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Trends in
Southeast Asia

VIETNAM: STRADDLING SOUTHEAST
ASIA'S DIVIDE

HUONG LE THU



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INSTITUTE OF SOUTHEAST ASIAN STUDIES

Trends in Southeast Asia

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FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

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Vietnam: Straddling Southeast Asia's Divide

By Huong Le Thu

EXECUTIVE SUMMARY

- Some analysts see Southeast Asia dividing into continental and maritime sub-groups, largely due to great power rivalry. This paper seeks to address the implications of this division for Vietnam.
- Sustaining positive bilateral relations with China has been challenging for Vietnam because of the asymmetry of power between the two neighbours. Relations with Beijing have a determining effect on Vietnam's foreign policy, ties with other regional actors and its position in the Southeast Asian divide.
- Improved ties with the US provide Vietnam a counterbalance against China. Despite good prospects for Hanoi-Washington relations though, the sensitive issues of human rights and democratisation remain obstacles.
- Vietnam's participation and role in ASEAN has become increasingly important. Through active promotion of multilateralism, Hanoi supports ASEAN's role in regional affairs, including in dispute resolution.
- Vietnamese foreign policy has gone through a significant transformation since the 1990s and has been successful in building extensive bilateral and multilateral networks. In the wake of growing great power rivalry in the region, Hanoi has adopted a balancing 'friends with everyone'-style strategy.
- As much as the balancing strategy of Vietnam may have seemed successful, the oil rig crisis since early May 2014 with China has raised a number of questions about its efficacy and presented a serious challenge for Vietnam's strategic outlook.
- Vietnam's position in Southeast Asia, its relations with China and increasing focus on the South China Sea means that it transcends the continental versus maritime divide.

Vietnam: Straddling Southeast Asia's Divide

By Huong Le Thu¹

INTRODUCTION

Recently, some analysts have drawn attention to an apparent division between continental Southeast Asia, largely under the influence of China, and maritime Southeast Asia, largely under influence of the US. Arguments have been made based on China's economic engagement in the Greater Mekong Sub-region (GMS) and an active build-up of economic corridors connecting it to continental Southeast Asian countries, namely Myanmar, Thailand, Laos, Cambodia and Vietnam.² The weak performance of the Association of Southeast Asian Nations (ASEAN) under the Cambodian presidency in 2012 and the failure to address the key issue of South China Sea disputes were also interpreted as signs of division and disunity within ASEAN.³ Finally, dissimilar reactions and perceptions of 'America's pivot to Asia' within the region were also discussed in this context of sub-regional divide as well.⁴

This *Trends* monograph analyses the Vietnamese position in this regional division. To understand Vietnam's regional politics as well

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The author would like to thank Daljit Singh, Ian Storey and Malcolm Cook for their helpful comments.

² Geoff Wade, "ASEAN Divides," *New Mandala* (2010), <http://asiapacific.anu.edu.au/newmandala/2010/12/23/asean-divides/>.

³ Bridget Welsh, "Divided or Together? Southeast Asia in 2012," in *Southeast Asian Affairs 2013*, ed. Daljit Singh (Singapore: ISEAS, 2013).

⁴ Euan Graham, "Southeast Asia in the US Rebalance: Perceptions from a Divided Region," *Contemporary Southeast Asia* 35, no. 3 (2013).



Source: <http://investinvietnam.vn/1ng/2/detail/2754/Geographical-Location.aspx>

as relations with other external actors, this study focuses on the most relevant relationship for Vietnam's foreign policy and strategic outlook: Hanoi-Beijing relations. Through this lens, the paper discusses the following questions: (1) Is there a divide between continental and maritime Southeast Asia? (2) If so, what is the position of Vietnam in this divide? (3) Assuming a positive answer to the first question and given Hanoi's pragmatic approach to the divide, how successful is its present balancing strategy? The monograph begins by analysing the maritime-continental divide argument then, with this as background examines Vietnam's relations with China and how these affect Hanoi's foreign policy and present position in Southeast Asia.

THE CONTINENTAL VERSUS MARITIME DIVIDE

While great power rivalry in Southeast Asia is apparent and causing different reactions among regional states, such division is not new.⁵ Rather, it is the changing perception of this division that has given it a new face. Historically, Southeast Asia has been subject to both external and internal dividing forces. Having this in mind, the discussed divide and its new face is yet another challenge for the region's unity.

A look at the history of the region shows that this is by no means the first time that Southeast Asia is subject to great power rivalry. During the Cold War the divide was ideological. The United States of America fought against the communist influence (represented by the Soviet Union and China) over the region. The 'domino effect' concept was introduced to justify the US involvement in the region and in the Indochinese wars. Vietnam became the main battle front for this power struggle. In the post-Cold War period, the region continued to be divided between continental and maritime sub-groups due to the stark development gap between maritime and continental Southeast Asian states.

⁵ See: Sheldon W. Simon and Evelyn Goh, eds., *China, the United States, and Southeast Asia: contending perspectives on politics, security, and economics*, Asian security studies (New York; London: Routledge, 2008); William Tow, "The Eagle Returns: Resurgent US Strategy in Southeast Asia and Its Policy Implications," *ASPI Policy Analysis* 98 (2012).

Regionalism efforts have both mirrored and attempted to bridge this divide. In 1967 Southeast Asia started to build a sense of ‘togetherness’ by establishing the Association of Southeast Asian Nations, first among maritime states (with the inclusion of Thailand) as an anti-communist grouping and later, after the end of the Cold War, expanding membership to include both continental and maritime members. Countries that once were on the opposite sides of the global ideological battle are now committed to creating one ASEAN. However, the continuing development gap has meant that ASEAN has remained divided into Tier 1 (again including Thailand) maritime member states and Tier 2 continental ones. ASEAN economic integration has officially distinguished different goals and deadlines for the Tier 1 countries (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) and the Tier 2 CLMV (Cambodia, Laos, Myanmar and Vietnam) ones.⁶

Table 1: GDP of ASEAN member states in 2012

ASEAN member state	Population in millions	GDP PPP in million USD	GDP per capita in USD
Indonesia	244.47	1,216,738	4,977
Thailand	64.38	651,856	10,126
Malaysia	29.46	498,477	16,922
Singapore	5.41	326,506	60,410
Philippines	95.80	424,355	4,430
Vietnam	90.39	320,677	3,548
Myanmar	63.67	89,461	1,405
Brunei	0.40	21,687	54,389
Cambodia	15.25	36,645	2,402
Laos	6.38	19,200	3,011

Source: IMF

⁶ ASEAN, “ASEAN Economic Blueprint” (Jakarta 2008).

Internally, ASEAN member states still exhibit great differences in political systems, ranging from democratic (or democratising) to authoritarian. By and large, the continental countries, except for Thailand, are autocracies with strong one-party systems, whereas maritime countries, except for Brunei and Singapore, are hybrid democracies, exercising stronger political pluralism. Politically “sensitive” issues, such as human rights, reflect another source of internal division that maps somewhat onto the maritime-continental divide within ASEAN.

Recently, this divide within Southeast Asia and ASEAN has deepened and diversified due to the rise of China and the US rebalance policy, once again bringing external factors to the forefront. The South China Sea has been the flashpoint not only for the region but also beyond. The South China Sea disputes involve four ASEAN member-states and China directly and the United States through its strategic position and role in East Asia undermines internal unity within ASEAN. China’s increasing assertiveness in the area has been causing tensions and polarisation.

While four ASEAN countries are claimants, there are different degrees of engagement in the conflict. This unresolved dispute has posed a challenge to ASEAN unity for some time. 2012, with the Cambodian presidency, witnessed one of the most apparent signs of division within ASEAN. Cambodia, seen as under the strongest influence of China, was unable to issue any final communique to conclude the ASEAN Summit due to disagreements over the South China Sea. The unresolved disputes pose a hindrance for nurturing the strategic trust among the member-states and hence the process of ASEAN Political-Security Community building. The growing Southeast Asian divide is hence an accumulation of both internal economic and political and external strategic forces.

The divisive external factors refer to the influence of external powers in Southeast Asia with a primary focus on the regional ramifications of great power rivalry. However for a deeper understanding of the depth of this divide and the nature of great power influence in the region, the variance in historical dependency on China is particularly relevant to the divide between the continental and maritime Southeast Asia. Among the continental Southeast Asia, namely Thailand, Myanmar, Cambodia, Laos and Vietnam, the political-economic ties with China have been historically much stronger than those of the more distant

maritime countries (Malaysia, Indonesia, Brunei, the Philippines and Singapore).

