Vietnam's strategic hedging vis-à-vis China: the roles of the European Union and Russia

O hedging estratégico do Vietnam face à ascensão da China: o papel da União Europeia e da Rússia

*PHUC THI TRAN**
*ALENA VYSOTSKAYA G. VIEIRA***
*LAURA C. FERREIRA-PEREIRA****

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Introduction[1]

Since the end of the Cold War, Vietnamese foreign policy has been oriented towards safeguarding the country's interests in the Southeast Asia (SEA), particularly in the South China Sea (SCS). In line with the view of authorities in Hanoi, these areas are critical for regional and ultimately global security. The importance ascribed to the region has been closely connected to China's aspiration to strengthen both its economic security (including food and energy security) and military defense as a means to assert itself as a global power. The SCS important resources include oil and gas reserves as well as fish stocks, and the waters of the SCS represent the second most used sea lane in the world. Against this backdrop, Vietnam's strategy towards the SEA and the SCS rests on a combination of economic and geostrategic calculations.

Indeed, the SEA, especially the SCS, has consistently been defined as an integral part of Vietnam's core national interest at both socioeconomic and geostrategic levels. The economic importance of the SCS is confirmed by forecasts that estimate that by 2020, "the maritime economy will contribute up to 55% of Vietnam's GDP and will account for 55–60% of its exports."[2] On the other

* Master of International Relations, University of Minho, Portugal (hanhquan@gmail.com).

** Researcher at Núcleo de Investigação em Ciência Política e Relações Internacionais (NICPRI), Universidade do Minho (vysotskayaa@gmail.com).

*** Associate Professor at the Instituto Superior de Ciências Sociais e Políticas (ISCSP), Universidade Técnica de Lisboa (lferreira-pereira@iscsp.utl.pt).

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2 Thayer, C. A. (2008). Vietnam's Defence Policy and its Impact on Foreign Relations. Paper presented at the *Sixth Euroviet Conference*, Asien-Afrika-Institute, Hamburg, (June 6–8), p. 31.

hand, the geostrategic position of the SCS boosts the country's relevance in the foreign policy front, since it offers Vietnam critical strategic weight in dealing with external powers involved in the region.

Thus, not surprisingly, the development of the maritime economy is viewed in Hanoi as a precondition to strengthen the country's national security and defense, which should be promoted in the spirit of international cooperation. On June 21, 2012, the Vietnamese National Assembly passed the Vietnamese Maritime Law, which, according to Pham Binh Minh, Vietnam's Foreign Affairs Minister, represents "the inevitable requirement for Vietnam's economic development cause" while also asserting "Vietnam's sovereignty" over the SCS, namely over the contested Paracel and Spratly islands.[3]

Given the great power predisposition exhibited by Chinese foreign policy in the new millennium, a disposition which has been supported by its strong economic weight and political leverage, relations with China represent a fundamental factor in Hanoi's strategic calculations. That being said, the increase in tension due to territorial disputes over the SCS has triggered a dilemma that has thus far hindered a positive evolution in the bilateral relations between the two countries. These tensions exacerbated in 2007, when a number of incidents occurred against the backdrop of the renewed assertion of sovereignty by the People's Republic of China (PRC) State Council. This was especially reflected in the declaration on Sansha as an integral part of the province of Hainan; as well as the political emphasis placed upon the country's territorial rights and, consequently, China's sovereign power to use force to protect national territories.[4] In the spring of 2007, China opposed to Vietnam's deal with the British Petroleum (BP),[5] and as a result, the BP had to shelve its initial plans to develop an oil and gas field off the Southern Vietnamese coast. In early summer of 2007, China has requested further oil and gas firms to stop their exploration-oriented activities with the Vietnamese partners in the SCS, while threatening these companies with unspecified consequences for their business dealings with China (in case they failed to meet the request).[6] In July 2007, Chinese naval patrol boats have opened fire against a Vietnamese fishing boat in the Spratlys, leading up to the sinking of this boat and the death of one of its crew members. In addition, the imposition of unilateral fishing bans in the SCS in 2009 was also one of the causes behind the rising political tension.[7] Furthermore, China has protested against Vietnam's application to the United

3 Vietnam da chuyen thong diep quan trong qua Luat Bien [Vietnam sends an important message via Vietnam's maritime Law], *VNexpress*, June 25, 2012.

4 Storey, I. (2008). Trouble and Strife in the South China Sea: Vietnam and China. *China Brief*, 8(8) (April 16).

5 Storey, I. (2008). Conflict in the South China Sea: China's Relations with Vietnam and the Philippines. *The Asia-Pacific Journal: Japan Focus*.

6 Folkmanis, J. (2009). China Warns Some Oil Companies on Work with Vietnam, U.S. Says. *Bloomberg*, (July 6).

7 Reinforced Patrol Sails from Hainan. *Chinadaily.com.ch*, May 19, 2009; Controversial Chinese Ban Affects More Vietnamese Fishing Vessels. *ThanhNien News*, June 5, 2009.

Nations Commission on Limits to Continental Shelves (UNCLCS) in May 2009, to extend the country's continental shelf beyond 200 nautical miles into the SCS from its coastline. Furthermore, the day after Vietnam's application at UNCLCS, on May 7, 2009, the Chinese government submitted its own request to the UNCLCS, with a map referring to Chinese claims in the SCS, delineated by a U-shaped line composed of a number of separate dashes. If these dashes were connected, the resulting line would allocate up to 90% of the SCS to China, including the Paracel Islands, Spratly Islands and Macclesfield Bank. In July 2012, China established the Sansha administrative district (covering all the Paracels and Spratlys Islands) in Hainan Island.[8]

The new and more forceful posture of the Chinese leadership has been challenging the idea of Beijing's foreign policy as one being built on the "peaceful rise" formula. In fact, it seems that the achievement of "China's Dream," i.e. the transformation of the country into the world's leading power, will be accompanied by the country's military projection into, and mounting tension in, the SCS region.[9]

Nevertheless, it should be stressed that the Sino-Vietnamese disputes also have a distinct economic dimension due to the prospects of further exploitation of hydrocarbon resources in the SCS. From this perspective, China's assertiveness vis-à-vis Vietnam could be interpreted as a pressure on ExxonMobile, British Petroleum and other international companies, which have been assisting Vietnam with hydrocarbon exploitation in the region.

From a security perspective, the potential militarization of the SCS disputes that threaten the stability and prosperity of the SEA states, including Vietnam, represents the principal concern of the countries in the region. There is a general apprehension that one or more of these disputes might lead to an armed conflict between China and some states of the Association of Southeast Asian Nations (ASEAN). Vietnam is a case in point since it has been involved in intensive and escalating tensions linked to territorial disputes with China in the SCS. In addition, the actions, measures, and policies adopted by China towards enhancing its

8 Storey, I. (2008). Trouble and Strife in the South China Sea: Vietnam and China. *Jamestown Foundation China Brief*, 8(8) (April 16).

