

DISSERTATION

VIETNAM'S ASEAN STRATEGIC OBJECTIVES SINCE THE 1986
DOI MOI REFORM

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VIETNAM'S ASEAN STRATEGIC OBJECTIVES SINCE THE 1986 *DOI*

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List of Abbreviations

ADMM+	ASEAN Defense Ministers Meeting Plus
AFTA	ASEAN Free Trade Area
AMM	ASEAN Ministerial Meeting
APEC	Asia-Pacific Economic Cooperation
APT	ASEAN Plus Three
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Summit Meeting
BTA	Bilateral Trade Agreement
CEP	Comprehensive Economic Partnership
CEPT	Common Effective Preferential Tariff
CLMV	Cambodia, Laos, Myanmar, and Vietnam
COC	Code of Conduct of Parties in the South China Sea
DOC	Declaration on the Conduct of Parties in the South China Sea
EAS	East Asia Summit
EEZ	Exclusive Economic Zone
EU	European Union
EWC	East-West Corridor
FDI	Foreign Direct Investment
GMS	Greater Mekong Sub-region
IMF	International Monetary Fund
JWG	Joint Working Group

NICs	Newly Industrialized Countries
ODA	Official Development Assistance
PMC	ASEAN-Post Ministerial Conference
POW/MIA	Prison of War/Missing in Action
SCS	South China Sea
SOM	Senior Officials Meeting
TAC	Treaty of Amity and Cooperation
TPP	Trans-Pacific Economic Partnership
UNCLOS	The United Nations Convention on the Law of the Sea
VCP	Vietnamese Communist Party
WTO	World Trade Organization

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CHAPTER ONE

INTRODUCTION

This study investigates the dynamics of Vietnam’s ASEAN-based integration policy since the late 1980s in pursuit of three strategic objectives—economic development and industrialization (development goal); addressing China’s assertiveness in the South China Sea and the US-led “peaceful evolution” threat to Vietnam’s communist regime (security goal); and building “national standing,” defined in terms of enhancement of Vietnam’s diplomatic standing and political influence, in the regional community. The leverage of Vietnam’s ASEAN membership lies in ASEAN’s norms and principles, particularly ASEAN’s economic linkages with its major partners and ASEAN-centered multilateral politico-security institutions, tactically exploited to meet Vietnam’s economic, security, and diplomatic/political interests. These three objectives are not exclusive, but mutually reinforcing.

Vietnam is widely known as one of the countries in the Asia-Pacific region with the most dynamic development. With the passage of almost three decades of the 1986 *Doi Moi* economic reforms and new political thinking in foreign policy, Vietnam has gone from socio-economic crisis to being a middle-income country, deeply engaged in international economic integration and increasingly attractive to investment and trade partners. On the diplomatic front, Vietnam has emerged from being an isolated country in the 1980s to an increasingly dynamic and active player, a member of all multilateral regional and international institutions and with a high level of positive contributions to developments in the Southeast Asia, East Asia, and Asia-Pacific regions. In the security domain, China has been perceived as a threat to Vietnam, especially in the South China Sea (SCS), while the US-led “peaceful evolution” strategy, defined in terms of human rights and democracy, has been a threat to Vietnam’s communist regime; thus far, however, in spite of possible challenges ahead, particularly China’s increasing assertiveness in the SCS, Vietnam has remained safe in the midst of these two hegemonic powers and even becomes more increasingly important to them and other major powers, geopolitically and strategically, in shaping the architecture of the Asia-Pacific region.

1. Research Questions

How could a small country like Vietnam, on the verge of collapse in the mid-1980s, achieve such success?

- Why has Vietnam viewed ASEAN membership as the best strategic choice for its integration and development since the late 1980s?
- What were Vietnam's real strategic objectives behind its ASEAN-based integration and how did Vietnam utilize ASEAN as foreign policy leverage to pursue those strategies?
- How have the priorities of Vietnam's ASEAN-based strategy changed since the late 1980s?

