SCS issues. Signing the DOC, the goal of ASEAN is "to create a web of arrangements in the economic, cultural and security realms intended to socialize Beijing to the ASEAN way, under which disputes are settled by the precepts of non-interference and decision-making by consensus" (Mazza and Schmitt, 2011). However, because of the obstacle to the decision-making principle through consensus, ASEAN has demonstrated little capability to handle the SCS issues. The divergent interests of ASEAN members, especially non-SCS ASEAN members like Cambodia and Laos, are the primary reason why the ASEAN has failed to move China closer to accepting a binding code of conduct (Beeson, 2016: 19-20). Before that, Pek Koon Heng showed that although ASEAN's approach was endorsed by the US and many others in the international community, "the consensus-seeking, shallowly institutionalized ASEAN Way approach has seemed poorly equipped to handle Chinese assertive divide-and-rule diplomacy that has accompanied its power projection in the South China Sea" (2014: 12).

The second limitation is the differences between ASEAN member states in terms of dealing with the SCS issues. The ASEAN member states seek to evolve a COC as their common outlook to deal with the SCS disputes, but there are still issues they do not determine. The SNDT is a specific example that reflected huge differences not only between ASEAN and China but also among ASEAN's members itself. Taking the geographic scope of the SCS as an example, while Vietnam wants the SNDT that would be applied to the entire region, Indonesia, Malaysia, and Singapore suggest that it should apply to only several certain areas (Thayer, 2018a). It is clear that if internal

[4] Taku Yukawa described the "ASEAN Way" as as "a set of rules," including sovereignty, non-intervention, peaceful resolution of conflict, and consultation and consensus decision-making (2018: 299).

differences of the ASEAN’s members cannot be handled, then issues involving China in the SCS disputes are more difficult to resolve.

Finally, ASEAN has not provided a specific institutional mechanism to enforce agreements signed by its member (De Castro, 2020: 3). De Castro argued that because the ASEAN includes small and middle states with limited military and economic capabilities, its offspring organizations, such as ARF, the East Asian Summit and, ADMM Plus, are described as "talk-shops" (De Castro, 2020: 3). In other words, the ASEAN primary approach to the SCS issues focuses mainly on the building of trust and cooperation on a multilateral basis to prevent tensions from escalating in the region rather than the creation of a mechanism to solve the disputes.

Despite ASEAN’s institutional limitations, Vietnam still considers this organization a useful instrument in advancing its national interests in the SCS issues. According to Thayer (1999) and Emmers (2005), membership in ASEAN would help Vietnam transforming territorial disputes from a bilateral one between Vietnam and China to a multilateral one involving Beijing and ASEAN. Both analysts also concluded that membership in ASEAN improves Vietnam's bargaining position with China (Thayer 1999: 8; Emmers, 2005: 77).

In sum, as a member of ASEAN, Vietnam has been provided with some diplomatic leverage when dealing with China. Indeed, the significant achievement of ASEAN lies in its inclusive balancing strategy towards China to constrain China’s assertiveness in the SCS. ASEAN has engaged China with a multilateral dialogue policy and used institutional norms and rules to bind China’s behavior. In the diplomatic field, through collaboration in ASEAN, Vietnam's strategy toward China is characterized as diplomatic balancing to manage China’s actions in the SCS rather than to challenge China’s overall power directly.

4.1.4. Conclusion

In terms of the military aspect, Vietnam does not engage in internal and external balancing against China’s threat because both internal and external balancing emphasize the usage of military means to deter threats and achieve security. Instead of the traditional balance of power theory, Vietnam has adopted soft balancing by accelerating its military modernization efforts as well as pursuing multipolar external balancing through establishing defense cooperation with four major powers: India, Japan, Russia, and the United States, to balance against China. However, in order to avoid dependence on any great power, Vietnam has maintained a national defense policy of non-alignment: no to joining any military alliance; no to permitting foreign base on Vietnam’s soil; no to siding with one country against a third one; and no to using force or threatening to use force in international relations. Hanoi's strategy of diversifying its diplomatic ties with an increased focus on defense cooperation suggests that the purpose is to constrain or balance against China. Vietnam’s defense diplomacy indicated that this country engages in soft balancing against China’s challenges in the SCS.

