

# Vietnam's Post-Cold War Hedging Strategy: A Changing Mix of Realist and Liberal Ingredients

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This article aims at improving precision in the theoretical discussions of “hedging” strategy. It proposes a generalizable basket of the strategy’s components. It then examines the evolution of Vietnam’s hedging strategy since the end of the Cold War based on this framework. The findings show that Vietnam’s hedging strategy is a dynamically changing mix of four realist and liberal ingredients (diplomatic engagement, economic engagement, soft balancing, and hard balancing). The most dominant component in Vietnam’s hedging has shifted across different periods, as Vietnam reacted to China’s movements in the South China Sea as well as changes in the domestic conditions and the external security environment.

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**Key words:** balancing, engagement, hedging, South China Sea, Vietnam-China relations

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本文致力提高理论讨论中对“对冲”战略描述的准确性。本文提出了该战略组成部分的一般化篮子（generalizable basket），随后基于此框架检验了自冷战结束后越南在对冲战略上取得的进展。研究结果显示，越南对冲战略是一种处于动态变化的混合物，该混合物由 4 种现实成分和自由成分组成，它们分别为：外交接触、经济接触、软制衡和硬制衡。越南对冲战略中最主要的部分已在各个时期不断转变，其对中国在南海地区行动所做出的反应，以及其国内情况和外部安全环境都发生了变化。

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关键词：对冲，制衡，接触，中越关系，南海

Este artículo intenta mejorar la precisión en las discusiones teóricas de la estrategia de cobertura. Propone un portafolio generalizable de los componentes de la estrategia. Después examina la evolución de la estrategia de cobertura de Vietnam desde el final

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de la Guerra Fría basada en este marco teórico. Los hallazgos muestran que la estrategia de cobertura de Vietnam es una mezcla dinámicamente cambiante de cuatro ingredientes liberales y realistas (compromiso diplomático, compromiso económico, equilibrio blando y equilibrio duro). El componente más dominante en la cobertura de Vietnam ha cambiado en diferentes periodos, mientras Vietnam reaccionó a los movimientos de China en el Mar del Sur de China así como los cambios de las condiciones domésticas y el ambiente de seguridad externa.

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**Palabras clave:** cobertura, compromiso, equilibrio, Mar del Sur de China, relaciones entre Vietnam y China

Over the last few decades, the People's Republic of China (PRC) has emerged as a great power with impressive growth in economic development and military modernization. By 2008, it became the world's second highest military spender for the first time, despite a huge gap behind the leading United States. By 2010, China passed Japan to become the world's second largest economy. China, with strong economic and military power, has employed assertive approaches in pushing its claims in the South China Sea, which is richly endowed with natural resources and strategically located over a major sea lane (Vuving, 2015, p. 274).

Among the disputants in the South China Sea (Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam), China is the key player due to its economic and military power, while Vietnam is the most affected by the juggernaut of China's rise (Dillon, 2011, pp. 62–64). These two countries are involved in both a bilateral territorial dispute over the Paracel Islands and bilateral and multilateral territorial disputes over the Spratly Islands. The issue of the South China Sea has become a focal point in Vietnam-China relations. In managing its relations with its giant neighbor, Hanoi has employed a hedging strategy since the end of the Cold War (Goh, 2005; Hiep, 2013; Roy, 2005; Vuving, 2015).

Many international relations scholars have discussed the concept of strategic hedging. Roy (2005) talks about hedging in several Southeast Asian countries, but mainly focuses on their relations with the United States as a balancing factor against China. To Roy (2005), the risk to be hedged against is aggressive Chinese behavior. Goh (2005) proposes three hedging components: soft balancing, complex engagement, and enmeshment. To Goh (2005), the risks Southeast Asian countries see are multifaceted, spanning from China's aggressive behavior, U.S. withdrawal of its security commitment, to the loss of access to the economic opportunities in China, which would slow their economic growth and hurt domestic political stability. Enmeshing major powers, however, can be merged into soft balancing as discussed further in the next section. Goh's (2005) categorization of Thailand's strategy as a strong hedging due to its close ties with both China and the United States, while Vietnam's hedging (which accommodates China) and Singapore's hedging (maintaining strong security ties with the Americans) are considered weak, causes confusion. Kuik (2008) identifies five components of hedging, namely, economic pragmatism, binding engagement, limited bandwagoning, indirect balancing, and dominance denial. He

argues that hedging is somewhere between bandwagoning and balancing—two realist options. However, engagement is a liberal element. Hiep (2013) adopted Kuik's framework by saying that hedging is a realist strategy and making some slight changes to the hedging categories to create four components: economic pragmatism, direct engagement, hard balancing, and soft balancing. Moreover, Hiep's observation (2013) that each component of Vietnam's hedging strategy carries equal weight throughout the postnormalization period is empirically inaccurate. Vietnam's hedging instead has been a changing mix of realist and liberal ingredients.

Vuving (2006) also thinks that hedging is a combination of realism and liberalism. Although he did not consider hedging as a sufficient framework to explain Vietnam's behavior in 2006 (p. 806), he has broadened and adopted the term in his work in 2015 to describe Vietnam's policies toward China and the United States (Vuving, 2015). He proposes six ingredients of hedging, namely, hard balancing, soft balancing, enmeshment, engagement, deference, and solidarity. These components are useful in explaining Vietnam's strategy; however, their contents overlap and can be reclassified in a more sufficient way. First, enmeshment as described by Vuving (2015) can support both liberal and realist theories. China enmeshed in multilateral organizations can be both socialized and constrained in its behavior. In this article, enmeshment is subsumed under soft balancing. Second, deference is the cost of bandwagoning—the very thing a hedging strategy intends to avoid. Symbolic deference can be analyzed within diplomatic engagement, while more tangible deference belongs to bandwagoning. Third, Vuving assigns a unique Marxist-Leninist comradeship to the term solidarity. The authors concur with his empirical observation, but for this article's analysis, the concept is subsumed under diplomatic engagement.

The first section of this article defines strategic hedging by explaining its formation, establishing it as a distinguishable strategy, and using four criteria from Tessman and Wolfe (2011) to identify hedging behavior. It also demonstrates the desirableness of hedging in Southeast Asian nations' relations with China. The second section provides an overview of Vietnam's choice of a hedging strategy and its components. The third section more closely examines the country's hedging strategy during five periods of analysis: 1991–1994, 1995–2000, 2001–2008, 2009–2013, and 2014 to present. The findings show that Vietnam's hedging strategy is a changing mix of realist and liberal policy ingredients, which consists of diplomatic engagement, economic engagement, soft balancing, and hard balancing. The weight of each component has varied and changed over time, based on the most urgent tasks for Vietnam to effectively manage its relations with China and the former's ability to pursue such a policy preference. In other words, the weight of the components in Vietnam's hedging changes in response to China's actions in the South China Sea as well as Vietnam's domestic changes and the changes in its external relations. While each component of the hedging strategy is qualitatively different from others and hence not amenable to rank ordering them as priorities, ups and downs in each component are observable. The concluding section summarizes the dynamics of Vietnam's hedging strategy and discusses its theoretical implications.

## Theoretical Framework

### Existing Theories

One of the most discussed concepts in international relations literature is balance of power. There is, however, no universal definition of the term, and each writer uses it differently. Haas (1953) classifies eight different verbal meanings of balance of power, namely, distribution of power, equilibrium, hegemony, stability and peace, instability and war, power politics, universal law of history, and system and guide. One of the most common uses is distribution of power in the international scene at any one time. The assumption is that too much power for one country will present a threat of violence (Griffiths & O'Callaghan, 2002, p. 12). However, the reality shows that there are always states which are stronger than others due to different levels of economic development and military modernization. While realists see this disparity in power per se as a source of instability in the international system, liberals do not necessarily problematize the power gap. Realists see that it is critical for any small state to pursue bandwagoning or balancing in its relations with a bigger power that poses a threat. Roy (2005, pp. 306–307) discusses two definitions of bandwagoning. Under the first definition, the small state aligns with the bigger power politically and militarily to avoid being attacked by it, while the second definition describes the bandwagoning state as profit seeking by “being on the winning side.” He argues that bandwagoning is better defined by the first definition because the second definition is more suitable for economic engagement.