2. Literature Review: Problem Statement

Research on Vietnam's strategic objectives in ASEAN attracted little attention until Vietnam's admission to ASEAN in 1995. Numerous studies on the issue have been found, but most of the literature conducted by domestic scholars and, to a larger extent, external observers present puzzles and shortcomings, both theoretically and empirically.

Vietnamese scholars—Nguyen Phuong Binh (1995), Nguyen Vu Tung (2002 & 2007), Nguyen Van Loi (2006), Tran Thi Thu Luong (2007), Luan Thuy Duong (2008), and Vu Duong Ninh (2008 & 2010)¹—posited that Vietnam's strategic motives in ASEAN were driven by a constructivist approach.² They argued that given the perception of a common

¹ Nguyen Phuong Binh, "Discussing Vietnam's ASEAN Membership," Hanoi: *International Studies* 3(5), September 1995, pp. 19–33; Nguyen Vu Tung, "Vietnam-ASEAN Co-operation after the Cold War and the Continued Search for a Theoretical Framework," *Contemporary Southeast Asia* 24(1), April 2002, pp. 106–120; Nguyen Vu Tung, "Vietnam's Membership of ASEAN: A Constructivist Interpretation," *Contemporary Southeast Asia* 29(3), December 2007, pp. 483–505; Nguyen Van Loi. *50 Years of Vietnamese Diplomacy*, Chapter Five on "Regional Integration," Hanoi: Thế Giới Publishers, 2006, pp. 465–478; Tran Thi Thu Luong, "The Impressive Mark of Vietnam on the Path of ASEAN Development: Contributions and Lessons Learned from Integration," *Journal of Technology and Science Development* 10(9), 2007, pp. 15–25; Luan Thuy Duong, "Vietnam's Participation in ASEAN Politico-Security Cooperation," in Vu Duong Ninh, (Ed.), *Southeast Asia: Tradition and Integration*, Hanoi: Thế Giới Publishers, 2008, pp. 437–457; Vu Duong Ninh, "Vietnam-ASEAN Relations: The Past Way and Future Ahead," *Tap Chi Cong San* [The Communist Review], August 2010.

² Constructivism primarily claims that significant aspects of international relations are socially constructed, e.g., ideas, history, norms, identity, perceptions, and beliefs, as the key variables to explain a state's behavior. Alexander Wendt (1999) posited that the two central tenets of the constructivist approach are that (1) the structures of human association are primarily determined by shared ideas (ongoing processes of social

desire for development and cooperation with ASEAN member countries, Vietnam's decision to join ASEAN in the late 1980s was driven by a long-term goal of building a Southeast Asian region of peace, stability, and cooperation for the sake of national economic development and integration. In the post–Cold War era, a new state identity³ enabled Vietnam to play a role in ASEAN on the basis of shared interests and development and to attach significance to such commonalities as historical experience, maintenance of sovereignty, prevention of major powers from dominating the region, and a shared vision of regionalism and regionalization. Such a new state identity and perceptions of commonalities have informed Vietnam's strategic vision to forge a closer cooperation with ASEAN member countries and direct Vietnam's present and future ASEAN foreign policy.

Plausible as this argument may seem, it generates a number of puzzles that damage its explanatory power for Vietnam's ASEAN membership. One puzzle is that if Vietnam's decision to join ASEAN in the late 1980s was driven by constructivist considerations, why did Vietnamese leaders view rapprochement with ASEAN states for membership as the best way to avoid a “security dilemma” in the face of US encirclement, Chinese antagonism, and the deteriorated Soviet-Vietnam alliance? Economically, the Japan-centered East Asian integration that had taken place since the 1985 Plaza Accord acted as a catalyst for Vietnamese leaders in seeking ASEAN membership with a view to engaging in such a regional trade system. That is to say, Vietnam's pragmatic considerations to regard ASEAN as useful leverage for its security and economic interests informed its decisions right from the beginning. Second, domestic scholars tend to exclude Hanoi's considerations about the major powers from Vietnam's ASEAN policy trajectory in the post–Cold War era. This generates some puzzles when interpreting Vietnam's ASEAN strategic vision. One such puzzle is why Vietnam made major efforts to maintain the status quo of the ASEAN principle of “non-intervention” into domestic affairs (and other related norms) when ASEAN initiated a call for modification of the principle in the wake of the East Asian

practice and interaction) rather than material forces, and (2) the identities and interests of purposive actors are constructed by these shared ideas rather than given by nature (See more details in Alexander Wendt. 1999, *Social Theory of International Politics*, Cambridge: Cambridge University Press, p. 1).