In terms of the economic aspect, first, Vietnam’s economic capabilities indicated that the potential amount of its economic resources converted to military strength is much lower than that of China. Secondly, regarding Vietnam’s economic interaction with China, the amount of China’s FDI in Vietnam, and two-way trade relations between Hanoi and Beijing can see that Vietnam's economy has been increasingly dependent on China’s market. Vietnam’s economic capabilities and its trade dependency on China became a political constraint on military balancing. Vietnam, thus, engaged in an economic bandwagoning strategy with China to avoid risks to Vietnamese economic relations with its large neighbor to the north.

In terms of the diplomatic aspect, Vietnam's approach is to constrain Beijing through multilateral institutions, especially by transforming China's behaviors through ASEAN processes and norms. The membership of ASEAN has provided Vietnam's diplomats with additional leverage in negotiating with China in the SCS disputes as well as with opportunities to increase its voice at regional defense forums. Vietnam's approach, thus, is characterized as diplomatic balancing.

Regarding the availability or pre-existence of allies defined as the first intervening variable to apply Koga's framework, Vietnam's foreign policy has long been based on the principle of non-alignment, although, in the 2019 White Paper, the MND claimed that Vietnam "will consider developing necessary, appropriate defense and military relations with other countries," depending on the specific situations. These words mean that the probability of Vietnam joining a military ally may happen in the future, but this action is uncertain. For the second intervening variable, geographical proximity, China is Vietnam's neighboring state sharing a border length of 1,297 km. Although historically, Vietnam has tendencies to maintain positive political and economic ties with China due to its proximity, China's increasing assertiveness in the SCS materialized threats on Vietnam's security.

Based on the above analytical process, coupled with Koga's hedging patterns, it can temporally identify that Vietnam worked either conventional or soft hedging toward China on the SCS issues. From the perspective of conventional hedging, Vietnam adopted military balancing and economic bandwagoning, while in terms of soft hedging, Vietnam engaged in economic bandwagoning and diplomatic balancing. However, while Vietnam's economic bandwagoning behavior vis-à-vis China can be identified clearly, its military balancing behavior is vague. According to Koga, "if economic and military behaviors are clear enough to signal a state's policy, its diplomatic activities

will be relatively discounted" (2018: 641). However, Koga's approach to military balancing behavior focuses on identifying external and internal balancing rather than hard and soft balancing. Koga also mentioned that defense diplomacy could be used as a tool to define balancing or bandwagoning acts, depending on the political context. Still, he stated that the availability or pre-existence of allies or alignment was an intervening variable to identify a state's option. In the case of Vietnam, as analyzed above, this country has engaged in "soft balancing" against China's threat in the SCS. Vietnam's military balancing is found not on its actual military behavior but on defense diplomacy that plays a guide or a plan. In such a situation, it is difficult to clarify whether Vietnam's military balancing behavior against China's pressures can be identified as pure balancing. Therefore, of the three factors that constitute the types of hedging, in the case of Vietnam, the diplomatic aspect played a crucial role in identifying Vietnam's hedging behavior.

Consequently, what we can clearly see here is Vietnam's strategy leaning more towards the pattern of soft hedging given a combination of economic bandwagoning and diplomatic balancing. The analytical process of Vietnam's behavior in three specific aspects illuminates a part of Koga's explanation of patterns of hedging behavior. The case of Vietnam also lights up the diplomatic aspect of the model of soft hedging in which defense diplomacy should be defined as a part of the state's diplomacy. In fact, Vietnam's defense diplomacy is conducted through bilateral and multilateral defense cooperation. Using multilateral defense diplomacy to constrain or resist China's behaviors in the SCS overlaps with the notion of 'diplomatic balancing,' which signifies the use of international institutions to create norms and rules to constrain the targeted state's behavior implicitly. Therefore, not all patterns of hedging are always treated as consistently following a certain strategic logic of combination of military/economic, military/diplomatic, or economic/diplomatic; a confluence of all three factors as analyzed in the case of Vietnam can also

be placed in hedging framework. Vietnam's approach vis-à-vis China's threats in the SCS is illustrated on the following page in Figure 4.8.

