# Table of Contents

Abstract ........................................................................................................................................ iii

Acknowledgements ...................................................................................................................... v

Acronyms and Abbreviations ....................................................................................................... vii

List of Figures .............................................................................................................................. ix

A Note on the Thesis Title ........................................................................................................... x

Introduction .................................................................................................................................... 1

  Research Question ...................................................................................................................... 4

  Structure and Scope .................................................................................................................. 4

Chapter 1: Balance, Bandwagon, or Hedge? ................................................................................ 7

  Balancing and Bandwagoning .................................................................................................. 8

  Hedging ....................................................................................................................................... 12

  Vietnam’s Hedging Strategy Towards China .......................................................................... 16

  Three-Dimensional Hedging .................................................................................................... 19

Chapter 2: “Comrade Plus Brother:” Overview of Sino-Vietnamese Relations ...................... 25

  Background on Sino-Vietnamese Relations .......................................................................... 27

  Sino-Vietnamese Economic Relations ...................................................................................... 38

Chapter 3: Bauxite Mining in the Central Highlands ................................................................. 42

  Background on Bauxite Mining ............................................................................................... 45

    Initial Development (2001-2007) .......................................................................................... 45

    Emergence of Anti-China Opposition (2008) ...................................................................... 47

    Government Response and Resurgence of the Opposition (2009-2011) ....................... 50

    Current Developments (2011-2014) ................................................................................... 56
Analysis of Bauxite Mining Policies ................................................................. 58

Chapter 4: “Always Looking for a Good Port:” Cam Ranh Bay’s Open Port Policy ..... 69

  Historical Background .................................................................................. 72
  Current History (1991-2014) .................................................................. 75
  Analysis of “Open Port Policy” .................................................................. 79

Conclusion ...................................................................................................... 91

  Policy Implications and Recommendations ............................................. 93
  Concluding Remarks ................................................................................. 97

Bibliography .................................................................................................. 99
Abstract

China’s dramatic economic growth and ascendance onto the world stage has had large implications for neighboring Southeast Asian states that, while enthusiastic about growth opportunities, are still apprehensive of Chinese dominance in the region. As a result, most scholars maintain that states in the region have chosen to “hedge” against China by cultivating positive relations with all large states involved in the region. Current literature on hedging is insufficiently nuanced since it treats hedging as a fixed foreign policy strategy in between balancing and bandwagoning. Furthermore, existing explanations generally consider only one plane of hedging, namely how small states cultivate relations with other powers to hedge against a threatening state. This paper contributes to existing literature on hedging in two ways. First, it proposes a three-dimensional approach for understanding hedging that considers how domestic, foreign, and sectoral factors affect small-states’ hedging strategy. Second, this thesis examines two cases of Vietnamese foreign policy towards China in the 21st century using this three-dimensional framework. More specifically, this paper analyzes one case study in the economic realm, bauxite mining in the Central Highlands, and one in the security sphere, the open port policy of Cam Ranh Bay. Ultimately, this thesis demonstrates the fluid processes of hedging across issues and the need for a better understanding of these dynamics in the Southeast Asian context.
Dedicated to my Bà Ngoài.
Acknowledgements

My completion of this thesis would not have been possible without the help of some incredible individuals. First, I would like to thank my thesis advisor, Dr. Don Emmerson, for his invaluable advice during this process. Especially towards the end of the year, Professor Emmerson devoted significant time and energy to helping me complete my thesis. I am eternally grateful to him for his support and commitment to my project. I am also incredibly fortunate to have an advisor who pushed me to develop my own voice and not be afraid to be a creative producer of knowledge.

I am also incredibly thankful to Dr. Martha Crenshaw and Dr. Coit Blacker, the Co-Directors of the CISAC Honors Program this year. Working with Dr. Crenshaw last summer exposed me to academic research and taught me how to create narratives around evidence. Dr. Blacker’s advice during our weekly seminars was also extremely helpful as I refined my research question. I am equally grateful to our Teaching Assistant, Shiri Krebs, for handling all my last-minute issues and concerns.

Besides my advisors in CISAC, I would like to thank a number of other individuals at Stanford that I consulted with during the year. Dr. Scott Sagan was immensely helpful during my CISAC application process. As my major advisor, I am indebted to him for helping me shape my Stanford experience and exposing me to CISAC. I would like to thank Dr. Siegfried Hecker, whose class on “Nuclear Energy, Weapons, and Terrorism” sparked my interest in CISAC. Dr. Hecker was also instrumental in my application for CISAC and other programs. Ambassador Karl Eikenberry was a source of immeasurable inspiration during this project. I would like to thank him for allowing me to bounce ideas off of him and for taking the time to lead us around DC last September. Dr. Tom Fingar was very helpful in DC as I began to refine my research question and I would like to thank him for the discussions we had in his office about China and Southeast Asia. I would also like to thank Dr. Fingar for introducing me to Professor Emmerson, who would become my principal advisor on this project. Dr. Amy Zegart was a source of wisdom on McKinsey and life as a consultant while I was making future decisions about my career. Dr. Condoleezza Rice helped me further refine my research question and her class this year helped me improve my argumentation skills. Finally, I would like to acknowledge Secretary Perry, David Perry, Robin Perry, Deborah Gordon, and everyone else involved with the Perry Project. Thank you for allowing me to join your community; working with you all was one of the highlights of my time at CISAC.

I would also like to thank the CISAC cohort – Yassamin, Lisa, Maily, Isabella, Lauryn, Elle, Connor, Daniel, James, Reed, and Keshav – for their encouragement and inspiration throughout the year. Special thanks to Keshav for helping me format my thesis and to Yassamin for an incredible time as roommates in DC.

I am blessed to have so many close friends that helped me through this process. Yael Wulfovich kept me company on some very long nights in the library as we worked on our theses together. Robert Burns let me bounce all my bad thesis ideas off of him while we were traveling together in the Dominican Republic. Tiffany Zhao was always there to talk when I was stressed or worried about my project. Michelle Valentine brought me snacks and love to help me get through the final leg of my thesis. Aline Bass kept me in good spirits during some of my more difficult thesis-writing periods. Xuefeng Koh was a constant source of support and advice during this project. Victoria Alvarado kept me grounded during the entire process. Sam Rebo was a source of immense comfort during the final weeks of thesis writing as I struggled to keep up with
my other classes. I also want to thank Ram Sachs, whose guidance and mentorship over the last three years brought me to CISAC. I would especially like to thank my boyfriend Kenneth Shields, whose love and unwavering support for my ideas ultimately made this project possible. Kenneth put in a significant amount of time and energy helping me this past year and I am eternally grateful for his help and constant encouragement.

Finally, I want to thank my family. Thank you to my brothers – Adrian and Andrew – for always making me laugh and cheering me up. It has been a privilege as an older sister to watch you grow up into the young men you are today. Thank you to my relatives – Ba Noi, Ong Ngoai, Co Thao, Uncle Lan, Aunt Illan, Aunt Kim, Spencer, Ethan, and Uncle Alex – for your love and support during the course of this project. I would also like to thank my parents, Alan and Chi Colberg, for always encouraging me to pursue my dreams, no matter how crazy they are. I am the luckiest daughter in the world to have such strong and loving parents. A special thanks to my sister and best friend Chloe Colberg – without your support this year, I would not have been able to complete this project. I am blessed to call you my sister and will always cherish the time we spent together at Stanford. In closing, I would like to thank my Ba Ngoai, to whom this thesis is dedicated. It was your courage and love for your family that made it possible for me to write a thesis at a place like Stanford. Your dedication, as well as my mother’s, to your country inspired me to study Vietnam.
**Acronyms and Abbreviations**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMM</td>
<td>ASEAN Ministerial Meeting</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>CCP</td>
<td>Chinese Communist Party</td>
</tr>
<tr>
<td>CHINALCO</td>
<td>Aluminum Corporation of China</td>
</tr>
<tr>
<td>CMEA</td>
<td>Council for Mutual Economic Assistance</td>
</tr>
<tr>
<td>DDOS</td>
<td>Distributed Denial of Service</td>
</tr>
<tr>
<td>DRV</td>
<td>Democratic Republic of Vietnam</td>
</tr>
<tr>
<td>EEZ</td>
<td>Exclusive Economic Zone</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Study</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Area</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GS</td>
<td>General Secretary</td>
</tr>
<tr>
<td>HT</td>
<td>High-Threat (Perception)</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>MFA</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>NA</td>
<td>National Assembly</td>
</tr>
<tr>
<td>NE</td>
<td>Negative-Economic (Expectation)</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PAVN</td>
<td>People’s Army of Vietnam</td>
</tr>
</tbody>
</table>
PLA – People’s Liberation Army
PM – Prime Minister
PRC – People’s Republic of China
RVN – Republic of Vietnam
SCS – South China Sea
SeA – Southeast Asia
SIGNIT – Signals Intelligence
SLoCs – Sea Lines of Communication
SOE – State-Owned Enterprise
T-MV – Vietnam Natural Resources and Environment Corporation
UC RUSAL – United Company Rusal
UNCLCS – United Nations Commission on the Limits of the Continental Shelf
U.S – United States
USD – United States Dollar
USNS – United States Naval Ship
USSR – Union of Soviet Socialist Republics, or Soviet Union
VCP – Vietnamese Communist Party
VIMICO – Vietnam National Minerals Corporation
VINACOMIN – Vietnam National Coal Mineral Industries Group
VPA – Vietnam People’s Army
VPN – Vietnam People’s Navy
WB – World Bank
List of Figures

Figure 0.1: China and Southeast Asia ................................................................. 1
Figure 1.1: Small-State Policy Options (Fixed) ......................................................... 21
Figure 1.2: Single-Plane or One-Dimensional (1-D) Hedging .................................. 21
Figure 1.3: Three-Dimensional (3-D) Hedging ...................................................... 22
Figure 2.1: Chinese, Vietnamese, and Filipino Claims in the South China Sea .......... 33
Figure 2.2: Vietnam-China Bilateral Trade and Trade Balance .............................. 40
Figure 3.1: Bauxite Deposits in Vietnam’s Central Highlands .................................. 42
Figure 3.2: Bauxite Mine in Lam Dong Province .................................................. 44
Figure 3.3: Three-Dimensional Hedging Analysis of Vietnam’s Bauxite Industry ...... 68
Figure 4.1: Location of Cam Ranh Bay in the South China Sea ............................... 69
Figure 4.2: Sea Lines of Communication for Crude Oil through the South China Sea .... 70
Figure 4.3: The American Air Base at Cam Ranh Bay during the Vietnam War ............ 72
Figure 4.4: Three-Dimensional Hedging Analysis of Cam Ranh Bay ........................ 90
A Note on the Thesis Title: Proverbs play an integral role in both the Vietnamese and Chinese language. “Catching Fish With Two Hands” is the loose English translation of a famous Vietnamese proverb:.bat cá hai tay. Essentially, this proverb warns that if one cannot make up one’s mind between two things, they will encounter difficulties from doing neither. This simple maxim encapsulates the challenges and potential dangers Vietnam navigates while attempting to “hedge” against China.
Figure 0.1: China and Southeast Asia

---

Introduction

“Your neighbors are not your best friends, wherever you are.”
- Lee Kuan Yew, Prime Minister of the Republic of Singapore (1959-1990)

Since the implementation of economic reforms in the late 1970s, the People’s Republic of China (PRC) has experienced rapid economic and military growth. Given China’s large geographic, economic, and demographic size, as well as the PRC’s military capabilities, the structure of power relations in East Asia is shifting. Although the Chinese government officially claims that China’s development represents a “peaceful rise” (中国和平崛起), scholars and policymakers alike are still unsure of what role a rising China will want to play in the international system. The Chinese Communist Party’s (CCP) current leader Xi Jinping has emphasized the achievement of the “Chinese Dream” as one of his government’s key objectives. As a result, statesmen around the world are wondering whether China will become a revisionist power intent on re-shaping the current global order or a status-quo power merely attempting to protect itself from what the PRC perceives as Western encroachment on its internal affairs.

This debate over the PRC’s future ambitions is especially relevant to the twelve states of Southeast Asia (SeA), given their geographic proximity to and historical experiences with China. The PRC occupies a significant role in the strategic calculations of most Southeast Asian states, given China’s massive geographic and demographic size relative to the region. As a result, SeA also plays a critical part in China’s foreign policy strategy since the PRC is

---

4 Southeast Asia (SeA) can be divided into two sub-regions: mainland SeA and maritime SeA. The five states in Mainland SeA include Vietnam, Laos, Cambodia, Thailand, and Myanmar (Burma). The seven countries in Maritime SeA are the Philippines, Brunei, Singapore, Indonesia, Malaysia, and East Timor.
constantly seeking to secure its periphery and prevent future encirclement along its borders. China’s relationship with SeA can provide a useful indicator of the PRC’s future strategic goals towards the international system.

Much of the literature, however, on China’s relations with SeA operates from the false assumption that “China is the driver in the relationship and that a black box called Southeast Asia [...] is the dependent variable.” Moreover, some of these scholars treat the Association of Southeast Asian Nations (ASEAN) as a unified representative of Southeast Asian states’ policy towards China. ASEAN is a multilateral organization of ten countries in SeA that aims to promote economic development, preserve peace, and facilitate the resolution of regional disputes. These ASEAN-centric analyses, however, ignore the complexities of China’s bilateral relationships with the different states in SeA. Moreover, by regarding SeA as a unitary actor, these studies disregard the domestic politics of individuals Southeast Asian states that lead to divergent interests, goals, and strategies towards China.

As a result, this thesis looks specifically at Vietnam’s relationship with the PRC in the 21st century. Of all the countries in SeA, Vietnam’s relationship with China has historically been the most volatile, oscillating between periods of extreme friendship and hostility. As Percival puts it, “Vietnam is the only Southeast Asian country that, for historical reasons, views China not as a protector, but primarily as a threat.” Thus, Sino-Vietnamese relations provide a worthwhile case study of China’s broader relationship with SeA, given Vietnam’s relative importance in the region and its unique historical relationship with China. Additionally, this paper adopts a distinctive analytical approach to this bilateral relationship by focusing on how Vietnam has

---

6 See Chieh-Tung, Ming-Te & Liu (2011), Ba (2006), and Busse (1999) as examples.
7 Percival, 43.
adapted its foreign policy strategy towards a rising China, rather than on how China’s goals towards Vietnam have shifted in the 21st century.

**Research Question**

This thesis addresses the broad research question of how Vietnam has responded to China’s rise in the 21st century. Most scholars that have attempted to answer this question ruminate over whether Vietnam employs a balancing, bandwagoning, or hedging strategy towards China. For the sake of brevity, these terms will not be defined here since they are explained in greater detail in Chapter 1. Across the literature, however, there is a general consensus that Vietnam, as well as a host of other Southeast Asian states, has engaged in a hedging strategy against China to accommodate the PRC’s economic and military rise. Thus, this paper attempts to understand specifically how and why Vietnam has adopted a hedging strategy towards China over the last decade. This thesis introduces a new conceptual three-dimensional hedging framework for understanding how Vietnam engages with China, and applies this approach to two case studies within Sino-Vietnamese relations.

**Structure and Scope**

This thesis is divided into four chapters. Chapter 1 provides a theoretical overview of the concept of hedging in the Southeast Asian context. This section identifies the limitations of current conceptions of hedging, namely (1) its singular focus on only one plane of hedging and (2) its treatment of hedging as a fixed foreign policy strategy between balancing and bandwagoning. In response to these shortcomings, Chapter 1 introduces the reader to this paper’s nuanced approach to understanding hedging. The three-dimensional hedging framework used by
this thesis accounts for the limitations of current explanations of hedging, as well as the role of foreign, domestic, and sector-specific factors on a small state’s hedging strategy.

Chapter 2 is a broad historical overview of Sino-Vietnamese relations. This chapter focuses specifically on three aspects of Vietnamese strategic culture that emerge through a review of Vietnam’s historic relationship with China: asymmetry, a sense of strategic vulnerability towards China, and nationalism. This chapter also provides a detailed assessment of Sino-Vietnamese economic relations, which will be referred back to in the bauxite-mining case study. The next two chapters are analyses of case studies within Sino-Vietnamese relations using the three-dimensional hedging framework. The two case studies were chosen from different sectors, namely the economic and military spheres, to account for sector-specific factors that can influence a state’s hedging strategy. Chapter 3 discusses the Vietnamese government’s strategy towards domestic bauxite mining and Chinese involvement in this industry. Chapter 4 explores Vietnam’s “open port policy” at Cam Ranh Bay. This paper concludes with policy implications for Vietnam, as well as remarks for how we should think about China’s relationship with SeA.

Before delving into a deeper discussion of hedging, it is important to recognize the scope of this thesis. First, this study focuses specifically on Vietnam’s foreign policy strategy towards China; thus, this paper solely discusses the Vietnamese perspective on this bilateral relationship. As a result, there is little discussion of Chinese goals and/or strategies. Second, the two case studies are both situated in the time period from 2001-present. Therefore, this paper’s findings are only immediately applicable to that time period. The author has not attempted to analyze Vietnamese strategies towards China in other eras, since specific geopolitical conditions such as the Cold War heavily affected Vietnam’s relationship with China in other time periods. Third, this paper draws primarily on secondary sources, particularly to construct histories of the two
case studies. Given the opaque nature of Vietnamese decision-making, it is difficult to find credible primary source material on Vietnamese foreign policy. As a result, this study is restricted to the use of secondary source materials and speculation on the objectives of Vietnam’s leadership.

Finally, this thesis is limited to two specific case studies: Chinese involvement in Vietnam’s bauxite industry and the “open port policy” of Cam Ranh Bay. As a result, two salient features of Sino-Vietnamese relations are not covered in-depth in this study: the South China Sea (SCS) and the role of ASEAN. Today, territorial disputes between China and Vietnam in the SCS are one of the defining characteristics of the Sino-Vietnamese bilateral relationship. This thesis, however, does not provide a detailed analysis of this issue. Instead, the conclusion considers the applicability of this three-dimensional hedging framework to current territorial disputes in the SCS. Moreover, ASEAN is often considered a hedging partner for Vietnam against China, particularly to resolve territorial disputes in the SCS. This thesis, however, does not examine ASEAN’s role in Sino-Vietnamese relations since ASEAN does not play a role in either of the two case studies.
Chapter 1

Balance, Bandwagon, or Hedge?

How have regional states responded to China’s economic, political, and military growth? A number of scholars have attempted to answer this question, arguing that SeA states either balance, bandwagon, and/or hedge against China.\(^8\) This thesis is focused on hedging, a theory that arose to address the shortcomings of the dichotomous “balance or bandwagon” framework. Early literature on regional responses to China’s rise assumed that SeA states would either balance against China by making alliances with external and/or other regional powers, or bandwagon with Beijing.\(^9\) Hedging emerged as the middle point on this balancing-bandwagoning spectrum, wherein states employ both balancing and bandwagoning policies towards China and pursue positive relations with all external powers in the region.