When ASEAN was formed, the prime purpose was to ensure internal stability and security from external interference. “ASEAN was thus conceived in part as a vehicle to reduce interstate tensions that might otherwise be exploited by hostile external powers.”⁷ Today, it seems that Southeast Asia has remained prone to external interference. The very argument of a new or deeper divide proves once again that the external forces remain strong in the region. In the current context, economic development has drawn the ASEAN states closer to China. Today’s regional resilience is challenged by economic incentives that show the economic and political vulnerability of the region. Moreover, it implies also ASEAN’s weakness in terms of ideological foundations.

The Chinese economic presence and its growth is particularly strong in the Greater Mekong Sub-Region (GMS) program supported by the Asian Development Bank that brings together Cambodia, Laos, Myanmar, Thailand, Vietnam and China’s Yunnan Province and Guangxi Zhuang Autonomous Region where China has taken the lead.⁸ The economic cooperation between the mainland countries of Southeast Asia and the bordering Chinese region has played a role in pulling ASEAN members apart. GMS leadership supports and is supported by the ‘Bridgehead Strategy’, announced by President Hu Jintao in July 2009, that foresees a dense network of economic corridors providing China better access to mainland Southeast Asia.⁹ The Strategy calls for road networks, hydropower production, distribution facilities, telecommunication, gas pipelines, ports and high-speed railways from mainland Southeast Asian hubs to major Chinese cities. Upon completion of this plan, continental Southeast Asia will be much more connected with, and dependent on,

⁷ Ian Storey, *Southeast Asia and the Rise of China: The Search for Security* (Abingdon, Oxon: Routledge, 2011). P. 25

⁸ www.adb.org/countries/gms/main [Last accessed on 3 July 2014]

⁹ Lu Guangsheng, “China (Yunnan)-GMS Economic Cooperation: New Development and New Problems,” in *Greater Mekong Subregion: From Geographical to Socio-Economic Integration*, ed. Omkar L. Shrestha and Aekapol Chongvilaivan (Singapore: ISEAS, 2013).

each other and China, rather than with the rest of ASEAN. While ASEAN has its own Master Plan on ASEAN Connectivity, in which leaders have committed to bringing people, services, capital and goods of ASEAN closer together through enhanced transportation, communication, investment and partnership,¹⁰ it seems that planning, investment and leadership to implement it is lagging behind the GMS.

The GMS grouping also supports currency arrangements, trade promotion, aid packages, and increased capital investment among the countries sharing the Mekong River. These bring the Mekong countries and China closer to the model of the region rather than sub-region, diverts attention from the ASEAN Community (particularly the ASEAN Economic Community) by creating an alternative, competitive initiative for the mainland Southeast Asian states in their own backyard with more tangible incentives. From this perspective, China's present engagement is causing continental Southeast Asia to grow more distant from maritime Southeast Asia. The plans of the Asian Development Bank to further develop the GMS will add momentum to this drift as continental Southeast linkages with China supported by the GMS program may override those between continental Southeast Asian economies and their maritime Southeast Asian counterparts.

Investments from China are often less of a clear win-win situation for continental Southeast Asia. Examples from Vietnam and Laos clearly show this. For Vietnam, bauxite exploitation projects in Tây Nguyên (Central Highlands) to supply China have triggered significant civil society movement. Bauxite exploitation poses extreme environmental hazards to the Central Highlands and can severely impact this agricultural heartland. The Vietnamese government is supplying the capital to develop the project at the cost of significant public debt while China receives the bauxite.¹¹ Despite such controversy, the government agreed to these

¹⁰ ASEAN, "Master Plan on ASEAN Connectivity" (2010).

¹¹ Estimates suggest that every Vietnamese citizen (92 million total population) bears USD 10 of debt to sustain this exploitation project. V.V. Thanh, "Bauxite Tây Nguyên: Mỗi Người Dân Gánh 10 USD Nợ Cho Nhà Máy Alumin [Bauxite in Tay Nguyen: Every Vietnamese Citizen Bears 10 USD Debt for the Aluminum Factory]" *Tin Tuc Hang Ngay [Everyday news]*, 7 Mar 2013.

terms. The bauxite case became a major turning point in domestic politics of Vietnam. It has activated a movement of solidarity among scientists, environmentalists, intellectuals and civil society groups in Vietnam.¹² Even some members of the Communist Party of Vietnam (CPV) left the Party opposing to this mining project. The late prominent general, Võ Nguyên Giáp, issued formal appeals to the CPV leadership calling it to cease the bauxite exploitation. Since then, a distinctive group of those who ‘love the country’ and engage in political criticism has been formed.

In Laos, the project to build a 420 kilometer railway line linking Vientiane to Kunming is expected to cost the Lao government 7 billion dollars.¹³ For a country with a total GDP of 10 billion dollars as of 2013,¹⁴ a project of this size is rather perplexing, especially given its limited utility for the majority of Laos’ mostly rural population of 6.6 million people.¹⁵ Chinese interests in such a connection are easier to grasp¹⁶ than the Laotian ones and are clearly in line with the ‘Bridgehead Strategy’. It is expected that 20,000 workers from China will be involved in the project. Already China has replaced Vietnam as the largest investor in Laos and continues to build infrastructure that enables Chinese

¹² Hunter Martson, “Bauxite Mining in Vietnam’s Central Highlands: An Arena for Expanding Civil Society?,” *Contemporary Southeast Asia* 34, no. 2 (2012).

¹³ “Lào có thể phải trả giá vì nhận tiền đầu tư của Trung Quốc [Laos might need to pay a price for Accepting investment money from China],” *Infonet*, 2 Jan 2013.

¹⁴ <https://www.cia.gov/library/publications/the-world-factbook/geos/la.html>

¹⁵ Jane Perlez, “Laos Could Bear Cost of Chinese Railroad,” *The New York Times*, 1 January 2013; “Infrastructure in Laos: One Night to Bangkok,” *The Economist*, 19 September 2013; David Eimer and Oudomxai, “China’s 120 mph Railway Arriving in Laos,” *the Telegraph*, 14 January 2014.

¹⁶ Kunming-Vientiane railway is a part of the larger Kunming-Singapore connection plan, enabling China to connect with the continental Southeast Asian countries, Malaysia and Singapore. Geoff Wade, “Changing Asia: China’s High-Speed Railway Diplomacy,” *The Strategist: The Australian Strategic Policy Institute Blog* (2013).

goods to move southward and minerals to move northward.¹⁷ China's investment strategy in Laos, based on extraction of natural resources, including bauxite, as in Vietnam, poses significant socio-economic and environmental risks that could override any benefits for Laos and is certainly benefiting Beijing more than Laos.

Neither Vietnam nor Laos are exceptions in such Chinese investment policies. Chinese investment in continental Southeast Asia in general focusses on resource extraction, mining, hydropower, agriculture, infrastructure facilitating the movement of goods and people and is paired with significant Chinese migration to the region. There are clear political objectives behind the economic aid from China.¹⁸ Loans for infrastructure build-up are closely tied with Chinese interests in natural resources, labour export and settlement projects. The growing Chinese migration into continental Southeast Asia is aggravating a large number of governance and social problems for the host states including increasing corruption, environmental degradation, village displacements, and social issues like unstable market prices of property, goods, gambling, prostitution, etc.

All continental Southeast Asian countries have trade deficits with China. Another commonality for them is that they have little option but to cooperate closely with China. In the case of Myanmar, European and American sanctions – that only recently have been partially lifted – pushed it into dependent economic relations with China. Laos and Cambodia, due to their limited size and economic capacity, welcome all possible investments. Thailand has a long history of good relations with Beijing and is engaging in further partnerships and cooperation not only in trade and finance but also in technology and development. Vietnam is the only country that has some serious concerns about Chinese engagement in the GMS. With the domination of China, Vietnam fears for its autonomy

¹⁷ Danielle Tan, "China in Laos: Is There Cause For Worry?," *ISEAS Perspective*, no. 31 (2014).

¹⁸ Terence Chong, "Chinese Capital and Immigration into CLMV: Trends and Impact," *ISEAS Perspective*, no. 50 (2013).

and sovereignty. It also feels that its traditional influence in Laos and Cambodia is threatened.¹⁹

Another key argument in favour of the Southeast Asian divide is China's economic attractiveness in the region. The China-ASEAN FTA is also another strong binding factor, along with a number of ASEAN Plus and East Asian initiatives. The East Asia Free Trade Area (EAFTA) – involving ASEAN Plus Three countries (China, Japan, South Korea) – was first suggested in 2001 by the Asia Vision Group. ASEAN's response to the China-driven process of EAFTA was the Regional Comprehensive Partnership (RCEP), covering ASEAN Plus Six states (additionally India, Australia and New Zealand) in 2012. But China was still considered as playing the role of 'dominant economic powerhouse' in RCEP.²⁰ This FTA network will further tie ASEAN economies to China.