³ According to their shared argument, Vietnam's new state identity has three definable characteristics: (1) state actors' cooperative behavior; (2) a sense of commonalities, close neighborliness, and peaceful co-existence; and (3) perception of the incentives that bind the regional states in such a way that membership in, and co-operation with, ASEAN makes it possible to go forward together.

crisis. The answer should be related to Vietnam's strategy of hedging risk against Western intervention, principally the US, to challenge its communist regime. Another puzzle is why Vietnam attempted to uphold the ASEAN principle of peaceful settlement of disputes and the norm of confidence-building measures, and to stress Vietnam-ASEAN shared concerns about the SCS issue, especially the significance of ASEAN-centered multilateral security institutions. The answer should be inherently related to Vietnam's strategy of constraining China's assertiveness in the SCS. Economically, the post-Cold War era has witnessed Vietnam's increased engagement with Southeast Asian countries, but trading with the region did not create a trade surplus for Vietnam, nor did the regional investment flows to Vietnam surpass those from non-ASEAN investing partners. Rather, the economic linkages between ASEAN as an organization and its major trading and investing partners created massive benefits for Vietnam. Vietnam's underlying strategic motive of membership was to utilize ASEAN as crucial leverage to seek economic ties with ASEAN's major trading and investing partners as a key engine for economic development and industrialization, as well as international economic integration. The lack of research into the domestic and external economic and politico-security contexts, which laid the basis for Vietnam's policy changes, reveals the shortcomings of the domestic literature on Vietnam's ASEAN membership.

In contrast with domestic scholars' argument, external observers locate Vietnam's ASEAN membership in relation to China and the US. Much of their literature generates conundrums too.

Donald Zagoria (1997), Tatsumi Okabe (1997), and David Wurfel (1999)⁴ posited that Vietnam's ASEAN membership was driven by a neorealist approach.⁵ They assumed that China was a threat for Vietnam and had emerged as a new source of threat to the whole

⁴ Donald Zagoria, "Joining ASEAN," in James W. Morley and Masashi Nishihara, (Eds.), *Vietnam Joins the World*, New York: M. E. Sharpe, 1997, pp. 154–172; Tatsumi Okabe, "Coping with China," in James W. Morley and Masashi Nishihara, (Eds.), *Vietnam Joins the World*, New York: M. E. Sharpe, 1997, pp. 117–133; David Wurfel, "Between China and ASEAN: The Dialectics of Recent Vietnamese Foreign Policy," in Carlyle A. Thayer and Ramses Amer, (Eds.), *Vietnamese Foreign Policy in Transition*, Singapore: Institute of Southeast Asian Studies, 1999, pp. 149–169.

⁵ Neorealism was mainly constructed by Kenneth Waltz. According to Waltz (1979), as states are security seekers, states tend to replicate each other on the unit level, thus leading one state to adopt a balancing behavior in the form of alliances (external balancing) and building arms (internal balancing) for its own survival against the other state or making profits at the expense of a loss for the other state (See more details in Kenneth N. Waltz, *Theory of International Politics*, Addison-Wesley Publication Co., 1979, especially pp. 53–88).

Southeast Asia region since the early 1990s. As a result, they held the view that Vietnam's pursuit of ASEAN membership was to serve the strategic objective of countering Chinese assertiveness in the SCS disputes and of discouraging its expansionism. However, this assumption creates a problem: If Vietnam was attempting to "counter" China on the SCS issue, why did it establish a joint working group with China in 1994 to address tensions over the issue and why were both parties' high-level reciprocal visits aimed at, among other things, discussing the issue?