This chapter begins with a brief overview of alternative explanations of Southeast Asia’s response to China, including approaches that predict, either for historical or balance of power reasons, that smaller SeA states will balance against or bandwagon with China. Next, this section discusses the theoretical concept of “hedging” and its application by smaller SEA states against China and other external powers involved in East Asia. The chapter then considers the strengths and limitations of these existing theories on hedging. Finally, this paper’s nuanced approach to hedging called “three-dimensional hedging” is introduced and subsequently applied in following chapters to the case studies of bauxite mining in Vietnam’s Central Highlands and the opening of Cam Ranh Bay port to foreign supply vessels.

---


Balancing and Bandwagoning

In general, the first group of post-Cold War theories explaining SeA’s responses to a rapidly growing China was based in traditional balance-of-power theory: smaller states would either bandwagon with a rising China, or balance against it by making alliances with other large powers. In this case, balancing refers to “allying with others against the prevailing threat” and/or building up internal military capabilities as a deterrent. Bandwagoning, on the other hand, denotes aligning with the “source of danger,” or the threatening power. Ross maintains that SeA states must choose between accommodating China and balancing against it. According to his analysis, a regional bipolar power system has emerged in East Asia, wherein smaller Asian states must now choose to align themselves with either China or the United States (U.S). Ross’ dichotomous framework is based in the realist tradition of international relations, which assumes that relative state power is the determinant factor of how states engage with one another. In other words, more powerful states, either economically or militarily, in the international system will dominate weaker ones. In turn, these smaller states can mitigate the threat of larger, more powerful states by balancing against them or bandwagoning with them.

This realpolitik approach fails to fully explain SeA states’ relations with China over the past twenty years. Furthermore, it oversimplifies the foreign policy choices available to Southeast Asian states. Since the end of the Cold War, China’s relations with SeA have

---

10 Modern balance-of-power theory is attributed to Walt (1987), and essentially dictates that states can either balance or bandwagon when faced with an external threat. See Alliances: Balancing and Bandwagoning for further information on the principles of and conditions necessary for these two policy approaches.


14 Realpolitik is a term used in political science to refer to political and/or diplomatic strategies based on relative power, rather than ideological or other factors. Realpolitik is typically associated with realism and pragmatism in international politics.
improved dramatically, marked by growing economic, political, and military engagements between China and its regional neighbors. At the same time, many ASEAN states have also cultivated closer ties with other regional players, such as the United States, India, Japan, and Russia. These developments do not conform to the “balance or bandwagon” framework proposed by Ross, since many SeA states have not chosen to specifically balance against or bandwagon with China.

To address these inconsistencies, other theorists have argued that these so-called “Western” theories of international relations cannot be used to explain the interactions between East Asian states. According to these scholars, the prevailing balance of power theories emerged to explain historical competition between similarly powerful European states and are therefore not immediately applicable to East Asia. This literature claims that the East Asian context requires alternative balance-of-power explanations, since the smaller mainland states in SeA have historically been weaker than China. Some scholars maintain that a system of deference, modeled on the historical “tribute system” in East Asia, explains how Southeast Asian states today react to growing Chinese power. In the pre-colonial period, imperial China received deference in the form of tribute missions to the Chinese court from a number of East Asian kingdoms. In return, these nations received trade benefits, external recognition, and a degree of policy autonomy from China.

---

15 The Chinese state, as well as the other mainland SeA states (including Vietnam, Cambodia, Laos, Thailand, and Myanmar) did not exist in their present state until the twentieth century. However, these scholars are referring to the fact that many kingdoms and countries in SeA were generally weaker than imperial China, as demonstrated by the tributary system that was in place for around one thousand years.
17 The tributary system was a central feature of East Asian geopolitics during the existence of imperial China. In this international order, China was recognized as the hegemonic power, and all other states were “ranked by how culturally similar they were to China,” rather than how powerful they were. Korea and Vietnam, for example, ranked highly in this hierarchy for their embrace of Confucian ideals, while Japan remained on the fringes of this regional order. In return, imperial China practiced restraint and offered economic and other benefits to these secondary states. See Kang (2010) for a detailed overview of the East Asian tributary system.
Fox argues that, because of the legacy of the tribute system, China views itself today in a hierarchal international system; although Beijing “consistently denies any ambition to act as a regional hegemon,” such “denials ring somewhat hollow in the light of history.” According to Stuart-Fox, Southeast Asian states today have a similar relationship with China as they did in the past, based on the tribute system:

Southeast Asian leaders are thus likely to give China what they believe the Chinese want – due deference, status as a great power, recognition of China’s interests even while pursuing their own – in return for non-interference in their internal affairs and fair trading relations. These are what China traditionally provided.18

Kang provides a similar explanation of SeA states’ relations with China, based on the premise that the countries surrounding China are what he calls “secondary states.”19 According to Kang, these states have no choice but to seek out friendly bilateral relations with China due to their inferior status and size.20 In other words, these smaller states are choosing to bandwagon with China in order to mitigate the security threat posed by that country’s rapid growth. These historical explanations, however, also cannot fully account for how Southeast Asian states have responded to China’s ascendancy. Percival, for example, argues that claims that China is attempting to revive a pre-colonial tribute system are overblown and that they no longer have resonance in Southeast Asia.21 The forces of globalization and the ability to cultivate close economic and political relations with states in other regions offer Southeast Asian governments a wider array of policy options than were available in past centuries. Thus, many states in SeA do

---

20 Ibid.
21 Percival, 26.
not completely bandwagon with China and have developed strong ties to other external players in the region, such as the U.S., India, and/or Japan.

Another balance-of-power approach to understanding SeA’s relations with China is the theory of asymmetry, brought forward by Womack to explain Sino-Vietnamese relations. Womack argues that an asymmetric relationship is one where there is a great disparity in power between two states, such as in the relationship between China and Vietnam.\(^{22}\) In this situation, the weaker party will always be more attentive to the relationship than the stronger one because the outcome of this relationship disproportionately affects the weaker state. As a result, it is easy for misunderstandings to occur because “the relationship means different things to each side.”\(^{23}\) Womack maintains that this theory of asymmetry can generally explain the trajectory of Sino-Vietnamese relations for the past thousand years, characterized primarily by the fact that Vietnam pays more attention to the relationship than China does.\(^{24}\) While these aforementioned approaches can help elucidate some patterns within Sino-Southeast Asian relations, they are still overgeneralizations that do not account for the wide policy variation among SEA states’ responses to China. In general, these cultural and/or balance-of-power approaches overlook the complexities of China’s relationship with its regional neighbors. At the same time, this literature fails to consider the strategic calculus of smaller Southeast Asian states and the wide range of policy options available to them to respond to China’s rise.

---


Hedging

In light of these shortcomings, a new category of literature emerged to explain how smaller regional countries were responding to China’s growing economic and military power. Instead of balancing or bandwagoning, Southeast Asian states were “hedging” against Beijing by seeking positive relations with multiple countries involved in East Asia, including large external players such as the U.S. and Russia, and/or powerful regional states like Japan. It is important to recognize that, in the East Asian context, hedging refers primarily to how small states respond to larger regional powers, namely China.

While there is still no academic consensus on what constitutes a “small” power, Keohane supplies a useful understanding of state size and status by classifying countries by their systemic role in the international system.25 Keohane maintains that small states, in contrast to large ones, can be system influencing, system affecting, or system ineffectual; in other words, while they can have varying degrees of influence, they all cannot shape the regional and/or international system alone like a large power can.26 Here, the size of a state is determined by their level of influence on world affairs, wherein a large state has the power not only to affect the external system, but also to mold it to serve its interests. This potential for influence is a factor of a state’s geographic size, location, economic resources, cultural power, and military might. Lee also provides a helpful definition of small states as those “which lack efficient political and military might to challenge great power(s).”27 Additionally, Lee asserts that these states are especially important to study during regional power shifts because they can act as either “bulwarks or

26 Keohane, 295.
dagger” to the rising and/or falling state. This dynamic is particularly relevant today in East Asia, as smaller Southeast Asian states can choose to either strengthen or hamper China’s rise.

This thesis defines and discusses hedging strategies employed by smaller states against larger ones. Specifically, this paper analyzes how Vietnam, a relatively small state, addresses China’s growing power. Compared to China, Vietnam can be considered a small state because it possesses significantly fewer geographic, human, economic, and military resources than China. For smaller states like Vietnam, hedging is an optimal foreign policy strategy that allows them to benefit from their relations with larger powers while maintaining a degree of policy autonomy. Although the term hedging has also been used to describe American strategy towards China, this paper is focused solely on the dynamics of hedging for smaller states against larger ones.

A number of scholars have attempted to define the strategic concept of “hedging” in international relations, generally agreeing that it constitutes cementing relationships with multiple countries – both large and small - in order to avoid over-reliance on any one state. Roy defines hedging in SEA as a strategy of “seeking positive relations with all great powers in the region.” Tow advances a similar definition of hedging when she asserts that Southeast Asian states do not always align themselves with the geopolitically dominant power, but instead “seek

---

28 For example, in terms of economic power, Vietnam has the 39th largest gross domestic product (GDP) in the world of $358.9 billion USD, while China has the 3rd largest gross domestic product (GDP) in the world of $13.37 trillion USD. Similarly, in terms of geographic size, China is the 4th largest country in the world, while Vietnam is the 66th largest country in the world.

29 See, for example, Medeiros, when he asserts, “mutual hedging is fast becoming a core and perhaps even defining dynamic between the United States and China in the Asia-Pacific Region” (145). While some of the dynamics here are similar to how SEA hedges against China, hedging conducted by smaller states is inherently different since, for example, smaller states lack the resources to internally balance against larger ones. As Lee notes, “small states generally suffer strategic asymmetry and vulnerability in their relationship with great powers,” which differentiates their strategic calculus from that of larger states (5). Thus, this paper focuses solely on explaining the dynamics of small state-large state hedging, although some of its conclusions may also be applicable to hedging scenarios between larger states.

to maximize maneuverability and hedge against regional domination by one state.”

Goh characterizes this hedging strategy as a middle path, or a set of strategies “aimed at avoiding a situation in which states cannot decide upon more straightforward alternatives such as balancing, bandwagoning, or neutrality.” Chung calls this strategy “pragmatic hedging behavior,” or “fence-straddling,” characterized by “economic engagement with strategic hesitation” towards China.

He further claims that this hedging strategy is taken to “optimize economic benefits and minimize security risks in response to an environment of uncertainty, primarily driven by the rise of China.” In other words, hedging is a time-sensitive policy taken in response to a changing international environment. In East Asia, this “uncertain future” is represented by lack of information on the future effect of China’s rise in the region and on the international system.

More recently, Lee has provided a comprehensive framework for understanding the hedging behavior of Southeast Asian states. According to Lee, hedging is a “diversification strategy to prepare for this aforementioned “uncertain future”, since specific decisions that overwhelmingly favor one larger power over another limit the future options of the smaller state.” In other words, geopolitical uncertainty is generally a necessary condition for hedging. Hedging is a strategy that allows smaller states to mitigate this uncertainty by not having to definitively choose between so-called “opposing” players while, at the same time, benefiting from relations with all of them. Lee demonstrates that hedging is a combination of strategies that can include balancing, bandwagoning, engagement, transcending, accommodation, appeasement,

34 Chung.35.
35 Lee, 8.
and hiding. Furthermore, he outlines some of the most prevalent factors that prompt states to hedge against China: strategic uncertainty, China’s active engagement, American policy in the region, economic dependence, and territorial disputes.

In sum, current explanations define hedging as a foreign policy strategy of seeking positive relations with a number of different players to “hedge” against a threatening state. In other words, hedging can be understood as a diversification strategy to avoid over-reliance on any one external power. The goal of this strategy is to provide the small state with policy flexibility so they can respond appropriately to a changing international environment. As a result, the small state hedging described here has two broad conditions: an uncertain geopolitical climate and the presence of external players. In order to “hedge” against a threatening state, the small state needs at least one external player willing to engage with it. Hedging generally also necessitates an undetermined external environment, since hedging is adopted to offer policy maneuverability to a small state in a shifting geopolitical space. In the case of SeA, China’s rapid rise has created an uncertain political environment in East Asia, since Southeast Asian states still do not know how China’s ascendancy will impact the regional balance-of-power.

---

36 While bandwagoning and balancing have been defined earlier in this chapter, the policy terms “hiding,” “engagement,” “transcending,” “accommodation,” and “appeasement” deserve explanation. According to Lee, hiding is a policy of ignorance wherein smaller states will, for example, declare neutrality to mitigate the threat of the rising power. Appeasement is a policy of yielding to the demands of larger and/or rising states. Accommodation consists of strategies aimed to satisfy the rising power and adapt to the changing external environment. Unlike bandwagoning or appeasement, accommodation does not constitute an attempt to align with the emerging power, but rather to prepare for and enhance its relationship with it. According to Lee, transcending is an “attempt to overcome the power-center logic of realpolitik through institutional and/or normative arrangements” (7). Otherwise put, smaller states will rely on multilateral institutions to mitigate concerns about the rising state. Finally, engagement is an attempt to influence the behavior of the rising state, in the interest of the smaller state.

37 Lee, 18.
Vietnam’s Hedging Strategy Towards China

The majority of the aforementioned scholars argue that Vietnam, like many other Southeast Asian states, has adopted a hedging strategy towards China. The following section provides a brief overview of existing explanations of Vietnamese foreign policy towards China. It is important to note that a few scholars, such as Vuving, do not agree that Vietnam is adopting hedging strategies against China. Instead, Vuving argues that Vietnam’s strategy towards China is constantly shifting between solidarity, deference, balancing, and enmeshment. However, most of the literature concludes that Vietnam is, in fact, hedging against China, although sources differ on Hanoi’s specific hedging strategy. Goh argues that Vietnam hedges by “emphasiz[ing] economic relations with the US,” while also encouraging Japanese and Indian investment, “as well as the use of ASEAN as a forum to resolve territorial disputes.” Similarly, Percival denotes Vietnamese hedging strategy towards China as “defensive and weak,” aimed at preventing China from dominating the Vietnamese economy. According to Percival, Vietnam mitigates these concerns by having a trade relationship with the U.S. that is larger than that with China.

Chen and Yang use typologies dependent on ASEAN states’ threat perception of China and economic expectations of future trade to determine the strategy they will implement towards

---

39 Goh, 30.
40 Percival, 43.
41 Percival, however, provides no information for how he measured the size of Vietnam’s trade relationship with the U.S. or China; for example, Vietnamese imports from China significantly exceeded those from the United States in 2011, while Vietnamese exports to the United States were greater than those to China. See ING Trade Study for more information and specific data on Vietnamese imports and exports.
Beijing.\textsuperscript{42} Chen and Yang argue that Vietnam adopts a soft balancing strategy because of its High Threat Perception (HT) and Negative Economic Expectation (NE) towards China. Soft balancing is the “formation of limited diplomatic coalitions or entities through upgrading existing alliances”.\textsuperscript{43} In this case, soft balancing refers to the use of low-intensity measures, such as joint military exercises with the U.S., rather than more direct ones, such as formalizing a military alliance with the U.S., to constrain China’s behavior. Thus, states of the HT-NE type use soft balancing to contain perceived threats, which Chen and Yang use to explain why Vietnam has attempted to bring back an American military presence to Asia by conducting joint military exercises and hosting American bases.\textsuperscript{44}

Lee breaks Vietnam’s hedging strategy down into two parts: engagement with China and nascent soft balancing with other great powers.\textsuperscript{45} Lee cites the rapidly growing economic interactions and military cooperation between Hanoi and Beijing as evidence of Vietnam’s engagement strategy. However, at the same time, Hanoi looks to the U.S., Russia, and India for support, especially concerning territorial disputes over the Paracel and Spratly islands.\textsuperscript{46} Vietnam, China, and the Philippines are the primary claimants in an ongoing territorial dispute over possession of the Paracel and Spratly islands in the South China Sea.

Hiep further disaggregates Vietnam’s hedging strategy into four key strategies: economic pragmatism, direct engagement, hard balancing, and soft balancing.\textsuperscript{47} Hiep describes this combination of strategies as “multi-tiered, omni-directional hedging.”\textsuperscript{48} According to Hiep, economic pragmatism entails deepening bilateral commercial ties to improve Sino-Vietnamese

\textsuperscript{42} Chen & Yang, 276.
\textsuperscript{43} Ibid.
\textsuperscript{44} Ibid.
\textsuperscript{45} Lee, 17.
\textsuperscript{46} Ibid.
\textsuperscript{48} Hiep, 335.
relations and promote domestic economic growth. Direct engagement involves the expansion and empowerment of bilateral mechanisms that can solidify trust between Vietnam and China and, as a result, “shape China’s behavior.”\(^{49}\) Hard balancing calls for domestic military modernization to deter Chinese aggressiveness, and soft balancing refers to enhancing relations with external partners to counter against Chinese pressure.\(^{50}\) Overall, Hiep argues that Vietnam adopted this hedging strategy its historical experience with China, as well as “domestic and bilateral conditions after normalization.”\(^{51}\) In sum, there is a general consensus among the literature that Vietnam’s “hedging” strategy towards China consists of pursuing economic relations with the U.S., China, and other large powers, while ensuring that one state does not dominate the Vietnamese economy. At the same time, Vietnam is seeking increased military cooperation with the U.S. and other regional players to guarantee support against a potentially aggressive China.

This literature review indicates the two key principles of small state hedging, namely strategic flexibility and diversification of relations. At the same time, the condition of geopolitical uncertainty and the presence of external powers are also necessary for small state hedging to occur. Both Lee and Hiep’s nuanced explanations of hedging, however, hint already at the limitations of existing hedging definitions Lee and Hiep’s research is useful in that it complicates existing definitions of hedging and does not treat hedging as a fixed foreign policy strategy. However, both Lee and Hiep do not adequately identify the different factors and scenarios that influence Vietnam’s hedging strategy across various issues.

This thesis expands on Lee and Hiep’s interpretations and demonstrates that hedging, as most scholars and policymakers currently define it, cannot fully encapsulate the behavior of many Southeast Asian states towards China. Hedging is not a static foreign policy strategy, but rather a

\(^{49}\) Hiep, 344.  
\(^{50}\) Ibid.  
\(^{51}\) Hiep, 361.
mix of different policy options that allow the smaller state to maintain a degree of flexibility in an uncertain geopolitical space. Furthermore, these explanations fail to address certain key questions surrounding hedging strategy. How will states hedge across or within different sectors? How do domestic and international forces affect which strategies states use to effectively hedge? How much capacity do smaller states actually have to implement a hedging strategy? The following section proposes a three-dimensional framework created by the author to better understand the nuances of Southeast Asian hedging strategies.

**Three-Dimensional Hedging**

Current explanations of hedging are insufficiently nuanced to explain the dynamic relations between Southeast Asian states and China. There are two large gaps within the existing literature on hedging. First, hedging is implicitly presented as a fixed foreign policy strategy when scholars refer to it as a “middle road” between balancing and bandwagoning. As depicted in Figure 1.1 on page 21, hedging is conceived of as a set point on the policy spectrum between balancing and bandwagoning. This static interpretation of hedging, however, fails to consider the range of policy options that exist between balancing and bandwagoning. For example, a small state’s policy towards a larger state is likely to fluctuate across different issues; while the small state is still “hedging,” it may lean more towards bandwagoning or balancing along this spectrum depending on the issue and/or domestic or foreign factors. This thesis builds off of Lee’s definition of hedging and treats it not as one fixed strategy, but as a combination of policy choices that can vary across sectors and zones. Consequently, policies that deviate from the

---

52 Goh, 2.
53 Lee, 8.
mid-point of the spectrum are still part of a greater hedging strategy if their purpose is to maintain strategic flexibility and/or diversify a smaller state’s relations.