While all ASEAN countries look forward to wider East Asian region cooperation and increased trade networks like RECP to materialise, many of them also welcome other initiatives. China is not the only power that is interested in exercising their influence in the region. The US offered a competitive proposal – the Trans-Pacific Partnership (TPP), which only includes four members of ASEAN (Brunei and Singapore, negotiating with Malaysia and Vietnam) and Japan, South Korea and Taiwan from East Asian economies.

The strategic rivalry between the United States and China is also playing out in continental Southeast Asia as well as Southeast Asia as a whole. One continental example is the US-sponsored Lower Mekong Initiative (LMI), which includes all the countries sharing the Mekong River except China. Established in 2009 by then Secretary of State Hillary Clinton, the LMI is an agreement between the governments of the US and Cambodia, Laos, Myanmar, Thailand and Vietnam to enhance cooperation in the areas of the environment, health, education, and

¹⁹ Wade, "ASEAN Divides". P. 9

²⁰ Nagesh Kumar, "Toward an Asian Economic Community?," in *The Political Economy of Asian Regionalism*, ed. Giovanni Capannelli and Masahiro Kawai (Springer Japan, 2014).

infrastructure development.²¹ Distinctive from the Chinese infrastructural build-up, the LMI puts emphasis on environmental sustainability. The LMI is an American response to the Chinese dominance in the GMS project and a clear message that Washington is not giving up the opportunity to influence continental Southeast Asia.

While all continental Southeast Asian states benefit from both the GMS and LMI projects, Vietnam seems to have the most strategic view of the situation. From a national interests' point of view, it welcomes the 'healthy' competition, to the degree that it is still beneficial, that means until the moment one needs to choose sides. Great power rivalry is not new to the Vietnamese. They have long experience being trapped in the conflict with and between the great powers and certainly do not want to see a repetition of that tragedy.

Geo-strategic factors are also crucial in explaining external influences. China's presence has been traditionally strong in continental Southeast Asia due to its proximity. The strong Chinese diaspora, particularly in Malaysia and Singapore, has marked their presence in the maritime countries. However, in the strategic realm, the US influence has been stronger with these maritime countries. The security alliances' model of 'hub and spokes' started since World War II with Thailand on the mainland and in the maritime sub-region with the Philippines, a former US colony. Despite not having a formal security treaty, Singapore is commonly called the United States' 'best ally' in Southeast Asia. Both Indonesia and Malaysia are developing closer strategic relations with Washington from a strong base.²² Vietnam is the 'new kid in the block' and seems still unsure, at times, about its proper proximity to Washington.

Given such geo-strategic and political economic factors affecting Southeast Asia and its divide, where does Vietnam fit in this division? To understand its position, it is crucial to understand the most important

²¹ "The Lower Mekong Initiative," <http://lowermekong.org/>. [Last accessed: 5 July 2014]

²² "U.S. Alliances and Emerging Partnerships in Southeast Asia: Out of the Shadows," (CSIS, 2009).

relationship for Hanoi, the one that determines relationships with other actors – the one with China.

HANOI-BEIJING RELATIONS: VIETNAM'S SURVIVAL STRATEGY

The relationship of over 2,000 years has gone through different phases. The history of Vietnam's struggle for its independence from the Chinese Empire was marked by multiple wars and uprisings. In peace and war, it always has been an imbalanced relationship with China as the much more powerful one. As in any asymmetric relationship, the perceptions of the actors involved of the other are unequal. China regards Vietnam as a key strategic 'proxy' for potentially hostile major powers. But however troublesome it has been throughout the history, it is by no means the only one. For Vietnam, on the other hand, China preoccupies its security consciousness. To use Brantly Womack's words: "For China, Vietnam has been the southern boundary stone of its grand notions of itself. (...) Vietnam views China as the inscrutable northern giant. Even at peace the giant is feared because the fateful decision of war or peace is largely in the giant's hand."²³

For China, Vietnam remains the main gateway to Southeast Asia. Positive Sino-Vietnamese relations could be a cornerstone for Chinese leadership in the region, particularly as an exemplar of China's 'good neighborhood' policy that seeks to assure its regional partners about Beijing's peaceful and benevolent intentions.²⁴ Therefore, Beijing is interested in influencing Vietnamese international orientation in the following aspects: (1) territorial disputes in the South China Sea; (2) keeping Hanoi from being too close to the US; (3) since Taiwan has been continuously one of the biggest foreign investors in Vietnam, it is

²³ Brantly Womack, *China and Vietnam: The Politics of Asymmetry* (Cambridge: Cambridge University Press, 2006). P. 9

²⁴ Ren Xiao, "Between Adapting and Shaping: China's Role in Asian Regional Cooperation," *Contemporary Southeast Asia* 18, no. 59 (2009).

important for the PRC to ensure that Vietnam is recognising ‘the correct’ One China policy; and (4) gaining preferential treatment for Chinese businesses and products.²⁵

Without going much into the details of this complex relationship, in the contemporary era, the Cold War was, arguably, the period in which (North at the time) Vietnam and China shared the warmest ties of ‘brotherhood in ideology’. Since the late 1970s, though the relationship had drifted onto hard rocks because of an accumulation of factors, including the emergence of territorial disputes in the South China Sea (or East Sea in Vietnam). The year 1979 was the hardest for contemporary Hanoi-Beijing relations, when the Chinese army invaded Vietnam for the purpose of “teaching Vietnam a lesson” for intervening in Cambodia, where the Pol Pot regime was sustained by China.

Isolation as a result of deteriorated relations with China indeed was, in a different way, a hard lesson Vietnam had to learn. In 1999, the two Party Secretary Generals, Jiang Zemin and Lê Khả Phiêu, agreed on the ‘16 Word Guideline’: long-term, stable, future-oriented and all-round cooperative relations (長期穩定, 面向未來, 睦鄰友好, 全面合作 / láng ghềng hữu nghị, hợp tác toàn diện, ổn định lâu dài, hướng tới tương lai)²⁶ that set the principles for the return to normal good neighbourly relations. Developing peaceful relations between Beijing and Hanoi in the 1990s were supported by the broader regional outlooks of both countries: Vietnam was freshly admitted to ASEAN and China was promoting its peaceful rise and good neighbourliness policy.

However, the normalisation in 1991 did not come without costs. Vietnam has since committed to keep good relations with China, even if that means going the extra mile and compromising interests so as not to upset the powerful giant next door. Despite this, the South China Sea

²⁵ Jorn Dosch and Alexander L. Vuving, “The Impact of China on Governance Structures in Vietnam,” *Discussion Paper DIE* 14(2008).

²⁶ <http://www.vnemba.org.cn/zh/nr050708132559/> and <http://www.chinhphu.vn/portal/page/portal/chinhphu/NuocCHXHCNVietNam/ChiTietVeQuocGia?diplomacyNationId=249&diplomacyZoneId=85&vietnam=0>

territorial disputes though mean that relations are continuously tense. These disputes often have inflamed nationalist sentiments in Vietnam and have led to anti-China demonstrations as well as other forms of expression of growing criticism towards the government in Hanoi for being unable to act assertively towards Beijing. Moreover, Vietnam's sizable 20 billion dollar trade deficit with China and the lower quality or even hazardous goods imported from China coupled with Chinese exploitation of Vietnamese natural resources also have fuelled economically based resentment among the Vietnamese people towards China.

Despite these sources of tension, the Vietnamese government has consistently and actively sought bilateral dialogues with China at every level. Vietnam holds frequent Party-to-Party talks with China. In 2009 alone, it was estimated that 290 meetings²⁷ between Chinese and Vietnamese officials were held. Vietnam has conflicting desires towards China. On one hand, it has welcomed help and economic benefits coming from engagement with China (despite the yawning trade deficit). On the other, it fears and resists Chinese dominance and influence.

Regime legitimacy adds to the complexity of the relationship. The Chinese model of governance and reforms *Gaige Kaifang* (改革开放) served as a role model for Vietnam's *Đổi Mới* reforms and China has provided a useful case for policy learning for Vietnam. This is particularly important as economic performance and the success of economic reforms is essential for regime legitimacy and continuity in both authoritarian states. Positive political relations with China also play a crucial supporting role for CPV legitimacy as the perceived 'backing' of the Chinese Communist Party (CCP) is seen as an important source of external legitimation for CPV rule in Vietnam. Economic incentives coming from good ties with China also contribute to economic growth and its political benefits. On the other hand, peaceful relations with neighbouring states are essential for internal stability, and a necessary condition for economic growth.