9 The concept of "China's Dream," understood as an aspiration to become the world's leading power, is a centerpiece of a book entitled *China's Dream: Major Power Thinking and Strategic Posture in a Post-American Era*, written by Senior Colonel Liu, a professor at the People's Liberation Army (PLA) National Defense University. The strategy focuses on China's military and economic rise, which, along with the country's cultural and racial superiority, should secure China's world leadership, to the detriment of the United States that would lose its dominant position in international politics. The fact that the book received its approval to be published by the Chinese Communist Party is symptomatic of the fact that the "peaceful rise" doctrine is by no means the only one underpinning modern Chinese foreign policy. See *Liu Mingfu, Zhongguo Meng: Hou Meiguo Shidai de DaGuo Siwei yu Zhanlüe Dingwei* [China's Dream: Major Power Thinking and Strategic Posture in a Post-American Era], (Beijing: Zhongguo Youyi Chuban Gongsi [China Friendship Publishing Company], 2010). Scholars seem to agree that while Liu's argument "does not represent the official view of the Chinese Government or the PLA," it is nevertheless situated "within the bounds of acceptable discourse and probably reflects the views of a significant number of PLA officers." Saunders, P. C. (2010). Will China's Dream turn into America's Nightmare? China Brief 10, No. 7, (April 1).

influence in the region might generate negative effects upon the process of regional integration via undermining the consolidation of an intra-ASEAN unity. A unified and strong ASEAN's position towards China has the potential to mitigate Chinese leverage in the region as a whole since ASEAN institutions and activities are given special attention by authorities in Beijing, as platforms where the dialogue over critical regional issues is taking place.

While most of the literature devoted to the rise of China examines its origins and implications for the balance of power in the region and in world politics, this study aims at investigating how Vietnam has been coping with the complex challenge represented by the "rise of China." The Vietnamese strategy has been informed by the hedging strategy. Many works that have explored hedging strategies in SEA focus on those undertaken by US, Japan, and India. This article, on the contrary, points that other major actors have been emerging as a part of SEA states hedging strategies. The article thus explores the role which the EU and Russia have been playing in Vietnam's hedging approach, while highlighting particular features of the Vietnamese strategy, which has acquired a specific nuance that calls for the use of the notion of strategic hedging.

The fact that Vietnam is overlooked by mainstream literature focusing on the SEA is intriguing for a variety of different reasons. The country represents a case of a middle power[10] which, due to its geostrategic position, is expected to play an increasingly relevant role in shaping SEA's security environment. As an important strategic player in the SEA and Asia-Pacific regions, Vietnam is in a position to contribute more positively to regional maritime security both alongside other middle powers and major powers in the Asia-Pacific. It is also a key player in ASEAN-centric architecture, helping to shape the future contours of the regional integration dynamics. Equally important, Vietnam is a littoral state on the SCS through which vital sea lines of communication (SLOCs) pass. Finally, the relevance of this case study springs from the fact that "China's Dream" causes Vietnam to face stark choices, difficult dilemmas and acute challenges regarding its relationship with China. This is the case mainly because the level of dependency exhibited by Vietnam vis-à-vis China is greater when compared to other states in the region. At the same time, given the geographical proximity and the social-culture affinities, China's influence in Vietnam's economic and political security,

10 While there is no academic consensus on the concept of "middle power," the assumption that countries which are not identified as superpowers or great powers can influence both regional and international politics is unproblematic. Vietnam's influence stems from its both positional and non-positional characteristics. Among these, the following should be stressed: the size of its population; its geographic position as a littoral state in such strategically important area as the SCS; and the (foreign) policy options which the country has adopted over the last 15 years or so in relation to the regional integration initiatives that allowed Vietnam to punch above its weight. Furthermore, the country has been modernizing its armed forces for a number of years now. Finally, its economic performance allows it to be positioned within the group of emerging middle-income countries. In 2007, the international position of Vietnam has been further reinforced with the country's election as a non-permanent member of the United Nations Security Council. Hence, nowadays, Vietnam is recognized as a key player in ASEAN and in ASEAN-based regional architecture.

in addition to the country's cultural and social life, is sizeable. Consequently, the country has seen its room for maneuver in both the regional and international sphere being dramatically reduced, increasing the feeling of necessity to notably turn the situation around by undertaking what this study calls "strategic hedging." Along these lines, it is worth noting that the case of Vietnam allows one to gauge major complex challenges and pressures posed to other countries in the region by the not-so-peaceful rise of China and to hint at the potential that this holds for the improvement of the international roles of both the EU and Russia in the SEA.

Vietnam's foreign policy in the regional context

The current political choices of Vietnam's foreign policy should be viewed as a consequence of the experience of both political and economic isolation which Vietnam underwent in the late 1980s. As a result of that, greater importance came to be ascribed to the expansion of foreign relations as the necessary condition, not only for overcoming political isolation and economic blockade, but also for building up a strong economy. Vietnam's economic reforms, which were inaugurated in 1986, started to reflect this outlook: Hanoi recognized the importance of expanding foreign relations with all countries while paying special attention to its neighboring states and big powers. Lessons learned from the experience of isolation became part of a new foreign policy thinking, whose emphasis was now placed on the country's integration into regional and international markets on the basis of a new division of labor. Eventually, this new thinking entailed the adoption by the Vietnamese leadership of a new concept: "comprehensive security."[11] While confirming the prioritization of military affairs, the adoption of the aforementioned concept allowed for a new foreign policy which also supported national economic development. Reinforced by the "being-a-friend-to-all" approach, which Vietnam has consistently pursued since the end of Cold War,[12] the concept of "comprehensive security" has guided Vietnam's foreign policy until today.

Since 1991, as part of the new foreign policy thinking, the country has continuously promoted a rapprochement with China. In addition to this, Hanoi has been increasingly interested in participating in regional organizations, notably ASEAN. In line with both the aspiration to open the country's economy and with the "being-a-friend-to-all" approach underlying national foreign policy, participation in such organizations has been viewed as crucial to both national security and economic development. Hence, Vietnam decided to apply for accession to ASEAN and became an official member of the organization in

11 Nguyen, V. T. (2000). Vietnam's New Concept of Security. In Radtke, K.W. and Feddema, R. (eds). *Comprehensive Security in Asia: Views from Asia and the West on a Changing Security Environment*. Boston: Brill, p. 409–410.

12 Nguyen, M.C. (1995). *Integrating into the World and Preserving our National Identity*. Hanoi: The National Politics Publishing House.

1995—something that has enabled Vietnam to full-fledgedly participate in all multilateral arrangements in force. Since then, together with the remaining member states of ASEAN, Vietnam has been proactive in building up the regional security architecture, of which the East Asia Summit (EAS)[13] is just one example.