Second, while existing explanations of hedging are still useful in understanding geopolitics in SeA, they retain only a single dimension. These approaches to hedging are one-dimensional because they do not consider how different policy spheres, such as security/economy, and/or external/internal pressures influence a small state’s hedging behavior. These variable conditions shape how a small-state will hedge along the policy spectrum. Most of the literature on hedging is one-dimensional because it explicitly treats hedging as a triangular relationship between the small “hedger” state, the large state being hedged against, and the other large states involved in the region. This one-dimensional approach to hedging is illustrated on the following page in Figure 1.2. As illustrated in Figure 1.1, this framework is one-dimensional because it looks at only one plane of hedging, namely how the small state cultivates relations with other powers to hedge against the larger, threatening state.

This thesis proposes a more nuanced, three-dimensional approach for understanding hedging. This framework, depicted Figure 1.3 (see page 22), disaggregates the variables that affect hedging into three realms: domestic, foreign, and sectoral. Hedging does not occur in a vacuum. A variety of internal and external factors affect how and why a smaller state decides to hedge against a larger one, and they can have varying degrees of influence depending on the issue. Each circle represents a distinct domain that affects small-state hedging strategy. The domestic realm refers to the internal forces that influence a small-state’s hedging behavior. These include domestic business interests, government structure and hierarchy, bureaucratic institutions, national leaders, and civil society groups.
Figure 1.1: Small-State Policy Options (Fixed)

Figure 1.2: Single-Plane of One-Dimensional (1-D) Hedging
There is an implicit assumption across most of the existing literature that small states are unitary actors that will always act following a strategic logic of international relations. However, as this thesis will demonstrate, the influence of domestic actors and institutions affects how smaller states hedge against larger ones. Comparably, the foreign dimension features the input of outside forces, including other states and international institutions, on small-state hedging strategy.

*Figure 1.3: Three-Dimensional (3-D) Hedging*
The sectoral realm refers to how hedging strategies can vary among different policy spheres, most notably the economic and security spheres. While the boundaries of these spheres are fluid, many foreign policy issues can be grouped into one of these two realms. Issues related to trade, commerce, and foreign direct investment (FDI) generally fall into the economic sector. Policies associated with national survival and the military normally belong to the security sector. It is important to note that all issues do not fall within these two domains. Cultural issues also play a part in Sino-Vietnamese relations. Last year, Vietnam’s decision to construct the country’s first Confucius Institute at Hanoi University was met with significant disapproval from Vietnamese intellectuals and citizens. This issue does not fit easily into the economic or security sector and illustrates the existence of other policy realms, including the cultural one. This thesis, however, focuses specifically on the economic and security spheres, since they encompass most of the issues within Sino-Vietnamese relations.

It is important to note that this proposed three-dimensional approach to hedging is not an attempt to completely overturn existing explanations. Instead, this framework disaggregates current definitions of hedging to account for the complex relations that exist between smaller Southeast Asian states and China. This reframing draws primarily on Lee and Hiep’s definitions of hedging and treats it as a combination of policy choices that complicate the symmetrical spectrum in Figure 1.1. Hedging is naturally fluid since its purpose is to provide a state with policy flexibility in an uncertain and mutable geopolitical environment. Subsequent chapters will apply this three-dimensional hedging framework to two cases within Sino-Vietnamese relations.

---

54 The security sphere in international relations can refer to many planes of security, such as food security, human security, environmental security, etc. This thesis focuses on issues related to national security, and treats these questions as policies within the security sector.

The case studies are drawn respectively from the economic and security spheres in order to illustrate how hedging strategies differ and shift across sectors. Ultimately, this new hedging framework will attempt to explain the dynamics of Sino-Vietnamese relations across issues where existing interpretations of hedging appear unsatisfactory.
Chapter 2

“Comrade Plus Brother:” Overview of Sino-Vietnamese Relations

Last October, Vietnamese Prime Minister (PM) Nguyen Tan Dung and his Chinese counterpart Li Keqiang unveiled the establishment of Vietnam’s first Confucius Institute at Hanoi University. This decision was met with heated opposition from Vietnamese intellectuals and netizens, who took to social networks to protest this announcement. Confucius Institutes are educational and cultural bodies established by the Chinese government abroad to “encourage Chinese language learning, popularize Confucianism, and promote cultural exchange between China and other countries.” Much of the opposition to the foundation of a Confucius Institute in Vietnam centered on a fear of Chinese cultural hegemony. In fact, many of the Institute’s largest opponents believed that they were vehicles of Chinese soft power. At first glance, public outrage in reaction to this decision is puzzling given the cultural similarities between Vietnam and China. Not only do many Vietnamese people speak Mandarin Chinese, but Confucianism has also been an integral part of Vietnam’s modern history.

We can, however, understand this backlash by taking a broader look at Sino-Vietnamese relations. Vietnam and China have an intertwined and complicated history, dating back 2,000 years to when Vietnam was a Chinese colony and tributary to Beijing. In 111 BC, Nanyue (南越) – an area equivalent to about a third of the territorial size of modern Vietnam – was annexed by China’s Han Dynasty and remained a Chinese vassal until 938 A.D. In order to maintain its

---

56 Vy.
57 Ibid.
58 Ibid.
newly secured independence, Vietnam became a tributary state of China, paying a triennial sum to Beijing for its protection. During this long period, relations between the vassal state and the Middle Kingdom oscillated between intervals of friendship and intense hostility. Historical interactions between the two societies have thus influenced mutual perceptions today, especially in Hanoi. Storey provides a comprehensive summary of the effect of this historical legacy on Sino-Vietnamese relations:

Vietnam’s China psyche [is] deeply ambivalent: respect for a fraternal socialist country whose economic reforms Hanoi seeks to emulate, coexisting with deep resentment, bordering on hatred, of Chinese condescension, bullying, and perceived attempts to control the country’s political destiny. China’s image of Vietnam is similarly conflicted: a tenacious fighter of colonialism worthy of Chinese support, but also as a devious, ungrateful, even unfilial member of the Sinic family.

In other words, despite the fact the Vietnam shares the same political ideology as Beijing, it remains suspicious of China’s intentions in the region.

The domestic response to the establishment of the Confucius Institute in Hanoi highlights three major threads that are omnipresent in Vietnam’s relationship with China: asymmetry, a sense of strategic vulnerability towards China, and nationalism. This chapter provides a broad overview of Sino-Vietnamese relations to provide context for the case studies in Chapters 3 and 4. This section begins with a discussion of key events within Sino-Vietnamese relations from 1949 to the present. Next, this chapter offers a more detailed analysis of Sino-Vietnamese economic relations, as this information is especially pertinent to the bauxite-mining case study in Chapter 3. Moreover, this section highlights the presence of these three themes – asymmetry,

---

strategic vulnerability, and nationalism – across issues within the Sino-Vietnamese bilateral relationship.

**Background on Sino-Vietnamese Relations (1949-2014)**

China and Vietnam enjoyed a friendly bilateral relationship following the establishment of communist states in both countries. On September 2nd, 1945, Ho Chi Minh established the Democratic Republic of Vietnam (DRV), followed by the establishment of the PRC by Mao Zedong on October 1st, 1949. As a signal of solidarity between these two newly communist states, the PRC became the first country to recognize the DRV as the legitimate government of Vietnam. In Vietnam’s anti-colonial struggle against France, the PRC supplied military resources, training, advisors and intelligence to the People’s Army of Vietnam (PAVN), culminating in Vietnamese defeat of the French colonists at the Battle of Dien Bien Phu in 1954. Beijing agreed to help the Vietnamese communists in their battle for independence not only for reasons of solidarity, but also to minimize threats to China’s peripheral security. The PRC wanted to prevent its own encirclement by Western powers, as well as a DRV victory that would “validate its own revolutionary model” and serve as a template for the rest of developing world. Vietnam, however, was fighting the French principally for its own national liberation and sovereignty. In fact, Vietnamese victory against French colonial forces in 1954 was a key event in the development of Vietnamese nationalism, a force that would peak during the Vietnam War.

---

63 Amer, 68.
The ideologically based alliance between the PRC and the DRV began to unravel at the Geneva Conference in 1954 when China urged Hanoi to accept the division of Vietnam along the 17th parallel. According to this split, the DRV would be allowed to rule the northern half of the country, while the southern half would be ruled by the State of Vietnam, led by Ngo Dinh Diem. The PRC did not want to provoke a war with the U.S so shortly after the end of the Korean War; thus, China pushed its allies in the DRV to accept the terms of the Geneva Accords. In order to invade the south and occupy all of Vietnam, the PAVN needed Chinese support. Lacking an alternative, the DRV accepted this division of Vietnam. The Geneva Accords were a turning point in the formerly amicable relations between China and Vietnam, since Hanoi considered “China’s lack of support an unforgiveable act of betrayal.” In the eyes of the DRV, Chinese reluctance to support their communist ally confirmed suspicions that China wanted a weak and divided, rather than unified, Vietnam along its southern border. This “betrayal” would continue to haunt Sino-Vietnamese relations as the Cold War progressed. The DRV’s reaction also highlights Vietnam’s ubiquitous sense of strategic vulnerability towards China.

Sino-Vietnamese relations continued to deteriorate during the Second Indochina War, known commonly as the Vietnam War. Before the onset of the war, the Chinese government attempted to keep the DRV from entering Moscow’s sphere of influence given the 1960 Sino-Soviet split. As the United States began increasing its troop presence in South Vietnam in the mid-1960s, the Soviet Union started providing military equipment to the DRV, complicating relations with the PRC. Towards the end of the Vietnam War, Beijing’s rapprochement with the

---

64 The Geneva Accords stipulated that the southern State of Vietnam would be led by former emperor Bao Dai, however he was ousted shortly thereafter by Ngo Dinh Diem in 1955.
United States further confirmed Vietnamese suspicions that China was a “treacherous ally.” Subsequently, the PRC terminated its aid to North Vietnam, leaving Moscow as the DRV’s only source of funds in the early 1970s.

The end of the Vietnam War led to the breakdown of relations between the newly unified communist state of Vietnam and China. Relations between the two states were hampered by Vietnam’s rapprochement with the Soviet Union, Cambodia, and Vietnam’s treatment of ethnic Chinese. Beijing felt uneasy about Hanoi’s growing relationship with Moscow, especially after Vietnam joined the Soviet-led Council for Mutual Economic Assistance (CMEA) in 1978. The CMEA was an economic group created and led by the Soviet Union as a counterweight to the Western Organization for Economic Cooperation and Development (OECD). Shortly thereafter, Vietnam and the Soviet Union concluded a Treaty of Friendship and Cooperation, cementing the Soviet-Vietnamese alliance. This treaty of friendship formalized “military-security relations with the USSR to serve as a deterrent” against China or other aggressive powers. At the same time, a Sino-American “alliance” of sorts emerged in East Asia when the PRC normalized relations with the U.S in 1979.

Hanoi’s invasion of Cambodia in 1978 contributed to further bilateral animosity between Vietnam and China. Beijing, who had been a patron of Cambodia’s Khmer Rouge, responded with a punitive military strike across its 1,100km long land border with Vietnam. Although Beijing soon withdrew its troops, the Chinese People’s Liberation Army (PLA) occupied five provincial capitals and implemented scorched earth policies there to “teach Vietnam a lesson.” Finally, China protested Vietnam’s treatment of ethnic Chinese living in Vietnam during this

---

68 Amer, 69.
70 Amer, 72.
period, claiming that Vietnam had increased its expulsion of ethnic Chinese, forcing almost 40,000 ethnic Chinese to return to the PRC. In sum, bilateral relations between China and Vietnam were driven heavily by Cold War geopolitical concerns, characterized by the gradual deterioration of relations between the two former communist allies.

In the mid-1980s, Vietnam pushed to normalize relations with China to ensure its security in a rapidly changing international environment, as well as to bring itself out of isolation. Hiep argues that Vietnam’s institution of the Đổi Mới (renovation) policy triggered this reversal of policy towards China since strong relations with Beijing would support the Vietnamese government’s domestic agenda of “promoting economic reform and regime survival.” The Vietnamese Communist Party (VCP) adopted Đổi Mới at the Sixth National Congress in order to reform the Vietnamese economy and alleviate the post-Vietnam War socioeconomic crisis that threatened the VCP’s survival. At the same time, Vietnam also withdrew its troops from Cambodia in 1989 to resolve a point of contention between China and Vietnam. The resolution of the Cambodian issue was a necessary precondition for normalization of relations between the two countries, and negotiations began after Vietnam withdrew its remaining troops from Cambodia in September 1989. China also pushed for normalization with Vietnam during this period, since border security and stability were necessary to facilitate its own economic growth.

After the collapse of the Soviet Union in 1991, Vietnam lost critical economic and security support from its former superpower ally. As early as January 1990, Moscow announced that it would remove the majority of its naval and air forces from Vietnam. Thus, in November

---

72 Amer, 70.
75 Storey, Southeast Asia and the Rise of China, 108.
76 Ibid.
1991, Hanoi and Beijing re-established diplomatic ties, marking the beginning of a new era in Sino-Vietnamese relations after a decade of estrangement. A number of maritime and territorial issues, however, were left unresolved and would later come to “awaken Hanoi’s historical distrust of China.”

From the beginning, Vietnam and China decided they would not pursue a particularly close relationship, despite global fears that the collapse of communism would facilitate the creation of a strategic alliance between the two states. At the November 1991 summit during which bilateral relations were normalized, then PRC President Jiang Zemin announced that China and Vietnam would not return to a “comrade plus brother” relationship, but that instead “it is abnormal for China and Vietnam to be in a state of confrontation, but it is also unrealistic for their relations to return to the status of the 1950s and 1960s.”

As previously mentioned, Hiep explains Vietnam’s normalization with China as an example of the influence of domestic politics on Vietnamese foreign policy. Hiep argues that normalization with China became the VCP’s top foreign policy goal in order to contribute to the success of the Đổi Mới (renovation) policy of 1986. As a result, changes in Vietnamese foreign policy during the late 1980s towards China were a product of the VCP’s domestic agenda of “promoting economic reform and regime survival.” At the time, the VCP saw strained relations with China as harmful to these goals. For example, in 1988, China continued to conduct “warlike activities” towards Vietnam that were detrimental to its economic reform/development, including shelling and land grabbing in border districts. Furthermore, as communist regimes around the world began to fall in 1989, the VCP grew increasingly concerned about regime security and

77 Lemon, 24.
79 Ibid.
80 Hiep, 397.
sought to mend relations with China, a fellow communist regime, as quickly as possible.\textsuperscript{81} Thus, Vietnam made considerable concessions to China regarding Cambodia to accelerate the normalization process and thus ensure the success of \textit{Doi Moi} in the early 1990s.

During the 1990s, three sets of sovereignty disputes dominated Sino-Vietnamese relations: the land border, the Gulf of Tonkin, and islands in the SCS.\textsuperscript{82} Tensions between Vietnam and China over territorial claims were due primarily to disagreement over which country had the right to exploit the natural resources located under islands in the SCS. The land border between China and Vietnam had not been clearly demarcated by an 1887 convention between France and China and, as a result, remained an issue of contention between the two states.\textsuperscript{83} An 1895 agreement between France and China also failed to demarcate clearly the borders of the Gulf of Tonkin, a body of water off of the coast of northern Vietnam and southern China. As a result, both Vietnam and China soon realized that a bilateral framework was needed to address these issues. In October 1993, both sides publicly committed to resolving their border disputes peacefully in the future. This framework, however, prioritized demarcating the Sino-Vietnamese land border and the Gulf of Tonkin, rather than the SCS, since these issues were easier to resolve and offered economic opportunities to both parties.\textsuperscript{84}

After the 1993 agreement, tensions “ebbed and flowed” as working groups created by this framework attempted to resolve maritime disputes. For example, in 1994, Vietnam protested when the American Crestone Energy Corporation signed an agreement with China to explore oil and gas in a disputed area of the SCS.\textsuperscript{85} In a similar vein, China protested when, in 1996, Vietnam conducted exploration activities with an American company in an area of the SCS

\begin{footnotes}
\footnote{81} Ibid.
\footnote{82} Storey, \textit{Southeast Asia and the Rise of China}, 111-112.
\footnote{83} Ibid.
\footnote{84} Ibid.
\footnote{85} Amer, \textit{75}.
\end{footnotes}
claimed by China. In 1997, Chinese drilling rigs entered another disputed area in the Gulf of Tonkin, causing massive protests in Vietnam until the withdrawal of the rigs. By the end of the decade, disputed claims in the Gulf of Tonkin and the Sino-Vietnamese border were resolved. Little agreement, however, was reached on the issue of the SCS due to irresolvable differences between China and Vietnam. China not only refused to discuss the sovereignty of the Paracel islands with Vietnam, but the PRC also preferred bilateral discussions to resolve this issue, rather than the multilateral approach proposed by Vietnam.

Figure 2.1: Chinese, Vietnamese, and Filipino Claims in the South China Sea

Despite these tensions, Sino-Vietnamese relations were ushered into the 21st century on an amicable note by the conclusion of the Agreement on the Demarcation of Waters, Exclusive Economic Zones, and Continental Shelves in the Gulf of Tonkin in December 2000. This treaty delineated zones of control in the Gulf of Tonkin, as well as exclusive and common fishing grounds. The Joint Statement for Comprehensive Cooperation in the New Century complemented this accord. This mutual Sino-Vietnamese declaration “pledged to strengthen and broaden relations and seek a peaceful resolution to the South China Sea dispute.” Official rhetoric from both sides echoed the generally positive trajectory of Sino-Vietnamese relations in the early 2000s. For example, the General-Secretary (GS) of the VCP Nong Duc Manh thanked China while visiting Beijing in 2003 for “its invaluable support during the wars of national liberation and socialist construction.” This comment was especially indicative of the amicable relations between both states because it was the first time since the early 1970s that the Vietnamese government had acknowledged China’s aid in Vietnam’s socialist revolution.

During the same visit, PRC President Hu Jintao remarked that China and Vietnam had become “good neighbors, good friends, good comrades and good partners” since normalization in 1991.

Despite these early friendly overtures, Sino-Vietnamese relations would begin to deteriorate in 2005 over territorial disputes in the SCS. As depicted in Figure 2.1 (see page 33), China and Vietnam continued to maintain overlapping territorial claims in the SCS. The SCS issue would come to dominate their bilateral relationship during the period from 2005 to the present. The previously mentioned Gulf Of Tonkin agreements were ratified in 2004, delineating exclusive and common fishing zones. In January 2005, however, Chinese vessels fired on

---

90 Ibid.
91 Ibid.
Vietnamese fishing boats that the Chinese claimed had entered the PRC’s exclusive fishing grounds. Nine Vietnamese fishermen were killed in this incident. This episode prompted enhanced cooperation between China and Vietnam over the SCS, including joint naval patrols starting in 2006, a coordinated survey of the SCS’s fishing resources, and a pledge to begin demarcating other areas in the SCS beyond the Gulf of Tonkin.