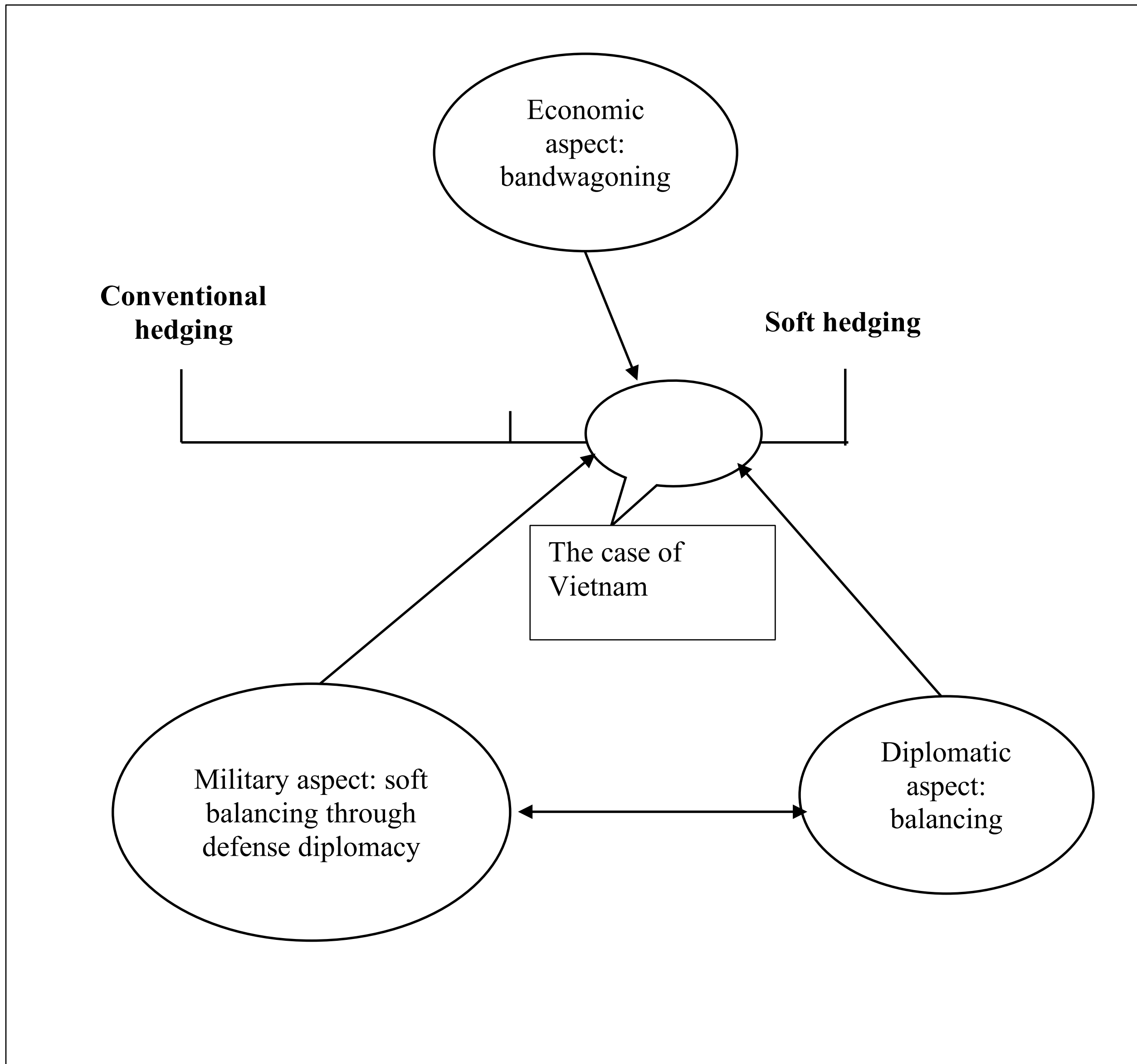

Figure 4.8 The Vietnam's pattern of hedging vis-à-vis China's challenges in the South China Sea

4.2. The effectiveness of the hedging strategy Vietnam adopted to deal with China's aggressive behavior in the South China Sea

This section aims to identify whether the risks of balancing or bandwagoning behavior exceed that of the hedging one that Vietnam has employed.

In terms of the military field, in order for a country to balance successfully, theoretically, it must be able to develop an amount of power that, compared to that of the target state which it is balancing against, is significant. In the case of Vietnam, as illustrated in Figure 4.1, in 2018, China spent USD 249.996 billion on defense, nearly 45 times that of Vietnam. In the same year, if we compare Vietnam's GDP with China's defense budget, we would see the surprising figure when China's military budget is nearly the same as Vietnam's GDP. This figure indicated that the economic cost of providing for Vietnam's defense is difficult to match China's defense expenditure. Moreover, Vietnam is a developing country, so a focus on military spending often means that this country must overlook other vital priorities, such as public infrastructure investment, economic development, education, or new technology. It can be said that the more money is spent on defense, the less money is spent on other public services. Therefore, increasing military spending to ensure national security's demands is not a reasonable option for Vietnam. Nevertheless, it can be argued that increased military spending is appropriate to provide defense against hostilities or materialized threats. But there is always uncertainty as to how much is enough for the defense budget. Consequently, Vietnam's internal efforts to develop a strategy against China's threat in the SCS is not feasible due to the high cost associated with military balancing.