Balancing includes hard balancing and soft balancing. Hard balancing consists of internal balancing and external balancing. Facing the threats posed by a bigger power, a state employing internal balancing tries to enhance its internal strengths by developing its economy and strengthening its military capabilities (Vuvung, 2006, p. 807). The country aims at decreasing its dependence and increasing its military readiness to confront the stronger power. Meanwhile, external balancing focuses on establishing formal alliances with other powers to counter the threatening nation (Roy, 2005, p. 306). While hard balancing emphasizes military force, soft balancing focuses on diplomatic and political dimensions (McDougall, 2012). The weaker state pursues soft balancing by involving in various diplomatic, economic, and institutional engagements with other countries to balance against the threat (Tessman & Wolfe, 2011). Examples of soft balancing include utilizing multinational institutions, resorting to international laws, and building coalitions with other powers (Friedman & Long, 2015). The purpose of soft balancing is not to directly challenge but to constrain the threatening nation from unilateral behavior (Pape, 2005).

Unlike realists, liberals suggest that smaller states can shape the bigger power's behavior by engaging it into deep diplomatic and economic ties. Smaller states make use of various communication channels to enmesh and socialize the bigger power, while promoting economic cooperation between them. This argument about the strategy of engagement is based on a positive-sum assumption that deepening interdependence is beneficial for both sides (Matsuda, 2012, p. 114).

However, in today's dynamic environment, the strategic options discussed above are often unable to satisfactorily explain states' behaviors in their

relations with others. Therefore, an increasing number of scholars pay attention to strategic hedging as an alternative option of smaller states.

### Defining Hedging

The term "hedging," adopted from finance, is a risk-management strategy. In international relations literature, many scholars have tried to define the concept in a political meaning. For instance, Goh (2005) says hedging is:

a set of strategies aimed at avoiding (or planning for contingencies in) a situation in which states cannot decide upon more straightforward alternatives such as balancing, bandwagoning, or neutrality. Instead, they cultivate a middle position that forestalls or avoids having to choose one side [or one straightforward policy stance] at the obvious expense of another. (p. 2)

Similarly, hedging is "a risk-management strategy, in which one devises a viable alternative in preparation for a worst-case scenario," according to Matsuda (2012, p. 113). In essence, hedging is a set of multiple approaches, which act simultaneously as a strategy to help the employing states minimize their threats while maximizing their opportunities in relations with other nations in an uncertain environment.

Among the three strategies suggested by realism and liberalism, bandwagoning and balancing are the two opposite ends of a spectrum, so they cannot be put together in a combination. Both bandwagoning and engagement tend to get closer to the threatening nation, while hedging aims at meeting the threatening state halfway. Therefore, elements of balancing and engagement (diplomatic engagement, economic engagement, hard balancing, and soft balancing) come together to form a hedging strategy. Different countries' hedging strategies may vary on the number of components; however, at least one engagement and one balancing element are needed to ensure that they are hedging.

A state's strategic hedging can be either stable or unstable. A stable hedging strategy helps the employing country maintain a position, which is neither too close to nor too far from the subject nation. In other words, a state with a stable hedging strategy remains in the middle of the balancing-engagement spectrum by seeking a positive relationship with the subject nation while resisting against its domination. A fixed number of components, regardless of the changes in each component's weight over time, contribute to this balance. In contrast, an unstable hedging strategy is characterized by a fluctuated pattern of positioning. Different elements of the strategy are absent during various periods making it lean toward one end or the other of the balancing-engagement spectrum.

Although hedging is a mix of realist and liberal perspectives, it is a distinguishable strategy. First, hedging is not balancing even though it contains components of balancing. The military ties may have predated the emergence of a particular state, like China today. This is definitely true of America's treaty allies in Asia, whose alliances were formed during the early days of the Cold War to protect U.S. interests. Additionally, the efforts to modernize military forces may not primarily concern the rise of China, as the logic of internal hard balancing predicts. Nations tend to spend more on military expenditures along with economic growth because the same percentage of gross domestic product

(GDP) spent for military budget becomes larger in absolute value. Further examination of the country's strategy is necessary before concluding that the country is simply adopting a strategy of external and internal hard balancing. Second, hedging is distinguishable from bandwagoning because smaller states seek closer relationships with bigger powers to get some kind of benefits, such as economic incentives in the case of access to China's huge growing market. While the larger power may link provisions of economic benefits with the smaller states' acceptance of a subordinate diplomatic status, there is no scholarly agreement on empirical accuracy of this view (Kuik, 2008, p. 160). Last, hedging is also distinguishable from engagement due to its primary purpose of offsetting risks in relations with bigger powers. Engagement theory assumes that both large and small states can get advantages from an interdependent relationship. Given the gap in the degrees of their mutual dependency, however, the risk of withdrawal of the benefit of engagement is high for small countries. Without much hope of "reducing the threats," economic engagement in a hedging strategy is primarily aimed at gaining present economic benefits. "Pragmatism" of economic engagement is, thus, a short-term objective that is paired with the fear of overdependence on and possible denial of that benefit.

In their work regarding the relations between second-tier states and a superpower, Tessman and Wolfe (2011, p. 220) build a metric to distinguish a hedging strategy from other forms of strategy. A state behavior can be categorized as strategic hedging if it satisfies the following four criteria. First, the behavior must enhance the capability of the hedging state to engage in armed conflicts with or to deal with the possibility of ceasing public goods provided by the leading power in an uncertain future. The second criterion emphasizes highly defensive nature of the military buildup and security partnership. Military buildup of a hedging state must not involve a direct confrontation with the subject nation. Establishing formal military alliances aiming at challenging the bigger power is not strategic hedging, but hard balancing. The third criterion, which differentiates hedging from normal diplomatic conduct, is the strategic nature of the behavior in question. It must be coordinated by the central government and address concerns over the issue considered as a matter of national security. Last, to set apart strategic hedging from soft balancing, the behavior in question must generate some trade-offs to the hedging state. If the state practice meets all of these four criteria, the state is practicing strategic hedging.

### **Conditions for Hedging**

A state chooses to pursue a hedging strategy in relations with another state when all of the following conditions are met. First, the hedging state must perceive a threat from the state it seeks to interact with. Because of this fear, it feels the urge to protect itself by either concurrently enhancing its internal strengths or finding support from external third parties. Second, the employing state expects a positive relationship with the threatening state for some kind of incentives, such as economic benefits or political support. Without such expectation of benefits, a more feasible strategy vis-à-vis the threatening state would be balancing. Having ambivalent feelings toward the perceived threat, the state seeks a strategy that can help it achieve both security and economic/political



benefits. Hedging as a combination of elements from engagement and balancing presents itself as an attractive option to political leaders.