However, Vietnam's bilateral relationship with China has not been free of tensions. The legacy resulting from the border war in 1979 and the military conflicts linked to territorial disputes over the Spratly Islands in 1988 left their marks on the current Sino-Vietnamese relationship. Therefore, relations between the two countries represent a fundamental factor in Hanoi's strategic calculations, as it will be discussed later in the article. These historical legacies have aggravated the perception of complex security challenges confronting Hanoi. Nowadays, they still shape the Vietnamese position regarding the SCS, hinder the positive evolution of the bilateral relations between Vietnam and China, and exacerbate the situation around the SCS conflicts. Nevertheless, the same historical legacies help explain some decisions and statements which may appear to be, to some observers, a diplomatic "overreaction." This is the case, for instance, of the statements indicating Vietnam's concern over Beijing's lenient position regarding the dissemination of ideas on the internet regarding the Chinese "invasion of Vietnam."[14] To the Vietnamese leadership, the position taken by the Chinese authorities is considered excessively benevolent, and serves as yet another indication of the contradictory nature of the "China's Dream."

In order to understand Vietnamese policy regarding the protection of its national interests in the SCS, it is important to take into account that, historically speaking, the relationship between Vietnam and China has always been embedded in a structure of persistent asymmetry.[15] Consequently, the major strategic preoccupation of Hanoi's leadership has been how to use the levers of diplomacy, economic relations, and military ties to maintain the country's autonomy. At the same time, the room of maneuver for the Vietnamese authorities has been rapidly decreasing, calling for a reaction on the part of Hanoi. For example, the SCS disputes touch upon Vietnam's core national and security issues, as well as its economic development. Thus, as mentioned above, Vietnam has promoted its claims of sovereignty over the Paracel and Spratly islands in the SCS, including at the UNCLCS, and also adopted the Vietnamese Maritime Law in June 2012. With the adoption of this Law, the country for the first time has a document legally

13 East Asia Summit meetings have been held every year since 2005. They bring together 16 East Asian countries, and since 2011, also Russia and the United States. EAS therefore represents a layer of the regional institutional architecture which is wider in its membership than ASEAN and other groupings, such as ASEAN Plus Three (Japan, China, and South Korea).

14 The dissemination of anti-Vietnamese internet material is analyzed in: Thayer, C. A. (2011). The Tyranny of Geography: Vietnamese Strategies to Constrain China in the South China Sea. Paper presented at *International Studies Association 52nd Annual Convention*, Montréal, Québec, Canada, March 16–19.

15 Womack, B. (2006). *China and Vietnam: The Politics of Asymmetry*. New York: Cambridge University Press.

defining Vietnam's sovereign rights in the SCS.[16] In practice, this means Vietnam continues to reject Chinese claims (referring to the U-shaped, nine-dash line) and is by no means prepared to abdicate from fishing or oil exploration in these areas, which Vietnam considers to be inside its exclusive economic zone. However, the Law clarifies that Vietnam's policy is oriented towards the principle of resolving the disagreements and disputes over the islands and seas by peaceful means, in accordance with the UNCLCS and international law and practices.

At the same time, it should be noted that the foreign policy options available to Hanoi have been limited. Both options which could be considered as an alternative to hedging, i.e. aligning with the US, or strengthening the ASEAN as a counterweight to China, present important shortcomings which need to be carefully considered in Hanoi.[17] An exclusive pro-US orientation could not only upset the relationship with other strategic partners, such as Russia, critical to Hanoi's foreign policy considerations, but also generate domestic political costs associated with political liberalization. As for the ASEAN option, it represents a heterogeneous group of countries which do not necessarily support an overt objective of acting as a counterweight to China. A potential reordering of objectives stemming from a rethinking of the ASEAN relationship with China would put in danger the region's integration process. The latter is clearly not an objective of the Vietnamese leadership. ASEAN plays an important role in Vietnamese foreign policy in hedging against China since it allows Hanoi to discuss the SCS issue from the position of ASEAN (i.e. as a group). Along with ASEAN, ASEAN's Regional Forum (ARF) and EAS are also important. They have been established to discuss regional security issues, including maritime security, and are therefore critical to Hanoi's objective of dealing with the SCS disputes by moving them from a bilateral to a multilateral agenda. Furthermore, the discussion of the SCS issue entails the involvement of external players in their capacity as members of these fora to portray their commitment to strive towards peace, stability, and prosperity of the region. All this corroborates Vietnam's perspective on regional security and its national interests, to the extent that ASEAN, ARF, and EAS have become critical instruments in support of the Vietnamese position.

Finally, it is important to note that when dealing with SCS issues, the Vietnamese authorities have been facing the need to strike a balance between domestic and international politics surrounding this matter. Internally, the Vietnamese government has been under pressure to introduce effective measures to protect the country's territorial integrity, to secure maritime interests, and to promote the welfare of its people. Hence, the government had to show a firm

16 The Vietnam Maritime Law 2012. Retrieved August 20, 2012, from <http://danluat.thuvienphapluat.vn/luat-bien-viet-nam-2012-72100.aspx>.

17 Vietnam's balancing strategy to cope with China analyzed in: Tran, T. P. (2012). *How are Southeast Asian small states coping with the rise of China? The Case of Vietnam*, BUM, p. 98–103. Retrieved from <http://hdl.handle.net/1822/19885>.

position on the SCS disputes in order to forge domestic consensus regarding a matter critical for national security. Externally, the government has attempted to avoid exacerbating the situation while trying to avoid being seen as adopting a confrontational approach with regard to the other claimants. The reasons behind this foreign policy stance are twofold. On the one hand, they include the adherence of Hanoi, from 1986 onwards, to the principles of good neighborhood policy vis-à-vis the SEA countries. On the other hand, they are informed by Vietnam's aspiration to forge a common ASEAN position regarding the SCS disputes.

All the above-mentioned constraints and dilemmas which Hanoi has been facing in light of the new assertive posture of a rising China have been critical to Vietnam's foreign policy choices in the complex SEA region. These choices ultimately culminate in the adoption of a position, which can be called "strategic hedging."

Hedging in Vietnam's foreign policy

Contemporary academic literature has paid little attention to the hedging strategy. That being said, hedging is defined as "a purposeful act in which a state seeks to insure its long term interests by placing its policy bets on multiple countering options that are designed to offset risks embedded in the international systems."[18] The objective of hedging is to "cultivat[e] a middle position that forestalls or avoids having to choose one side at the obvious expense of another."[19] In this regard, states will continue to stay in the "middle" of balancing and bandwagoning.