Other neorealist advocates, like Denny Roy (2005) and Jörn Dosch (2006),⁶ have treated Vietnam's membership of ASEAN and its engagement with the US since the mid-1990s as a balancing act against China. If so, why did Vietnam attempt to engage China politically and economically? Does this not ignore both parties' shared concerns about the US-led "peaceful evolution," which was viewed by Hanoi as an acute challenge to the security and survival of its communist regime? Moreover, how could Vietnam use ASEAN as part of a balancing act against China when ASEAN is not a military alliance and the member states have neither the power nor the will to challenge China, and when Vietnam has pursued a diversified and multidirectional foreign policy since 1988?

A view that contrasts with the above-mentioned observers is that of Richard K. Betts (1997),⁷ who has asserted that ASEAN has played no significant role per se in dealing with China since the early 1990s. He maintained that Vietnam and the US appeared to have a common security interest in developing closer cooperation in order to deal with China. One puzzle that arises from this contention is that if ASEAN played no role in dealing with China, how did the united ASEAN diplomatic front against China—after its aggressive encroachment into Vietnam's continental shelf in the early 1990s and its occupation of the Philippines-claimed Mischief Reef in 1995—lead Beijing to soften its tone and agree to hold the first-ever ASEAN-China Senior Officials Meeting to consult on the issue? This view would also need to account for the fact that Vietnam-US defense interactions had been

⁶ Denny Roy, "Southeast Asia and China: Balancing or Bandwagoning?" *Contemporary Southeast Asia* 27(2), August 2005, pp. 304–307; Jörn Dosch, "Vietnam's ASEAN Membership Revisited: Golden Opportunity or Golden Cage?" *Contemporary Southeast Asia* 28(2), 2006, p. 242.

⁷ Richard K. Betts, "The Strategic Predicament," in James W. Morley and Masashi Nishihara, (Eds.), *Vietnam Joins the World*, New York: M. E. Sharpe, 1997, pp. 94–114.

frozen by the year 2000, even though bilateral diplomatic relations were established in 1995.

Alexander L. Vuving (2006) argued that from early 1990 to the Asian crisis of 1997–98, Vietnam’s pursuit of ASEAN membership was aimed at “enmeshing” China in multilateral mechanisms, at the same time as normalizing relations with the US to “balance” China. On the other hand, Vietnam sought to form an “alliance” with China in the guise of “ideological solidarity” to cope with the common threat of peaceful evolution from the US, while paying “deference” to China because of the clear asymmetry in size and power. The period 1998–2003 saw a decline in Vietnam’s ASEAN-based enmeshment of China as a consequence of the crisis, and Vietnam came to doubt the value of the balancing act with the US. As a result, it shifted to enhance bilateralism in the guise of “deference” to China. From 2003 onward, Vietnam shifted to a tacit balance approach against China by taking advantage of ASEAN, the US, Japan, and India.⁸ This analysis generates a number of puzzles. One is that if Vietnam sought to ally with China against the US, why did it endeavor to establish full diplomatic relations with Washington at the same time? Furthermore, how could Vietnam’s enmeshment of China be salient when China was not an active member of the ASEAN-centered multilateral regional institutions until the time of the East Asian crisis? From 1998 to 2003, if ASEAN-based enmeshment of China was weak, why were the ASEAN Plus Three (APT), the ASEAN Regional Forum (ARF), the ASEAN-China mechanisms on DOC (Declaration on the Conduct of Parties in the SCS) implementation, and the ASEAN-China Free Trade Area (FTA) framework instrumental in increasing China’s cooperative behavior? Between 2001 and 2003, if “deference” was salient, then why did China pay more visits to Vietnam? And if, from 2003, Vietnam sought to perform a power balancing act, then why was Vietnam’s engagement with China far deeper than in the 1990s?