²⁷ Hong Hiep Le, "Vietnam's Strategic Trajectory: From Internal Development to External Engagement," *Strategic Insights* 59 (2012).

Reflecting this legitimacy virtuous circle, at least up until the oil rig crisis of 2014, China and Russia are the only two states Vietnam has elevated bilateral relations with to the level of a cooperative strategic partnership.²⁸ To some extent, the shared political ideology between China and Vietnam facilitates on both sides the management of this complex and fraught ‘ant and elephant’-type relationship.

Finally, China plays an essential role for Vietnamese political legitimacy from a nationalist perspective too. Nationalism, often based on sovereignty claims, is a key element for legitimacy. With the ongoing South China Sea disputes, nationalistic sentiments, fuelled by the historical memory of numerous past Chinese invasions, although at times the criticism is directed towards the government in Hanoi itself for mishandling the disputes with Chinese, provides the Vietnamese ruling elite with nationalistic support necessary for regime continuity. The role of China as the “other” in Vietnamese nationalism and Vietnam’s asymmetric fears of Chinese domination put restraints on the scope and depth of this central bilateral relationship.

The limits of this multi-layered attitude towards China are visible in Vietnam’s resistance to Chinese soft diplomacy, despite Vietnam’s cultural similarities to China being arguably the most profound in the whole Southeast Asian region. Widely considered as a state-sponsored Chinese soft power tool,²⁹ Confucius Institutes promote Chinese language and culture. There are thirty Confucius Institutes in Southeast Asia.³⁰ Among the ten ASEAN countries, Vietnam and the micro-state of Brunei (population less than 400,000) are the only two that do not host a single Confucius Institute.³¹

²⁸ Huong Le Thu, “Bumper Harvest in 2013 for Vietnamese Diplomacy,” *ISEAS Perspective*, no. 4 (2014).

²⁹ Alan Hao Yang and Michael HH Hsiao, “Confucius Institute and the Question of China’s Soft Power Diplomacy,” *China Brief* 12, no. 13 (2012).

³⁰ 12 in Thailand, 7 in Indonesia, 3 in the Philippines, 2 in Malaysia, Myanmar and Singapore, and 1 each in Laos and Cambodia.

³¹ Thuc Vy Huynh, “Vietnam’s Confucius Institute Distraction,” *The Diplomat*, 24 Nov. 2013.

It certainly is not easy to be a neighbor with such a giant as China and even harder when there are active territorial disputes. ‘Prone to paranoia’,³² as any smaller country would be in such an asymmetric relationship, Vietnamese foreign policy reveals a constant concern about Chinese assertiveness. Vietnam is cautious about Beijing’s expansionist appetite and is actively building up its diplomatic network for the fear of potential threat. As the crisis of the oil rig Haiyang Shiyou HYSY – 981 (in Vietnamese is Hai Duong HD 981), deployed by China into waters claimed by Vietnam has shown, the threat is not only perceived.

The complexity of Vietnamese attitude towards China is on many levels and has never been free from anxiety. Rather, this anxiety is at the core of Vietnam’s present successful proactive foreign policy focussed on improving its diplomatic network and engagement with regional and global institutions and key partner states. Vietnam’s strategic balancing and hedging against China can be best explained as stemming from the pressing need to build a safety net ‘just in case’. While a good relationship with China is necessary for Vietnam’s survival, it is certainly not a sufficient condition. Being on good terms with ‘the other great power’ also becomes indispensable while active engagement with the region and ASEAN is the most sensible option for Vietnam. Understanding the importance of the relationship with Beijing to Vietnam’s survival and well-being helps to understand the motivation behind Vietnamese foreign policy and relationships with other major actors in the region and where this combination of factors places Vietnam on the Southeast Asian divide.

VIETNAM - US RELATIONS: THE BALANCING ACT

Hanoi’s relationship with Washington has improved quickly since the 1990s. From 1975 until 1994, America maintained economic sanctions on Vietnam. Vietnam in the 1990s underwent the ‘open door’ policy reforms that created a more welcoming environment for trade and investment.

³² Womack, *China and Vietnam: The Politics of Asymmetry*.

After the restoration of economic ties, the political dialogue soon gained momentum and the normalisation was announced in 1995. US President Bill Clinton's first visit to Vietnam in 2000 opened a new chapter for Hanoi-Washington rapprochement.

Since then, the two have enjoyed a steady advancement of relations. However, even with such positive momentum, the progression, at least on the political level, has faced limits. Until 2008, when Prime Minister Nguyen Tan Dung visited Washington, both parties have enhanced efforts to further strengthen cooperation. To date, the United States and Vietnam have established separate dialogue frameworks that include economics, politics, security, defence and the development of a peaceful and prosperous Asia-Pacific region. There are even dialogue on such sensitive issues like human rights, democracy and religious freedom.³³

When in 2010 Hillary Clinton announced the 'Pivot to Asia' at the ASEAN Regional Forum held in Hanoi, Vietnam considered it a diplomatic victory because of the venue and occasion she chose. 'Pivot' or 'rebalancing' have become the buzz words since to depict the new military and diplomatic approach of Washington to the East Asian region. The 'Pivot' strategy proceeds along six courses of action: strengthening bilateral security alliances; deepening America's relationships with rising powers; engaging with regional multilateral institutions; expanding trade and investment; forging a broad-based military presence; and advancing democracy and human rights, as presented by Clinton. In the same year during her visit to Hanoi commemorating the 15th anniversary of bilateral relations, she noted that the relationship with Vietnam is "not only important on its own merits, but as a part of strategy aimed at enhancing American engagement in the Asia-Pacific and in particular Southeast Asia."³⁴

America's greater focus on Vietnam has elevated Hanoi's position in the region and vis-à-vis China. Hanoi has expressed its willingness

³³ Anh Tuan Hoang, "High Hopes and New Realities for the Vietnam-US Relationship," *Asia Pacific Bulletin* (2013).

³⁴ Hillary Clinton, "Remarks with Vietnam Prime Minister and Foreign Minister Pham Gia Khiem," (Hanoi 2010).

to join the TPP, showing that it welcomes the ‘return’ of the US to the region. As the US Secretary of State John Kerry said during his visit to Vietnam in December 2013, there has been a positive and ‘dramatic transformation in the bilateral relationship’.³⁵ The year 2013 marked the symbolic progress between Hanoi and Washington in a form of the elevation of bilateral relations to that of a comprehensive partnership. Although differences in what this means and different views on issues such as human rights and democratisation have so far prevented the partnership from being a strategic one such as Vietnam has forged with Singapore and with Indonesia, both countries are working towards reaching agreement on this.³⁶

High expectations for Vietnam’s economic growth out of the United States are also helping the relationship. Estimates by Robert Z. Lawrence, a professor from Harvard’s Kennedy School, anticipate that the Vietnamese GDP could grow by an impressive 13.6% in 2025,³⁷ making the country important not only strategically but also economically in the eyes of Washington. As optimistic as it may sound, there are great expectations about the benefits that the TPP could bring to Vietnam. In fact, the TPP is seen to be a ‘fulcrum’ for domestic reforms assuring greater competition between the private sector and State Owned Enterprises (SOE). The US is the biggest export market for Vietnam, taking 18.8% of the total export from Vietnam in 2013.³⁸ In contrast to trade with China, Vietnam’s largest bilateral trade surplus is with the United States. Moreover, America has been providing development assistance for Vietnam’s economic development and public health and education system. In sum, the relationship is highly beneficial for Vietnam.

³⁵ Zachary Keck, “John Kerry to Visit Vietnam and the Philippines This Week,” *The Diplomat*, 10 Dec. 2013.

³⁶ Le Thu, “Bumper Harvest in 2013 for Vietnamese Diplomacy.”

³⁷ “Vietnam’s GDP could grow 13.6% in 2025, says Harvard professor,” *Vietnamnet*, 3 Apr 2014.

³⁸ http://www.vietrade.gov.vn/en/index.php?option=com_content&view=article&id=1031:vietnam-products-export-to-american-market&catid=20:su-kien-xuc-tien-thuong-mai&Itemid=64

Nevertheless, while Hanoi welcomes US engagement in the region, Vietnam still has a number of concerns. Firstly, it fears the Chinese reaction to Vietnam getting too close to America. Secondly, the CPV fears that too much ‘Western’ presence would cause a ‘peaceful evolution’ – conveying and socialising people to human rights and democratic ideas that could then undermine regime security. Hence, there are signs of inconsistency in Vietnamese foreign policy towards the United States due to these internal, conflicting intentions.