Strategic hedging behavior, which may assume various forms, notably economic, diplomatic, or even military, "helps states cope with the threats and constraints they are likely to encounter under conditions of unipolarity, while simultaneously preparing them for new threats and opportunities that are likely to emerge as the system leader falls farther into relative decline."[20] Thus, strategic hedging allows minimizing long-term threats and maximizing long-term opportunities. It can enhance a given state's capabilities, impossible to obtain through other strategies, e.g. hard balancing.[21] Such an enhancement is particularly crucial for Vietnam in view of an unrivaled rise of China.

Moreover, strategic hedging can also improve the ability of the hedging state to decrease its dependence on public goods or direct subsidies which are provided

18 Kuik C. C. (2008). Rising Dragon, Crouching Tigers? Comparing the Foreign Policy Responses of Malaysia and Singapore toward a Re-emerging China, 1990–2005. *BiblioAsia*, 3(4). Singapore: National Library Board, 4.

19 Goh, E. (2005). Meeting the China Challenge: The US in Southeast Asian Regional Strategies. *Policy Studies 16*. East-West Center, p. 41.

20 Tessman, B.F. (2007). System Structure and State Strategy: Adding Hedging to the Menu. Security Studies 21 (2), p. 192–231, p. 193.

21 Ibid.

by the country that is being hedged against.[22] Notwithstanding Vietnam's strategy of economic diversification, China's prevailing influence is undeniable, especially in the context of the former's substantial trade deficit which in the first nine months of the year 2012 amounted to US$ 11.3 billion.[23]

The Vietnamese government saw the Chinese investment both as a solution to the problem of deficit reduction and as precondition of the increase of its exports, which had become critical after Vietnam's accession to the World Trade Organization (WTO) in 2007. However, the encouragement of Chinese investments in Vietnam had negative consequences. Economically, due to Vietnamese enterprises' weakness and/or lack of competitiveness vis-à-vis the Chinese ones, Vietnam's economic dependence on China has been reinforced. Eventually, China's leverage has increased with the possibility of introducing sanctions against Vietnam in the context of tensions in the SCS.

Furthermore, encouraging the Chinese economic investment on national territory has been a double-edged sword for Vietnam's government also due to the prevailing strong anti-China domestic feelings. Symptomatic of this is the criticism that has been voiced against the Prime Minister Nguyen Tan Dung by such high-ranked figures as the 97-year-old General Vo Nguyen Giap, that is a national military icon.[24] The General's criticism, whose main target was the controversial bauxite mining venture involving China in 2009,[25] soon evolved into a public manifestation of the existing fears of Chinese economic imperialism, expansion, and even colonization. At the same time, the support given to the project by many of the most powerful members of the Vietnamese Communist Party was interpreted as a result of the Chinese bribery of these officials, viewed as being kowtowing to China and selling themselves out to Beijing and to capitalism.[26]

Along these lines, the strategic hedging presented itself as an especially valuable political option to the Vietnamese government. That being said, strategic hedging is no panacea for the resolution of the SEA problems and involves risks. These risks are not only linked to Vietnam's foreign policy autonomy, but also to the formidable balance of power that has been promoted and safeguarded by ASEAN. The risks are exacerbated by the growing arm race in the region. According to Evan S. Medeiros, "hedging is fraught with complications and dangers that

22 Ibid.

23 Vietnam Aims to Cut Trade Deficit With China. *The Wall Street Journal*, *Asia News*, November 12, 2012. The respective amounts for 2011 and 2010 were US$ 13.5 billion and US$ 12.46 billion.

24 McCornac, D. C. (2011). Vietnam's Relations with China: A Delicate Balancing Act. *China Research Center*, 10(2).

25 The project raised criticism due to two major reasons. Firstly, there were environmental concerns since it would produce effluents that would pollute farmland and water sources. Secondly, China announced that it would resort to its own workers to run the project, meaning that only a few jobs would be allocated to Vietnamese workers while a permanent Chinese settlement would be created in this strategically sensitive area. Members of the Vietnamese Communist Party were suspected of having received payoffs by the Chinese.

26 Ibid.

could precipitate a shift toward rivalry and regional instability,"[27] mainly due to the increasing competitive engagement of external players in the Southeast Asia region, at the cost of the marginalization of ASEAN. To be sure, this is a scenario that does not correspond to Vietnam's national interests. Finally, it should be said that in order to be a viable option the former requires flexibilities of alignments,[28] and a skillful implementation of the strategy involved.

This hedging research stream suggests that Vietnam walks a very fine line in its strategy towards the US, ASEAN, and China, and makes adjustments depending on its national interest.[29] The reason behind adopting a hedging behavior is that small states, such as Vietnam, "cannot get too 'cozy' with either Washington or Beijing because it makes the other country uncomfortable."[30] Indeed, Vietnam does not want to be seen as a bulwark for Chinese containment. It also does not want to court trade only with American firms, nor does it want to court US support in security relations in the SEA region. Furthermore, Vietnam does not simply bandwagon with China. Instead, Vietnam adopts hedging vis-à-vis China.

Therefore, given this preference for hedging dynamics, Vietnam has been opting for the following twofold strategy. On the one hand, Vietnam's foreign policy has sought to engage China while aiming to repair and deepen the relationship between the two countries. On the other hand, Hanoi's strategy has been designed to buttress this foreign policy option by seeking to engage other great powers in the region, notably the US, India, Japan, the EU, and Russia, in order to counterweight Chinese ambition. While supporting this twofold strategic orientation, Vietnamese foreign policy has paid special attention to regional institutions, predominantly to ASEAN, due to its capacity of keeping China engaged while simultaneously restraining Beijing's assertive and sometimes even aggressive behavior in the SCS. Economic relations are part of this twofold strategy: Vietnam uses its economic relations to deepen both bilateral ties with China and engage it in multilateral fora, such as ASEAN. Accordingly, Vietnam is expected to continue to further develop relationships with major external players in addition to ASEAN, as part of its quest for economic growth and security.

An illustration of Vietnam's strategic hedging is the position adopted by the Vietnamese leadership on the issue of the Cam Ranh port. The latter is strategically located in the SEA and Western Pacific and is only 1,000 km away from the Hainan Island, where the Chinese government established the Sansha

27 Medeiros, E.S. (2005) Strategic Hedging and the Future of Asia-Pacific Stability. *Washington Quarterly*, 29 (19), Winter 2005–2006.

28 Waltz, K. N. (1979). *Theories of International Politics*. New York: McGraw-Hill, 168.

29 Dosch, J. (2006). Vietnam's ASEAN Membership Revisited: Golden Opportunity or Golden Cage? *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, 28 (2), p. 242.

30 Zissis, C. (2006). The Surging Vietnamese Economy. Council of Foreign Relations Backgrounder (October 30).

administrative district. The importance of the base stems from the fact that this base can be used to encircle China, blocking its access to Asia-Pacific, thus diminishing China's extensive influence over Vietnam. An upgraded Cam Ranh base might thus allow for naval force projections into disputed areas in the SCS.[31] In these circumstances, the issue of external actors' access to the Cam Ranh base acquires critical importance; by allowing a foreign country to enter the base (even if only for purposes of fuel refilling and maintenance), Hanoi does not only open the possibility of strengthening military cooperation, but also forging a strategic anti-China alliance.