In short, with regard to Vietnam’s perception of China as a threat, using any single approach by the external observers to interpret Vietnam’s strategic stance on dealing with China would be narrow-minded and fails to provide a plausible account of how Vietnam

⁸ Alexander L. Vuving, “Strategy and evolution of Vietnam's China policy: a changing mixture of pathways,” *Asian Survey*, 46(6), 2006, pp. 805–824.

addresses China empirically. Moreover, the lack of an investigation into the domestic and external contexts for each historical period has generated many puzzles and pitfalls. In this study, I attempt to argue that Vietnam has pursued three major approaches to China: engagement, enmeshment, and hedging. The first approach involves the process of seeking to develop closer, multifaceted relations with another power, thereby changing its leaders' preferences and actions toward more peaceful inclinations.⁹ Vietnam's China engagement policy has been informed by opening up political as well as ideological, economic, and defense relations with China in the expectation that the rewards of such a relationship would result in reciprocity and maintenance of the status quo. The strategy of enmeshment involves "the process of engaging with a state so as to draw it into deep involvement in international or regional society, enveloping it in a web of sustained exchanges and relationships, with the long-term aim of integration."¹⁰ Vietnam's China enmeshment strategy has meant engaging it through multilateral regional institutions in the hope that China might be persuaded or socialized into conduct that abides by international law and regional rules/norms and by political and economic means. In this regard, the enmeshment approach also complements Vietnam's China engagement strategy at bilateral level. Hedging involves the small and medium-sized states cultivating a middle position between two or more major powers in order to "avoid having to choose one side at the obvious expense of another" or to "avoid a situation in which states cannot decide upon more straightforward alternatives such as balancing and bandwagoning."¹¹ Vietnam has not sought to form an alliance with another major power to balance against China, nor has it aligned itself strategically with China to limit the US threat. Rather, it has pursued the development of "defense diplomacy" with all the major powers; that is, it has cultivated a middle position, not just between China and the US, but also among all the other major

⁹ Johnston A. Iain & Robert S. Ross, (Eds.), *Engaging China: The Management of a Rising Power*, New York: Routledge, 1999, p. 4.

¹⁰ Goh, E., "Great Powers and Hierarchical Order in Southeast Asia: Analyzing Regional Security Strategies," *International Security* 32(3), 2008, pp. 120–121.

¹¹ Goh, E., "Meeting the China Challenge: The U.S. in Southeast Asian Regional Security Strategies," *Policy Studies* 16, Washington: The East-West Center, 2008, p. viii; Balancing comprises internal balancing, which involves building up one state's defensive capabilities as a deterrent against the other power, and external balancing, which involves choosing alliance with other states in order to challenge and contain the threatening power. Bandwagoning, by contrast, occurs when a state chooses to align itself with the threatening power in order to ward off possible coercive measures (see more details in Walt, Stephen, *The Origin of Alliances*, Ithaca: Cornell University Press, 1987; Waltz, Kenneth. *The Theory of International Politics*. Reading, MA: Addison-Wesley, 1979).

powers in the Asia-Pacific's to hedge against the risk posed by China. This strategy, in Vietnamese foreign policy discourse, is the pursuit of a "balance of interests and influence among the major powers" ("*cân bằng lợi ích và ảnh hưởng giữa các nước lớn*") in order to avoid power balancing and complicating its relations with any major power. At the same time, Hanoi has endeavored to utilize multilateral regional security institutions as a way of persuading them to engage in the region as indirect counterweights to China. In other words, hedging can be understood as, in Goh's words, "soft or indirect balancing." All told, my argument is close to that of Goh (2005), who examined the Southeast Asian states' security strategies in the face of a rising China, positing that "the small and medium-sized states in Southeast Asia have adopted neither balancing nor bandwagoning strategies vis-à-vis the US and China. Rather, they have developed indirect balancing, complex engagement, and great-power enmeshment."¹²

3. Research Objectives and Significance

This study has three objectives. First, it aims to provide a comprehensive picture of Vietnam's ASEAN-based integration policy in economic and politico-security dimensions. This would contribute not just to addressing the lack of domestic literature on Vietnam's ASEAN policy in relation to China and the US, but also to systematizing the history of Vietnam's foreign policy since the 1986 *Doi Moi* reforms. Second, it aims to address the knowledge gap identified in previous analyses of Vietnam's ASEAN membership, from both domestic and external sources. For that purpose, examining Vietnam's strategic objectives will be of significance in shedding new light on the existing literature. Third, the study aims to investigate prospects for Vietnam's ASEAN strategies and offer some policy recommendations. This may be of some help for Hanoi leaders' foreign policymaking, especially in response to China's potential aggression in the SCS.