Many scholars agree that most of Southeast Asian nations have employed hedging strategies in their relations with China (e.g., Goh, 2005; Kuik, 2008; Roy, 2005). Strategic hedging is suitable and desirable for Southeast Asian nations for several reasons. First, as a rising power (China) is competing with an incumbent superpower (the United States) for influence in world politics and primacy in the Asia-Pacific region, mainly through soft diplomacy until the recent escalation of more assertive foreign policy. It is not only recently that several Southeast Asian countries have come to a mind that the ongoing competition might involve growing coercion over them by the large powers. Second, geographical proximity of the Southeast Asian countries to China offers a quick path toward their economic ascendancy. On the other hand, the same proximity to China presents security threats. Southeast Asians find themselves in a dilemma between close economic ties with China and the risk of Chinese domination. The United States and other major powers like Japan become a counterbalance to China in the strategies of Southeast Asian states. A hedging strategy helps the employing states get the most benefits from both Beijing and its rivals.

### **Overview of Vietnam's Hedging Strategy**

Regarding the four criteria of strategic hedging discussed above, the first criterion (improving capacity) is manifested in Vietnam's hard balancing, in which the country has boosted its military capabilities to be better prepared for the worst-case scenario of armed conflicts, and in how it developed its economy. The second criterion (not involving in direct confrontation) can be seen in the moderate scale of Hanoi's military modernization programs and the soft balancing dimension of its hedging. Vietnam's diplomatic engagement with China demonstrates a fit with the third criterion as the central government coordinates the communication channels. Last, economic engagement satisfies the fourth criterion (generating trade-off) of strategic hedging because dependence on the Chinese economy may undermine Vietnam's claims in the South China Sea. Therefore, Vietnam's behavior toward China is strategic hedging.

Although each component of Vietnam's hedging has some limitations, the negative effects of those shortcomings can be reduced by advantages of other components.

Close economic ties with China, which bring substantial economic benefits, are leverage for Vietnam to develop its economy. However, deeper dependence on the Chinese economy has a negative impact on national security because it may weaken Vietnam's bargaining power in the South China Sea. Beijing does not hesitate to use its economic power to influence international disputes. Take the case of the Philippines as an example. In 2012, China banned the import of Filipino bananas, as well as other fruits, when the tensions in the South China Sea arose (Higgins, 2012). Similarly, worsening of the relations between Beijing and Hanoi, especially over the South China Sea disputes, may lead China to apply economic sanctions against Vietnam. On the bright side, Vietnam's growing trade deficit toward China makes economic ties with Hanoi increasingly

important to the Chinese economy. If China imposed economic sanctions against Vietnam, it would lose a smaller but expanding market.

Diplomatic engagement with China has brought positive results in enhancing national and regional security without spending substantial resources. It provides valuable avenues for both countries to discuss and manage their territorial disputes in the South China Sea. The two sides have repeatedly affirmed the importance of their friendship and of peaceful settlement of the disputes based on international law. Nevertheless, diplomatic engagement does not provide enough assurance to Vietnam's security. China has continued to violate the agreements between the two countries. Diplomatic engagement, then, has been an instrument to rebuild the bilateral relations every time the PRC acts provocatively in the South China Sea.

Hard balancing offers Vietnam an active position in preparing for an armed conflict with China in the worst-case scenario. The improved Vietnamese armed forces contribute to safeguarding the country's economic interests and security in the South China Sea. Among Southeast Asian claimants in the maritime disputes with China, Vietnam seems to be the only one which has substantial military capabilities. In the case of an armed confrontation with China, those modern submarines and other equipment will enable Vietnam to respond quickly. Despite Vietnam's effort to modernize its military capabilities, China's armed forces are far more powerful than those of Vietnam. Inferring from the statistics of World Bank (n.d.-b), the military expenditure of China in 2013 (\$194.04 billion) is about 50 times that of Vietnam's defense budget. The number exceeds the total military expenditures of Japan, South Korea, Taiwan, and Vietnam together (Keck, 2014).

Soft balancing helps the country to save its time and resources by gaining international support and making use of the world's most powerful armed forces, foremost of which is the United States. In addition, expanding economic activities with other powers reduces Vietnam's dependence on China's economy. Multilaterally, Association of Southeast Asian Nations (ASEAN) provides Vietnam valuable opportunities and venues to express its concerns and to call for international support for its stance in the South China Sea disputes. By employing soft balancing, Hanoi has improved its status in international diplomacy while developing its domestic economy. This helps Vietnam to better defend its interests in the South China Sea. Nonetheless, soft balancing requires the employing nation to calculate its steps very carefully, since any misstep can lead to serious consequences. Vietnam cannot be too cozy with any great power, because this makes other nations uncomfortable. China has objected to the U.S. presence in the South China Sea and warned America not to get involved in these regional disputes (Blanchard, 2014). By getting closer to the United States, Vietnam may worsen the tensions in the South China Sea and make it more difficult for bilateral talks with China. Although ASEAN presents more weight than individual nations in dealing with China, the best thing it achieved has been the 2002 declaration on the code of conduct in the South China Sea (Weatherbee, 2015, p. 176). It is not a regulatory statement, against which states' behavior can be evaluated, but an expression that is not necessarily guaranteed to be fulfilled.



### **Vietnam's Rationale for Choosing a Hedging Strategy**

Vietnam's current internal political situation and external economic and security environment dictate that neither realism nor liberalism alone can provide a desirable strategy to deal with China.

On the one hand, domestic nationalists demand that the administration express a firm position on the South China Sea disputes and protect the nation's sovereignty and interests. There have been some anti-China demonstrations in Vietnam in response to China's movements in the South China Sea (Hiep, 2012). For this reason, bandwagoning is an undesirable strategy for Vietnam because it undermines Vietnam's position in the South China Sea disputes. On the other hand, Hanoi has tried hard not to jeopardize its relationship with Beijing, so it is unlikely that Vietnam will explicitly form an alliance with other powers against China. This is stated in the country's most current White Paper in 2009, that Vietnam "consistently advocates neither joining any military alliances nor giving any other countries permission to have military bases or use its soil to carry out military activities against other countries" (Vietnam National Defence, 2009, pp. 21–22). Additionally, internationally concerned parties have encouraged Vietnam to resolve the problems peacefully and avoid armed confrontations with other claimants (Hiep, 2013, p. 345). Drastic military buildup by Vietnam would still be far short of balancing against China, but will surely trigger fears of other Southeast Asian claimants in the South China Sea, such as the Philippines. Thus, a pure form of balancing is not a desired option for Vietnam either.

Liberalism would suggest that Vietnam should engage with China through close diplomatic and economic ties to shape its behavior. In doing so, Hanoi could engage Beijing into a network of diplomatic arrangements. The first purpose is to socialize China so that it will respect international norms. Another objective is to deepen economic interdependence, so it will be costly for China to take unilateral actions. Nonetheless, the level of economic interdependence is asymmetric, with the Vietnamese economy much more dependent on the Chinese economy. The diplomatic leverage deriving from this economic partnership overwhelmingly favors China. Vietnam can only hope to increase the bilateral communications and maintain positive relations with China through engagement. In addition, profound interdependence requires a high level of mutual trust, which is not a feature of the Vietnam-China relations. Therefore, Vietnam cannot pursue engagement as a sole strategy in dealing with China.

Vietnam found itself in a difficult situation to stand up for its national interests on the one hand and maintain a positive relationship with China on the other. It can neither afford to choose one end of the bandwagoning-balancing spectrum nor deeply engage with China. Strategic hedging, a partial mix of realist and liberal policy prescriptions, presents itself as an appropriate strategy for Vietnam. Standing in the middle of the growing U.S.-Chinese rivalry and in complicated multilateral disputes over the South China Sea, hedging enables Vietnam to maximize its opportunities and minimize its threats.