Cooperation in the SCS, however, was short-lived and competition over territorial claims erupted again in 2007. In April, China accused Vietnam of violating its sovereignty by allowing oil multinational BP and a consortium of other large companies, including the state-owned PetroVietnam, to develop resources in the Con Son Basin. Although Vietnam rejected China’s accusations, BP suspended work on the basin in July. BP’s response was likely due to Chinese pressure not to engage in offshore exploration with Vietnamese companies in the SCS. Vietnamese suspicions over Chinese interference in their oil and gas projects resurfaced in 2008 when ExxonMobil reported “it had been warned by Chinese officials not to proceed with a deal it signed with Hanoi to explore for hydrocarbons off the Vietnamese coast.” During this period, Vietnam and China engaged in a number of disputes over fishing rights in the SCS. In 2007, Chinese vessels fired upon Vietnamese fishing boats, resulting in the death of one Vietnamese fisherman. In 2009, Chinese maritime forces detained forty Vietnamese trawlers for violating a yearly 10-week Chinese ban on fishing in the SCS.

Both China and Vietnam have also attempted to bring up their territorial claims in the SCS through legal means. These administrative attempts began in 2007, when the PRC created a prefecture in Hainan Province called Sansha to oversee the disputed Paracel and Spratly Islands.

---

93 Ibid.
96 Ibid.
In response, Vietnamese students protested near the Chinese embassy in Hanoi and the PRC’s consulate in Ho Chi Minh City. While Vietnam claims that these protests were spontaneous, Storey suspects that, given the coordinated nature of these demonstrations, the Vietnamese government likely encouraged them.\textsuperscript{97} In 2009, Vietnam took international legal action to consolidate its claims in the SCS by submitting two claims with the United Nations Commission on the Limits of the Continental Shelf (UNCLCS).\textsuperscript{98} The PRC responded by lodging its own claim to 80\% of the SCS with UNCLCS, inciting protest from Hanoi.\textsuperscript{99} Given the rapid escalation of tensions in the SCS, Vietnam and China set up an emergency telephone hotline for use during future crises.\textsuperscript{100}

During this period, Vietnam relied principally on diplomatic methods to diffuse tensions with China over the SCS. It is important here to briefly consider the role of ASEAN in this arena of Sino-Vietnamese relations. Hanoi has expressed a desire to use ASEAN as a forum to resolve disputes over the SCS. China, on the other hand, has pushed Vietnam to resolve these disputes bilaterally. While other countries in ASEAN, such as the Philippines, have similar overlapping claims with China in the SCS, multilateral cooperation on this issue has been limited. In 2012, for example, the 45\textsuperscript{th} ASEAN Ministerial Meeting (AMM) demonstrated the divisions in ASEAN that prevented unified collective action against China over disputes in the SCS. Cambodia, the summit’s host, refused to include any direct reference to the SCS in the AMM’s final joint communiqué. Cambodia’s blocking of a final communiqué marked the first time in ASEAN’s history that a joint statement was not issued. Cambodia was allegedly under Chinese

\textsuperscript{97} Storey, \textit{Southeast Asia and the Rise of China}, 119.

\textsuperscript{98} States have ten years upon ratification of the UNCLCS to submit claims for expansion of their territory. These claims are reviewed on a state-to-state basis.


\textsuperscript{100} McCormac.
pressure to block any joint agreement that directly mentioned Chinese conduct in the SCS.\textsuperscript{101} ASEAN has been successful in certain areas in diffusing tensions in the SCS, such as the 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea. However, the organization is ultimately not a credible partner against Chinese aggression in the region due to divisions among its members and its inability to directly challenge the PRC given its status as a multilateral organization.

This brief overview of Sino-Vietnamese relations after the Cold War highlights three key aspects of Vietnamese strategic culture: asymmetry, Vietnam’s sense of strategic vulnerability towards China, and Vietnamese nationalism. According to Snyder, strategic culture refers to the “body of attitudes and beliefs that guides and circumscribes thought on strategic questions, influences the way strategic issues are formulated, and sets the vocabulary and conceptual parameters of strategic debate.”\textsuperscript{102} Vietnam’s strategic culture is shaped by its intimate and hostile historical experiences with China. As a result, Vietnamese strategic culture towards China is marked by an attempt to emulate and seek aid from its northern neighbor, while at the same time fearing perceived Chinese attempts to control Vietnam. Vietnam’s strategy towards China is shaped by this strategic culture, characterized by the asymmetry in capabilities between the two states, Vietnam’s sense of strategic vulnerability towards China, and Vietnamese nationalism. Anti-China nationalism, in particular, has “emerged in Vietnam as a particularly powerful force in domestic politics.”\textsuperscript{103} Vietnamese strategic culture can help us understand many of the disputes between Vietnam and China over the last ten years; for example, the Vietnamese government’s alleged encouragement of anti-China protests in 2007 is a

\textsuperscript{101} Hiep, 360.
manifestation of this intense nationalist sentiment and fear of Chinese attempts to control Vietnam.

**Sino-Vietnamese Economic Relations**

Vietnam’s economic relationship with China is equally as complicated as Hanoi’s bilateral political relationship with Beijing. This relationship, however, deserves special attention since, given the lack of significant defense cooperation between the two states, Sino-Vietnamese economic relations are a critical component of Vietnam and China’s bilateral relationship. Given its geographic location, Vietnam is an important economic partner for China. Vietnam acts as bridge for Southwestern China, connecting Yunnan and Guanxi province with world markets. While the two states share growing commercial ties, Vietnam and China also compete across a number of different economic sectors. After normalization, commercial ties between the two states grew rapidly and contributed to an improvement in bilateral relations. The value of total bilateral trade rose from $27 million USD in 1990 to $1.4 billion in 1999, with over half of this trade happening in southern China near the border. Initially, Vietnam sought guidance from China on how to best implement “capitalism with socialist characteristics,” and developed a routine of yearly summits to discuss reforms and the economies of both states. However, these deepening economic ties also contributed to a widening trade imbalance in China’s favor. By the end of the 1990s, the trade imbalance favored China by a margin of 4.7 to 1.

In order to mediate this trade deficit with China, Vietnam diversified by integrating with ASEAN and the West. Vietnam became an official member of ASEAN in 1995 in order to

---

104 Percival, 45.
106 Lemon, 33.
107 Lemon, 35.
accelerate economic reforms and engage with the region. This strategy was outlined in the *Strategy for Socioeconomic Stabilization and Development up to the Year 2000*, which states that Vietnam would “diversify its foreign policy and engage in multilateral forums and economic institutions.” Hanoi accompanied this integration with ASEAN with efforts to re-establish diplomatic ties with other states in SeA, facilitating investments by ASEAN states into Vietnam. By the end of 1991, ASEAN had already invested a total of $173 million in various projects throughout Vietnam. Normalization of relations with the United States in 1995 also exposed Vietnam to new markets and capital, especially from institutions like the World Bank (WB) and the International Monetary Fund (IMF).

Commercial ties between the two states continued to grow into the 21st century. By 2007, Sino-Vietnamese bilateral trade had reached $15.9 billion, situating China as Vietnam’s number one trading partner. The Free Trade Area (FTA) established between the ASEAN states and China in 2010 further increased Sino-Vietnamese trade, particularly along Vietnam’s northern border with the PRC. Despite this growth in trade, a number of issues plague Sino-Vietnamese economic relations. Hanoi is particularly concerned with the influx of cheap Chinese consumer goods flowing into Vietnam. Vietnam is also concerned with illicit border trade from China, as well as competition in foreign markets over the export of textiles and other consumer products. As dictated by Vietnamese strategic culture, Hanoi is also worried about what it perceives as China’s economic expansion into Vietnam. For example, Chinese companies have imported a number of legal and illegal Chinese workers to work on joint Vietnamese-Chinese projects, such

---

109 Lemon, 36.
110 Storey, Southeast Asia and the Rise of China, 115.
111 McCormac.
112 Percival, 43.
113 Ibid.
as the bauxite-mining venture discussed in Chapter 3.\textsuperscript{114} According to Vietnam’s Ministry of Labor, War Invalids, and Social Affairs, 90\% of the 74,000 foreign workers in Vietnam in 2011 were Chinese.\textsuperscript{115} Finally, China’s relatively small amount of FDI in Vietnam has delayed improvements in Sino-Vietnamese economic relations. In 2008, the total amount of Chinese FDI into Vietnam accounted for only 1\% of all registered FDI into the state. Furthermore, much of this FDI is placed into sectors that benefit Chinese economic demands, such as food processing and/or construction.

Vietnam’s trade imbalance with China also continued to increase into the 2000s. This commercial disparity also hampered Sino-Vietnamese economic relations; while Vietnam welcomes increased commercial ties between the two states, Hanoi is wary of Chinese dominance of the Vietnamese economy. Figure 2.2 below illustrates this imbalance in Sino-

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure2.png}
\caption{Vietnam-China Bilateral Trade and Trade Balance\textsuperscript{116}}
\end{figure}

\textsuperscript{114} McCormac.
\textsuperscript{115} McCormac.
\textsuperscript{116} McCormac.
Vietnamese trade relations. While China is Vietnam’s largest trading partner, Vietnam only constitutes a small percentage of overall Chinese trade, given the relative asymmetry in the size of their economies.117 In 2010, Vietnam was running a trade deficit of $12 billion USD with China.118 Vietnam primarily exports low-value-added manufactured goods (such as foodstuff and footwear) and/or raw materials to China, explaining this trade imbalance. China, on the other hand, mainly exports high-value-added manufactured products to Vietnam, such as automobiles, machinery, and pharmaceuticals.119

Vietnam’s economic relations with China further illuminate why Vietnam possesses a sense of strategic vulnerability towards China. Given their asymmetric economic capabilities and the large Sino-Vietnamese trade deficit, China has considerable economic leverage over Vietnam. McCormac maintains “should China decide to discontinue trade with Vietnam for some reason, the damage to Vietnam’s economy would be immense.”120 China’s large influence over the Vietnamese economy contributes to Hanoi’s feeling of strategic vulnerability towards China. Moreover, the PRC’s economic leverage over Vietnam limits Hanoi’s policy autonomy, particularly in the economic sphere. The power of China’s influence over the Vietnamese economy is further underlined in the following chapter on Chinese involvement in Vietnam’s bauxite mining industry.

---

117 McCormac.
118 Ibid.
119 Ibid.
120 Ibid.
Chapter 3

Bauxite Mining in Vietnam’s Central Highlands

Chinese exploitation of bauxite in Vietnam’s Central Highlands is a contentious and divisive issue within the Vietnamese government and in civil society. Vietnam has the largest bauxite reserves in the Mekong region (estimated at 5.4 billion tons), of which 98% is located in the Central Highlands.\(^{122}\) Vietnam’s Central Highlands are home to much of the country’s farmland and its producers of coffee, pepper, and other cash crops. As illustrated in Figure 3.1, the regions of Dak Nong and Lam Dong have extensive bauxite reserves. Bauxite is the primary ingredient used to produce aluminum. Over the past decade, much of the demand for Vietnamese bauxite has come from China.\(^{123}\) The PRC has become the world’s largest user of most metal resources and has

---


\(^{123}\) “In search of aluminum: China’s Role in the Mekong Region.” 2.
invested heavily overseas to satisfy its growing demand for bauxite and other natural resources. In 2007, China consumed $26.12 million tons of alumina, constituting 35% of total world consumption. As a result, the global market for aluminum has improved and bauxite exploration has grown at an average rate of 6.5%. Obtaining bauxite is especially important to Beijing since there is a large demand from both inside and outside China for high-technology manufactured aluminum products, such as automobiles and aircrafts. The main player in the Chinese aluminum market is the Aluminum Corporation of China (CHINALCO), a Chinese state-owned enterprise (SOE) and powerful company within the global mining sector.

Outside interest in exploiting Vietnam’s massive untapped bauxite reserves surfaced in 2001. Foreign participation in domestic bauxite mining was not solidified until 2006, when CHINALCO won a bid to mine in the Central Highlands in partnership with a Vietnamese SOE, the Vietnam National Coal Mineral Industries Group (VINACOMIN). VINACOMIN oversees all bauxite development projects in Vietnam. Bauxite mining promptly began in 2008-2009. Converting bauxite into aluminum is a two-step process; first, bauxite must be mined and refined into alumina or aluminum oxide. Second, the alumina is converted into aluminum through an energy-intensive process. At this point, Vietnam is focused only on the first step of producing alumina for export, since it does not possess the capital or technology to carry out the second

---

124 “In search of aluminum: China’s Role in the Mekong Region:” 1.
125 Ibid.
126 “In search of aluminum: China’s Role in the Mekong Region:” 2.
127 Ibid.
128 A State-Owned Enterprise (SOE) is a legal entity created either by a central and/or local government to engage in business, trade, and other commercial activities for the government. SOEs occupy an important role in the Chinese economy and, according to Xinhua, account for 43% of China’s total “industrial and business profit” (Cary). In China, these SOEs often enjoy a monopoly position since they receive subsidies from the government and easier access to credit. These SOEs are especially important in sectors related to national security or Chinese national interest, such as the energy sphere.
The project has sparked massive controversy from current government officials, former Politburo members, retired generals, environmental groups, religious organizations, and Vietnamese citizens. Critics of the project oppose it on environmental, economic, and security grounds, although the most vehement and powerful opposition is centered on China’s involvement with the project.

Over the past decade, bauxite mining in the Central Highlands has been an important and contentious economic issue within Sino-Vietnamese relations. Current explanations of hedging, however, fail to fully explain how the Vietnamese government handled this controversy. This chapter uses the three-dimensional hedging framework outlined in Chapter 1 to explain this response. A number of foreign, domestic, and sector-specific factors, namely domestic protests, inter-VCP fractionalization, and economic pressure from China, affected Vietnam’s ability to hedge against China. As a result, Vietnam’s “hedging” response to the bauxite mining controversy lies closer to the bandwagoning side of the policy spectrum discussed in Chapter 1.

This section begins with an overview of the bauxite-mining project, from its inception and development from 2001 to 2007, to the beginning of mining and the emergence of the opposition in 2008, the government’s response and growth of the opposition movement from 2009 to 2011.

---

131 Ibid.
and finally current developments between 2011 and 2014. The chapter concludes with an analysis of this bauxite mining controversy using the three-dimensional hedging framework.

**Background on Bauxite Mining**

*Initial Development (2001-2007)*

Interest in exploiting Vietnam’s bauxite resources initially emerged in March 2001, when the Vietnam National Minerals Corporation (VIMICO) reportedly agreed to conduct a feasibility study on constructing a bauxite-aluminum complex in the Central Highlands. In July, the GS of the Vietnamese Communist Party (VCP), Nong Duc Manh, signed a joint statement with the Chinese government to process bauxite in the Central Highlands’ province of Dac Lac, solidifying the future role of Chinese SOEs in the project. The agreements included investment commitments for the construction of a railroad between the proposed mining site and Thi Vai port in Ba Ria-Vung Tau Province, with an estimated cost of $1 billion USD. U.S-based Alcoa, the world’s third largest aluminum producer, is also reported to have expressed interest in bauxite mining in Vietnam during this period.

The project made little headway until Nguyen Tan Dung replaced Khai as PM at the Tenth Party Congress in April 2006. Soon thereafter, consensus began to consolidate in support of the bauxite project. The Party Congress is held every five years to determine key positions.

---


135 Wu, 1.


137 Marston, 182.
within the government and outline policy direction for Vietnam. At the meeting, the VCP passed Resolution No. 66, mandating that development projects over twenty trillion dong, or USD $1.2 billion, required approval from the National Assembly (NA). The NA is the national legislative body in Vietnam, responsible for creating and amending state laws. Resolution No. 66 would resurface again in 2009, with the opposition claiming that the government had failed to submit the project for NA approval despite its hefty cost. At this meeting, the VCP also approved plans to domestically refine bauxite while, at the same time, limiting export of unrefined raw materials. As a result of this Congress, bauxite exploitation became a fundamental part of Vietnam’s economic development strategy.

After the Tenth Party Congress, the Vietnamese government opened itself up to foreign bids for a joint partnership with VINACOMIN to develop and exploit bauxite in the Central Highlands. CHINALCO won this bid and the two companies signed a framework agreement in November 2006 at the Asia-Pacific Economic Cooperation (APEC) Summit in Hanoi. CHINALCO committed $1.6 billion to extract bauxite and process aluminum at two plants in Dak Nong and Lam Dong, the sites of most of Vietnam’s bauxite reserves. According to this agreement, the majority of refined alumina product would be exported to China. VINACOMIN’s thirty-year sales contract with China stipulates that Vietnam will sell between 600,000-900,000 tons of aluminum per year to the Yunnan Metallurgical Group of China. At the

---


139 According to the Vietnamese Constitution, the National Assembly (NA) is the “highest organ of state power” in the country. It consists of 498 members, each of which is elected to a five-year term. The NA is responsible for appointing Vietnam’s President, Prime Minister, and other important cabinet-level positions. In reality, however, the VCP exerts significant influence over the NA since the VCP holds all senior posts within the assembly.

140 Marston, 182.


142 Thayer, “Political Legitimacy of Vietnam’s One Party-State: Challenges and Responses:” 49.

143 Marston, 182.

144 The Tan Rai and Nhan Co aluminum projects are estimated to yield around 1.25 million tons of bauxite and/or alumina per year.
same time, VINACOMIN continued negotiations with other large aluminum companies over future development of unexplored bauxite reserves. Vinacomin signed a memorandum of understanding (MOU) with Alcoa to develop another bauxite mine and alumina refinery in Dak Nong.\textsuperscript{145} It was also reported that Vinacomin was in negotiations with the Russian aluminum conglomerate United Company Rusal (UC RUSAL), the world’s largest aluminum producer, to build a bauxite mine and aluminum smelter.\textsuperscript{146}

In 2007, the VCP approved final plans to develop the bauxite industry, calling for $15 billion in international investments by 2025. In November of that year, PM Dung also introduced Resolution No. 167, which outlined zoning requirements and a framework for the mining, refinement, and export of bauxite from 2007-2015.\textsuperscript{147} This decree set the stage for ground breaking in the Central Highlands that, despite staunch domestic opposition, would begin over the following two years.