4. Hypotheses to the Research Questions

Examining Vietnam's ASEAN strategic objectives and using a historical approach to answer the research questions, the study hypothesizes that membership of ASEAN presents

¹² Goh, E, "Meeting the China Challenge: The U.S. in Southeast Asian Regional Security Strategies," *Policy Studies* 16, Washington: The East-West Center, 2005, p. 4.

the best strategic choice for Vietnam's integration into the East Asia/Asia-Pacific region and more broadly in the global system. This is because ASEAN's economic linkages with outsiders and the ASEAN-centered multilateral institutions, incorporating all the Asia-Pacific's major powers, have a strategic appeal for Vietnam given the creation of its new economic model, its diversified and multidirectional foreign policy, and its non-alignment security policy since the late 1980s.

The underlying strategic motives behind Vietnam's ASEAN-based integration policy are hypothesized as the pursuit of "development," "security," and "national standing" by utilizing ASEAN as a form of foreign policy leverage. My argument is close to that of Nicholas G. Onuf as well as Gregory A. Raymond, who identified three common goals of states' foreign policy, including standing, wealth, and security.¹³

The development goal (*mục tiêu phát triển*) comprises economic development and a ramping up of the industrialization process as part of Vietnam's "catch-up" strategy with other countries in the region and maintenance of the communist regime's legitimacy. This goal may be attained by means of intra-ASEAN economic cooperation and, more importantly, by the leverage of ASEAN's economic connections with its vibrant trade and investment partners beyond.

The security goal (*mục tiêu an ninh*), ultimately, is to cope with the perceived threats posed by China and the US. Vietnam's perception of China as a threat has informed primarily by China's potential aggression in the SCS and other outstanding sovereignty-related issues. In this regard, Vietnam's strategic interest in ASEAN membership is hypothesized to constrain China's potential aggression by utilizing ASEAN's norms and principles of "peaceful settlement of dispute" and "confidence-building measures" and by pursuing a united ASEAN diplomatic front, as well as using the ASEAN-led institutions to multilateralize the SCS issue. Membership also provides useful leverage for Vietnam to

¹³ Nicholas G. Onuf, *World of Our Making: Rules and Rule in Social Theory and International Relations*, Columbia: University of South Carolina Press, 1989, p. 258; Gregory A. Raymond also argued states' common foreign policy goals include three categories: standing (position, status, prestige, respect), welfare (prosperity, economic development, well-being), and security (physical survival, territorial integrity, political independence). See Gregory A. Raymond, "Evaluation: A Neglected Task for the Comparative Study of Foreign Policy," in Charles F. Hermann, Charles W. Kegley, and James N. Rosenau, (Eds.), *New Directions in the Study of Foreign Policy*, Boston: Allen & Unwin, 1987, pp. 102–103.

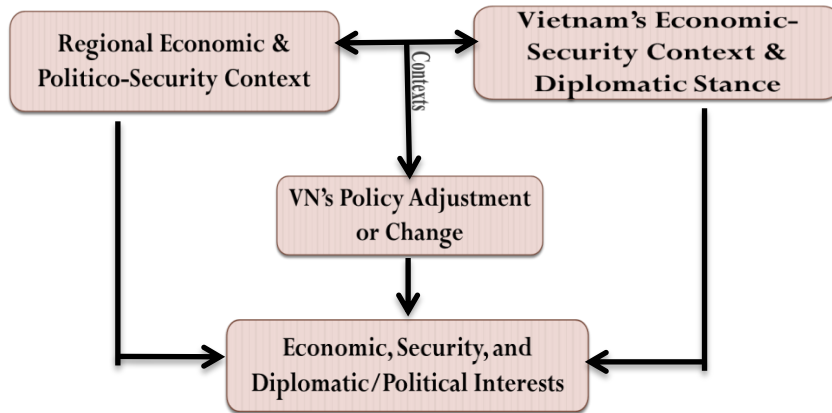
develop its “defense diplomacy” with the ASEAN states and, more importantly, with the organization’s major security partners. In other words, “defense diplomacy,” ASEAN’s norms and principles, a multilateral approach to the SCS, and ASEAN-based political as well as economic means have been the major instruments for Vietnam to pursue a mix of enmeshment, engagement, and hedging strategies to deal with China mainly in the SCS. Vietnam’s perception of the US as a threat is based on the “peaceful evolution” strategy or Washington’s abuse of human rights and democratic issues to interfere in Vietnam’s domestic affairs as a way of dismantling the communist regime or forcing political change. In this respect, Vietnam’s strategic approach to ASEAN is the maintenance of one of ASEAN’s founding principles, namely that of “non-intervention,” to hedge the risk posed by Washington for the regime’s security/survival. At the same time, the ASEAN Treaty of Amity and Cooperation (TAC)—the key legal document in conduct of ASEAN’s relations with the major powers—and the ASEAN-centered multilateral institutions are strategically instrumental for Vietnam to enmesh and engage the US.