### **Components of Vietnam's Hedging Strategy**

There are four ingredients in Vietnam's strategic hedging toward the PRC. The first one is diplomatic engagement, in which Vietnam aims at building

mutual trust, facilitating cooperation between the two countries, and calling for China to act responsibly in regional and global security affairs. The former has engaged the latter in a network of communications and agreements. Vietnam's objective is to make China's behavior more predictable and less likely to harm its national interests. The second factor of Vietnam's hedging is economic engagement. Since Vietnam-China rapprochement in 1991, Hanoi has sought close economic ties with Beijing. As a result, China became and has remained Vietnam's biggest trading partner since 2004. Internal hard balancing is the third ingredient of Vietnam's hedging strategy. Vietnam has augmented its military capabilities by purchasing modern weapons, most of which come from Russia, as well as developing its defense industry. Finally, Vietnam has deepened bilateral and multilateral relations with other major powers, not forming formal alliances but rather soft balancing against China.

### **Evolution of Vietnam's Strategic Hedging**

Some critical years mark different stages of Vietnam's strategic hedging since the end of the Cold War. The first one was 1991 when Vietnam adopted its "multi-directional foreign policy" during the Seventh National Congress, which showed Vietnam's wish to "be friends with all countries" (Thayer, 1999, p. 3). The same year, Vietnam normalized its relations with China, which enabled diplomatic and economic contacts between the two countries. The second milestone is 1995 when Vietnam made a major breakthrough on the foreign policy front by normalizing relations with the United States, becoming a member of ASEAN, and signing a framework cooperation agreement with the European Union (EU). The year 2001 is the next turning point of Vietnam's China policy because Hanoi started building strategic partnerships with major powers in the world, starting with its close friend—Russia. Vietnam's effort to diversify its external relations was reaffirmed during the Ninth National Congress in the same year (Thayer, 2002, p. 86). The next critical year for Vietnam is 2009 when it together with Malaysia issued a joint submission to the Commission on the Limits of the Continental Shelf, and China submitted a map to the United Nations showing the so-called nine-dash line. Amid tension in the South China Sea following China's rig deployment into Vietnam's exclusive economic zone (EEZ) in May 2014, Vietnam heightened security cooperation with the United States and Japan—China's strategic rivals (Hiep, 2017). This makes 2014 the last turning point in its hedging strategy against China.

The mix of the four ingredients of Vietnam's hedging strategy has changed over time, in reaction to China's movements in the South China Sea and changes in the country's internal and external environments.

#### **From 1991 to 1994**

During this period, diplomatic engagement and economic engagement with China were the most important factors of Vietnam's strategic hedging for several reasons. First, the country realized that its economy had been lagging behind other nations in Southeast Asia, which was considered as a serious threat to its national security. Under Doi Moi reform (1986), economic development became Hanoi's top priority (Vuving, 2006, p. 811). The re-establishment of diplomatic relations enabled Vietnam to economically engage with China.

Although the economic exchange was still limited during this period, prioritizing economic engagement was essential for Vietnam to take advantage of its economic growth in the future. Besides that, Vietnam viewed Western powers, including the United States, with unease as its Communist leaders feared that the West, through “peaceful evolution,” was aiming at destroying communism for good (Thayer, 1999). Thus, Hanoi sought a closer relationship with Beijing to secure its socialist ideology (Vuving, 2006, p. 812). The Vietnamese leaders soon realized China’s ambition in the South China Sea when it passed a law on the Territorial Sea and the Contiguous Zone in 1992. Hanoi saw the urgent need for military modernization; however, its effort was extremely limited. The country’s weak economy would not allow Vietnam to significantly improve its military forces even if it wanted to do so.

**Diplomatic engagement.** The normalization of bilateral relations opened up a new page in the Vietnam-China relationship. The rapprochement was marked by the visit of General Secretary of the Communist Party of Vietnam (CPV) Do Muoi and Prime Minister Vo Van Kiet to China in November 1991. As reciprocation, Chinese Foreign Minister Qian Qichen and Premier Li Peng visited Vietnam in February and November of the following year, respectively (“A New Milestone,” 2006). Since then, the two countries have maintained regular exchange visits.

The quickly warmed-up bilateral relations led to a number of agreements signed. During the trip of Minister Qian in 1992, the two countries inked agreements on economic and consular cooperation. In 1994, the visit by President Jiang resulted in an agreement on the establishment of a joint commission for economic and trade cooperation (“A New Milestone,” 2006).

**Economic engagement.** Since the two countries’ normalization, Hanoi has sought close economic ties with Beijing to benefit from its ascendancy. In 1992, Vietnam and China signed a bilateral investment treaty to foster direct two-way foreign investment flows (“China-Vietnam BIT,” n.d.). Also, China assisted Vietnam in modernizing its steel industry and promoting its first free-trade zone in Hai Phong in the same year (Simon, 1994, p. 191). The economic ties were mutually beneficial. China’s support, modest at best, nonetheless helped northern Vietnam, where the economy had lagged behind the South, to develop its economy. In return, southern Chinese provinces, which were landlocked, could have access to the world through the northern Vietnam’s port.

**Soft balancing.** Vietnam’s military capabilities were extremely limited during this period, so it reached out for defense contacts with external powers to improve its military forces. Vietnam rebuilt defense relations with its “old friends,” such as Russia and Ukraine (Thayer, 1997, p. 13). Besides that, Hanoi also sought defense ties with nontraditional partners, such as Australia, India, Israel, and some of the Southeast Asian nations, including Indonesia, Malaysia, and Thailand (Thayer, 1997).

**Hard balancing.** From 1987 to 1991, costs related to demobilization of Vietnam’s armed forces and the loss of Soviet military assistance led to major cuts

to the country's military expenditure. In 1992, however, the defense budget was raised for the first time in five years as a reaction to China's provocative action in the South China Sea (Thayer, 1997, p. 4). This allowed Vietnam to re-enter the arms market. In 1994, Vietnam made six orders of weapons from Russia, including one order of two Tarantul-class corvettes and one order of six Sukhoi Su-27 fighter aircraft (Stockholm International Peace Research Institute, n.d.). Although Vietnam's military modernization program was modest during this period, the government was aware of the urgent need to improve its military capabilities to defend its interests in the South China Sea.

### **From 1995 to 2000**

The year 1995 marked the rapprochement of Vietnam and the United States. However, the connection between the two nations was mainly that of economic ties (Brown & Tuan, 2010). The fear of an overthrow of the Communist regime and the differences in human rights issues were the primary factors that prevented Washington and Hanoi from forming a closer political relationship (Vuving, 2006, p. 811, 2013, p. 340). Additionally, since 1995, China had convinced other claimants in the South China Sea that it had endorsed a peaceful settlement by repeating the statement of foreign minister Qian Qichen, "[a]ll disputes should be resolved by peaceful means on the basis of the provisions of the international law, including the 1982 UN Convention of the Law of the Sea" (Fravel, 2011, p. 300). This period witnessed the signing of the Border Treaty and Boundary Agreement in the Gulf of Tonkin in 1999 and 2000, respectively, showing how the active diplomatic engagement of China in the Vietnamese hedging strategy could produce significant results.

**Diplomatic engagement.** Vietnam further promoted diplomatic engagement with China during this period. The tradition of exchange visits continued. General Secretary Do Muoi, for example, visited China in November 1995, followed by the visits of Premier Li Peng and Qiao Shi, chairman of the Standing Committee of the Chinese National People's Congress, in June and November 1996, respectively. During General Secretary Do Muoi's trip to Beijing, he and his Chinese counterpart agreed on the need to conclude a land border treaty and an agreement on border demarcation in the Tonkin Gulf as soon as possible. As a result, the land border treaty was signed on December 30, 1999, when Chinese Foreign Minister Tang Jiaxuan and his Vietnamese counterpart met in Vietnam. The agreements on the delimitation of the Gulf of Tonkin and fisheries cooperation in the Gulf were signed a year later on December 25, 2000. Earlier that year, the two countries also issued a joint statement on bilateral comprehensive cooperation in the 21st century ("A New Milestone," 2006).