In the past years, especially since 2000, Vietnam has strengthened its security cooperation and relationships with naval forces from the US, Russia, and India, among others, thereby reinforcing its strategic role in the region. However, instead of choosing one particular country and granting access to the latter, Hanoi's tactic has been to adopt strategic hedging. Eventually, this option would allow maximizing the benefits brought about from using the base. The decision has been backed up by two carefully calculated steps. Firstly, in October 2010, Vietnam declared that it "will sell its military port services to all navies, including submarines"[32] at the Cam Ranh port after the upgrade of the port, despite not having mentioned the time when the upgrade would start and when the port would be officially open to all countries[33]—with the exception of the upgrade duration, which is planned to take three years.[34] The facility would offer "repair services to foreign naval ships and submarines and could be [used as] a fuel stop for aircraft carriers."[35] Vietnam thus decided not to lease Cam Ranh port to any foreign partner, instead focusing on actively diversifying cooperation with different countries.

Eventually, the hedging illustrated by the case of the Cam Ranh port allowed Hanoi to achieve two goals. Firstly, in line with its foreign policy objectives, Hanoi avoided direct confrontation with China (or any other party). Secondly, Vietnam has increased its leverage vis-à-vis external powers that are competing with one another to increase their influence in the region. The decision has also enabled Hanoi to profile itself as a "reliable partner," something that can help draw attention of major external players with geopolitical interests in the region. Eventually, this increasing interest on the part of the external powers is expected to produce the necessary containment effect over Chinese behavior in the SCS.

31 Cited in Cang Cam Ranh va Chien luoc an ninh cua Viet Nam [Cam Ranh base and Vietnam's security strategy], *The South China Sea Studies*, August 2, 2012.

32 PM says Cam Ranh Port to be solely managed by Vietnam. *ThanhNienNews*, June 11, 2012.

33 Prime Minister Nguyen Tan Dung statement at a press briefing following the 17th ASEAN Summit in Hanoi, October 2010.

34 Vietnam's Cam Ranh base to welcome foreign navies. *Associated Press*, November 2, 2010.

35 PM says Cam Ranh Port to be solely managed by Vietnam, op. cit.

Vietnam-EU: the economic hedging dynamics

It comes as no surprise that Vietnam has been increasingly anxious about the growing power of the "Giant of the North" and its consequences for its national economic interests. China is currently one of the biggest economic partners of Vietnam and therefore holds an important position in the country's economy.[36] Indeed, it is one of the largest Foreign Direct Investment (FDI) providers[37]: in the period of 2002–2009, China figures as the 5th largest investor with the total capital of US$ 649.9 million. In the manufacturing field alone, Chinese investments in Vietnam have risen from US$ 20 million in 2005 to more than US$ 300 million in 2010.[38] Through its investment, economic aid, and development aid,[39] China has reinforced Vietnam's dependence. Moreover, aid and financial assistance originating from Beijing and flowing to Vietnam indicate that finding out solutions regarding how to deal with Vietnam's increasingly powerful neighbor is far from an easy task. The growing economic dependence on China has led to a drastic reduction of leverage for Hanoi's authorities (i.e. autonomy and independence in decision-making processes). This considerably thwarts the capacity of Vietnam to resolve the SCS disputes on equal footing with China.

In this regard, EU has the potential to profile itself as an economic partner able to ultimately counterbalance the economic leverage of China in the Vietnamese economy, favoring Hanoi. Indeed, the EU provides Vietnam with an alternative to economic diversification while reducing the country's dependence on China, both in trade and FDI—even after having been dramatically hit by economic and financial crises.

Due to prevailing tensions between the two countries and the increasingly serious concern about China's presence within its national economy, the

36 According to the European Commission Directorate General Trade Statistics Database, as of March 21, 2012, Vietnam's largest trade partners in 2010 were China (€ 20,671.8 million), the US (€ 13,608.1 million), EU (€ 13,403.4 million), and Japan (€ 12,642.8 million).

37 The US held the first position with US$ 5,130.4 million; South Korea, the third position with US$ 3,598.9 million; and Japan, the fourth position with US$ 3,428.4 million. ASEAN Secretariat-ASEAN FDI Database, as of July 5, 2010.

38 Laudermilk, B. (2012). Vietnam: Prime Opportunity or Risk Investment? *Investin*, 2012.

39 It should be noted that while China is one of the largest bilateral aid donors in Southeast Asia, particularly in mainland Southeast Asian states (i.e. Cambodia, Laos, and Myanmar), Chinese aid to Vietnam has been more limited. The most significant Chinese aid allocation has been related to infrastructure; in particular, the railway projects, as well as hydro-power development and ship-building facilities. Chinese assistance to Vietnam, which corresponds approximately to US$ 200 million–US$ 300 million loans stands in contrast to the amounts in assistance given to Indonesia and the Philippines. Thus, the total amount of Chinese funds allocated to the Philippines reached US$ 5.4 billion between 2002 and 2007. As of 2008, the Philippines were the largest recipient of Chinese loans in Southeast Asia, which reportedly totaled US$ 2 billion, of which about half has been already disbursed. Lum, T. and Niksch, L. (2009). *The Republic of the Philippines: Background and US Relation*. Washington DC: Congressional Research Service Report for Congress. On the other hand, Beijing has stopped the economic assistance to Vietnam, in 2006, after the Vietnamese government invited Taiwan, a major investor in the country, to attend the Asia-Pacific Economic Cooperation (APEC) November 2006 summit in Hanoi. Saunders, P. C. (2010). Will China's Dream turn into America's Nightmare? *China Brief 10*, No. 7, (April 1).

Vietnamese government has attempted to diminish its reliance on trade with China through expanding its export portfolio—although not exclusively—to the Eurozone. As a result, in 2010, the EU became Vietnam's third major trade partner with € 13,403.4 million and its second major export partner with € 8,589.9 million (accounting for 16.7% of the value of Vietnam's exports with the world), while China held the fourth position with € 5,537.2 million (10.8%).

However, Vietnam has become highly dependent on FDI originating from China. The latter's cooperation with Vietnam in the critical export-oriented rubber, tire, and coffee industries has increasingly transformed Vietnam into one of China's manufacturing and resource-saturated "provinces." Pressed to diversify its investments in order to prevent itself from being exploited and dominated by Chinese investors, Vietnam has been seeking more investments coming from the EU. The EU has been attributed a special role in this regard, as the total FDI inflow to Vietnam coming from the EU between 2002 and 2009 amounts to US$ 4,7 billion (as compared to US$ 649,9 million coming from China), which makes the EU the second largest external investor in Vietnam, just after the US.[40] In 2011, the EU's FDI in Vietnam was US$ 32 billion, encompassing 1,687 projects[41], which amounted to more than 12% of Vietnam's total FDI.[42] This was ten times bigger that the FDI coming from China, which covered 805 projects with a total pledged investment capital of US$ 3.184 billion. This position of the EU has been reinforced in 2012, with an FDI record of US$ 1 billion.[43] The EU has also remained the main provider of development aid to Vietnam.