\textit{Emergence of Anti-China Opposition (2008)}

Bauxite mining did not become an issue of popular concern until June 2008, when VCP GS Manh traveled to China and issued a joint statement with then PRC President Hu Jintao on Sino-Vietnamese cooperation in the bauxite industry.\textsuperscript{148} This statement and subsequent agreements called for alumina, the intermediate product between bauxite and aluminum, to be


\textsuperscript{147}Thayer, “Political Legitimacy of Vietnam’s One Party-State: Challenges and Responses:” 50.

exported only to China, “leaving Vietnamese industry captive to a powerful buyer.” 149 Arrangements were also made for thousands of Chinese workers to settle permanently in the region to work at these new mines and processing plants. Soon thereafter, mining began in the Central Highlands.150

The first largely organized opposition to the project came from environmentalists, concerned about the toxic byproducts of bauxite conversion. The processing of bauxite into alumina and/or aluminum oxide produces a dangerous side product known as “red mud” or “red sludge.”151 This waste product is harmful both to human health and the environment. One ton of alumina produces three tons of red sludge. Red mud contains carcinogenic chemicals that can seep into the soil, damage vegetation and other crops, and contaminate water supplies. This danger is particularly relevant to the Central Highlands since toxic waste could pollute the Mekong River and flow downstream into the densely populated Mekong River Delta, a source of water and income for many Vietnamese.152

Some civilians and officials also came out against the project for economic reasons. First, the settlement of Chinese workers in Vietnam sparked resentment among local populations, since their presence is undesirable both for local labor prospects and national security.153 In the past, Chinese companies had adopted similar strategies of importing unskilled laborers to Vietnam who cannot legally work there. Second, critics debated the economic potential of the project. On the one hand, some opponents stressed that the export of alumina would require the

151 Thayer, “Political Legitimacy of Vietnam’s One Party-State: Challenges and Responses:” 49.
152 Hoang.
construction of a 250-kilometer railway and new harbor, which would provide little local benefit. On the other hand, certain critics noted that Vietnam did not have adequate infrastructure to develop bauxite and thus the project would likely incur high start-up costs and require extensive state aid. Bauxite is an energy-intensive resource to develop and usually requires access to cheap electricity. Vietnam currently has a limited electrical power generating capacity and experiences frequent power shortages. Opposition coalesced behind the weak economics of bauxite mining and processing, which would require considerable state subsidies.154

Resentment of Chinese involvement in the project began to intensify after a minor diplomatic incident between the two countries. A faked plan for a Chinese invasion of Vietnam and a “reclaiming” of Beijing’s former vassal state circulated on the Internet, inciting an extensive online backlash in Vietnam.155 Given the tense history between the two states as outlined in Chapter 2, Vietnamese netizens were outraged. Not only were they angered by the existence of such plans (although they turned out to be fabricated), but they were also upset that the Chinese government failed to immediately take down the site or punish its creators.156 Domestic protests soon broke out over these and other concerns; however, the Vietnamese government immediately quashed them and several prominent supporters of the protest movement were arrested.157 In the following year, opposition centered on Chinese involvement in the bauxite project would solidify, impeding smooth progress on construction and mining plans.

Despite these domestic protests, plans to develop bauxite mines in the Central Highlands were still underway by the end of 2008. In May, PM Dung permitted VINACOMIN to sell a 40% stake of a joint venture to refine alumina in Dak Nong province to Alcoa. The government

154 Hoang.
157 “Opposition still strong to government plans to develop bauxite mines.”
also allowed VINACOMIN to negotiate with CHINALCO over a 40% stake in its bauxite-mining project in Lam Dong province.\textsuperscript{158} Another MOU was completed between UC RUSAL and Vietnamese mining company An Vien to build an alumina refinery in southern Vietnam. Construction on this project was set to begin in 2012.\textsuperscript{159} By the end of the year, construction had begun on the Tan Rai plant in Lam Dong province, the first of two bauxite projects in conjunction with CHINALCO.\textsuperscript{160} Construction on the second project at Nhan Co would begin in 2010.\textsuperscript{161}

\textit{Government Response and Resurgence of the Opposition (2009-2011)}

The bauxite opposition movement resurfaced in January 2009 when retired General Vo Nguyen Giap wrote an open letter to the party against Chinese bauxite exploitation.\textsuperscript{162} Giap, who was 97 at the time, is considered a national hero in Vietnam. Second only to Ho Chi Minh, he is credited with defeating the French at Dien Bien Phu in 1954 and later the Americans during the Vietnam War.\textsuperscript{163} Because of his important role in modern Vietnamese history, Giap still commands considerable moral authority among the Vietnamese people.\textsuperscript{164} In his letter, Giap warned against the strategic threat posed by unregulated Chinese workers in the Central Highlands. He speculated that some of these foreign employees could also be undercover.

\textsuperscript{158} “Vietnam splits alumina refining, bauxite mining projects between Alcoa, Chaico (China), Vinacomin.”
\textsuperscript{161} Ibid.
\textsuperscript{163} Ho Chi Minh was the Democratic Republic of Vietnam’s (DRV) first President and Prime Minister. He is a national hero and one of the most celebrated politicians in Vietnam. Minh is also recognized for leading the Vietnamese communist movement that eventually defeated the French in 1954.
Chinese military or intelligence agents.\textsuperscript{165} Giap not only stressed his past experience with bauxite exploration and its environmental impact in the 1980s, but also the danger of giving China a permanent economic and strategic foothold within Vietnam. This letter from a powerful and respected figure in Vietnamese society played a large part in rekindling latent anti-Chinese sentiment within the country.\textsuperscript{166} Giap recalled the strategic importance of the Central Highlands as a gateway to Vietnam and its decisive role in historical wars in that region. Giap’s letter, which proved greatly influential, was followed shortly thereafter by a letter from another retired general, urging the VCP to reconsider granting China a permanent presence in Vietnam.\textsuperscript{167}

Religious groups also emerged in opposition to the project, especially prominent Vietnamese Catholics and Buddhists. In March 2009, the leader of the outlawed Unified Buddhist Church of Vietnam Thich Quang Do issued a public statement claiming that Vietnam was “under threat of invasion” by Chinese workers and “dependent on China.”\textsuperscript{168} Do urged Vietnamese workers to conduct peaceful strikes against Chinese involvement in bauxite exploitation in the Central Highlands. Christian resistance joined Buddhist opposition in May 2009 when Vietnamese Cardinal Jean Baptiste Pham Minh Man, the Archbishop of Saigon, published a letter claiming it was his pastoral duty to raise awareness of the harmful environmental effects of bauxite mining.\textsuperscript{169} These and other decrees instigated a considerable backlash against Catholic groups in the state-owned media.

News reports from March 2009 indicate that the government had approved plans to begin

\begin{flushright}
\textsuperscript{165} Hoang.
\textsuperscript{166} Marston, 183.
\textsuperscript{167} Hoang.
\textsuperscript{168} “Bauxite Bashers.”
bauxite-mining projects in the Central Highlands.\footnote{“Vietnam bauxite decision may affect Alcoa project.” \textit{Reuters}. 29 April 2009. Web. Accessed 7 May 2014. <http://www.reuters.com/article/2009/04/29/vietnam-BAUXITE-idUS8994820090429>\footnote{Marston, 50.}} However, facing this chorus of disparate opposition groups, PM Dung decided to convene a scientific conference on the bauxite project in early April. Giap released his second open letter to the Vietnamese government during this meeting.\footnote{“Bauxite Bashers.”} Deputy PM Hoang Trung Hai was tasked with leading the seminar and, after hearing a number of critical views of the project, declared that Vietnam would impose strict controls on bauxite mining.\footnote{As of 2010, the results from this EIA have yet to be released.} Furthermore, Deputy PM Hai agreed to hold an environmental impact study (EIA) in the region.\footnote{“A Revolt of Sorts.”} Despite Hai’s statements and the growing elite opposition to the project, PM Dung allowed the project to go forward.\footnote{“Vietnam bauxite decision may affect Alcoa project.”} However, the government did announce after the conference that, while Vietnam would continue developing its bauxite mining capabilities with CHINALCO, they would not sell other “stakes in such ventures to foreigners.”\footnote{James Hookway. “Vietnam Aims to Attract Chinese Mining Companies.” \textit{Wall Street Journal}. 30 April 2009. Web. Accessed 8 May 2014. <http://www.vietstudies.info/kinhte/vietnam_aims_to_attract_chinese.htm>\footnote{James Hookway. “Vietnam Aims to Attract Chinese Mining Companies.” \textit{Wall Street Journal}. 30 April 2009. Web. Accessed 8 May 2014. <http://www.vietstudies.info/kinhte/vietnam_aims_to_attract_chinese.htm>\footnote{“A Revolt of Sorts.”}} This statement seemed to contradict a previous MOU between Alcoa and VINACOMIN in 2008 to conduct a feasibility study on a bauxite project in Dak Nong province. This also threatened a previous directive in 2008 that gave VINACOMIN permission to negotiate with Alcoa on obtaining up to a 40\% stake in the Nhan Co alumina refinery. Finally, the Vietnamese government announced that they would not offer CHINALCO any equity in the Central Highlands’ bauxite mining projects, in what Hookway calls an “apparent attempt to placate criticism.”\footnote{“A Revolt of Sorts.”}

The failure to produce any large changes in policy at the national seminar resulted in a massive online petition campaign, launched a few days after the conference by prominent
Vietnamese intellectuals. The petition, which received 2,746 signatures, called on the VCP to halt any and all bauxite mining plans. Soon thereafter, the website “Bauxite Vietnam” was established to promote critical debate of this project. The website was exceptionally popular and had attracted around 20 million views by November 2009. What followed was a “cat-and-mouse”-like game, wherein the authorities would shut down the website and its supporters would subsequently revive it. In fact, Google and computer security company McAfee discovered that the Vietnamese government was using distributed denial of service (DDOS) attacks to take down the bauxite website. Despite numerous attacks and occasional offline periods, the website is still operational today.

By mid-2009, a unified and elite national coalition had emerged against bauxite mining in the Central Highlands. As Thayer explains:

The anti-bauxite network of 2008 had grown into a national coalition including environmentalists, local residents, scientists, economists, retired military officers and veterans, retired state officials, social scientists, other academics and intellectuals, elements of the media, and National Assembly deputies. These critics were all mainstream elite.

It was within this context that the National Assembly met in May 2009 to discuss bauxite-mining policy, as stipulated by PM Dung in response to growing opposition. During the meetings, the bauxite project faced severe criticism from a number of deputies, as well as General Giap. Deputy Nguyen Van Ba from Khanh Hoa province argued that “it was wrong that the Industry and Trade [Ministry] divided the bauxite project into smaller projects and said that they [were]

\[177\] Ibid.
\[178\] Hookway.
\[179\] Thayer, “Political Legitimacy of Vietnam’s One Party-State: Challenges and Responses:” 51.
\[180\] Thayer, “Political Legitimacy of Vietnam’s One Party-State: Challenges and Responses:” 50.
independent,” in order to avoid submitting their plans to the NA for approval.\textsuperscript{181} As stipulated by Resolution 66, projects worth over 20 trillion dong must be submitted to the Politburo for approval. In the case of the bauxite project, however, the government and VINACOMIN separated the plan’s different components into distinct parts, ensuring that its costs did not exceed the amount necessary for assembly approval. Several deputies demanded action on this point and called for the government to submit a report on all activities related to bauxite mining in the Central Highlands.\textsuperscript{182} General Giap and retired General Nguyen Trong Vinh, a former ambassador to China, joined the opposition and once again asked the Politburo to reconsider allowing a permanent Chinese presence in a strategic region. Four days into the meeting, a petition signed by 135 prominent intellectuals was also circulated in the NA. Ultimately, the debate within the NA revealed the domestic divisions and internal factions associated with bauxite mining and Vietnamese strategy towards China more broadly.\textsuperscript{183}

Opposition to the project continued to grow when, in June 2009, a prominent Vietnamese lawyer Cu Huy Ha Vu filed a lawsuit against PM Dung for breaking environmental protection, national defense, and cultural heritage laws when he approved the project.\textsuperscript{184} Vu argued that a decision on bauxite exploitation should not have been made before an EIA had been conducted. Furthermore, he claimed that development plans in strategically important regions required assessment by the Ministry of Defense, which had not been consulted in early deliberations over bauxite exploitation.\textsuperscript{185} Vu’s case was dismissed twice, once in the Hanoi People’s Court and

\begin{flushleft}
\textsuperscript{181} “A Revolt of Sorts.”

\textsuperscript{182} Thayer, “Political Legitimacy of Vietnam’s One Party-State: Challenges and Responses:” 51.

\textsuperscript{183} Marston, 184.

\text{<http://www.minesandcommunities.org/article.php?a=9307>}

\textsuperscript{185} “Vietnamese premier sued over bauxite projects.”
\end{flushleft}
once after an appeal to the People’s Supreme Court in July.\textsuperscript{186} During this period, however, allegations emerged that PM Dung had received USD $150 million from the Chinese government to support the bauxite project, further uniting opposition around its development.

Despite widespread criticism, however, the government pressed ahead with the project. Concessions were made to some of these domestic groups, demonstrating their influence over the foreign policy process. As Thayer notes, the bauxite mining controversy “represented a major challenge to the performance legitimacy of the government” and, as a result, PM Dung was forced to slow down the speed of the project to account for an EIA and other concerns. Additionally, in May, the government fined six Chinese companies for failing to obtain proper work permits for Chinese workers at bauxite sites as a “token gesture” to domestic opponents. By the end of 2009, however, the government reiterated in public statements the importance of bauxite exploitation in Vietnam’s economic development strategy.\textsuperscript{187} For example, state-owned Vietnam Natural Resources and Environment Corporation (T-MV) signed an MOU with Atlantic Ltd., an Australian resources group. According to this agreement, the two companies would work together to develop a large integrated aluminum supply chain in Vietnam, including a bauxite mine, alumina refinement and processing facilities, and related rail and port infrastructure. As of December 2013, however, negotiations with the Vietnamese government over this joint project are still ongoing.

The opposition re-emerged in 2010 after an accident at an aluminum plant in Hungary resulted in several deaths in surrounding local communities. In October, a toxic spill flooded nearby villages and killed dozens of Hungarian citizens, highlighting the environmental side effects of aluminum processing. Before this event, it seemed as if the project would proceed

\textsuperscript{186} Thayer, “Political Legitimacy of Vietnam’s One Party-State: Challenges and Responses:” 52.
\textsuperscript{187} Thayer, “Political Legitimacy of Vietnam’s One Party-State: Challenges and Responses:” 52.
without further opposition, after addressing some of the concerns of the 2009 anti-bauxite coalition. However, over 2,000 leading citizens and intellectuals circulated a petition to halt bauxite development. The largest and most organized opposition including civilians and government officials emerged against continued bauxite exploitation.\footnote{A number of NA and VCP members had signed the petition, including ten retired generals and President Nguyen Minh Triet’s younger brother. Many opponents in the NA opposed bauxite exploitation not only for environmental and economic reasons, but also because of the perceived danger of allowing China to control Vietnam’s resources by setting bauxite prices and employing mostly Chinese workers.} \footnote{The government continued to crack down on prominent protestors, and arrested Professor Pham Minh Hoang in August 2010 for his support of the movement. By the end of 2010, it was clear that the military establishment was especially opposed to the bauxite project. The Vietnam People’s Army (VPA) was particularly concerned about Chinese encroachment in Vietnam, given China’s harassment of Vietnamese fishing vessels and its conflicting territorial claims in the South China Sea.} A number of NA and VCP members had signed the petition, including ten retired generals and President Nguyen Minh Triet’s younger brother. Many opponents in the NA opposed bauxite exploitation not only for environmental and economic reasons, but also because of the perceived danger of allowing China to control Vietnam’s resources by setting bauxite prices and employing mostly Chinese workers.\footnote{A Revolt of Sorts.} \footnote{Opposition still strong to government plans to develop bauxite mines.} \footnote{Ibid.} The government continued to crack down on prominent protestors, and arrested Professor Pham Minh Hoang in August 2010 for his support of the movement. By the end of 2010, it was clear that the military establishment was especially opposed to the bauxite project. The Vietnam People’s Army (VPA) was particularly concerned about Chinese encroachment in Vietnam, given China’s harassment of Vietnamese fishing vessels and its conflicting territorial claims in the South China Sea.\footnote{“Vietnam in 2011: Questions of Domestic Sovereignty.” \textit{Asian Survey}, Vol. 52, No. 1 (January/February 2012): 177.}

\textit{Current Developments (2011-2014)}

The Party Congress held in January 2011 had the potential to shift the bauxite debate in favor of the opposition, since key positions within the government are determined at this meeting. Many critics were optimistic that corruption allegations and anti-Chinese sentiment surrounding the bauxite mining controversy could be used to unseat PM Dung.\footnote{According to Greenwood, “the outcome of the Congress will determine whether the project goes ahead or not.}
In the unlikely event that [Dung] and his immediate faction are ousted, then the project may well be scrapped.¹⁹² Dung, however, retained his post. He is generally associated with the forces that support Chinese involvement in bauxite mining in the Central Highlands. The presidency went to Dung’s rival Truong Tan San, another Southerner with close ties to Vietnamese SOEs. Finally, Nguyen Phu Trong replaced Nong Duc Manh as GS of the VCP.

This new leadership arrangement will most likely not bode well for the anti-bauxite movement, especially since Dung will retain the PM position until at least 2016. The Party GS role is now seen as subordinate to the PM, even though it technically outranks the PM in the Politburo.¹⁹³ As a result, PM Dung is relatively free of bureaucratic constraints to pursue continued development of bauxite exploitation. Central Vietnam is also no longer represented in the three most senior positions in the government. Simply put, there is no high-ranking official in the Vietnamese government today who can lobby directly for the concerns of ethnic minorities and other individuals living in the region affected by bauxite exploitation.¹⁹⁴ The Ministry of Foreign Affairs (MFA) also has little ability to influence this issue given the executive power of the PM and the GS in determining foreign policy. Furthermore, the MFA’s new foreign minister, Pham Binh Minh, is relatively young and inexperienced. Finally, there is little confidence in the NA to resolve disputes; for example, one deputy recently asked “what powers does the [NA] actually have, that it be said to be the supreme organ of power?”¹⁹⁵

Mining projects have continued to move ahead despite these environmental, economic, and security concerns.¹⁹⁶ Existing bauxite plants in the Central Highlands, however, are currently facing a host of financial problems. For example, the Tan Rai complex, which opened in 2013, is

¹⁹² Fforde, 177.
¹⁹³ Fforde, 185.
¹⁹⁴ Ibid.
¹⁹⁵ Fforde, 180.
¹⁹⁶ Clark.
already running at a large loss.\textsuperscript{197} The Nhan Co plant, which is projected to open sometime in 2014, is also expected to incur heavy losses.\textsuperscript{198} Together these projects are worth around $1.3 billion USD. According to the Ministry of Industry and Trade, the Tan Rai project will earn losses in its first five years and will require twelve years to recoup its initial investment capital.\textsuperscript{199} Similarly, the Nhan Co plant will experience losses for its first seven years and will need thirteen years to recover its start-up capital.\textsuperscript{200} The poor performance of Vietnam’s new bauxite projects is due particularly to the drop in bauxite/alumina export prices last year. In 2013, Vietnamese bauxite and/or alumina sold for roughly $300 USD per ton, $79 less than the expected value. However, while the government claims it is optimistic about future price increases and growing markets for this industry, Hanoi has also pushed back plans to open four additional bauxite plans to after 2020.\textsuperscript{201}

\textbf{Analysis of Bauxite Mining Policies}

If Vietnam were pursuing a “hedging” strategy as the literature suggests, Hanoi would not have given de facto control of its bauxite resources to China. The overwhelming bulk of Vietnam’s untapped bauxite reserves are located in the Central Highlands; thus, for the time being, Vietnam has ceded its bauxite reserves to China since the CHINALCO-VINACOMIN joint venture runs the only two currently operational mines. Comparing the composition of the bauxite-mining sector to the structure of Vietnam’s iron and steel industry serves as a useful counterfactual for hedging. A number of foreign players are involved in the making of iron and

\footnotesize
\begin{itemize}
\item \textsuperscript{197} “Vietnam injects caution into bauxite mining plans.”
\item \textsuperscript{198} Ibid.
\item \textsuperscript{200} Son.
\item \textsuperscript{201} “Vietnam injects caution into bauxite mining plans.”
\end{itemize}
steel, including Japan-based Sumitomo Metal Industries, Taiwan-based China Steel Corporation, and South Korea-based POSCO. The presence of multiple multinational companies from Japan, Taiwan, and South Korea is more indicative of a standard hedging strategy as predicted by the literature. By involving a number of different companies (and countries) in their steel and iron industry, Vietnam is maintaining a degree of strategic flexibility and avoiding over-reliance on any one company and/or state in this sphere.