**Economic engagement.** The economic cooperation and assistance in the last period paved the way for the bilateral trade between Vietnam and China to grow in momentum. From limited two-way trade at \$691.6 million in 1995, the figure rose by 325% during the five-year period and reached \$2,937 million in 2000 (General Statistics Office of Vietnam [GSOV], n.d.-b). This contributed to Vietnam's high GDP growth, which was an average of 7.4% annually between 1995 and 2000 (World Bank, n.d.-a). During this period, Vietnam also enjoyed a

slight trade surplus with China at \$32 million in 1995 and \$135 million in 2000 (CSOV, n.d.-b).

**Soft balancing.** Normalization of diplomatic relations with major powers and becoming a member of ASEAN were the priorities of the soft balancing dimension of Vietnam's hedging strategy against China.

The Soviet Union started enhancing its relations with the PRC and cut assistance to Vietnam, so Vietnam needed to diversify its external relations. Rapprochement with the United States was essential for Vietnam since it would pave the way for Vietnam to be a part of the international community, which would help the country protect its interests in the South China Sea. The Vietnamese-U.S. normalization was announced on July 11, following the U.S. dropping of its objections to international lending to Vietnam by the World Bank and the International Monetary Fund in 1993, and the lifting of the trade embargo in 1994 (Womack, 1996).

After Vietnam withdrew its troops from Cambodia, followed by the Cambodian peace agreement, Vietnam also normalized bilateral relations with Japan and the EU. Their development assistance, trade, and investment to Vietnam were resumed afterward (Thayer, 2015).

Another important factor in the soft balancing dimension of Vietnam's hedging is ASEAN. By becoming the seventh member of ASEAN in July 1995, Vietnam entered multilateral security arena where it could express its concerns about regional issues and gain international support for its stand on the South China Sea issue.

**Hard balancing.** Faced with the limited power projection of the Vietnamese navy in the South China Sea, VCP Secretary General Do Muoi called for the modernization of the navy, so that it could protect Vietnam's interests (Thayer, 1997, p. 17).

The six Sukhoi Su-27 fighter aircraft and two Tarantul-class corvettes that Vietnam ordered from the previous period were delivered in 1995 and 1996, respectively. Hanoi bought six more Sukhoi Su-27 in 1996 and two more Tarantul-class corvettes in 1998, also from Moscow. The aircraft were handed to the Vietnamese in 1997 and 1998, and the corvettes arrived in 1999. In this period, Vietnam made 14 arms orders in total, of which six were from Russia (Stockholm International Peace Research Institute, n.d.).

### From 2001 to 2008

While economic engagement still played an important role in Vietnam's hedging, hard balancing and soft balancing gained relative importance in the overall strategy for two reasons. First, rapid economic growth allowed Vietnam to pursue limited military modernization. Second, the country was increasingly concerned about the impressive growth of Beijing's military expenditures and its increasing presence in the South China Sea. Despite the increased weight of internal hard balancing in Vietnam's hedging in this period, external hard balancing was still absent. Vietnam did not trust the United States, especially due to the American invasion of Iraq in 2003 (Weatherbee, 2015), to build a close relationship. Instead of forming alliances to directly challenge the PRC,

Vietnam has built strategic and comprehensive partnerships with major powers in the soft balancing dimension of its hedging. The year 2001 witnessed the transformation of Vietnam's external relations, starting with the strategic partnership with its "old friend"—Russia.

**Diplomatic engagement.** From 2001 to 2008, Hanoi kept socializing Beijing by engaging it into deepened bilateral ties. The two countries maintained close high-level contacts through regular exchange visits by top-ranking officials including prime minister, general secretary, and foreign minister. In 2006, Vietnam and China established the Joint Steering Committee on Bilateral Cooperation (Thayer, 2010). By the end of this period, the two countries consented to raise the bilateral relations to a comprehensive strategic cooperative partnership during the visit of CPV General Secretary Nong Duc Manh to Beijing in May 2008. The agreement reaffirms the traditional friendship between the two countries and aims at enhancing mutual trust through mutually beneficial cooperation ("General Secretary," 2009).

**Economic engagement.** Vietnam continued to strengthen its economic ties with the PRC. The bilateral trade between the two countries increased significantly from \$3,023 million in 2001 to \$20,824 million in 2008. However, Vietnam has become increasingly dependent on the Chinese economy. Vietnam's trade deficit with China grew dramatically from \$188.8 million to \$11,123.5 million in 2001 and 2008, respectively (Vietnam Trade Summary [VNTS], 2001, 2008). Although China has been Vietnam's largest trading partner since 2004 (Hiep, 2013, p. 345), the latter was not in the former's top five trading partners (CNTS, 2004, 2008).

**Soft balancing.** From 2001 to 2008, besides China (2008), Vietnam had built strategic partnerships with other powers, including Russia (2001), Japan (2006), and India (2007) (Hiep, 2013, p. 357), to enhance its security, affluence, and position in international community. Those strategic partnerships also serve as a counterbalance against China's growing influence.

Among them, Russia played a critical role in Vietnam's soft balancing since it has been Hanoi's largest military supplier (Stockholm International Peace Research Institute, n.d.). Therefore, Hanoi has maintained good political relations with Moscow, its first strategic partner. The joint declaration on the Vietnam-Russia strategic partnership was signed in Hanoi in March 2001 during the visit of Russian President Vladimir Putin. He, then, paid a second official visit to Vietnam during his term in November 2006 to strengthen the bilateral ties. In 2008, the two countries established an annual Diplomatic-Security-National Defense Strategic Dialogue at a permanent foreign ministerial level ("Deepening Vietnam-Russia," 2012).

The Vietnam-Japan strategic partnership is a breakthrough in the bilateral relations. In October 2006, Japanese Prime Minister Shinzo Abe and his new cabinet invited Vietnamese Prime Minister Nguyen Tan Dung to visit Japan as their first official guest. The meeting of the two leaders led to the Joint Statement toward a strategic partnership for peace and prosperity in Asia. The six points of the statement include promotion of dialogue, Japan's economic



assistance to Vietnam, economic relations, cooperation in science and technology, mutual understanding between the peoples of the two countries, and cooperation in the international arena ("Japan-Vietnam Joint Statement," 2006). In November 2007, Vietnamese President Nguyen Minh Triet paid a state visit to Japan. He and Japanese Prime Minister Yasuo Fukuda agreed on the agenda toward a strategic partnership between Japan and Vietnam, which includes defense cooperation through exchanges of military delegations and ship visits by the Japan Maritime Self-Defense Force ("Agenda Toward," 2007).

Vietnam also established a strategic partnership with India, which wished to build a close relationship with Southeast Asia through its "Look East" policy. In July 2007, Vietnamese Prime Minister Nguyen Tan Dung and his Indian counterpart, Manmohan Singh, signed a 33-point joint declaration on strategic partnership, which promotes all-faceted cooperation between the two countries, including political, economic, security and defense, cultural, and scientific and technological dimensions. Since 2009, the two countries have held an annual strategic dialogue to review and further strengthen bilateral relations (Vinh, 2009). Multilaterally, Vietnam continued to use ASEAN as leverage in dealing with the PRC in the South China Sea disputes. As mentioned above, Southeast Asian claimants and China had discussed an international code of conduct since 1995. In 2002, both sides agreed on the declaration on the code of conduct in the South China Sea (Weatherbee, 2015, p. 176). Besides ASEAN, Vietnam had also tried to bring the South China Sea disputes into other international forums, such as ASEAN + 3, ASEAN Regional Forum, and East Asia Summit (Tran, Vieira, & Ferreira-Pereira, 2013, p. 169).