The rapport with the EU has been highly valued by Hanoi's authorities. Assessing bilateral cooperation between the EU and Vietnam, particularly in the fields of trade and investment, Vietnamese National Assembly Chairman Nguyen Sinh Hung referred to the EU's "privileged position in Vietnamese foreign policy."[44] Moreover, Foreign Affairs Minister Pham Binh Minh has highlighted the importance of this bilateral relationship for regional security where he saw "favorable conditions for the EU to promote and strengthen its role in SEA region."[45]

Due to the importance attached by both parties to the bilateral relationship, they have endeavored to strengthen their rapport so as to move it to a more advanced level. Indicative of this was the signing of a new Partnership and Cooperation

40 The US held the first position with US$ 5,130.4 million; South Korea, the third position with US$ 3,598.9 million; and Japan, the fourth position with US$ 3,428.4 million. ASEAN Secretariat-ASEAN FDI Database, as of July 5, 2010.

41 Vietnam seeks more investments from EU. *NhandanOnline*, April 13, 2012.

42 EU Delegation to Vietnam. (2012). *The EU and Vietnam vow to boost further relations*, Media Release. (March 1).

43 China's FDI into Vietnam crosses US$ 3 billion mark. *Global Business Service*, August 19, 2011.

44 EU la doi tac quan trong hang dau Vietnam, [EU—the top important partner of Vietnam]. *Nguoilaodong*, June 30, 2012.

45 Ha, A. (2012). Quan he doi tac Vietnam–EU binh dang hon, [Vietnam-EU partnership]. *BaoDatViet*, June 29, 2012.

Agreement (PCA), on June 27, 2012,[46] in Brussels, in addition to the launching of formal negotiations for a Vietnam-EU Free Trade Agreement (FTA) on June 26, 2012. The entry into force and subsequent implementation of the PCA and the eventual establishment of an FTA are recognized by Vietnam's Foreign Affairs Minister Pham Binh Minh as important new milestones in the evolution of relations between Vietnam and the EU, both bilaterally and multilaterally.[47]

The EU is currently Vietnam's second trading partner, with bilateral trade amounting to US$ 24.29 billion in 2011. Vietnam's exports to the EU have increased by 33.5% in 2011.[48] In addition, large EU-based energy companies such as BP have been involved in oil and gas exploitation and drilling in the region. The considerable trade turnover between the European companies and the regional states, including Vietnam, is closely connected to the freedom of navigation and the stability of the SCS. This fact has urged stronger EU engagement in regional security matters, and especially into the maritime security in the SCS.[49] Along these lines, whilst it is clear that the EU's economic presence in the SEA is growing at a fast pace, it is also true that this circumstance has been particularly promoted by the Vietnamese authorities since it enhances the country's capacity to address the complex challenges and pressures stemming from the rise of China.[50]

In contrast, the EU is unwilling to have any significant military force in the region, which could further complicate the already puzzling regional military equation while sending wrong signals for both insiders and outsiders. The EU declines to participate in the region's militarization arguing that the region's realist thinking as well as its trends towards militarization and confrontational policies might lead the region into disastrous wars similar to the ones Europe experienced during the 20th century. [51] Therefore, the EU attempts to make a contribution to the resolutions of the SCS disputes through pursuing a "soft" policy. Its position on the SCS is promoted in various meetings, including those of the ASEAN, ARF, and EAS, in which the EU stresses the need for a peaceful resolution of the existing conflicts while emphasizing the need to respect international law.

The EU has also demonstrated its support for the ASEAN-China Code of Conduct (COC) of the parties in the South China Sea. The latter provides guiding principles for solutions to the SCS disputes among claimants, which should be found through the application of "peaceful means, without resorting to the threat

46 The EU and Vietnam to sign Partnership and Cooperation Agreement. (2012). *European Commission Press Release IP/12/691*, (June 26).

47 Ibid.

48 Vietnam seeks more investments from EU, op. cit.

49 Rogers, J. (2009). From Suez to Shanghai: The European Union and Eurasian maritime security. *Occasional Paper*, No. 77, The European Union Institute for Security Studies, (March); Evers H. D. and Gerke, S. (2006). The Strategic Importance of the Strait of Malacca for World Trade and Regional Development. *ZEF Working Paper Series No. 17*. Bonn: University of Bonn, p. 5.

50 Vietnam seeks more investments from EU. *NhandanOnline*, April 13, 2012.

51 Doan, X. L. (2011). Will Europe Play a Role in the 'Asian Century'?. *World Politics Review Briefing*, (November 16).

or use of force, through friendly consultations and negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law, including the 1982 UN Convention on the Law of the Sea."[52] In addition, the EU has consistently promoted the position that all SEA states, including Vietnam and China, need to define their exact position regarding the claims in the SCS disputes.

Finally, the EU has declared that it was ready to share its own experiences with regards to maritime disputes and fishing rights. Thus, the EU strengthens its position in the SEA as a mediator in the current tensions and any potential conflict. The statement of Philippe van Amersfoort, Deputy Head of the Southeast Asia Division in the European External Action Service is a vivid illustration of this fact. The EU official has namely declared that the "EU would welcome any request from ASEAN to help resolve the dispute. As this strategic situation develops, the EU may be a useful element of balance."[53] Along these lines, not only does the EU play an important role in helping Vietnam to reduce its economic dependence on China, but the EU has already started to engage itself in the search for solutions to the SCS disputes, notably through emphasizing the respect for international laws by the involved parties in any dispute, for the sake of regional and global security issues related to the freedom of navigation in the area.

It is not difficult to find examples that illustrate the increasing role of the EU in the domain of the SCS issues. On the one hand, the EU has promoted the rapprochement with Vietnam. On February 29, 2012, the 1st EU-Vietnam political dialogue at the Vice-Minister level was established to exchange views on promoting convergence regarding several issues of common interest, including developments in the SCS. On the other hand, at the 19th ARF meeting held in Cambodia on July 12, 2012, the EU, together with the US, reached a joint statement in which it was stated that they "will cooperate with Asian partners to enhance maritime security based on international law as specified in United Nations Convention on the Law of the Sea, as well as contribute to confidence building measures to increase trust in order to reduce the risks of crisis and conflicts."[54] The EU has expressed its willingness to continue to pay close attention to the regional security situation and support ASEAN's position; and at the same time, along with the US, to "continue to encourage ASEAN and China to promote building the COC and to resolve the disputes through peaceful solutions, diplomacy, and cooperation."[55]

The position that has been adopted so far by the EU does not explicitly support Vietnam in the SCS disputes, neither does it strengthen Hanoi's military posture vis-à-vis China. However, an ever closer relationship between Vietnam and

52 ASEAN Secretariat. (2002). *Declaration on the Conduct of Parties in the South China Sea*. (November 4).

53 EU ready to play vital role in West Philippine Sea dispute. *New Europe online*, November 25, 2011.

54 ASEAN khong dua ra thong cao chung, [ASEAN has not reached a joint statement regarding the SCS disputes after the 19th ARF Meeting]. BBC, July 12, 2012.