To understand the different attitudes within the Vietnamese government, it is useful to break the ruling CPV members into three groups, the regime conservatives, the modernisers, and the rent-seekers.³⁹ The conservatives support a closed door and ‘party first’ policy, whereas the modernisers support openness and the whole-of-nation perspective. The rent-seekers refer to those who do not have strong political standpoint but rather are interested in maximising their own benefits. The conservatives put emphasis on ‘national independence and socialism’ that can be interpreted as insulation from Western and liberal influence and strong commitment to communist rule and identity as the fundamentals of Vietnamese policy. As the Vietnamese Foreign Affairs Minister Pham Binh Minh concluded: ‘There is not yet a consensus within the Party regarding a number of issues in foreign policy direction.’⁴⁰

The official views are not necessary reflected in the societal attitudes. The recent Pew Research Center poll showed that if needed to choose sides, more Vietnamese would be favourable of the US (76%) rather than China (16%).⁴¹ Although the US is not as much seen as an ally, as the same research center finds (only 30% of Vietnamese respondents),

³⁹ Alexander Vuving, “Vietnam: A Tale of Four Players,” in *Southeast Asia Affairs 2010*, ed. Daljit Singh (Singapore: ISEAS, 2010).

⁴⁰ Binh Minh Pham, “Thoughts on Shaping New Foreign Policy [Một số suy nghĩ về định hình chính sách đối ngoại mới],” in *Setting Direction for Strategic Diplomacy of Vietnam Toward 2020 [Định Hướng Chiến Lược Đối Ngoại Việt Nam đến 2020]*, ed. Binh Minh Pham (Hanoi: National Political Publisher Nhà Xuất Bản Quốc Gia, 2010). P. 54

⁴¹ Andrew Browne, “Asian Nations’ Fears of War Elevated as China Flexes Muscle, Study Finds,” *The World Street Journal*, 14 July 2014.

China is certainly seen by the Vietnamese as a threat (74%).⁴² However interesting the public opinion may seem, it has limited impact on state policy orientation.

VIETNAM AND ASEAN: IN SEARCH OF 'GROUP BACKING'

While Vietnam recognises the prime importance of handling bilateral relations with the two major external powers in the region, it has also been strategic in handling its circle of immediate neighbors in Southeast Asia. ASEAN invited Vietnam to its club in 1995, even though Vietnam was still a communist regime. Once, ASEAN was an antagonist to Vietnam and pledged to defend its members against the communist threat. Today, Vietnam is one of the most active members of the Association. The Vietnamese people are very positive about their membership in the regional entity. An ASEAN study on public perception showed that the Vietnamese are among the top three member-states that know the most about ASEAN and identify most strongly with ASEAN. Vietnam, contrary to most of the founding states, puts much hope in its membership in the Association.⁴³

Of all the ASEAN states, Vietnam has been the most dynamic member who, arguably, has made the most substantial transformation. This argument comes from observation of both Vietnamese domestic as well as foreign policies. In terms of domestic development, economic reforms have brought it from a war-ravaged country facing poverty and famine to one of the fastest growing economies in the region. In fact, Vietnam is projected to have the fastest growing middle class in the whole of

⁴² "How Asians View Each Other," in *Global Attitudes Project* (Pew Research Center).

⁴³ The respondents from Vietnam were forerunner in positive association with ASEAN identity, beneficial influence of ASEAN on the country and knew relatively more about ASEAN etc. For details refer to: Eric C. Thompson and Chulanee Thianthai, *Attitudes and Awareness Towards ASEAN: Findings of a Ten-Nations Survey*, ASEAN Studies Centre (Singapore: ISEAS, 2008).

Southeast Asia, which is expected to reach 30 million by 2020.⁴⁴ Though it remains a single-party system, the communist ideology has given way to a more pragmatic outlook.

The accession to ASEAN has had a transformative impact on Vietnam's identity in and sense of belonging to the region. Even though in the cultural and social domain, Vietnam is the most Northeast Asian of all Southeast Asian countries. Chinese influence in Vietnam has left lasting influence in the spheres of religion, language, art and values. In terms of cultural identity, the Vietnamese see themselves closer to the Chinese, Koreans and even Japanese than to their ASEAN counterparts. The shift in Vietnam's regional identity towards closer association with Southeast Asia began with the accession to ASEAN. Vietnam's changing regional identification can be seen as a politicised one.

ASEAN is very important for Vietnam on many levels. Because of its participation in ASEAN forums, Vietnam has been successful in managing its internationalisation and has gained a higher and more secure position in the present regional and global inter-state order. Being a part of this grouping has given Hanoi an enhanced bargaining position in the wider Asia-Pacific region and beyond. The ASEAN 'exercise' and the equal status of the membership are important for Vietnam's socialisation in global politics and international cooperation.

In 1998, Vietnam used its status as the host of the 6th ASEAN Summit to obtain endorsement for a 'positive discrimination' scheme named the Hanoi Action Plan.⁴⁵ This plan includes special treatment for the four new, continental members: Cambodia, Laos, Myanmar and Vietnam (CLMV) in order to overcome ASEAN's maritime-continental development gap. Vietnam was the first country from the Indochinese states to join ASEAN. It has emerged as the fore-runner of this group and the one that pushes ASEAN the most effectively to adopt socio-economic policies aimed at closing the development gap between the old and new members. Vietnam can be seen as playing an important role of a 'bridge' between the 1st and 2nd tier of ASEAN.

⁴⁴ "Vietnam's Middle Class the Fastest Growing in Southeast Asia", *Vietnam Briefing*, 22 January 2014.

⁴⁵ ASEAN, "Hanoi Action Plan" (1998).

Hanoi has also been a supporter of integration of its fellow neighbors from the CLMV group into trans-regional processes. Vietnam was among the original member states of the Asia-Europe Meeting (ASEM), a trans-regional process. As the host for the 5th ASEM Summit in 2004, it supported the inclusion of Cambodia, Laos and Myanmar in the process. This is not only seen by Vietnam as expressing solidarity with its fellow continental neighbors, but also as contributing to ASEAN's inclusive consolidation.

"Vietnam is an integral member of ASEAN, contributing significantly to the breadth and depth of many ASEAN initiatives and programmes," said Mr Nicholas Tandi Dammen, a former ASEAN Deputy Secretary General: "It takes the lead in policy reform and economic restructuring in Indochina and plays a crucial role in defining and shaping ASEAN's future orientations". He also recognised that Vietnam has actively fulfilled its role as Country Coordinator for the integration of the logistical services sector in ASEAN. As a result, the Roadmap for the Integration of the Logistical Services Sector was signed at the 39th ASEAN Economic Ministers Meeting in Manila in 2007.⁴⁶

From the political point of view, multilateralism has assisted bilateralism for Vietnam. Although there are still existing limits, such as ASEAN's limits in conflict resolution of the South China Sea disputes, ASEAN has become one the central pillars of Vietnamese foreign policy. The landmark for such thinking was the Vietnamese presidency of ASEAN in 2010. Since successfully undertaking this leadership role within ASEAN, Vietnam has become more confident in seeking deeper regional and international integration.

Equally, Vietnam also has contributed to raising ASEAN's profile. Because of Vietnamese dynamic diplomacy and improvement in relations with Russia, India and the EU, not to mention China and the US, it has helped ASEAN in improving its external relations with key Dialogue Partners.⁴⁷ As Country Coordinator for ASEAN economic relations with

⁴⁶ Vietnam MOFA, "Workshop Discusses Vietnam's Role in Building ASEAN Community," *Foreign Affairs News*, 13 August 2007.

⁴⁷ Sadhavi Chauban, "Vietnam's role in ASEAN," *East Asia Forum*, 23 Oct. 2013.

the European Union, Vietnam has played a leading role in the ASEAN-EU Vision Group, which has come up with the recommendation for ASEAN and the EU to establish a comprehensive economic partnership, including an ASEAN-EU Free Trade Area (FTA). The ASEAN Economic Ministers and the EU Trade Commissioner recently agreed to launch negotiations on the FTA, with Vietnam acting as the ASEAN Co-chair in the ASEAN-EU Joint Committee for the FTA.⁴⁸

Economic gains from membership are of primary importance for Vietnam. Trade and investment from ASEAN states are essential for economic growth; combined exports to ASEAN markets are the third largest for Vietnam, after the United States and the European Union.⁴⁹ In 2012 alone, exports to ASEAN reached USD 17 billion, an increase of 26% compared to the previous year.⁵⁰ By engaging with other more experienced developmental states in the region, Vietnam is learning and adjusting its domestic policy. Moreover, such development along with other Southeast Asian economies has opened a way for Vietnam to further integrate with the regional and global economy.