**Hard balancing.** During this period, Vietnam pushed for military modernization by making a total of 28 orders of conventional weapons, most of which came from Russia. Notably, Hanoi significantly improved its air defense by acquiring the S-300PMU-1/SA-20A Surface-to-Air Missile (SAM) system and powered them with 48N6/SA-10D Grumble SAM, as part of a \$200–380 million deal with Moscow. The deal was signed in 2003, and the equipment was delivered in 2005 and 2006. Additionally, Vietnam strengthened its maritime security with the K-300P Bastion-P coast defense systems and equipped them with 40 Yakhont/SS-N-26 antiship missiles in a \$300 million deal with Russia in 2007 (Stockholm International Peace Research Institute, n.d.).

### From 2009 to 2013

During this period, the emphasis on internal hard balancing continued. China's assertiveness in the last few years had changed the Vietnamese leaders' perceptions about the country's external security environment. By 2012, even the most pro-China group in the Vietnamese government, the military commanders, was no longer uncertain about Beijing's determination to take over the South China Sea (Vuving, 2013, p. 337). China improved its inter-island administration by combining three county-level administrative units—Xisha, Nansha, and Zhongsha Islands—into Sansha city, which was given a prefecture-level administrative status, in July 2012. The city has administered 200 islands (about 130,000 km<sup>2</sup>) and their surrounding waters (about  $2 \times 10^6$  km<sup>2</sup>) in the South China Sea since then (Hu & Wu, 2012). To better defend its

interests in the South China Sea, Vietnam sought to improve its military forces, especially naval power, which is critical for any nation involved in maritime disputes.

**Diplomatic engagement.** Despite rising tension in the South China Sea, Vietnam continued to socialize China and remind it about the importance of traditional friendship and peaceful settlement of territorial disputes. The two countries issued a joint statement on further deepening their comprehensive strategic cooperative partnership during the visit of Premier Li Keqiang to Vietnam in October 2013. The two sides vowed to maintain healthy and long-term stable relations and agreed to maintain high-level exchange visits and contacts (“VN, China Detail,” 2013).

**Economic engagement.** From 2009 to 2013, Vietnam-China trade turnover grew significantly. The figure was \$22,076 million in 2009, which was more than doubled in 2013 at \$50,064 million. Nevertheless, Vietnam’s trade deficit toward China also increased dramatically from \$10,008.30 million in 2009 to \$23,708.80 million in 2013 (VNTS, 2009, 2013). While China now has a stake in continued export to Vietnam, the relative weight of the Vietnamese market in China’s overall trade remains small. For Vietnam, the growing trade deficit has become a new source of concern in the bilateral relationship.

**Soft balancing.** From 2009 to 2013, Hanoi established more strategic partnerships and improved existing ones. By the end of 2013, Vietnam had concluded strategic partnerships with 13 countries, including four members of UN Security Council, and comprehensive partnerships with the United States and five other countries (Manyin, 2014). This assists Vietnam in dealing with the PRC with its policy of struggle and cooperation.

Vietnam has maintained close relations with Russia, its biggest arms supplier. In July 2012, Vietnamese President Truong Tan Sang and his Russian counterpart, President Vladimir Putin, agreed to upgrade the strategic partnership signed in 2001 to comprehensive strategic partnership (“VN-Russia,” 2016).

Vietnam upgraded its bilateral relations with the Republic of Korea from comprehensive partnership in the 21st century to a strategic cooperative partnership. In October 2009, President Lee Myung-bak paid an official visit to Vietnam. He and his Vietnamese counterpart, President Nguyen Minh Triet, reached the agreement during their talks in Hanoi (“Vietnam, RoK,” 2009).

During this period, Vietnam formed strategic partnerships with five European countries, namely, Spain (2009), United Kingdom (2010), Germany (2011), and France and Italy (2013) (Manyin, 2014), in which United Kingdom and France are permanent members of UN Security Council. This would help Vietnam gain more support for its stand in international community.

Although Washington was a promising partner for Hanoi’s soft balancing, Vietnam was still very careful in approaching its old enemy. A turning point in Vietnamese-U.S. relations was the Memorandum of Understanding on Advancing Bilateral Defense Cooperation in 2011, in which the two sides committed to strengthen defense cooperation (“U.S. Relations,” 2016). In addition,

Washington expressed its strong support for Hanoi during the speech of Secretary of State Hillary Clinton in July 2012. A year later, the U.S.-Vietnam comprehensive partnership was signed in July 2013 ("*U.S. Relations*", 2016) marking another turning point in the two countries' relationship since normalization.

**Hard balancing.** Naval power is still Vietnam's priority in its military modernization programs. Notably, in 2009, Hanoi signed a \$2-billion contract with Moscow to buy six Kilo-class submarines, which were said to be the quietest submarines in the world. The submarines were able to conduct antisubmarine, antiship, and general reconnaissance as well as patrol missions (Blank, 2013). With the state-of-the-art submarines, Vietnam was said to possess the most modern submarine fleet in Southeast Asia by the time the last vessel is commissioned (Gady, 2015).

Besides naval power, Hanoi also pays attention to strengthening its air force. In 2013, Moscow announced a sale of 12 new SU-30MK2 fighter aircraft, which can detect aerial and ground targets and ships, to Hanoi (Blank, 2013).

#### **From 2014**

During the most recent period since 2014, soft balancing has gained new significance in Vietnam's strategy due to China's provocative actions in the South China Sea. On May 1, 2014, China deployed the state-owned oil rig Haiyang Shiyu 981 (HD-981) for an exploratory mission deep into the Vietnamese side of the hypothetical median line of their overlapping EEZs. China's action was "unexpected, provocative and illegal" (Thayer, 2014). The deployment was heavily protested and led to anti-China riots in some central and southern provinces of Vietnam (Hodal & Kaiman, 2014). The PRC again sent its oil rig to the disputed waters between the two countries in June 2015 and April 2016. The locations, however, were on the Chinese side of the hypothetical median line those times. Despite limited signs of China's self-restraints, the deployment of HD-981 to the disputed water three years in a row since 2014 marked a recent low point in China-Vietnam ties (Tiezzi, 2016). Furthermore, China has conducted large-scale land reclamation to convert rocks and reefs into artificial islands since 2014 (Hong, 2015). Vietnam realizes that strengthening security ties and military cooperation with the world largest military power, the United States, is essential to defend its interests in the South China Sea, given China's ambition. President Barack Obama's grand strategy of Rebalance to Asia offered Vietnam an opportunity to court U.S. engagement. Amid tension in the South China Sea, Vietnam has further strengthened defense ties with other major powers, especially Japan and India, to balance against China's assertiveness.

**Diplomatic engagement.** Although Vietnam has strongly protested China's deployment of the HD-981 oil rig, the former has maintained diplomatic reconciliation with the latter and showed willingness to open discussion to manage the situation. Upon China's first deployment of the rig in May 2014, Hanoi made more than 30 diplomatic communications at various levels to persuade Beijing to withdraw it from Vietnam's maritime zone. However,

Vietnam's efforts and goodwill was repeatedly rejected by China ("Vietnam's Stance," 2014).

The rig deployment sparked anti-China protests and violent riots in Vietnam targeting Chinese-invested firms and workers. At least 21 people, including some Chinese, lost their lives, and many got injured (Hodal & Kaiman, 2014). After China withdrew its HD-981 oil rig from Vietnam's claimed EEZ on July 15, 2014, saying that the commercial exploration operations were finished, Vietnam sent its Special Envoy Le Hong Anh to Beijing to rebuild its ties with China ("Special Envoy's China," 2014). In 2015 and 2016, China again deployed its oil rig to the disputed water, and Vietnam again tried to settle the situation through diplomatic communication with China (Tiezzi, 2016).