The third strategic goal is the building of “national standing” (*vị thế*). This refers to the process of constructing the country’s prestige or position, specifically Vietnam’s diplomatic position and political influence in the regional community and, more broadly, on the global stage (*phát huy tầm ảnh hưởng ngoại giao và sức nặng chính trị nhằm xây dựng vị thế quốc gia trên trường khu vực và thế giới*). This goal may be achieved by the country’s active involvement in regional affairs and facilitation of initiatives for regional cooperation and development. At the same time, the strategy of building national standing complements the development and security goals (*vị thế dựa trên sức nặng chính trị ngoại giao phục vụ mục tiêu an phát triển và an ninh*): It involves gaining external support for Vietnam’s pursuit of economic integration, such as membership of the WTO and the Asia-Pacific Economic Cooperation forum (APEC), as well as for its “catch-up” initiatives, its position vis-à-vis China on the SCS issue, and for ASEAN’s cohesion and centrality to improve Vietnam’s bargaining position vis-à-vis the major powers.

These three strategic goals are mutually reinforcing. Any shift in priority in either economic or security goals is hypothesized to depend on the external and domestic contexts in each historical period.

5. Analytical Framework

This study employs the analytical model shown below:



The regional context is examined primarily in terms of the Asia-Pacific major powers' policy adjustments or changes in Southeast Asia's politico-security and economic dimensions (sometimes the economic crisis effects) and in terms of the evolving role of ASEAN in such a changed regional context. Vietnam's foreign policy adjustments or changes in each historical period are informed by the interaction between, on the one hand, the regional context and on the other, Vietnam's economic-security context and the country's diplomatic stance. The strategic objectives—economic, security, and standing—are constant, but based upon the changed context they can be redefined, or there may be changes in priority in either economic or security motives.

6. Methodology

This study is conducted using a historical approach, employing qualitative method with data drawn from three groups: primary sources, secondary sources, and personal interviews.

The primary sources consist of unpublished documents and internally distributed documents such as memoranda, political reports, talking points, transcripts of talks, memoirs and speeches of senior officials, documented personal interviews, and situation analyses by Foreign Ministry officials, and meeting minutes. These declassified sources can be found in files stored in the Foreign Ministry archives, the Government's Office, and the Party Central Committee archives.

The secondary sources are composed of articles relating to the study subject that can be found in abundance in Vietnamese media outlets that covered debates on fundamental and foreign policy related issues. Secondary sources also include a wide range of journals, newspapers, and magazines of the Vietnamese Communist Party (VCP), the Army, and the Ministry of Foreign Affairs. This group also comprises monographs, published party documents, working papers, policy papers, and occasional papers from related research institutes and universities, as well as a large number of academic books, and international newspapers and magazines.

The third data source is made up of personal interviews. Interviewees were diplomats from the Vietnam Ministry of Foreign Affairs, the Institute for Vietnam Foreign Policy and Strategy Studies think tank, Vietnamese foreign policy experts, the general administrator of Seas and Islands (from Vietnam Ministry of Natural Resources and Environment), and the director of the Institute of VCP History.