A small state could also provide its security by joining an alliance. However, according to Bendel (1994), the costs of alliance a state must pay may be loss of sovereignty, abandonment, entrapment.

Bendel (1994) argued that if a state has no choice but to join alliances, it cannot calculate exactly how much it must pay for commitments, and because of different relative power levels, costs and benefits of partners in an alliance are often unequal. Bendel concluded that "if a state has no alternative, the benefits it receives will consequently be lower, and/or the price it must pay will be higher" (1994: 49). In order to explain why alliance relates to loss of sovereignty of a state, Bendel also cited Jervis's argument that:

> A state trying to rally others to a coalition against what it perceives to be a grave menace faces a dilemma. In order to persuade others to join, the state will want to stress the danger that the adversary constitutes to them all and its commitment to the common defense. But to do this is to acknowledge that it believes it imperative to form an alliance, thus allowing others who are, or pretend to be, less alarmed to exact a higher price for their cooperation. (1994: 50)

Bendel (1994), thus, concluded that the alliance mechanisms could be useful in meeting short-term security needs rather than the long-term. Before that, Walt declared that "bandwagoning involves unequal exchange; the vulnerable state makes asymmetrical concessions to the dominant power and accepts a subordinate role" (1988: 282). In addition, Walt states that small and weak states will prefer to bandwagon simply because they do not have enough capabilities or are unattainable security alliances due to being scarce or distant (1985:18). He also argues that bandwagoning is a risky strategy because it requires trust that the dominant power will be benevolent (Walt, 1985: 15). Clearly, the risks of engaging with an alliance to help Vietnam build its defense capabilities and then counter China's challenges in the SCS are not low when there is no guarantee that the alliance partner will meet Vietnam's expectations.

Moreover, whether there is any reliable ally for Vietnam is a big question of this country's leaders. Taking the United States as an example, Vietnam wants to enlist the country's assistance to counterbalance China in SCS. However, in terms of geography, China is close-by while the U.S is half a world away. This geographic asymmetry increased the risks for Vietnam when this country chooses to create a Vietnam-American alliance to counter China. Vietnam's idiom has the statement: “distant water can’t put out a nearby fire.” The failure of the Vietnam-Soviet Union alliance in assisting Vietnam in 1979 was the historical experience making the Vietnamese no longer fully trust a faraway power (Le, 2013: 339). Another notable point is that excessive reliance on foreign powers to ensure its security through both external balancing and bandwagoning reduces Vietnam’s autonomy and even leads to a loss of sovereignty. Consequently, compared to the costs of entering an alliance that requires a significant level of dependence on external powers, such as allying with China in the case of bandwagoning or the other great powers, like the United States, in the case of balancing; or the economic cost of providing for its own defense, defense diplomacy may provide Vietnam a means to achieve greater security at a lower price. Vietnam chooses to pursue defense diplomacy by increasing the participation of powerful international actors to stand out China’s challenges in the SCS. Defense diplomacy is established through deepening bilateral relations with major powers, like Russia, the United States, Japan, and India, assist Vietnam in strengthening its military capabilities as well as better protect its interests in the SCS. Defense diplomacy through active engagement in international and regional institutions also helps Vietnam not only improve its global diplomatic status but also increase its voice in the international arena in the SCS issues.

In terms of the economic field, all trade indices analyzed in Section 4.1.2 point out that Vietnam’s economic relations with China have grown sharply in the last decade. Moreover, when comparing

Vietnam’s economic interaction with China with that of other countries, it is shown that the Vietnam economy is heavily dependent on China's market. As a result, Vietnam has become increasingly dependent on China for its economic growth. This dependency has made it difficult for Vietnam to pursue a balancing strategy because of the high economic cost of breaking its economic interaction with China. Although China's increasing aggression in the SCS challenged Vietnam's security, Vietnam needs the Chinese market for its continued economic development. Thus, Vietnam has no choice but to bandwagon economically with China as bandwagoning entails less cost than balancing. That means that when Vietnam engages in economic bandwagoning strategy its risks is lower than balancing.