In sum, Vietnamese regional integration has been dictated by a combination of strategic, political and economic motivations. Membership in ASEAN marked a significant turn in Vietnamese foreign policy. Integration with ASEAN meant that Vietnam pursues its security within rather than against Southeast Asia.⁵¹ Strategically, ASEAN has

⁴⁸ MOFA, “Workshop Discusses Vietnam’s Role in Building ASEAN Community.”

⁴⁹ “Toàn cảnh bức tranh xuất nhập khẩu năm 2013 [The Full Picture of Import Export (of Vietnam) in 2013],” *Dân trí FICA*, 24 Dec 2013.

⁵⁰ “Tình Hình Xuất Nhập Khẩu Hàng Hóa Của Việt Nam Tháng 12 Và 12 Tháng Năm 2012 [Summary of Vietnam’s Import-Export in December 2012 and Twelve Months of 2012],” ed. Hải Quan Việt Nam [Vietnamese Customs] (Hanoi 2013).

⁵¹ Carlyle A. Thayer, “Vietnam’s Regional Integration: Domestic and External Challenges to State Sovereignty,” in *Vietnam’s New Order: International Perspectives on the State and Reform in Vietnam*, ed. Stephanie Balme and Mark Sidel (New York: Palgrave MacMillan, 2007).

given Vietnam a sense of ‘backing’, particularly important in terms of its South China Sea dispute with China. Engagement with ASEAN also is perceived as a channel to improve relations with Washington. On the diplomatic ground, ASEAN has served as an ‘insulation mechanism’ for Vietnam to deal with Europe and the US on the sensitive, yet pressured issues of human rights and democratisation.

DRIVERS OF VIETNAMESE FOREIGN POLICY

As seen from the above sections, the regionally-oriented balancing policy that Vietnam has adopted shows a new pragmatic definition of national interests. Such a push for diversification in foreign policy has been beneficial for Vietnam. The domestic and foreign policies of Vietnam have taken a new turn with the introduction of the *Đổi Mới* reforms in 1986. The Vietnamese Government has realised that to grow and sustain the growth, it cannot stand outside of the globalisation process, but it needs to actively pursue economic integration and engage in diplomatic dialogues in all spheres.⁵²

In multilateral diplomacy, Vietnam has become a frequent participant at major forums, including the World Trade Organization (WTO) since 2007 and as a non-permanent member of United Nations Security Council in 2008-2009. Vietnam has proven capable not only of attending but also successfully playing the role of the host of such high profile forums as ASEM 5 (2004), APEC 14 (2006), and the ASEAN Presidency in 2010.

Bilaterally, the establishment of partnership ties has been particularly important for Vietnam. There are three types of partnership relationships in ascending order: comprehensive, strategic and strategic cooperative. The content of the partnerships varies depending on negotiation with each partner. A comprehensive partnership is a political agreement that aims to enhance bilateral relations across a wide range of activities. A strategic partnership does not have a limit in time or range of cooperation,

⁵² Pham, “Thoughts on Shaping New Foreign Policy [Một số suy nghĩ về định hình chính sách đối ngoại mới].”

it is an agreement based on win-win cooperation. In the Vietnamese understanding of strategic partnership, it is a flexible agreement, which does not necessarily include a security and defence component. However, it does include assurances of not attacking each other, not allying against each other, not interfering into each other's internal affairs and having trust in each other.⁵³ The most important is the strategic cooperative partnership as it is based on long term strategic ties, which Vietnam has with China and Russia. Between 2001 and 2013 Vietnam established fifteen different partnerships, six of which were signed in 2013. Three of the partnership agreements reached in 2013 were with fellow ASEAN members, Thailand, Indonesia and Singapore.⁵⁴

Thanks to such an active and pragmatic approach to external relations, from a country that suffered isolation and embargo, Vietnam now has successfully established relationships with over 170 countries, a number of which it has strategic and comprehensive partnerships with, and became a member of major global and regional organisations. Vietnam has re-surfaced from isolation, maintaining friendly relations with 'traditional friends' (and developing countries), and has embarked on expanding its diplomatic networks with other regions. The purpose is to minimise the pressure on Vietnam from the major powers, especially the one next door. All in all, the main challenge for Hanoi is to manage this intrinsic imbalance with China.

Fear of over-dependency on one country is another motivation for Vietnam to seek such diversified support. The current hedging strategy by befriending as many as possible reflects that pro-activeness of preventing a situation of being pushed to choose between one of two friends. Vietnam has adopted a strategy of being 'friends with all countries in the world community' because of the lesson learnt from being isolated in the 1970s and the 1980s as a result of its overdependence on one strong ally, the Soviet Union.

⁵³ Cong Tuan Dinh, "Vài nét về quan hệ đối tác chiến lược [Aspects of strategic partnership]," *Tạp chí Cộng sản [Communist Journal]* 20, no. 1 (2013).

⁵⁴ Le Thu, "Bumper Harvest in 2013 for Vietnamese Diplomacy."

Hanoi in its active foreign policy is trying to leverage the divide in Southeast Asia that it straddles to its benefit. The effect of such efforts is the development of the balancing strategy between Beijing and Washington. That said, apart from great power balancing, Vietnam is also seeking a stronger safety net by tightening ties with other major powers including India, Japan, Russia and South Korea.

THE EFFECTIVENESS OF VIETNAM'S BALANCING STRATEGY

The balancing strategy that Vietnam has developed in the post-Cold War era supports diversification and welcomes the presence of various powers in the region. Hanoi found itself, at least until the oil rig crisis in May 2014, in a privileged position of having the ability to participate in both 'camps', being a member of the TPP and RCEP and GMS and LMI. The balancing strategy of developing and managing this network of partnerships with other actors though requires significant effort and is not without limits.

Although Hanoi's strategy has led to a series of recent successes, at the same time, one should remember that Chinese diplomacy is also very dynamic. Beijing's diplomatic networks are far wider and denser than Hanoi's and China is a more attractive partner given its size and wealth. Accordingly, the success of Vietnam's active diplomacy also depends partially on the extent to which China is successful in gaining trust in the region and beyond. The higher the level of global distrust towards China, the more friends in the international community Vietnam is likely to have. By advocating for peaceful resolution of disputes based on the rule of law, Vietnam gains international support and distinguishes itself from China's assertive, some might even say aggressive, policy.

In other words, the more successful China's policy of good neighbourliness is, the less effective are Vietnam's diplomatic efforts. In a similar vein, a deepening division within Southeast Asia would have a negative impact on Vietnam's regional policy and hence Hanoi wants to push harder for the ASEAN Community to be realised. From a strategic point of view, it is extremely challenging for a small state like Vietnam to balance the superpowers over the long run. Hanoi, would like to have a

strong backup in the regional institution of ASEAN and it would benefit if ASEAN could maintain its “centrality” in the wider region.⁵⁵ It is particularly important in terms of the maritime disputes for Vietnam that ASEAN enhances its unity.

The deployment of HYSY 981 – one of the most dangerous moves in the disputed waters of the South China Sea since 1995 when China occupied Mischief Reef – presents a test for Vietnam’s foreign relations and strategic capabilities as well as for ASEAN unity. On the 2nd of May 2014, the state-owned China National Offshore Oil Corporation (CNOOC), accompanied by initially eighty vessels, towed its largest oil rig into the disputed waters of the Paracel islands, around blocks 118 and 119, approximately 120 nautical miles east from Vietnam’s Ly Son Island and 180 nautical miles from China’s Hainan Island – the waters where the rig was anchored is considered by Hanoi to be within the Vietnamese Exclusive Economic Zone (EEZ). There have been a number of reported clashes between the two sides around the rig including the sinking of a Vietnamese vessel.

The balance in the region has been significantly disturbed by the deployment of HYSY-981 on the eve of an ASEAN Summit. This set a clear challenge to ASEAN⁵⁶ to respond in a clear and united manner particularly as that year’s presidency fell to Myanmar, who is thought to be almost as close to China as Cambodia is.⁵⁷ The 24th ASEAN Summit on the 10-11 of May 2014 in Naypyidaw did not exceed these expectations. Despite Vietnam’s active plea by Prime Minister Nguyen Tan Dung, ASEAN leaders stayed out of the dispute. The Naypyidaw Declaration issued on the 10th of May that expressed ‘strong concerns’⁵⁸ over the

⁵⁵ Alice Ba, “ASEAN Centrality Imperiled,” in *ASEAN and the Institutionalization of East Asia*, ed. Ralf Emmers (London: Routledge, 2012).