If this “hedging” strategy was implemented in the iron and steel sector, why was it not implemented for bauxite as well? While there are significant differences between these two industries related to size of reserves and existing capabilities, current approaches to hedging cannot fully explain this puzzle. Instead of attempting to diversify its relations, Vietnam ceded majority control of its bauxite resources to China. Legislation released in 2012 further solidified China’s presiding role in Vietnam’s bauxite industry. According to Directive No. 2, new bauxite mines and aluminum production projects will not be implemented until the success of the Tan Rai and Nhan Co projects can be effectively evaluated. This move could be interpreted as traditional hedging against China by making future Chinese involvement in the bauxite industry contingent on the success of the CHINALCO’s two operating mines. However, this decision was driven primarily by profitability concerns, since the Nhan Co and Tan Rai bauxite plants are currently running at a large loss. Thus, new bauxite mining ventures will not be implemented until these two mines, which are run in conjunction with CHINALCO, “achieve high socio-economic value.”

---

204 “Mining to Vietnam.”
Why then did Vietnam cede control of the majority of its bauxite resources to China? Early negotiations with outside players such as Alcoa, Atlantic, and UC Rusal reveal that Hanoi did not lack alternative partners in the bauxite mining industry. The three-dimensional hedging framework introduced in Chapter 1 can help explain this puzzle. An analysis of the domestic, foreign, and sectoral forces facing the government can illuminate why Vietnam gave China a commanding stake in its bauxite industry. Vietnam’s approach to its bauxite mining industry lies closer to the bandwagoning side of the policy spectrum. Although Vietnam generally adopts a broad hedging strategy against the PRC, its specific response to certain issues will fluctuate across the policy spectrum depending on domestic, external, and sectoral variables.

Of the three realms that constitute three-dimensional hedging, the domestic sphere played the most important role in the outcome of the bauxite controversy. Domestic forces and intra-party competition have a large influence on foreign policy, despite the fact that Vietnam is a single-party state. The bauxite issue was divisive and highlighted the factionalism within the VCP and other government agencies. This divide underlines one of the central tenets of this thesis: small states cannot be treated a priori as unitary actors, a complexity overlooked by one-dimensional hedging. Given Vietnam’s historically tenuous relationship with China, bauxite mining became an issue of national concern. Ultimately, we cannot understand why Vietnam chose to cede control of its bauxite mining industry to China without examining the domestic politics behind this decision.

Vietnamese government and society were highly divided over the bauxite issue. A host of domestic players influence Vietnamese foreign policy, including the military, the NA, the state bureaucracy, the government, and the VCP. Vietnam’s powerful military institution was against bauxite mining primarily because of Chinese involvement in the project. According to the
military establishment, a permanent Chinese presence in the Central Highlands was a strategic threat, and thus their opposition was centered on national security concerns. This view is embodied in General Giap’s open letter to the VCP, demanding that the government reconsider all bauxite mining development projects. Although he was retired, General Giap is still seen as a representative of the military’s viewpoint, and commands wide-reaching influence within Vietnamese society.

The NA was clearly divided on this issue, as evidenced by the numerous debates over bauxite mining that had occurred there since 2006. Deputies in the NA were split primarily into two factions for and against CHINALCO’s exclusive involvement in the project. 205 Critics within the NA also cited Resolution No. 66 and the government’s failure to submit the bauxite mining plans to the NA for approval. These opponents were worried not only about environmental and security concerns related to bauxite mining, but also because the Vietnamese government had overstepped their authority and disregarded the NA’s opinion. Proponents of bauxite mining within the NA, however, argued that the division of the project between the Ministry of Natural Resources and Environment, VINACOMIN, and the Ministry of Industry and Trade, reduced the overall cost of the project. 206 Thus, it did not require NA approval under Resolution No. 66.

Many Vietnamese civil society groups both in the Central Highlands and Vietnam’s major cities were against the bauxite mining plans. Local opposition centered on a number of environmental, economic, and security issues; although Chinese involvement with the project was an issue of primary concern among the majority of civil society opponents. As explained in Chapter 2, anti-China nationalism is a “particularly powerful force in [Vietnamese] domestic

205 Marston, 187.
206 Marston, 185.
Domestic outcry over bauxite mining first emerged in 2008 and, after Giap’s letter, resulted in a government conference to assess the environmental impact of bauxite mining in 2009. After a brief victory, domestic opposition re-emerged to the project. In 2009, for example, lawyer Cu Huy Ha Vu filed a lawsuit against PM Dung for violating Resolution No. 66. The People’s Court of Hanoi subsequently rejected Vu’s lawsuit. After the bauxite accident in Hungary, a petition was sent to the government, urging them to reevaluate the bauxite-mining plans. A number of prominent officials, former government employees, and civil society activists signed this petition, including Deputy Duong Trung Quoc, Vice-President Nguyen Thi Binh, former Deputy Minister for Science and Technology Chu Hao, and Vice-Chairman of the National Assembly’s Committee for Culture Nguyen Minh Thuyet. While these civil society movements failed to stop the bauxite mines, they do reveal a growing and increasingly organized Vietnamese civil society that has the power to lobby its decision-makers and effect some change, such as the 2009 conference on bauxite mining’s environmental impacts.

Despite this widespread opposition to the bauxite project from both civil society groups and factions within the Vietnamese government, two bauxite mines were jointly built by CHINALCO and VINACOMIN. In the end, the opposition failed to stop the project due to the hierarchical structure of the Vietnamese government and the parochial interests of PM Dung and the VCP. Certain key members of the VCP’s Politburo essentially control Vietnamese foreign

---

208. Marston, 183.
209. Marston, 185.
210. After this rejection, Vu appealed his lawsuit to the People’s Supreme Court. His case was rejected again. Vu filed another lawsuit against PM Dung a year later over his ban on public petitions, as decreed by Resolution No. 136 of 2006. Following this filing, Vu was arrested and charged to seven in prison for propaganda against the state.
211. Marston, 186.
policy.\textsuperscript{212} Thus, while there are intra party groups, as demonstrated by the factions within the NA, that compete to determine the policy agenda, the top decision-makers within the VCP are ultimately responsible for Vietnamese foreign policy.\textsuperscript{213} The Prime Minister also plays a critical role in determining foreign policy as the head of government. Thus, opposition to the project proved futile since both the VCP’s Politburo and the PM were committed to Chinese involvement in the bauxite project for individual personal and political reasons.\textsuperscript{214}

The Tenth Party Congress in 2006 is a compelling example of the determinant role of Vietnam’s hierarchal political structure on its foreign policy. Plans to exploit Vietnam’s untapped bauxite reserves surfaced in 2001 when GS Manh signed an agreement with the Chinese government to process bauxite in the Central Highlands. However, there was little movement on the project from 2001-2006. Marston attributes this standstill to the PM at the time, Phan Van Khai. Khai was a “modernizer” who, along with other VCP members, opposed growing dependence on China and sought to improve Vietnam’s relations with other countries.\textsuperscript{215} The Tenth Party Congress of 2006, however, shifted the balance of power in favor of bauxite mining. Party Congresses in Vietnam generally facilitate leadership changes within the VCP.\textsuperscript{216} During this particular Congress, nine members of the 15-person Politburo retired, including the President, PM, and Defense Minister. This represented the second highest rate of replacement in Politburo membership since the Sixth Party Congress in 1986.\textsuperscript{217}

The key actors that influence foreign policy within the government are the GS of the VCP and the PM. These two figures are ultimately responsible for grand Vietnamese foreign

\textsuperscript{212}Vuving, 823.
\textsuperscript{214}Marston, 183.
\textsuperscript{215}Marston, 181.
\textsuperscript{217}Ibid.
policy, independent of the MFA. After the Tenth Party Congress, Dung took over as PM, a move that was “widely acclaimed by the foreign business community.”\(^2\)\(^1\)\(^8\) During his first month in office, Dung disbanded two key advisory boards, the Prime Minister’s Research Commission and Foreign Affairs Economic Research Group.\(^2\)\(^1\)\(^9\) Dung, from the onset, was a major proponent of joint bauxite mining with the Chinese and pushed this project through the government once he came to power. For example, in July 2009, Dung implemented Resolution No. 97, requiring that all scientific feedback on bauxite mining (as requested by domestic opponents and civil society groups) not be publicized but instead directly relayed to the appropriate ministries. This resolution eliminated all critical research against the bauxite project.\(^2\)\(^2\)\(^0\)

Dung also had the support of the VCP behind him, given GS Manh’s pro-bauxite mining position. The VCP has led the initiative on bauxite mining since 2001 and, according to Marston, “its policies lie much closer to China’s then some ministers of the NA wish.”\(^2\)\(^2\)\(^1\) This is likely due to the fact that, despite the complicated history between Vietnam and China, the VCP shares an ideological bond with China’s ruling communist party. In fact, the VCP derives part of its own legitimacy from the existence and success of the CCP in China. Manh is considered to be what Vuving calls an “anti-imperialist,” or someone who pursues a strategy of solidarity with China because it “fits into their vision of the world.”\(^2\)\(^2\)\(^2\) Manh’s tenure as GS, which ended in 2011, is associated with “deference, together with tacit balancing” in favor of China.\(^2\)\(^3\) In sum, the two most important foreign policy-making actors in the Vietnamese government, namely the VCP and the PM, were in favor of Chinese involvement in bauxite exploitation for personal and/or

---
\(^{2\text{18}}\) Thayer, “Vietnam: The Tenth Party Congress and After,” 386.  
\(^{2\text{19}}\) Ibid.  
\(^{2\text{20}}\) Marston, 185.  
\(^{2\text{21}}\) Marston, 182.  
\(^{2\text{22}}\) Vuving, 821.  
\(^{2\text{23}}\) Vuving, 822.
political reasons. As a result, domestic opposition from civil society and within the government itself failed to prevent Chinese involvement in the bauxite-mining project.

Foreign pressures combined with domestic forces to determine Vietnamese policy towards Chinese involvement in bauxite mining. External pressure came primarily from China, given its proximity to Vietnam and its desire to acquire bauxite and other natural resources. Again, the context surrounding the Tenth Party Congress is an indicator of Chinese influence on Vietnamese foreign policymakers. In January 2006, a new highway was completed linking Hanoi to the Chinese border.\textsuperscript{224} This road symbolized the growing economic relations between China and Vietnam; in fact, China displaced the U.S. as Vietnam’s largest bilateral trading partner in 2005.\textsuperscript{225} A large trade imbalance, however, persists between the two states as Chinese imports into Vietnam far exceed Vietnamese exports to China. After the Congress, GS Manh made his first official overseas trip after his re-election to Beijing, signaling his belief in the importance of Sino-Vietnamese relations.

Beijing’s deep interest in exploiting Vietnam’s bauxite resources is due primarily to energy security concerns. China is the world’s largest aluminum producer and the third largest bauxite producer after Australia and Brazil. China’s domestic bauxite reserves, however, are depleting and the PRC will require large amounts of imported bauxite to fuel its economic development.\textsuperscript{226} Obtaining access to sufficient bauxite reserves is a critical component of Beijing’s economic growth strategy because aluminum is necessary for large infrastructure projects, including transportation, factories, apartments, and office buildings. As a result, bauxite-rich Vietnam faces large pressure from the PRC, as Beijing attempts to secure its access

\textsuperscript{224} Thayer, “Vietnam: The Tenth Party Congress and After,” 390.
\textsuperscript{225} Ibid.
to bauxite. For example, the Chinese government allegedly bribed PM Dung with USD $15 million to push forward the bauxite-mining plans within the Vietnamese government. This purported bribe demonstrates the importance China placed on gaining access to Vietnam’s bauxite reserves and the large pressure placed on the Vietnamese government by China on this issue. Vietnam does not face similar pressures from other foreign governments on this issue, such as Russia or the U.S.

Finally, sectoral-specific issues also affected Vietnam’s decision to essentially cede control of its bauxite industry to China. Within the economic sector, foreign and domestic factors converged to influence Vietnam’s foreign policy decisions. As demonstrated above, Vietnam faced intense economic pressure from China, which gave Hanoi little maneuverability on the bauxite issue. In 2013, Vietnam’s trade deficit with China reached $19.5 billion, giving Beijing significant economic leverage over Hanoi.\(^\text{227}\) This constraint was further magnified by the importance of bauxite mining to Chinese energy security. On the domestic side, economic issues can be more galvanizing than security and/or political ones, since they have a larger measurable impact on daily life. For example, opposition to the project not only centered on Chinese involvement and environmental concerns, but also on the massive influx of Chinese workers that would come to Vietnam to work at the new bauxite mines. Many Vietnamese in the region were particularly concerned about this policy since it provided no economic benefits or labor opportunities to local Vietnamese.\(^\text{228}\) However, as previously discussed, domestic opposition failed to change Vietnamese policy due to support for the bauxite project at the highest levels of the VCP and the government. In the end, the convergence of these internal and external factors made intra-sectoral hedging very difficult to carry out.


\(^{228}\) Tran.
A three-dimensional hedging framework can better explain why Vietnam gave China a large stake in its bauxite mining industry, instead of adopting a traditional hedging policy by granting access to its bauxite resources to a second external player other than China. This approach also highlights the importance of the domestic realm on this question since, as outlined in Chapter 1, different dimensions will have more or less of an influence on policy depending on the issue. It could be argued that what we see here is inter-sectoral hedging. In other words, by deferring to China on this issue, Vietnam has room to challenge China on another completely distinct issue either within the economy sphere and/or in the security one. While this may be true, there is little evidence to support this claim given the non-transparent nature of decision-making within the Vietnamese government. Instead, what we can clearly see here is a strategy leaning more towards bandwagoning with China on the policy spectrum given a number of domestic, foreign, and sectoral pressures. This three-dimensional analytical process is illustrated on the following page in Figure 3.3. Ultimately, this case illuminates one of the central problems with existing explanations of hedging. Vietnam cannot always be treated as a unitary actor, consistently following a certain strategic logic of international relations. Instead, a confluence of sectoral, domestic, and foreign forces, as outlined by the three-dimensional hedging framework, will determine how Vietnam hedges against China.
Figure 3.3: Three-Dimensional Hedging Analysis of Vietnam’s Bauxite Industry
Chapter 4

“Always Looking for a Good Port:” Cam Ranh Bay’s Open Port Policy

“We are always looking for a good port.”
- Commander in Chief, Pacific Command (CINCPAC) Admiral Richard Macke (Hanoi, October 1994)

Vietnam’s Cam Ranh Bay has been a site of strategic importance since the 19th century. French, Russian, Japanese, and American navies have used the well-situated harbor in Cam Ranh Bay not only as a refueling station, but also as a springboard for military operations in East Asia. The port at Cam Ranh Bay is located around 290 kilometers (km) northeast of Ho Chi Minh City, Vietnam’s largest metropolis. Cam Ranh Bay is recognized as one of the best deep-water shelters in Southeast Asia due to certain unique geographic features. The bay is 32 km (around 20 miles) long from north to south and surrounded on each end by two peninsulas. It stretches 16 km (around 10 miles) wide from east to west.

---


The port at Cam Ranh Bay today is highly coveted for its geostrategic presence near the SCS, as indicated above in Figure 4.1. On the one hand, Cam Ranh Bay port is a strategically situated supply situation where ships can undergo repairs and aircraft carriers and other large vessels can re-fuel. On the other hand, the port is located close to key sea lines of communication (SLoCs) that cross through the SCS, as illustrated below in Figure 4.2. SLoCs are critical maritime passageways used for the seaborne transport of important trade goods, such as crude oil. Some of the world’s main SLoCs include the Straits of Malacca (the world’s business shipping route), the Strait of Hormuz (critical maritime passageway for crude oil), and

Figure 4.2: Sea Lines of Communication for Crude Oil through the South China Sea

---

232 Ibid.
the SCS. SLoCs maintain incredible strategic importance since they can be used by certain states to block other states’ access to critical seaborne supplies during times of crisis.\textsuperscript{235} As a result, Cam Ranh Bay port’s proximity to SLoCs in the SCS can be used as a base from which to monitor China’s activities. Not only could the base be used as a springboard to encircle the PRC, it could also conceivably block the PRC’s access to certain parts of the Asia-Pacific, as well as seaborne trade headed to China’s coast. Finally, forces based in Cam Ran Bay would be able to project force into contested zones of the SCS.\textsuperscript{236}

After eight years of neglect, the Vietnamese government announced in 2010 that the facilities at Cam Ranh Bay would be available for commercial use by any and all navies. This declaration was especially surprising given the military use of Cam Ranh Bay’s harbor for the past 150 years. While this “open port” approach lies closer to the hedging midpoint of the policy spectrum in Chapter 1, conventional approaches to hedging offer only a cursory explanation of why this policy was chosen. This chapter uses the three-dimensional hedging framework outlined in Chapter 1 to address this explanatory gap. A number of foreign, domestic, and sector-specific factors, most notably the domestic influence of the VPA and external pressure from Russia, China, the U.S, and India, affected Vietnam’s decision to open Cam Ranh Bay’s port to all foreign navies. As a result, Vietnam’s response is somewhere between strategic hedging and soft balancing on the policy continuum in Chapter 1. This section begins with a brief historical background of Cam Ranh Bay’s history up until the 1990s. Next, it covers in greater detail the key events surrounding Cam Ranh Bay’s port from 1991 to the present. The chapter concludes

\textsuperscript{235} Khalid, 57.

with an analysis of the current Cam Ranh Bay “open port policy” using the three-dimensional hedging framework.

**Historical Background**

The French first recognized the strategic importance of Cam Ranh Bay and constructed a naval port there during the 19\textsuperscript{th} century. Vietnam, as well as Cambodia and Laos, were part of French Indochina during this period and remained under French rule from 1887 to 1954. Soon thereafter, the Russian navy made use of the port during the Russo-Japanese War of 1904-5. In April of 1905, a Russian navel fleet sailed into Cam Ranh Bay to re-fuel.\textsuperscript{238} After a few days at the port, the French asked the Russians to leave the port, due to Japanese pressure. The Russian naval fleet, however, went on to fight the Imperial Japanese Navy at the Battle of Tsushima in May.\textsuperscript{239} From this point onwards, the port was recognized as a strategic military outpost in the SCS. The port’s strategic significance became evident during World War II. In 1940, the Japanese occupied French Indochina and, as a result, gained ownership over Cam Ranh Bay. The Japanese army used the port extensively to launch

![Figure 4.3: The American Air Base at Cam Ranh Bay during the Vietnam War\textsuperscript{237}](image)


\textsuperscript{238} Storey & Thayer, 453.