From the perspective of diplomacy, the relationship between Vietnam and China is a complex one that has fluctuated between collaboration and conflict. In order to counter China’s aggressive actions in the SCS, Vietnam conducted a diplomatic balancing strategy. This approach binds China within multilateral institutions, primarily in the ASEAN framework. Vietnam’s membership in ASEAN becomes strategic leverage in its diplomatic negotiations. First, Vietnam coordinated with ASEAN’s member states to transform China’s behaviors through ASEAN processes and norms. Second, Vietnam lessens the risks of excessive reliance on foreign protectors by entering military alliances against China (external balancing) or allying with China (bandwagoning). Third, inclusive institutional balancing in the ASEAN helps Vietnam not only maintain the stability in Sino-Vietnamese bilateral relations that accommodates its economic interests but also avoid a direct confrontation with China on the SCS issues and thereby responding to its demand for security.

In conclusion, instead of balancing or bandwagoning alone, Vietnam is more likely to conduct hedging that combines soft balancing through defense diplomacy, economic bandwagoning, and diplomacy balancing to counter China's aggressive actions in the SCS. As analyzed above, the cost of the hedging strategy Vietnam must pay is lower than that of balancing or bandwagoning alone. The power gap between Vietnam and China determines that Vietnam cannot carry out internal balancing with China. The costs Vietnam must pay for the other side, such as allying with China in the case of bandwagoning or the United States in the case of external balancing, to receive the protection outweighs the potential benefits Vietnam could gain due to the high risks arising from its decrease autonomy or uncertainty about a great power's commitment to defend Vietnam's security interest. From the perspective of the economy, Vietnam needs China market to ensure its stable economic growth. Thus, economic bandwagoning with China helps Vietnam maintain trade with China and avoid negative consequences associated with economic balancing. From the perspective of diplomacy, the policy of binding China in multilateral institutions brings more advantages for Vietnam in negotiation with China over the SCS issues. As a result, hedging provides Vietnam with more protective options than balancing or bandwagoning alone. To be specific, the hedging strategy enables Vietnam to:

(1) maintain Vietnam-Sino bilateral trade ties for its growth and stability;

(2) reduce security risks due to direct confrontation with China through entering military alliances against (external balancing), or through strengthening the military capabilities (internal balancing);

(3) reduce security risks without incurring the costs associated with joining alliances (external balancing);

(4) ensure its autonomy due to no excessive reliance on foreign powers to counter China.

As a result, in the SCS issues, the hedging strategy Vietnam has been employing is more effective than balancing and bandwagoning.

Chapter 5: Conclusion

The increasing tension due to territorial disputes over the SCS between Vietnam and China has caused a dilemma for Vietnam’s foreign policymakers. The purpose of this thesis is to determine what type of hedging strategy Vietnam used and its effectiveness in managing Sino-Vietnam bilateral relations in the SCS issues. This study concludes that current explanations of Vietnam's hedging are insufficient to account for Vietnam's hedging strategy toward China over the SCS issues. By adopting Koga's hedging framework in which a state’s strategic behavior is determined by a confluence of the military, economic and diplomatic factors, the thesis hypothesizes that Vietnam engaged either conventional or soft hedging against China; and the strategy is more effective than balancing or bandwagoning alone.

The military data, Vietnam's defense policy, and additional literature showed that Vietnam adopted soft balancing via strengthening bilateral security relations with great powers and engaging in multilateral institutions to counterbalance China's threats in the SCS. The economic data indicated the importance of Sino-Vietnamese trade bilateral ties for Vietnam's economy and how much Vietnam's economy depends on China. Vietnam's heavy trade dependency on China characterized its behavior as economic bandwagoning. In terms of diplomacy, Vietnam has used multilateral institutions, primarily through ASEAN venues, to internationalize the SCS issues and constraint China's behaviors in international norms and rules. The evidence supported hypothesis 1, which held that Vietnam engaged either conventional or soft hedging against China. However, from the perspective of the military, Vietnam adopted soft balancing through defense diplomacy to counter China’s increasing aggression in the SCS. This approach did not clearly determine whether

Vietnam’s behavior is pure balancing. Hanoi’s policy toward China’s challenges in the SCS, thus, is identified as a hedging behavior but leaning more towards soft hedging given a combination of economic bandwagoning and diplomatic balancing.