In January 2017, General Secretary Nguyen Phu Trong paid an official visit to China and together with President Xi Jinping issued the Vietnam-China Joint Communiqué, which aims at increasing mutual trust, improving the traditional friendship, and strengthening cooperation between the two countries ("Deepening Vietnam-China," 2017). Vietnam has also backed down from the drilling of the Vanguard Bank, which lies inside the overlapped area between China's nine-dash-line claim and Vietnam's EEZ ("Vietnam Halts," 2017).

**Economic engagement.** Despite escalating tensions in the South China Sea, maintaining stable economic ties with China is crucial for the Vietnamese economy. The two-way trade kept growing and reached \$58,575.9 million (VNTS, 2014) by the end of 2014, an increase of 17% from the previous year. The figure rose 13% at \$66,009 million in 2015 (VNTS, 2015). However, Vietnam's trade deficit toward China also increased from \$28,719.3 million in 2014 (VNTS, 2014) to \$32,873 million in 2015 (VNTS, 2015). By the end of 2015, Chinese Foreign Direct Investment (FDI) in Vietnam reached \$10,174.2 million in capital with a total of 1,296 projects (GSOV, n.d.-a). In contrast, China is not one of Vietnam's main investment destinations.

**Soft balancing.** Among the great powers with which Vietnam established strategic partnerships and comprehensive partnerships, the United States is the most critical one since it is arguably the only nation possessing a more powerful military than China. Even though China holds the world's second position in military expenditures, its defense budget is far behind the leading United States (Tran et al., 2013). For Washington, promoting a peaceful settlement of the South China Sea disputes is critical for U.S. economy and primacy in the Asia-Pacific as its national interests lay in the freedom of navigation. From a security aspect, the sea was a critical area to combat terrorism and piracy. Economically, seaborne commerce with ASEAN countries, which had become weighty trading partners of the United States, was vital for the American economy (Weatherbee, 2015).

For the last few years, Vietnam-U.S. relations have experienced dramatic transformation. In July 2015, Secretary General Nguyen Phu Trong, the first CPV Secretary General who has visited the United States, met President Barack Obama at the White House. The historic visit led to a Joint Vision Statement, in which the two sides confirm their interests on pursuing a deepened, sustained, and substantive relationship based on the respect of other's political systems,

independence, sovereignty, and territorial integrity (Office of the Press Secretary, 2015). Therefore, the socialist Vietnam has felt more comfortable with the world most advanced democracy.

President Obama paid a state visit to Vietnam right before the 2016 G7 Summit in Japan (Ap, Rizzo, & Liptak, 2016). Second, the Vietnamese-U.S. defense ties have also been strengthened with many agreements signed. The 2015 Joint Vision Statement on Defense Relations aims at enhancing the defense trade and the manufacturing of military equipment (Nguyen, 2015). This is facilitated by the lifting of the ban on exporting lethal weapons to Vietnam, which was announced during the visit of President Obama to Hanoi in May 2016 (Ap et al., 2016). Although this has not led to a buying spree by Vietnam, it is a significant step in defense cooperation between the two countries, diversifying Vietnam's sources of arms suppliers from its traditionally dominant Russian source.

Amid tension in the South China Sea, Vietnam has tightened its relations with Japan, whose national interests lie in the freedom of navigation in the South China Sea. Most of Japan's energy supplies and a quarter of its global trade pass through this area (Sato, 2016, p. 276). Additionally, for Japan, a regional order led by the United States is more desirable than Chinese domination. Though in different areas, both Vietnam and Japan have been involved in maritime disputes with China; and Japan has expressed its support for Vietnam economically and politically (Vuving, 2014). In March 2014, the two countries' strategic partnership (signed in 2006) was elevated to extensive strategic partnership for peace and prosperity in Asia. President Truong Tan Sang and Prime Minister Shinzo Abe agreed to tighten bilateral relations in all aspects including security-defense and economics ("VN, Japan," 2014). As a consequence, Japanese Foreign Minister Fumio Kishida offered Vietnam six second-hand patrol vessels as well as training to boost its maritime capacity (Parameswaran, 2015a). The six boats were handed over to Vietnam in 2015. In May 2016, the two countries considered another deal of brand new ships to further enhance Vietnam's maritime security ("Japan Considers," 2016). The deal was confirmed for Japan to build and transfer six new vessels to Vietnam during the summit meeting between Prime Minister Abe and Prime Minister Nguyen Xuan Phuc in January 2017 (Ministry of Foreign Affairs, Japan, 2017). In June 2017, the first joint exercise was held between the Japanese Coast Guard and the Vietnamese Maritime Police off Da Nang in order to improve the latter's capacity to deal with illegal fishing activities by foreign vessels (TV Asahi News, 2017).

Besides Japan, Vietnam has built a closer relationship with another U.S. ally—Australia. In 2015, the two countries upgraded the 2009 comprehensive partnership into the enhanced comprehensive partnership. The new agreement covers a broad range of issues from trade and defense to human rights and education. Nevertheless, the center of the accord is security, especially in the South China Sea. Facing Beijing's unilateral and provocative actions, Hanoi and Canberra have consented to the idea of self-restraint in the disputed water and the urgent need to conclude a code of conduct for the South China Sea (Clark, 2015). Another significant power in Vietnam's soft balancing is India. The two nations have strengthened their defense and security relations during the time of rising tensions in the South China Sea. Vietnam sent its Prime Minister



Nguyen Tan Dung and Defense Minister Phung Quang Thanh to visit India in 2014 and 2015, respectively. As a result, New Delhi offered four patrol vessels as a part of a \$100-million extension of credit for defense procurement to Hanoi to enhance its maritime security capabilities (Panda, 2015). In September 2016, Indian Prime Minister Narendra Modi, during his first visit to Hanoi, granted another \$500 million defense credit to Vietnam to further beef-up its military capabilities (Minh, 2016). Modi and his Vietnamese counterpart, Prime Minister Nguyen Xuan Phuc, agreed to upgrade their countries' strategic partnership to a comprehensive strategic partnership, which affirms security-defense cooperation as one of its important pillars. The leaders of the two countries promised to effectively implement the Joint Vision Statement on Vietnam-India Defense Cooperation. The comprehensive strategic partnership also aims at enhancing political and diplomatic cooperation through increasing visits at all levels ("Việt Nam-India," 2016). Besides bilateral relationships, Vietnam has used multilateral institutions to balance against China. First, the former has tried to reduce its economic dependence on the latter. Vietnam has enhanced economic ties with the EU, which has emerged as an alternative trading partner as well as FDI source of Vietnam. In June 2012, Vietnam and the EU launched official negotiations for a free trade agreement (FTA). The two sides reached an agreement at the end of 2015 and signed the final document in early 2016. The FTA eliminates almost all tariffs on goods traded between Vietnam and the EU over a seven-year period (White, 2016). Additionally, the EU has remained Vietnam's dominant provider of FDI and development aid since 2012 (Tran et al., 2013, p. 175). Besides an FTA with the EU, Vietnam, with the United States and 10 other nations, has been active in negotiation for the world's largest trade pact—the trans-Pacific partnership (TPP), in which China is not a member due to its inability to meet TPP's high standards. The parties concluded the deal successfully in October 2015 (Boudreau, 2015). The TPP was brokered by the Obama administration, but the new U.S. President Donald J. Trump vowed to withdraw from the deal. On his first day in office, he signed an executive order to officially abandon the TPP (Granville, 2017) despite Japan's ratification of the deal at the end of 2016 ("Japan's Ratification," 2016). The TPP had been considered a dead deal since Japan showed no interest in pursuing a TPP with only 11 nations (TPP-11) earlier this year. Tokyo, however, later changed its attitude toward the TPP-11, and now leads the push for a new agreement. On the sidelines of Asia-Pacific Economic Cooperation (APEC) meeting for trade ministers in Hanoi, the remaining 11 members of TPP agreed to proceed with the deal without the United States (Jegarajah, Dale, & Shaffer, 2017). Second, Hanoi continues to bring the South China Sea issue to multilateral forums. For example, Prime Minister Nguyen Xuan Phuc raised Vietnam's concern over China's unilateral activities in the disputed sea and called for a peaceful settlement in light of international law at the 2016 G7 outreach meeting in Japan (Vu, 2016).