\textsuperscript{239} Ibid.
additional military operations into SeA.\textsuperscript{240}

The port at Cam Ranh Bay was equally important to the Americans during the Vietnam War. In 1965, the Republic of Vietnam (RVN), or South Vietnam, gave the port to the American military for use in their effort against the communist guerrillas in North Vietnam. Soon thereafter, the U.S upgraded the facilities and turned the port into a large naval base, as depicted in Figure 4.3. During the rest of the war, Cam Ranh Bay would serve as one of the main points of entry into Vietnam for American equipment, military supplies, and personnel.\textsuperscript{241} After the 1968 Tet Offensive, however, American President Richard Nixon instituted a policy of “Vietnamization” that mandated the reduction of U.S troops in Vietnam.\textsuperscript{242} As a result, Cam Ranh Bay was handed back to the RVN in 1972. In 1976, the reunification of North and South Vietnam under the Socialist Republic of Vietnam handed ownership of the base over to the new Hanoi-based communist government.

In the years after the end of the Vietnam War, the Soviet Union (USSR) pushed the Vietnamese for access to the naval base at Cam Ranh Bay. During this period, as outlined in Chapter 2, Vietnam began to distance itself from China, its former socialist “big brother.” As a result, Vietnam developed closer relations with the USSR, culminating in the 1978 Treaty of Friendship and Cooperation between the two states.\textsuperscript{243} Several months later, Hanoi and Moscow

\textsuperscript{240} Storey & Thayer, 454.
\textsuperscript{241} Storey & Thayer, 454.
\textsuperscript{242} The Tet Offensive consisted of three separate waves of attacks launched by the PAVN/NLF, ending in October 1968. The Offensive constituted a series of coordinated assaults on urban areas and military installations in Southern Vietnam in order to strike a decisive blow to the Americans and their allies and incite a general uprising against the government in Saigon. In the short run, the Tet Offensive was a military defeat for the NLF/PAVN forces, as they were unable to ignite a general uprising among Southern Vietnamese and were swiftly pushed back by the Americans. In the long run, however, the Tet Offensive was a decisive turning point, cementing American public opinion against the war and leading to the eventual withdrawal of troops from Vietnam in 1973. Despite being a military success, many Americans concluded from the media’s coverage of the Tet Offensive that, as Walter Cronkite put it, the U.S. was “mired in stalemate”; ultimately, it would take significantly more troops than originally estimated to fight back the Vietnamese.
\textsuperscript{243} Storey & Thayer, 454.
concluded a secret bilateral protocol granting the Soviet Union exclusive access to Cam Ranh Bay until 2004. 244 According to this agreement, Moscow “could keep third parties fro using Cam Ranh Bay.” 245 Furthermore, while the USSR was not required to pay rent for use of Cam Ranh Bay, they gave USD $1 billion in aid to Hanoi every year until the late 1980s. 246 Soviet engineers went immediately to work upgrading the base for the Cold War, including constructing new docks, weapons storage facilities, aircraft runways, barracks, and a power station. Furthermore, the USSR built a state-of-the-art signals intelligence (SIGINT) facility at Cam Ranh Bay that could be used to intercept American transmissions from the Philippines and track naval activity from China. 247

By 1984, Cam Ranh Bay was the USSR’s largest overseas military base outside of Eastern Europe. 248 The naval base had proved strategically critical to the USSR because it gave Moscow a stronger presence in the Pacific and allowed the Soviet Pacific Fleet based in Vladivostok to forward-deploy force into SeA. In the mid-1980s, the USSR reconsidered its strong military presence in SeA as relations with China began improving. At the same time, Moscow was focused on rebooting the Soviet economy and appearing less hostile to other states on the world stage. As a result of these political and budgetary concerns, the USSR withdrew all offensive weaponry from Cam Ranh Bay in 1989. After the collapse of the USSR and the end of the Cold War, all remaining Russian military personnel, aircraft, and vessels were slowly removed from the base. 249

244 Storey & Thayer, 455.
245 Ibid.
246 Ibid.
247 Ibid.
248 Storey & Thayer, 456.
249 Storey & Thayer, 457.
Current History (1991-2014)

Shortly after the withdrawal of Soviet forces from the base in 1991, Russian Foreign Minister Andrei Kozyrev announced that Moscow was again interested in maintaining a presence at Cam Ranh Bay. This decision was brought on by a confluence of external and domestic factors, including Russia’s desire to cling to any vestige of its former superpower status and a desire to secure a strategic foothold in SeA.250 The announcement prompted a round of discussions between Russia and Vietnam over the future of the base. During these negotiations, Hanoi is reported to have demanded that Moscow pay USD $300 million per year to continue renting the base, while Moscow allegedly offered to pay an annual $60 million. In April 1993, however, an agreement was reached to maintain Russia’s rent-free lease on Cam Ranh Bay until the original deadline of 2004. Vietnam’s hesitation to renew Russia’s lease and its exorbitant rent demands were probably due to Hanoi’s desire, at the time, to convert the port at Cam Ranh Bay into a commercial facility. In 1994, Vietnamese officials visited the former American naval base at Subic Bay in the Philippines and were impressed by that port’s transformation into a commercial facility.251 Subic Bay, which is located around 80 km north of Manila, housed the US 7th Fleet until 1992 and is now a commercial port known as Subic Bay Freeport Zone.252

Bilateral negotiations over the future of the Cam Ranh Bay port continued into the late 1990s. In 1998, the Russian Defense Minister announced before a visit to Hanoi to discuss Russo-Vietnamese growing military ties that one of his priorities was to secure future rights to Cam Ranh Bay, citing access to this port as a strategic imperative for Moscow.253 After this summit, an accord was signed between Russia and Vietnam over military-technology

250 Storey & Thayer, 457.
251 Storey & Thayer, 458.
253 Storey & Thayer, 459.
cooperation; an agreement, however, was not reached on the future of Cam Ranh Bay. To Russia’s dismay, the Vietnamese MFA announced in 2001 that once Russia’s lease expired on the port, Cam Ranh Bay would eventually be open to any and all navies as a commercial port. Rather than renew Moscow’s lease, Hanoi had decided to “exploit the potential and advantages of Cam Ranh Bay to serve its national socio-economic development objectives.”\(^{254}\) In response, Russia announced that it would not be renewing its lease on Cam Ranh Bay because the requested rental price was too high. Furthermore, Moscow announced that a total pullout of Russian personnel, vessels, and equipment from Cam Ranh Bay would occur before the original deadline of 2004.\(^{255}\) By 2002, all Russian forces had left Cam Ranh Bay and the port would remain unused until 2010.\(^{256}\)

At the close of the 2010 East Asia Summit, PM Dung announced that the facilities at Cam Ranh Bay would become available for commercial use by all foreign navies the following year.\(^{257}\) According to Dung, Vietnam would offer access to Cam Ranh Bay to “all countries…when they need Vietnam’s services.”\(^{258}\) Soon thereafter, Defense Minister Thanh emphasized that the facilities at Cam Ranh Bay would primarily serve the Vietnamese navy, but would also be open to foreign navies when available.\(^{259}\) This “open port” policy will be the focus of the analysis later on in this chapter. Shortly thereafter, Vietnam divulged plans to hire Russian consultants and purchase Russian equipment for the $200 million renovation of the port. Russian involvement in this upgrade was part of a larger deal in 2009 to provide Vietnam with six Kilo-

\(^{254}\) Storey & Thayer, 462.
\(^{255}\) Storey & Thayer, 461.
\(^{258}\) Chen, 2.
class submarines to be housed at Cam Ranh Bay.\textsuperscript{260} A Russian training center for Vietnamese navy personnel is also being built at Cam Ranh Bay as part of this agreement. The first of these submarines, known as HQ-182, was delivered to the Vietnam People’s Navy (VPN) in 2013.\textsuperscript{261} The second and third submarines, known as HQ-183 and HQ-184 Haiphong respectively, docked at Cam Ranh Bay in March 2014.\textsuperscript{262}

The renovated port at Cam Ranh Bay officially opened to foreign navies in 2011. Vietnam, however, is only allowing noncombat vessels to use the facilities at Cam Ranh Bay. This policy was reaffirmed in 2013 when Vietnamese Defense Minister Thanh reiterated Vietnam’s position against forming military alliances with other states and allowing the creation of a foreign military base at Cam Ranh Bay.\textsuperscript{263} In 2011, the United States Naval Ship (USNS) Byrd underwent seven days of maintenance at the port. It is important to note that the USNS Byrd is part of the U.S Military Sealift Command and therefore is not a warship. Instead, USNS Byrd is a civilian manned vessel used to re-supply American naval ships out at sea.\textsuperscript{264} This was followed by American Secretary of Defense Leon Panetta’s trip to Cam Ranh Bay in June 2012.\textsuperscript{265} Panetta is the highest-ranking American to visit Cam Ranh Bay since the end of the Vietnam War. The goal of this visit was to acquire greater American naval access to Cam Ranh Bay, possibly to counter the rise of China. Ultimately, however, use of Cam Ranh Bay is critical

\textsuperscript{260}The Kilo Class submarine is considered to be one of the world’s quietest diesel submarines. It was developed primarily for use against submarines and other vessels, as well as to protect naval bases and sea-lanes. Due to their stealth capabilities, Kilo Class submarines were also designed for reconnaissance and other patrol missions.

\textsuperscript{261}Storey, Ian. “Vietnam’s Cam Ranh Bay: Geopolitical Power in Play.”


to U.S strategy in the region since Washington needs harbors in SeA to move vessels from the American West Coast to the Pacific.266 During Panetta’s visit, the USNS Byrd was also undergoing another round of repairs at the port. According to Panetta, the “fact that the ship is here and being serviced by Vietnamese contractors is a tremendous indication of how far we have come.”267 Despite burgeoning U.S-Vietnamese defense relations, the American Navy is limited to one port call a year in Vietnam. Furthermore, U.S warships are currently not permitted to enter Cam Ranh Bay.268

Russia has expressed a renewed interest in Cam Ranh Bay since the port’s re-opening in 2011. In 2012, Moscow announced its goal of regaining access to the naval base at Cam Ranh Bay for its energy projects off of Vietnam’s coast.269 Recently, the largest Russian oil and gas enterprise Gazprom signed an agreement with Hanoi to explore two blocks in Vietnam’s continental shelf, located in contested zones of the SCS that are accessible from Cam Ranh Bay.270 In 2013, Russia and Vietnam announced that Moscow would aid in the construction of a maintenance and repair facility at Cam Ranh Bay, to be completed by 2015.271 Furthermore, Russian Defense Minister General Shoigo recently visited Cam Ranh Bay to oversee progress on the facilities Russia is constructing for Vietnam’s new Kilo-class submarines. During this visit, General Shoigo also encouraged the Vietnamese to build a five-star resort at Cam Ranh Bay for

266 Ibid.
267 Ibid.
270 Ibid.
Russian soldiers docking at the bay after long overseas missions.\textsuperscript{272} It was reported that during that year, Russia and Vietnam were negotiating a document to allow for regular Russian port interests to Cam Ranh Bay.\textsuperscript{273} Bilateral discussions in 2014 also allegedly made headway on Russian use of Cam Ranh Bay. In these negotiations, the Russian and Vietnamese defense ministers considered how to streamline administrative procedures for Russian ships that want to dock at the Cam Ranh Bay port for repairs and re-supply.\textsuperscript{274}

India and Japan have also conveyed a desire to use the facilities at Cam Ranh Bay. Earlier this year, for example, it was reported that Japan had expressed interest to the Vietnamese government of using the port at Cam Ranh Bay.\textsuperscript{275} India also recently indicated its goal of gaining access to Cam Ranh Bay. Currently, Vietnam allows the Indian Navy to use the Nha Trang port.\textsuperscript{276} Russia and the U.S., however, are the principal external powers with access to Cam Ranh Bay’s facilities.

\textbf{Analysis of “Open Port Policy”}

How can Vietnam’s unprecedented decision to open the port at Cam Ranh Bay be explained? The three-dimensional hedging framework outlined in Chapter 1 can help us understand why Hanoi chose this policy. After the expiration of Russia’s lease, Vietnam had three options for the future of Cam Ranh Bay. First, Hanoi could have converted the port into a


\textsuperscript{274} “Russia Helps Vietnam improve military capacity.”


naval base exclusively for use by the VPN. Second, Vietnam could have rented out the port as a naval base to one or more foreign powers, similar to their agreement with Russia until 2002. Third, Vietnam could have opened the base as a commercial facility, as the Philippines did with the former American base at Subic Bay. Vietnam chose the third policy option, converting Cam Ranh Bay into an “open port” for repair and resupply use by foreign non-military vessels in 2010/2011.

This chapter uses a three-dimensional hedging approach to explain why Vietnam chose this open port policy. This framework can also help us understand why Vietnam only opened Cam Ranh Bay for foreign use in 2010, despite Russian withdrawal from the port in 2002. External factors, particularly pressure from Russia, the United States, China, and, to a lesser extent, India, influenced why Vietnam decided to convert the port at Cam Ranh Bay into a commercial facility. Sectoral and domestic concerns, most notably pressure from the VPA, were also important determinants of the open port policy. Ultimately, however, its implementation was due primarily to foreign factors. In fact, it was the confluence of these external pressures, coupled with regional developments in the SCS that prompted Hanoi’s decision in 2010. Because of competing demands from large states such as the U.S and Russia over access to Cam Ranh Bay, Vietnam adopted a hedging-like strategy by weaving together a number of external partnerships to counter China’s growing military power and assertiveness in the SCS. Thus, unlike the bauxite mining case, Vietnam’s decision on Cam Ranh Bay lies slightly to the left of the midpoint on the policy spectrum illustrated in Chapter 1. On this continuum, the open port policy exists somewhere between hedging and soft balancing. In this case, soft balancing refers
to “tacit balancing short of formal alliances, mainly in the form of limited arms build-up, ad hoc cooperative exercises, or collaboration in regional or international institutions.”

External factors were the primary determinants of the Vietnamese government’s policy in Cam Ranh Bay, given this port’s strategic and coveted location. Creeping Chinese assertiveness in the SCS played a critical role in this decision. Since the focus of this thesis is not to explain the dynamics of overlapping sovereignty claims in the SCS, this chapter will not provide a detailed overview of this issue for the sake of brevity. In short, China and Vietnam both claim two archipelagoes in the SCS – the Paracels and the Spratlys – as well as the continental shelves and exclusive economic zones (EEZ) that accompany them. Tensions between Vietnam and China in the SCS escalated particularly in the second half of the 2000s. In 2007, Vietnam accused China of pressuring foreign energy companies to halt offshore exploration ventures with Vietnamese companies in the SCS. During this year, Chinese vessels also fired on Vietnamese boats fishing in waters off of contested atolls. Tensions flared up again in 2009 when Chinese ships detained forty Vietnamese trawlers in enforcement of a Chinese-led 10-week moratorium on fishing in the SCS.

The growing conflict between Vietnam and China in the SCS in the latter part of the 2000s played a part in prompting Vietnam to open Cam Ranh Bay in 2010. Facing growing Chinese assertiveness, Hanoi was searching for an effective but not overly-threatening deterrent against China. The open port policy meets these security objectives; by only allowing foreign noncombatant vessels to dock at Cam Ranh Bay, this strategy appears less threatening to China.

---

278 For an overview of key incidents between China and Vietnam in the SCS, the reader should refer to the historical background in Chapter 2.
279 Storey, Southeast Asia and the Rise of China, 113.
280 Storey, Southeast Asia and the Rise of China, 118.
281 Ibid.
Hanoi’s desire not to anger China, given their asymmetric military capabilities, can be seen in the unveiling of the open port policy. After Hanoi’s announcement in 2010, the Vietnamese government “went out of its way to reassure Beijing that Cam Ranh Bay facilities were to be used for commercial, not military, purposes.”\textsuperscript{282} Similarly, Vietnam downplayed Panetta’s 2012 trip to Cam Ranh Bay. After the visit, Deputy Defense Minister Nguyen Chi Vinh issued a public statement that “to have peace, stability, and security in the region [requires] good relations with China so that we can enjoy mutual benefit.”\textsuperscript{283}

Currently, American and Russian noncombatant vessels are using the facilities at Cam Ranh Bay, although India and Japan have expressed interest in also docking there. The decision to open the port to not one but multiple navies is due to this variety of external pressures. Growing U.S-Vietnamese military ties played a key part in this decision. Since the early 2000s, security cooperation between these two former enemies has grown. In 2003, the USS Vandegrift arrived in Ho Chi Minh City as the first U.S. Navy ship to dock in Vietnam since the end of the Vietnam War.\textsuperscript{284} In bilateral security discussions over the following years, “the idea of U.S access or prepositioning rights [was] a regular item on the agenda of U.S.-Vietnamese discussions.”\textsuperscript{285} The impetus to improve defense relations between Vietnam and the U.S came not only from Washington, but also from Hanoi. According to one Vietnamese official, the “triangle was out of balance” given significant improvements in Sino-Vietnamese relations and little headway on U.S.-Vietnamese relations.\textsuperscript{286} Tensions between Vietnam and China in the SCS

\textsuperscript{282} Percival, 43.
\textsuperscript{283} Ratnam.
\textsuperscript{284} Ibid.
\textsuperscript{285} Brewster, 98.
\textsuperscript{286} Storey, Southeast Asia and the Rise of China, 120.
in the latter 2000s accelerated U.S.-Vietnamese defense cooperation, given growing concerns in Hanoi and Washington over China’s regional ambitions.\textsuperscript{287}

Military cooperation between these two states reached new heights in 2010 when then Secretary of State Hilary Clinton declared in a visit to Vietnam that peace and stability in the SCS was a national interest of the U.S.\textsuperscript{288} That same year, the aircraft carrier USS Washington made a visit to Vietnamese waters.\textsuperscript{289} The growing defense relations between these two states demonstrate the strategic importance of Vietnam to the U.S and highlight the strategic value of Cam Ranh Bay. In accordance with the American pivot to East Asia, Washington is searching to implement its “places not bases” strategy. This approach calls for access to a number of different Asian ports for resupply and repair without having to obtain expensive and politically difficult basing rights.\textsuperscript{290} Thus, Vietnam faced pressure from the U.S for access to Cam Ranh Bay, which can explain why the U.S was one of the first states to use the port’s new facilities. At the same time, Vietnam’s wariness to engage exclusively with the U.S given their historical animosity and Hanoi’s fear of Chinese retaliation can explain why Vietnam opened up the port to other foreign vessels as well. This defense posture is encapsulated in the “Three No’s” of Vietnamese defense policy: “no foreign alliances, no foreign bases, and no relationship with another country to be used against a third party.”\textsuperscript{291} In other words, there is an official Vietnamese commitment not to engage in hedging in the security sphere.

Growing defense cooperation between Vietnam and Russia also played a significant role in Hanoi’s “open port” policy decision. Russia and Vietnam have a long history of military

\textsuperscript{287} Ibid.
\textsuperscript{289} Brewster, 98.
\textsuperscript{290} Storey, Ian. “Vietnam’s Cam Ranh Bay: Geopolitical Power in Play.”
\textsuperscript{291} Ibid.
alignment against China dating back to the Cold War. When Vladimir Putin came to power in 2001, Vietnam and Russia became strategic partners. Following the establishment of this partnership, Russian Foreign Minister Igor Ivanov described Vietnam as “one of Russia’s most important strategic partners in SeA.” Russia and Vietnam reaffirmed their comprehensive strategic partnership in 2012. Cooperation between these two states has been strongest in the military sphere, as evidenced by growing Russian arms sales to Vietnam. In fact, these arms sales are the most important component of Russian-Vietnamese economic relations. Russia sees Vietnam as a strategic partner in SeA, which can explain Russian pressure on Hanoi for access to Cam Ranh Bay.