⁵⁶ Huong Le Thu, “The Oil Rig Crisis, ASEAN Unity and Vietnam’s Regime Stability,” *The Diplomat*, 9 May 2014.

⁵⁷ Malcolm Cook, “South China Sea: ASEAN Summit Showdown Looms,” *The Interpreter* 2014.

⁵⁸ “Chairman’s Statement of the 24th ASEAN Summit: “Moving Forward in Unity to a Peaceful and Prosperous Community” (Nay Pyi Taw: ASEAN, 2014).

crisis without mentioning any particular disputant was the furthest the consensus-based ASEAN was comfortable to go. The ‘face-saving’ Declaration was definitely a step up from the lack of such a document in 2012. Yet, in the wake of the scale of the oil rig crisis, it underlines ASEAN’s attachment to neutrality and inaction.

The oil rig incident is not only a crisis for Vietnam-China bilateral relations, but also poses challenges for the region’s stability. It will impact on the direction of Vietnamese foreign policy as it proves that its ‘friends with everyone’ balancing strategy needs revision. The pursuit of this preventive diplomatic strategy by Hanoi was motivated by the fear of escalation of the disputes on the South China Sea. The four-fold good relationship with Beijing (good comrades, good neighbors, good friends and good partners) is being challenged by the territorial disputes in the South China Sea. Multiple attempts to mitigate the threat from China, including party-to-party talks, the Defense Ministers’ Dialogue and the maritime hotline did not work. Neither did the strategic principles of Vietnamese defence that are based on Three No’s (no military alliance, no foreign military bases on Vietnamese territory, and no relationship with one country to be used against a third), designed to assure China of Vietnam’s non-threatening attitude, work.⁵⁹

China’s deployment of the oil rig in the waters around the Paracels proves that China’s ‘peaceful rise’ is everybody else but China’s dream. It also shows that sustaining this fragile balance and ‘status quo’ where Vietnam is pushed towards neither of the superpowers and can benefit from good relationships with both is no longer a feasible option. Beijing’s aggressive behaviour means that it places little value in this friendship and comradeship.⁶⁰

The meticulously developed network of comprehensive, strategic and cooperative strategic partnerships seems to provide an insufficient safety

⁵⁹ “External Relation Work Should Consider Fundamental and Long-Term National Interests The Foundation “, *Tap chí Cộng Sản [Communist Journal]* (2014).

⁶⁰ Huong Le Thu, “New Reality for Vietnam-China Relations,” *Asia Sentinel*, 12 June 2014.

net for Vietnam. Ironically, China is one of the two cooperative strategic partners of Vietnam, along with Russia. Not only did this partnership not work, it gave Hanoi a false sense of security in its relationship with China. Likewise the strategic cooperative relationship with Russia raised unrealised illusions of support from Moscow. Even though the Vietnamese policy in a way predicted that the relationship with Beijing could go wrong, the change in China's foreign relations, particularly towards its neighbours, still poses a challenge to Vietnam's survival policy. In the changing environment where the 'good neighbourliness policy' is no longer China's approach, Vietnam needs to reassess its foreign and defence policy direction. Having many friends and multi-power engagement has established favourable conditions for Vietnam to manage a conflict, even with a great power.

The crisis, although challenging, can bring about a constructive 'push', such as convincing Hanoi to the use of international arbitral legal measures to address its territorial disputes with China. Prime Minister Nguyen Tan Dung, on May 21st 2014 flew to Manila to make an appeal to the leaders attending the World Economic Forum regional meeting and seek advice regarding the Philippines' current legal actions against China's aggressive actions on the sea.⁶¹ On the eve of the 13th Shangri-La Dialogue, a major security forum for the region, Dung also declared through the international media that Vietnam is ready to bring a case on these disputes to the International Tribunal for the Law of the Sea (ITLOS).⁶² Yet, this declaration has not been confirmed by the President and the Party Secretary General. At the Shangri-La Dialogue, both Japanese Prime Minister Shinzo Abe⁶³ and the US Defence Secretary Chuck Hagel⁶⁴ condemned China's unilateral attitude for disrupting

⁶¹ "VN và Philippines quyết phản đối TQ [Vietnam and the Philippines are determined to oppose China]," *BBC Vietnamese*, 21 May 2014.

⁶² "Vietnam Prepares Suit Against China in Spat Over Oil Rig," *Bloomberg*, 31 May 2014.

⁶³ Shinzo Abe, *Keynote Address, Shangri La Dialogue 2014* (Singapore: IISS, 2014).

⁶⁴ Chuck Hagel, *The United States' Contribution to Regional Security Shangri La Dialogue* (Singapore: IISS, 2014).

the status quo. Despite such support, the Vietnamese Defence Minister surprisingly underlined Hanoi's 'good relationship'⁶⁵ with Beijing. These mixed messages can be read as a signal of uncertainty and debate within the leadership in Hanoi. ("Vietnam Prepares Suit Against China in Spat Over Oil Rig" 2014)

Additionally, internal domestic problems, including violent riots in a few industrial zones in Vietnam that affected Chinese, Taiwanese, Korean, Singaporean and Japanese as well as domestic factories, are adding to challenges that Hanoi has to face from the oil rig crisis. International public opinion was highly critical towards Vietnam after the riots broke out. These riots did Hanoi no favours casting a shade on its safe investment environment reputation.⁶⁶ The violence also provided particularly the Chinese media with an opportunity to portray Vietnam as a trouble-maker and present itself as a victim of an anti-Chinese movement.⁶⁷ The economic loss that Vietnam has had to bear in the aftermath is distracting the nation from the main front line of the crisis. Limited understanding of the actual cause of the riots and restricted information only add to the distrust among people, both domestically as well as internationally. Additional efforts and resources are needed to ensure foreign investors about the safety and stability of the Vietnamese economy.⁶⁸ In all aspects, the oil rig crisis has put Hanoi in a situation between a rock and a hard place. The government is under pressure to deliver an effective and transparent response. Mishandling the crisis might pose a serious challenge to the regime's credibility and hence sustainability.

⁶⁵ Phung Quang Thanh, *Managing Strategic Tensions, Shangri La Dialogue* (Singapore: IISS, 2014).

⁶⁶ Huong Le Thu, "The Anti-Chinese Riots in Vietnam: Responses from the Ground," *ISEAS Perspective*, no. 32 (2014).

⁶⁷ Huong Le Thu, "The Role of Victimization in Vietnam-China War of Words," *E-Interntional Relations* (2014), <http://www.e-ir.info/2014/07/05/the-role-of-victimisation-in-the-vietnam-china-war-of-words/>.

⁶⁸ "Thủ tướng gặp riêng cộng đồng doanh nghiệp Đài Loan [The Prime Minister Meets Privately with the Taiwanese Business Community]," *VN Express*, 5 June 2014.

The deployment of this Chinese oil rig has shed a new light on the positioning of Vietnam in the Southeast Asian divide. As the situation continues to develop, it will soon unfold how the crisis will alter the distance between Washington and Hanoi. Crisis can be a catalyst; which in this context may lead to the internal re-structuring of Vietnamese domestic politics and foreign policy.

VIETNAM'S UNIQUE POSITION IN SOUTHEAST ASIA

In the debate on Southeast Asia's dividing sub-regions, Vietnam's position is marked by several unique features. Vietnam not only belongs to the continental group geographically, but it is the biggest in terms of population and is the second largest economy among the group, hence it should be at the forefront of the continental group. But a number of other characteristics means that it transcends the continental-maritime divide. These include:

First, the strategic position: geographically speaking, Vietnam lies on the Indochinese peninsula; with total land borders of 4,649 km with China, Cambodia and Laos, but it also shares a long 3,444 km sea border and significant interests in the South China Sea that strongly connect Vietnam to maritime Southeast Asia. The Vietnamese focus on the sea does not only have a sovereignty dimension. Sea transport through the Gulf of Tonkin and the exploitation of aquatic products make an important contribution to the country's economy. The "Vietnam's Sea Strategy up to 2020" envisions further strengthening Vietnam as a maritime-based economy and by 2020 the maritime economy should account for 53-55% of the GDP.⁶⁹ Hence, Vietnam straddles both Southeast Asian sub-regions.