**Hard balancing.** In this period, Vietnam continues to enhance its military capabilities by purchasing more weapons and strengthening its domestic defense industry. Vietnam finished commissioning all of the six Kilo-class submarines on January 3, 2017 ("Vietnam Completes Commission," 2017). Hanoi has equipped its Kilo-class submarines with Russian antiship and land attack



3M-14E Klub supersonic cruise missiles, which are potentially capable of hitting China (Gady, 2015). By January 2016, the number of SU-30MK2 fighter aircraft in operation was 32, which was expected to increase to 36 by the end of 2016 ("Vietnam's Russian," 2016).

In addition to purchasing modern weapons, Vietnam has tried to build its defense industry. Ba Son Corporation has been in charge of building six missile ships designed by Russia. From 2014 to 2015, four of them have been delivered to the Vietnam People's Navy. The last two are expected to be handed over to the navy in 2016 (Parameswaran, 2015b). The corporation is likely to receive support from the Vietnamese government to build more shipbuilding yards ("Vietnam's Russian," 2016).

### **Conclusion**

In managing its relations with China, Vietnam has employed a hedging strategy, which includes four ingredients (diplomatic engagement, economic engagement, hard balancing, and soft balancing). Vietnam's hedging strategy has changed its mix of the four ingredients over time, as results of Vietnam's reactions to China's movements in the South China Sea as well as changes in domestic conditions and external security environment. Besides diplomatic engagement, which is relatively stable, each of the three other ingredients has been seen to rise in significance in Vietnam's approach during a certain period.

From 1991 to 1994, diplomatic engagement and economic engagement with China were the most important factors of Vietnam's strategic hedging. Vietnamese leaders still harbored skepticism about intrusion of the United States and Western political values, and felt more close to the socialist comrades in China. With limited budgetary resource, hard balancing was not an option despite the early signs of assertive Chinese policy in the South China Sea.

From 1995 to 2000, the most prominent component in Vietnam's hedging was diplomatic engagement with China. Normalization with the United States in 1995 did not immediately develop into a closer partnership, whereas China's smile diplomacy yielded some concessions to Vietnam.

Although economic engagement still played an important role in Vietnam's hedging, the priority between 2001 and 2008 shifted toward hard balancing and soft balancing. From 2009 to 2013, the emphasis on internal hard balancing continued and became the most important element in Vietnam's hedging. During the most recent period since 2014, soft balancing has gained new significance in Vietnam's strategy. Closer relationships with the United States and other major powers characterize this period, while internal hard balancing that started in the previous period continues.

Not to exaggerate the changes, Vietnam's hedging since the end of the Cold War has been relatively stable. The country has always tried to maintain a positive relationship with China through multiple communication channels, which makes diplomatic engagement the most constant component of its hedging. More importantly, all of the four ingredients of its hedging strategy appear in every period of analysis to some degree. A balanced presence of engagement and balancing elements helps Vietnam maintain the middle position in the uncertain development of strategic rivalry over the South China Sea.

In order to capture the changing nuance of Vietnam's external strategy, this article started with a discussion of various definitions of "hedging." Catch-all definitions have a problem of putting balancing and bandwagoning—two diametrically opposed concepts of realism—into one basket. Furthermore, economic engagement has been treated by different authors, sometimes as evidence of soft balancing, sometimes as internal hard balancing, and sometimes as mere pragmatic pursuit of profits. In this article, we have clarified these seemingly conflicting interpretations by paying more attention to relative gains (trade balance and asymmetric mutual dependence) between China and Vietnam.

The overall implication of this article is that Vietnam is expected to continue its hedging strategy at least in the near future, since other strategies are not likely to give it any clear and reliable solution. First, it is unlikely that Hanoi will bandwagon with Beijing regardless of the continuing growth of China's power. Political and military alignments with China mean that Vietnam surrenders its sovereignty and accepts China's claims in the South China Sea. This is not going to happen given the importance of the South China Sea and Vietnamese national sentiment. Second, hard balancing is not a suitable strategy for Vietnam either. Internally, Vietnam's military projection power is far behind that of China despite Hanoi's effort to modernize its military capabilities. This huge gap might never be filled. Externally, although Vietnam has built the closest relationship ever seen with the United States, the two countries are far from establishing a formal alliance. Despite the pragmatic downgrading of the ideological and human rights issues in the bilateral relations, the two nations' lack of shared values is likely to keep them at some distance. Last, Vietnam continues to socialize China through diplomatic engagement and get benefits from the close economic ties with China. However, the level of mistrust has increased because of China's increasingly assertive behavior in the South China Sea disputes. Therefore, Hanoi cannot rely on a pure engagement strategy in dealing with China.

In the coming years, Hanoi is likely to approach multiple powers, increase their stake in the South China Sea, and invite their presence in the area. As a result, they will promote the freedom of navigation in the area, which will constrain China from aggressive and unilateral actions. By doing so, Hanoi will enjoy support from various sides without allying one and alienating others. Current events in U.S. politics under the Donald Trump administration and its "America First" foreign policy, which emphasizes American interests and American national security as its top priorities ("America First," n.d.), raise concerns about U.S. commitment in the South China Sea and its role in Vietnam's hedging strategy against China. However, American interests lay in the freedom of navigation in the South China Sea, so U.S. presence in the area actually serves its interests. After a period of no dispatch, the Trump administration has conducted three freedom of navigation operations in the South China Sea in May, July, and August of this year (Gady, 2017).

Deputy Prime Minister and Foreign Minister Pham Binh Minh visited Washington, DC on April 20–21, 2017 and met with U.S. Secretary of State Rex Tillerson and Advisor of the U.S. National Security Council Herbert Raymond McMaster. They reaffirmed enhancement of the bilateral comprehensive

partnership, including links in “security-defense.” The U.S. side notified Trump’s plan to attend the upcoming APEC summit meeting in Vietnam later in the same year (“Deputy Prime Minister,” 2017). On May 31, 2017, Trump received the visiting Vietnamese Prime Minister Nguyen Xuan Phuc at the White House. The talk emphasized Vietnam’s purchase of American goods (Rampton & Brunnstrom, 2017). The Vietnamese Prime Minister’s visits to Washington and Tokyo in 2017, together with the resumed U.S. Freedom of Navigation Operation in the South China Sea and the Vietnamese resumption of oil exploration among several other possible factors, seemingly led to an abrupt cancellation of a joint China-Vietnam military activity in the summer (Thayer, 2017).

In the worst-case scenario of lacking U.S. commitment, Vietnam would continue to look elsewhere for international support. The United States is definitely an important factor in Hanoi’s hedging, yet it is not the only one. Economically, Vietnam will keep trying to reduce its dependency on the Chinese economy by diversifying its export and import portfolio. Further strategic cooperation between the United States and Vietnam would be made easier if the United States can recommit itself to the regional free trade in the Asia-Pacific and not let China steal the initiative. The Japanese and Australian efforts to salvage the TPP are a welcome relief for Vietnam at the time of the disappointing U.S. withdrawal from it.

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