However, instead of returning Cam Ranh Bay to Russia for use as a naval base, Vietnam adopted an open port policy. While Vietnam welcomes growing defense ties with Russia, Hanoi is also wary of Russia’s burgeoning security relationship with China. In 2013, for example, Moscow and Beijing conducted joint land and naval exercises. Russia appears to be pursuing a paradoxical agenda in East Asia. On the one hand, Russia’s sale of Kilo-class submarines to Vietnam signals an effort to increase Vietnam’s military capacity to resist Chinese aggression in the SCS. On the other hand, Russia’s growing defense ties with China and their mutual interests on the international stage do not portray Russia as a credible defense partner for Vietnam against China. As a result, Moscow can realistically offer little aid to Vietnam as a deterrent against China in the SCS. Thus, Vietnam adopted an open port policy to mitigate external pressure from

292 Storey & Thayer, 460.
293 Blank, “Russian Military Policy in Asia: A Study in Paradox,” 2
294 Ibid.
295 Storey & Thayer, 463.
297 Ibid.
Russia for access to Cam Ranh Bay, while ensuring that other states could also have access as potential partners against China.

India (and to a lesser extent Japan) has also expressed an interest in using the facilities at Cam Ranh Bay, although they will likely be secondary players in Vietnam’s attempts to hedge against China in the SCS. In particular, Vietnam faced external pressure from India, given their burgeoning defense relations. In the 1990s, Vietnam turned to India as it attempted to diversify its military relations with other states besides Russia.\(^\text{298}\) In January 2000, the Indian Defense Minister called for a “renewed political relationship with a strong security focus” between India and Vietnam. At this time, the Indian government also approached Vietnam to develop its naval presence in the region through access to Cam Ranh Bay.\(^\text{299}\) It was not until 2003, however, that Vietnam agreed to a “Joint Declaration on Comprehensive Cooperation Framework” with India, given VCP GS Manh’s initial reluctance to enter into a strategic relationship with India.\(^\text{300}\)

Despite early attempts at defense cooperation, India’s relationship with Vietnam has been primarily political and economic due to domestic concerns in New Delhi and Hanoi. On the Indian side, the new government elected in 2004 was less eager to involve itself aggressively in regional security. On the Vietnamese side, problems with the purchase of Indian ballistic missiles due to bureaucratic and export control issues in India has weakened India’s credibility as a security partner for Vietnam.\(^\text{301}\) Thus, Vietnam faced less external pressure from India for immediate access to Cam Ranh Bay, although it is likely that in the future New Delhi will push Vietnam for permission to dock at this port. For the time being, Indian vessels currently make port calls at the Vietnamese port of Nha Trang.

\(^{298}\) Brewster, 94.
\(^{299}\) Brewster, 95.
\(^{300}\) Ibid.
\(^{301}\) Brewster, 96.
Domestic actors, namely the VPA and the VPN, were also influential factors in the decision to implement an “open port” policy at Cam Ranh Bay. Other factions within the VCP, however, also had a minor effect on the government’s decision to re-open Cam Ranh Bay to foreign navies. From the beginning, deliberations over the future of Cam Ranh Bay were subject to internal divisions. In the 1990s, for example, some Vietnamese officials were apprehensive about the continued presence of Russian forces on Vietnamese soil, while others were worried about China and willing to tolerate the Russians as a deterrent to the Chinese.\(^{302}\) At the same time, another faction consisting primarily of local authorities in Khanh Hoa province (in which Cam Ranh Bay is located) wanted to convert the port since they predicted that it could be more of an economic benefit if it was transformed into a commercial facility.\(^ {303}\) In this way, the port of Cam Ranh Bay could bring in larger amounts of FDI and offset the large operating costs of the maintenance and repair facilities located there.

The VPA serves an important domestic political role in Vietnam and enjoys bloc representation on the VCP’s Central Committee and in the Politburo.\(^ {304}\) Furthermore, given recent tensions in the SCS, the military’s role in security and defense affairs has increased. At the same, the VPA’s influence has declined in other sectors, particularly over economic affairs. This trend can be observed by comparing Vietnam’s first Defense White Paper in 1998 with its second Defense White Paper in 2004. In the first report, the VPA was tasked with two missions: national defense and economic development. In the second paper, however, the VPA’s mandate was stated as “maintain[ing] combat readiness for safeguarding the socialist homeland and

\(^{302}\) Storey & Thayer, 458.  
\(^{303}\) Storey & Thayer, 461.  
making a contribution to the cause of national construction.”Regardless of why this adjustment occurred, it is important to note that the VPA’s priorities in 2004 were more narrowly focused on national defense and did not include a specific mandate to engage in economic activities.

The influential role of the military on issues related to national defense and security, especially related to the SCS, also explains why Vietnam chose to implement an “open port policy” in Cam Ranh Bay. The VPA’s priority is national defense and this open port strategy best serves that purpose. It could be argued that converting the port into a foreign naval base, as was previously done with Russia, would be a better defensive strategy against Chinese assertiveness in the SCS, given the asymmetry between Vietnamese and Chinese military capabilities. In the eyes of the VPA, however, letting only one foreign navy use Cam Ranh Bay limits Vietnam’s defensive options and threatens Vietnamese sovereignty. Thus, the open port strategy complements the domestic goals of the VPA. The presence of foreign noncombatant vessels in Cam Ranh Bay can serve as a deterrent against Chinese aggressiveness in the SCS by indirectly suggesting that Vietnam may have the support of other foreign navies, particularly the U.S. At the same time, this policy does not threaten Vietnamese sovereignty since only noncombatant vessels are allowed to dock at the port in Cam Ranh Bay.

Finally, sector-specific factors also affected Vietnam’s decision to reopen the port at Cam Ranh Bay to foreign navies. Before delving into a discussion of these factors, it is important to differentiate this case study from the previous one in the economic sector. It could be argued that the re-opening of Cam Ranh Bay is, in fact, a policy decision in the economic realm, rather than in the security one, since the port was converted into a commercial facility. Given its historical

importance as a naval base and its proximity to the SCS, however, the policy of re-opening Cam Ranh Bay’s port was clearly a security decision. The importance of Cam Ranh Bay, for example, was broadcast in state newspaper *Tuoi Tre*. According to an article in this paper, Deputy PM Nguyen Xuan Phuc called for the conversion of Cam Ranh city into a “strong defensive zone that can contribute to safeguarding the fatherland’s sovereignty,” especially given that Cam Ranh is a “gateway to the East Sea.” Thus, the open port policy can be analyzed primarily within the security sphere, as economic considerations were secondary to greater military concerns.

The VPA played a large role domestically in pushing the Vietnamese government to re-open Cam Ranh Bay to all foreign navies. The influence of the military establishment was particularly powerful on this issue because the opening of Cam Ranh Bay port exists within the security sphere. While the military’s influence over economic issues has declined since the end of the Cold War, the VPA’s authority has switched over primarily to issues in the security sphere. According to Thayer, “the VPA has relinquished some of its influence over the party, state and the economy, while it increased its authority over its internal military affairs.”

Tensions in the SCS and internal military modernization programs to address this issue have further refocused the policy priorities of the VPA on defense policies, rather than economic ones. This shift can explain why the military had more influence domestically on this decision than on bauxite mining policies, since that issue was situated principally in the economic domain. In sum the military has relatively more influence on policy in the security sector. As a result, the VPA’s large role in the security sphere can explain why Vietnam decided to re-open the port at Cam Ranh Bay.

---

A three-dimensional hedging framework can help explain why Vietnam decided to pursue an open-port policy at Cam Ranh Bay. At first glance, the open port policy more closely resembles hedging as defined by the existing literature. Current single-plane explanations of hedging, however, do not completely explain why Vietnam chose to open its port to the United States, Russia, and potentially India in the future. A closer look at the factors that affected Vietnam’s decision reveals the importance of external pressures on Hanoi’s decision to open the port at Cam Ranh Bay. This analytical process is illustrated below in Figure 4.4. Thus, unlike in the previous case study, foreign factors here were more influential than domestic ones in determining where Vietnam would fall on the policy spectrum for this issue. Ultimately, the contrast between this case study and the bauxite mining one highlights the usefulness of this paper’s disaggregated approach to hedging. Different issues across sectors will be affected differently by a host of foreign and domestic factors; thus, a detailed and nuanced approach is necessary to explain – and eventually predict – how a small state will hedge against a larger one.
Figure 4.4: Three-Dimensional Hedging Analysis of Cam Ranh Bay
Conclusion

This thesis aimed to answer the question of how and why Vietnam adopts a hedging strategy towards China in the 21st century. This paper concludes that current explanations of hedging are insufficiently nuanced to account for the complexities of Sino-Vietnamese relations. This thesis introduces a three-dimensional hedging framework to address the limitations of existing explanations of hedging. This three-dimensional hedging framework operates on the assumption that hedging is not a fixed foreign policy strategy in the middle of bandwagoning and balancing. Instead, hedging is a portfolio of different foreign policy strategies that can be used to maintain a small-state’s strategic flexibility in an uncertain geopolitical environment. According to this paper’s three-dimensional hedging framework, a small-state’s strategy on any given policy issue will be determined by a confluence of foreign, domestic, and sector-specific factors. Furthermore, the relative influence of each of these zones will differ across issues.

In this thesis, the three-dimensional hedging framework was used to understand the Vietnamese government’s policy decisions towards Chinese involvement in Vietnam’s bauxite mining industry and the “open port policy” of Cam Ranh Bay. This framework, however, can also provide insight into how Vietnam will respond to recent Chinese aggressiveness in the SCS. On May 1st, 2014, the PRC deployed the oil rig Haiyang Shiyou 981 in waters claimed by Vietnam. Today, the rig is located around 70 miles inside Vietnam’s EEZ in the SCS, which extends 200 miles from Vietnam’s shore, as stipulated by the 1982 United Nations Convention
on the Law of the Sea (UNCLOS). The PRC, however, rejects Vietnam’s claims based on a historical argument that China used to have ownership over much of the SCS. This announcement was followed by large anti-China protests in Vietnam, resulting in the death of one Chinese man and the subsequent evacuation of thousands of Chinese out of the country.

How is Vietnam going to respond to China’s aggressiveness in the SCS? In order to predict where Vietnam’s response will fall along the policy spectrum, we must look at the foreign, domestic, and sector-specific factors that will influence this policy decision. As discussed in the case of Cam Ranh Bay, security issues fall under the jurisdiction of the VPA; as a result, the VPA will push the government for a direct response to China, since their deployment of an oil rig in Vietnamese waters threatens Vietnamese sovereignty. On the domestic side, the Vietnamese government must mitigate the anti-China nationalism fueled by this incident. Hanoi must quell these protests and ensure that they do not spill over into larger topics concerning worker’s rights and democratic freedoms, issues that threaten the legitimacy of the VCP. Thus, the Vietnamese government’s response will have to strike a balance between appeasing domestic jingoism and ensuring that its reaction does not provoke a harsh retaliation from China.

On the foreign side, Vietnam has few partners to turn to for help in reining in Chinese aggressiveness. In May, ASEAN failed to criticize China’s actions in the final communiqué of its annual summit. The lack of a strong statement from the ASEAN states signals to Vietnam their inability to act as credible hedging partners for Hanoi against China in the SCS. Similarly, recent American failure to defend Ukraine against Russia indicates the U.S’ desire not to become

---

embroiled in certain regional conflicts. Thus, the U.S currently does not stand as a strong hedging partner for Vietnam against China.

Vietnam faces a number of legal, political, economic, and military options as retaliation against China in the SCS. The confluence of the aforementioned foreign, domestic, and sectoral factors, however, will likely result in a Vietnamese policy leaning more towards the bandwagoning end of the policy spectrum. In other words, Hanoi is likely to enact legal and diplomatic measures in response to Chinese aggressiveness in the SCS. Domestic pressure from the VPA and Vietnamese civil society will force Hanoi to institute some sort of response against China; the severity of this policy, however, will be reduced by Vietnam’s lack of external support against China in the SCS. As a result, Vietnam will probably seek international arbitration on this issue in the International Tribunal on the Law of the Sea. In the past, the Philippines has taken this step in response to Chinese interference in Filipino zones of the SCS. At the same time, we may also see a domestic push for further rapprochement with the U.S, in order to mitigate future Chinese aggressiveness in the area. While these policies will likely do little to deter China from continuing to explore natural resources in contested waters, domestic and sector-specific factors in particular necessitate some sort of response from Hanoi.

Policy Implications and Recommendations

What then will the future of Sino-Vietnamese relations look like? Given the importance of these two states both regionally and globally, this is a question that deserves further study. This thesis does not attempt to answer this query since the paper focuses primarily on the determinants of Vietnamese strategy towards China. Given this thesis’ findings on Vietnamese policy, however, certain predictions can be made about the future of Sino-Vietnamese relations.
It is important, however, to note that these predictions only comment on the Vietnamese side of this bilateral relationship. Although not covered here, the PRC’s strategic calculus towards Vietnam, as well as its policy initiatives such as the recent deployment of a Chinese oil rig to Vietnamese waters, will play an equally important part in determining the future of Sino-Vietnamese relations.

The in-depth analyses of Chinese involvement in Vietnam’s bauxite mining industry and the “open port policy” of Cam Ranh Bay highlight the myriad of foreign, domestic, and sector-specific factors that influence Vietnamese policy towards China. The policy implications of these different elements are listed below:

1. **Nationalism** – As demonstrated in the bauxite-mining case study, Vietnamese anti-China nationalism has emerged as a salient feature of Sino-Vietnamese relations. Although the Vietnamese government was able to control and/or ignore domestic opposition to Chinese involvement in Vietnam’s bauxite-mining industry, nationalist forces may be harder to constrain in different sectors, particularly involving the territorial integrity of Vietnam. The recent Sino-Vietnamese dispute in the SCS demonstrates the “reactive nationalism” of Vietnamese civil society that could potentially undermine Hanoi’s attempts to reconcile with China.³¹⁰ Initially, the Vietnamese government did not interfere in these nationalist protests; however, the demonstrations soon spiraled out of control as mobs looted and burned Chinese factories and businesses, endangering the Vietnamese economy.³¹¹ Vietnam’s control of domestic anti-China nationalism will play a part in dictating the future of Sino-

---


³¹¹ Peel.
Vietnamese relations; this jingoism can serve both as an impetus for greater action against China and a constraint to the implementation of a pragmatic and calculated foreign policy strategy towards the PRC.

2. **Economic Pressure** – The bauxite-mining case study illustrates the critical role China and Vietnam’s asymmetrical economic relationship will play in determining Vietnam’s future policies towards the PRC. In the bauxite-mining case, China’s significant economic leverage over Vietnam due to the growing bilateral trade deficit between Hanoi and Beijing and Vietnam’s reliance on cheap Chinese consumer products constrained Vietnamese policy-making autonomy on this issue. As bilateral trade relations between the two states continue to grow, Vietnam will likely continue to lose policy autonomy over economic decisions that China considers vital to its national interests, such as the procurement of natural resources from Vietnam. Given Vietnam’s geographic proximity to China and the relations between the CCP and the VCP, China will probably continue to view preferential access to Vietnam’s natural resources and other markets as critical to Chinese economic growth and security. Thus, economic pressures from China will likely pull Vietnam further along the policy spectrum towards bandwagoning on critical Sino-Vietnamese economic issues. In other words, Vietnam will have less ability to “hedge” against China on economic issues that China deems critical to its national security. Vietnam can attempt to mitigate this effect by cultivating deeper economic ties with the United States, Japan, India, Russia, and the ASEAN states; however, as it currently stands, China holds significant economic leverage over Vietnam that will loom large in Hanoi’s strategic calculations towards China.
3. **Vietnamese Leadership** – Both the bauxite mining and the Cam Ranh Bay case studies elucidate the internal divisions within the VCP over how best to respond to a rising China, as well as the critical importance of the GS, PM, and VPA on different aspects of Vietnamese foreign policy. Both cases highlight the lack of a unified stance within the Vietnamese government over a “China strategy.” However, these internal divisions underline the pivotal role powerful individuals like the Vietnamese PM or the VCP GS can have over Vietnamese policy towards China. PM Dung is still in power in Vietnam and we can expect that, on certain economic issues, Dung will push for Chinese involvement. However, on security issues like Cam Ranh Bay, we can expect the VPA and other anti-China forces within the Vietnamese government to hold sway, given that these security issues are existential and threaten Vietnam’s sovereignty.

4. **U.S Interests in East Asia** – The Cam Ranh Bay case study provides insight into the role the U.S will play in Sino-Vietnamese relations. In 2011, President Obama announced a pivot in American foreign policy; the U.S. would intensify its role in the Asia-Pacific region in order to ensure that the U.S. will have “a larger and long-term role in shaping the region and its future.”\(^{312}\) This strategic turn coincided with demands from Vietnam and other Southeast Asian states for the U.S. to play a more active role in the region to balance out China. As the decision at Cam Ranh Bay illustrates, Vietnam has cautiously sought the support of external players in its territorial claims in the SCS and would most likely look favorably upon the U.S as a credible hedging partner against China. For example, the Vietnamese have indicated

that they might allow the U.S to send warships to Cam Ranh Bay if Washington relaxes a ban on selling lethal military equipment to Vietnam.\textsuperscript{313} Thus, if the U.S pushes for increased defense cooperation with Vietnam, Hanoi will gain more autonomy to push back on China on security issues. Unlike in the economic sector, Vietnam will have more of an ability to institute policies that lean towards the balancing side of the policy spectrum if Hanoi believes it has credible support from the U.S or other external powers. To this end, Vietnam should take gradual steps to improve all aspects of its bilateral relationship with the U.S; however, Hanoi must ensure that these measures do not overtly threaten China and provoke a negative response in, for example, the SCS.

**Concluding Remarks**

The title of this thesis - “catching fish with two hands” – refers to a popular Vietnamese proverb. While the translation of the proverb seems to make little sense in English, it refers to the fact that if you wait too long to choose between two options, you will end up with nothing. Recent Chinese aggressiveness in the SCS reveals the failure of Vietnam’s hedging strategy to deter China from securing its territorial claims. At its core, hedging is a liminal strategy since it is employed to maximize flexibility in an uncertain geopolitical environment. In this case, the PRC is making a salient statement that it intends to continue pursuing its claims in the SCS, despite the protests of Vietnam, the U.S, and the international community. As a result, the geopolitical environment in East Asia is shifting. In order to protect Vietnamese sovereignty in

the SCS, Vietnam will have to adopt a more decisive “China strategy” on the policy spectrum between balancing and bandwagoning. China’s newfound aggressiveness will force Vietnam to adapt its hedging strategy to a changing geopolitical climate since, as the proverb tells us, you cannot catch fish with two hands.
Bibliography