55 Ibid.

the EU has been critical to the Hanoi's approach marked by strategic hedging. In other words, it has been vital to diminish the country's economic dependence on China while generating further support to the existing regional security institutions which tend to restrain China's behavior.

Vietnam-Russia: the military hedging

At the military-political level, the US remains the only external player in the SEA with the capacity of counterweighing China's powerful influence. The military expenditure of the US exceeds that of China sevenfold and that of Russia tenfold. The US holds the largest amount of military spending with US$ 711 billion annually while US$ 143 billion and US$ 71.9 billion is spent by China and Russia respectively.[56] Recently, Vietnam and the US have strengthened their military cooperation through the reinforcement of defiance cooperation and the launching of initiatives such as a political-military dialogue and direct military-to-military contacts.[57]

That being said, it is important to emphasize the significant role played by Russia when it comes to the issue of SCS disputes in which Vietnam has been involved. While the US is considered a guarantor of regional security, Russia represents a tangible threat to China for three main reasons. Firstly, Vietnam and Russia have a long history of friendship, support, and military alignment against China. This cooperation has encompassed the establishment of a common front during the 1979 Sino-Vietnamese Border War as well as during the ensuing conflict which persisted over a period of ten years. Secondly, Russia has been present in the SCS area since the 1980s, long before the US. As a result of this, Russia has longstanding economic interests in the SCS that include cooperation with Vietnam in oil and gas exploitation projects. Thirdly, Moscow and Hanoi have signed several contracts to sell modern weapons, including submarines and aircrafts to Vietnam, as will be elaborated below. Thus, all the naval weapons in use in Vietnam, including the critical Kilo class submarines, as well as Su-30Mkk fighters, have been purchased from Russia, which allowed Vietnam to strengthen its military capability in preparation for armed conflicts. This longstanding history of military-industrial cooperation and the currently close relations in this area make a fundamental difference between Vietnam-Russia and Vietnam-US relations on the SCS issue.

56 Stockholm International Peace Research Institute. (2012). *Facts on International Relations and Security Trends Database*. In *SIPRI Yearbook 2012: Armaments, Disarmament and International Security*. Oxford: Oxford University Press.

57 In late 2009, after a six-year pause, Vietnam's Defense Minister visited Washington for the second time. For an analysis of defense cooperation between Vietnam and the USA, see: Thayer, C. A. (2010). *Southeast Asia: Patterns of Security Cooperation*. Australia Strategic Strategy Institute.

Modern weapons, especially submarines, are critical to any power in the SCS facing the possibility of an armed conflict. This is particularly the case in light of China's rapid military modernization. Indeed, the Chinese defense expenditure, with an impressive double-digit growth for almost two decades, has remarkably reinforced the country's power projection capability in both conventional and nuclear terms. In 2011, China's total military expenditure was US$ 119 billion, the second largest in the world;[58] while the respective number in 2009 was US$ 70 billion.[59] In addition, the country is upgrading its naval base in Hainan Island and building two aircraft carriers as part of a military modernization program.[60]

Vietnam has also undertaken measures towards military modernization. In 2009, Vietnam announced that it would procure six conventional diesel-powered Kilo class submarines from Russia, which are scheduled to be delivered by 2014. These submarines are likely to be equipped with sea-skimming 3M-54 Klub anti-ship missiles with a range of 300 km. In February 2012, Russia announced it will co-produce the Uran anti-ship missile (SS-N-25 Switchable) with Vietnam.[61] While the submarines are being built, Russia and India are currently in charge of training Vietnamese officers who will work in the submarines.[62] These new submarines are expected to improve Vietnam's defense system since they allow to operate more quickly and effectively in the SCS.

The acquisition of military capabilities is critical, not only purely for the sake of defense and strategic calculations, but also for the important function it plays in the safeguarding of both economic interests and the security of oil field explorations in the SCS. This latter aspect is particularly critical given the role that Russia has been playing herein. Indeed, the lion's share of these exploitation projects has being undertaken by Vietnam jointly with Russia.

The cooperation in oil exploitation between Vietnam and Russia dates back to the 1980s, when the Soviet Union together with Vietnam established in 1981 a joint venture, Vietsovpetro. The major objective of this cooperation was to exploit oil in the White Tiger oilfield in the SCS, which still remains to be the largest one in Vietnam. Vietsovpetro is presently the main force behind Vietnam's petroleum industry and economy. To date, Vietsovpetro has produced more than 185 million tons of crude oil and more than 21 billion cubic meters of associated gas and liquefied petroleum gas from the White Tiger, Dragon, and Big Bear oilfields in the SCS area. Incidentally, all these fields are inside the zone contested by China. Eighty percent of Vietnamese oil and gas comes from Vietsovpetro, ranking Vietnam as

58 Stockholm International Peace Research Institute, op. cit.

59 Banlaoi, R.C. (2010). Southeast Asian Regionalism and China's Soft Power Strategy in a Global Age. *Jebat: Malaysian Journal of History, Politics and Strategic Studies*, 37(60).

60 Blanchard, B and Lim, B. (2011). China building aircraft carriers; neighbors worried. *Reuters* (July 27).

61 Thayer, C. A. (2012). The Rise of China and Maritime Security in Southeast Asia. *Ide-Jetro*, (February 15).

62 Bao Trung Quoc binh luan ve cac hoc vien tau ngam Vietnam tai Nga [Chinese Newspapers have commented on Vietnamese submarine trainees in Russia], *The Global Times & RussiaMil*, December 3, 2011.

the third largest oil producer and exporter in SEA. In addition, Vietsovpetro's total crude-oil turnover up until now is US$ 33 billion, contributing US$ 20.2 billion to Vietnam's state budget (which corresponds to 22–25% of the state income).[63]