Second, the historical traits of contemporary Southeast Asian cooperation and security have been marked by Vietnamese history too. During the Indochinese Wars, Vietnam had the central strategic position in the domino effect paradigm. Later, even as an 'outsider' at that time,

⁶⁹ "Vietnam's Maritime Economy to Claim Over 50 Percent of GDP by 2020," *Vietnam Briefing*, 31 May 2010.

Vietnam's intervention in Cambodia in 1978 contributed to ASEAN's first collective diplomatic action. Vietnam contributed to consolidating the Southeast Asian region and ASEAN that we know today.

Third, Vietnam is one of the key players in the South China Sea (in Vietnamese: East Sea) dispute; after China and Taiwan it is has the largest claim. The Paracel Islands are a disputed area between China, Taiwan and Vietnam, whereas the Spratly Islands are claimed in whole or part by China, Vietnam, Malaysia, The Philippines, Brunei and Taiwan. Beijing claims sovereignty over the nine-dash line, also known as the U-shaped line, which encompasses nearly the entire maritime zone,⁷⁰ to which many of the other parties are opposed. Moreover, out of all South China Sea claimant states, Vietnam is the only one that bears the burden of sharing a land border with China. The South China Sea dispute remains the first and foremost priority of Vietnam's security policies.⁷¹ Hanoi continues to make extensive diplomatic efforts to internationalise the problem, both in multilateral forums as well as bilateral dialogues with China. In doing so, it underlines the importance of peaceful resolution and multilateral negotiation which highlights ASEAN's possible role.

Fourth, related to the pursuit of internationalisation and multilateralism in the current Vietnamese foreign policy is Hanoi's increasing weight in ASEAN. Through promoting multilateral mechanisms of dispute settlement and emphasising ASEAN's role, Vietnam has contributed to elevating the Association's regional importance. Within ASEAN, from a late-comer placed in second tier, Vietnam is actively reaching out to join the first tier. The successful presidency of ASEAN in 2010 was an important turning point. Vietnamese diplomat, Le Luong Minh, is also the first official from the CLMV countries to take up the role of ASEAN Secretary General. To enhance its own negotiating position, Vietnam would like to see a strong and united ASEAN.

Fifth, in the particular context of the Southeast Asian divide over the rivalry between China and the US, Vietnam can offer some of its

⁷⁰ <http://www.nanhai.org.cn> [Last accessed on 2 July 2014]

⁷¹ "Vietnam National Defence," ed. Socialist Republic of Vietnam Ministry of National Defence (Hanoi 2009).

own experience in great power rivalry. Of all Southeast Asian countries, arguably Vietnam has the most complex relationship with China. Over 2000 years of interaction and struggle for independence has shaped the Vietnamese perception of its giant neighbor. Of all Southeast Asian countries, Vietnam is the one that understands China the best. This knowledge of China's history and culture coupled with millennia of interaction and confrontation puts Vietnam in the best position to comprehend the strategic thinking and interests of its and Southeast Asia's northern neighbor.

Sixth, the region's relationship with the US is not without complexities either and Vietnam is the only country that has had wars with both of the competing great powers and the only one that defeated both of them. For both China and the US, bilateral relations with Vietnam are not without historic memories, which have an impact on current foreign policy. Vietnam's pragmatic balancing is not entirely free from historical memories either and Vietnam is extra-vigilant about any sign of great power dominance.

Last but not least, the concept of a division is by no means new to Vietnam. Historical experience makes Vietnam 'familiar' with the concept of divides caused by great powers' influence. The memory is still vivid and reinforces the current resistance against dependency on foreign powers. Culturally, the notion of a land versus sea divide has been present in the Vietnamese mentality since the beginning of the nation. The legend explaining the origin of the Viet people has it that they come from Lac Long Quan – the Dragon King of the Sea – and Au Co – the Fairy Queen from the mountains. Together they had 100 sons, whose names established the 100 surnames of the Vietnamese people. But because each had to return to their kingdoms, each took with them 50 sons. This explains why half of the population of Vietnam lives on the seashore and half inland. This understanding of Vietnam's origin also explains why Vietnam has always embraced both the land and the sea. The current geopolitical discussion of where Vietnam fits in Southeast Asia's continental versus maritime divide has neglected this perception of duality in the Vietnamese people's mentality.

For the above reasons, Vietnam presents an interesting case that transcends the dualistic continental-maritime divide paradigm.

CONCLUSION

This paper has discussed the continental-maritime divide in Southeast Asia and Vietnam's position in this divide. To answer the first question that this study poses, I suggest two systematic understandings of the divide. (1) Based on historical analysis, the divide, or perception of it, has changed. We are now witnessing yet another form of divide, once again caused by great power rivalry and involvement in the region. (2) Based on the diversity of the region, regional states' economic, political and strategic interests are varied. The divide can also be discussed through internal and external forces.

While the divide is a given and it is actually the reason that brought the Southeast Asian states together under ASEAN, it can also cause further separation between the two sub-regions going forward due to dissimilar interests and preferences. Both Beijing and Washington are aware of this and target that diversity within Southeast Asia.

It is not surprising for China to expand its economic influence in continental Southeast Asia, just as it is for the US to take advantage of established relationships in maritime Southeast Asia. This has led some observers to argue that the divide within the region will be based on a geo-strategic divide between continental and maritime states. While I agree with the relevance of these natural borders, I also argue that they will demarcate neither China's nor the US's interests across the region. China has a significant diaspora in and strong economic connections with maritime Southeast Asian countries. As seen from the Kunming-Singapore railway plan, China is interested in further developing connections southwards to maritime Southeast Asia. Washington will not give up the Indochina Peninsula, as seen from initiatives of engaging Vietnam in the TPP and launching the LMI. The current crisis of Vietnam-China relations gives an opportunity for Hanoi to develop closer ties with Washington and change the existing balance of the great power rivalry. Hence, it is not likely that the divide will continue to have a clear-cut pattern of maritime Southeast Asia drifting away from continental Southeast Asia.

In understanding Vietnam's position in this enduring divide, it is important to comprehend the circumstances that determine its immediate neighbor policies. As a small country embroiled in a territorial dispute with

its giant neighbor, Vietnam has limited options. Whether it is proactive in foreign policy or reactive in strategy, successes of Vietnamese policy and positioning in the context of competitive forces depends on how assertive Chinese neighbourliness policy is. Vietnamese soft power has been developed to prevent confrontation and make up for its defense limitations. In fact, active efforts in preventive diplomacy has been driven by a fear of China's aggression, so, one would assume that expansive acts from Beijing such as the oil rig crisis should come as no surprise to Vietnam. Yet, as seen from the hesitation within Hanoi's leadership in dealing with the new realities of the relationship with China, the non-confrontation attitude is not easily abandoned. Additional considerations supporting a non-assertive response include Vietnam's close economic ties with Beijing.

Given the current tensions in the South China Sea, the internal divide within Southeast Asia has a great potential to further deepen. Under the current trend of an increasingly assertive China, geographic proximity becomes, ironically, a factor driving Vietnam away from Beijing. Hanoi needs to revise its balancing strategy and re-orient its diplomatic, security and economic foci. While adjusting the balance of whom to be closer friends with is still under negotiation, Vietnam's foreign policy of diversification and multilateralisation is likely to continue. The economic 'liberation' from Chinese influence will need more than just political will and determination. The process of getting away from any dependency on China, currently the central focus for Vietnamese policy-makers,⁷² will be a very long process and it will continue to pose various challenges.

It has been useful for the current scholarship to frame the dividing dynamics in Southeast Asia as one between continental versus maritime sub-regions. Vietnam, however, as this paper has argued, does not fit

⁷² "Không Để Phụ Thuộc Kinh Tế TQ [Cannot Allow Economic Dependency on China]," *BBC Vietnamese*, 20 June 2014; "It's Time to Reduce Imports from China," *The Voice of Vietnam*, 29 June 2014.; "Vietnam Lawmakers Discuss Ways to Lessen Reliance on Chinese Economy," *Tuoi Tre*, 3 June 2014; Nguyen Tan Dung, "Prime Minister's Remarks at the 2014 Mid-term Business Forum," in *Vietnam Business Forum 2014* (Hanoi 2014).

this categorisation. The relationship with China, with whom it shares a land border, is now being challenged by the demarcation of the disputed maritime territories. With the ongoing oil rig crisis, these maritime affairs are absorbing Hanoi's attention. Current developments show that Vietnam will be playing an increasingly important role both in the continental and maritime spheres of Southeast Asia.

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