The degree of risks did relate to the options assessed to determine whether the hedging strategy is optimal for Vietnam. Based on data presenting Vietnam’s economic and military capabilities in comparison to that of China, it was clear that although Vietnam perceives threats correctly from China and may be willing to pay the price to mitigate risks, it lacks the means to cultivate protective options under the form of self-help capabilities (known as internal balancing). Moreover, because of Vietnam’s economic dependency on China, Vietnam must pay the high economic cost associated with military balancing. External balancing and bandwagoning did not compensate for a shortage of self-help capabilities due to the high costs of alliances. As a result, the risk of pure balancing or bandwagoning exceeds that of hedging in the case of Vietnam. Currently, the hedging strategy seems to be the best option for Vietnam facing China’s threats in the SCS.

5.1. Contribution to the literature

This study aims at contributing to the literature in the field of international relations, especially understanding how a small state responds to larger power's threat. Based on the conceptual framework of hedging proposed by Koga (2018), the paper identified Vietnam’s strategic behavior toward China’s threats in the SCS. Koga (2018) studied Japan's strategic behavior with the US and China in the face of an ongoing power shift in East Asia. By placing the concept of hedging in the context of the “balancing-bandwagoning” spectrum within the “balance of power” theory, coupled with identifying a state's behavior in three specific areas: military, economic, and diplomatic fields, Koga (2018) mapped six patterns of hedging, including conventional hedging (military

balancing/economic bandwagoning), soft hedging (diplomatic balancing/economic bandwagoning), economic hedging (economic balancing/military bandwagoning), security hedging (diplomatic balancing/military bandwagoning), diplomatic hedging (economic balancing/diplomatic bandwagoning), political-military hedging (military balancing/diplomatic bandwagoning). However, due to the nature of Vietnam's behavior in the military aspect characterized by the soft balancing through its defense diplomacy, determining where Vietnam would fall on the models of hedging Koga proposed was not generalizable fully. A closer look at Vietnam's behavior vis-a-vis China in military, economic, and diplomatic areas, what we can clearly see here is Vietnam's strategy leaning more towards the pattern of soft hedging, but a soft balancing strategy in the military field is important to identify Hanoi's decisions to the SCS issues. Unlike in the case of Japan, all patterns of hedging are always treated as consistently following a certain strategic logic of combination of military/economic, military/diplomatic, or economic/diplomatic; the case of Vietnam is a confluence of all three factors, as illustrated in Figure 4.8. As a result, in the military field, a state's behavior should be expanded to soft balancing rather than only external or internal balancing.

This approach does not cause a concept-stretching problem. Instead of that, it is only applied in the context in which military factor is unclear to be identified as either an internal balancing or an external one. Moreover, by testing the risks produced by the strategy Vietnam used to counter the threats stemming from China, this thesis can be a typical example to evaluate the efficacy of the hedging strategy. The case study of Vietnam highlights the usefulness of the comparative-approach to assess risks of a particular strategy that appear to have been difficult to gauge reliably.

5.2. Future Research

The theoretical framework used in this thesis can also be used to identify a state's strategic behavior in the face of a threat from a major power as well as examine its response will fall into what pattern of hedging. Moreover, although attempts have been made in this study to identify Vietnam's strategic behavior toward China in the conflicts in the SCS, examining the influences of shifts in the distribution of power between the United States and China on Vietnam's policy in the SCS is still lacking. In fact, in recent months, China's growing assertiveness and the escalation of the United States-China disputes in the SCS have affected Vietnam's diplomatic policy. The United states-Vietnamese security ties become deeper as Trump's administration prioritizes strategic competition with China and against its growing military capabilities in Asia (Wilhelm, 2020). However, Vietnam still faces a dilemma in determining its position with the two antagonistic powers. Consequently, a future research question can emerge, as follows: whether the fluctuations of China-United States relations become a breakthrough in Vietnam's strategy toward China in the SCS. The answer to this question may place Hanoi either in a new position in the hedging spectrum or an alternative strategy for its current foreign policy of hedging. A comparative study should also be included in examining the answer to the above question when in the past, Vietnam was used to face a dilemma in determining its position with the two antagonistic powers, namely China and the Soviet Union. The 1979 border war between Vietnam and China was evaluated as the result of Vietnam's entry into an alliance with the Soviet Union in 1978. Whether history repeats itself is a new puzzle in studying Vietnam's strategy toward China in the future.

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