The cooperation has generated high dividends for both Vietnam and Russia. In the field of oil industry alone, the two-way trade turnover rose from US$ 1.83 billion in 2009[64] to US$ 33 billion, as of July 2012.[65] This cooperation has triggered further Russian investment into various projects in Vietnam. By 2008, Russia had 59 projects with a total registered capital of over US$ 376 million, surpassing China's FDI in that particular year (which amounted to US$ 53 million). In the first half of 2009, Russia became the 5th foreign investor; once again surpassing China; shortly thereafter it became the biggest foreign investor in Vietnam, with two new projects valued at US$ 330 million in registered capital.[66] As of July 2012, Russia had 80 investment projects in Vietnam with total registered capital of US$ 920 million.[67] Investments have been mainly concentrated around the petroleum and oil industries, but have also included heavy and light industries, transportation, post, aquatic culture, and fishing.[68] Along these lines, it can be said that Russia was a pioneer in establishing cooperation with Vietnam which, since 2000, increasingly attracted other international players, such as Mobil, BP, and TOTAL. Due to their investment in Vietnamese oil and gas exploration, these actors would possibly be willing to support Vietnam's position in the SCS disputes.[69]

Russia's importance to Hanoi's strategic calculations is also closely related to the Cam Ranh port. Even though Hanoi has pursued the policy of "equidistancing" all external actors to the Cam Ranh, Russia stands out from the other major players in its role as an exporter of military equipment and technology, which may constitute the basis for fostering closer military ties between these two countries. Prior to the opening of the port to other foreign actors, on November 1, 2010, Vietnam declared that there were plans to hire Russian consultants and to buy Russian technology for the port's construction and upgrading projects.[70] This

63 The official website of Joint Venture Vietsovpetro may be visited at <http://www.vietsov.com.vn/Pages/introduction_en.aspx>.

64 Vietnam's Ministry of Foreign Affairs. (2007). *Vietnam, Russia deepen bilateral ties* (April 18).

65 Vietnam and Russia's strong energy. *Vietnam Investment Review*, July 23, 2012.

66 Vietnam's Ministry of Foreign Affairs. (2009). *Enterprises suggest keys to boosting Vietnam-Russia trade* (August 4).

67 Vietnam and Russia's strong energy, op. cit.

68 Vietnam's Ministry of Foreign Affairs, op. cit.

69 On June 23, 2012, the Chinese National Offshore Oil Corporation invited international bids for oil and gas lots within Vietnam's exclusive economic zone (contested by China with its U-shaped, nine-dash line claim), which is the area of joint Vietnam-Russian oil and gas exploration projects. See: PetroVietnam protests Chinese firm's oil building. *TuoiTreNews*, June 28, 2012.

70 Declaration to the media by Vietnamese Defense Minister Phung Quang Thanh on the sidelines of the parliamentary session (November 1, 2010). The statement came after Prime Minister Nguyen Tan Dung announced the plan to re-open the tactical base to foreign fleets. See: Shipyard will not put military secrets at risk. *Talkvietnam*, June 11, 2012.

decision of the Vietnamese government has been seen by agencies like Stratfor as an evidence of the "favorable conditions for Russian troops to return to the base," hence supporting the common goal of "preventing and deterring China's growing aggression in the SCS."[71] Such interpretation of the role of Russia in Vietnam's security strategy seems to be the line with the strategic calculation of the Vietnamese leadership, i.e. Vietnam welcoming Russia's tangible engagement in regional security issues. The Vietnamese President Truong Tan Sang asserted that Vietnam's relations with Russia are "bound by long-term cooperation and strategic partnership. […] Hence, we will provide benefits for Russia in Cam Ranh port, including in the field of military cooperation." Vietnam will thus "allow Russia to set up a ship maintenance base at its Cam Ranh port."[72]

Besides the traditional emphasis placed by Vietnamese authorities upon military cooperation with Russia, efforts have been made so as to engage Russia in the region's security architecture—something that is in harmony with the relevance that has been ascribed by Hanoi to ASEAN, ARF, and EAS. Thus, the leaders who gathered at the 5th EAS, held in Hanoi in 2010, decided to invite Russia (a full dialogue partner of ASEAN since July 29, 1996)[73] to participate in this regional structure. Eventually, the EAS membership was extended to Russia in 2011.

Due to the radically reduced room of maneuver in the shadow of the rise of China, Vietnam's relations with Russia have acquired crucial importance to Hanoi. Indeed, these relations represent military strategic hedging to the extent that such strategies address Vietnam's need for military modernization. Cooperation with Russia is unique since it allows the country to prepare for a potential armed conflict in the region while ensuring national security and interests vis-à-vis China. At the same time, Russia enhances its role and influence in the area as a re-emerging power.

Equally important, Vietnam's military strategic hedging towards Russia is closely connected to its economic cooperation in oil exploration, which brings significant economic benefits to both parties. Undoubtedly, Vietnam's hedging towards Russia has been successful. The stronger military cooperation between these two countries has enabled Vietnam to acquire modern military equipment, providing the country with the ability to advance joint explorations of oil and gas in the SCS despite growing Chinese opposition towards these projects.

Conclusion

This article has explored Vietnam's hedging strategy to cope with the growing power, influence, and presence of China in the region. It has scrutinized, in particular, the role played by two external players—Russia and the EU—in

71 Ibid.

72 Vietnam Ready to Host Russian Maritime Base. *RIA Novosti*, July 27, 2012.

73 ASEAN Secretariat (2011). ASEAN-Russia Dialogue Relations (November).

Vietnam's hedging against its powerful neighbor. As the present study has demonstrated, such hedging is especially noticeable in the strategies adopted by Vietnam in territorial disputes with China.

As a relatively small country in terms of bargaining power, Vietnam believes that the involvement of third parties is needed. This is all the more apparent as the issue of maritime security in the SCS, as associated to the freedom and safety of navigation, has become a source of concern not only for the SCS countries, but also for the rest of the world.

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Abstract

Against the backdrop of China's assertive policies in the South China Sea, the present study evaluates how Vietnam has sought to mitigate the increasingly unequal regional power distribution vis-à-vis China. It argues that Vietnam tends to cope with China mainly by engaging itself in hedging strategies on the basis of diversified and strong relationships with different players. Appraising the roles of Russia and the European Union (EU), the study analyzes the pay-offs of Vietnam's military hedging with Russia and its economic hedging with the EU.

Keywords: China; European Union; Russia; South China Sea; Southeast Asia; Vietnam.

Resumo

Tendo como pano de fundo a crescente afirmação da China no Mar da China Meridional, o presente estudo avalia a forma como o Vietnã procurou mitigar o desequilíbrio de poder que se instalou nessa região em consequência de tal desenvolvimento. O principal argumento assenta na ideia de que o Vietnã tende a gerir a crescente assertividade regional da China recorrendo a estratégias de hedging baseadas no reforço e diversificação das suas relações externas. Fazendo incidir o foco analítico nos papéis desempenhados pela União Europeia e pela Rússia, especialmente, nos domínios econômico e militar, o presente artigo examina e discute a estratégia vietnamita de hedging militar com a Rússia e de hedging econômico com a UE.

Palavras-chave: China; União Europeia; Rússia; Mar da China Meridional; Sudeste Asiático; Vietnã.