7. Research Structure

This dissertation is organized into six chapters. Following this Introduction, Chapter Two (covering the post-Vietnam War to 1995 period) examines the background of Vietnam's pursuit of ASEAN membership and its ASEAN strategic orientations in light of the *Doi Moi* Reform. Chapter Three (1995–2001) begins to investigate Vietnam's ASEAN-based integration policy after Vietnam's entry into ASEAN. The first section of the chapter discusses regional and domestic contexts by the wake of the East Asian financial crisis as the groundwork for Vietnam's integration-oriented policy. The second section investigates how Vietnam utilized ASEAN as foreign policy leverage to pursue the strategic objectives behind its formal integrative policy. The third section examines Vietnam's policy responses in the wake of the East Asian financial crisis. Chapter Four (2001–2007) begins with an investigation into the changing regional order and Vietnam's establishment of conditions for a new phase of integration. The second section explores how Vietnam actively sought to leverage ASEAN membership to accelerate the realization of its strategic goals. Chapter Five (2007–2012) begins with an investigation into the new economic and politico-security context of the East Asian Asia-Pacific and Vietnam's context. The second section of the chapter examines the evolution of Vietnam's strategic objectives, the top priority of which,

it is argued, is dealing with China's potential aggression in the SCS. Chapter Six is the conclusion. It summarizes the findings, relates them to the research questions, and discusses the prospects for Vietnam's ASEAN strategies.

My story covers the 1986–2012 period because it aims to provide an in-depth study of Vietnam's foreign policy history as well as policy adoptions from the *Doi Moi* Reform up to the present. Only by referring to this period can the study address the lack of a historical approach in the existing literature with regard to Vietnam's ASEAN strategies. The year 1986 is the starting point because it was not until then that Hanoi's leaders made major transformations in the country's economic model and foreign policy, and that Vietnam began to pursue ASEAN membership for its economic and strategic interests. The story is framed up to the year 2012 because only by doing this, can some recommendations be offered for Vietnam's policy responses to the outstanding economic and security issues, especially the question of the SCS, which is now a particular concern in Hanoi's policy agendas.

CHAPTER TWO

BACKGROUND TO ASEAN MEMBERSHIP AND STRATEGIC ORIENTATIONS

The year 1995 marked a historic moment in Vietnam's foreign policy—Vietnam became ASEAN's seventh member. This marked a groundbreaking shift from confrontation between Indochina and the founding members of ASEAN following the 1978 Cambodian conflict to a new era of cooperation and development in Southeast Asia. Vietnam's leaders considered joining ASEAN right after the 1986 *Doi Moi* Reform to be a “wise and correct decision.” They also declared Vietnam's highest priority to be “building a Southeast Asian region of peace, stability, and cooperation.” This new regional vision in the late 1980s meant a complete reversal of its previous view of ASEAN as a “pro-Western and anti-communist” grouping.

How, then, had regional and domestic contexts laid the primary groundwork for the making of *Doi Moi* and Vietnam's new regional vision for ASEAN? What aspects of *Doi Moi* policies led to Vietnam's ASEAN policy departure regarding membership and how did Vietnam work to be admitted to ASEAN? Why did Vietnamese leaders view the pursuit of membership to be the top priority?

These questions will be explored in this chapter. It is organized into four sections. The first section examines the regional politico-security and economic background and Vietnam's diplomatic, security, and economic context from the post-Vietnam War period up to the mid-1980s, which laid the basis for its renewed policy. The second section discusses Vietnam's *Doi Moi* economic reforms and new political thinking with regard to foreign policy and security policy, which resulted in the renewal of its ASEAN vision. A substantial part investigates Vietnam's policy toward ASEAN membership. The third section investigates Vietnam's real motives behind its enthusiasm to join ASEAN. The final section summarizes how the findings relate to the initial questions.

1. Regional and Domestic Contexts

1.1. The Regional Context in Cold War Politics

On the politico-security front, in the post–Vietnam War period, the Asia-Pacific’s major powers and ASEAN heralded major adjustments in their regional policy. After being defeated in the Vietnam War, the US withdrew its troops from the region and thus left behind a power vacuum. Washington took advantage of the Sino-Soviet division and sought to improve relations with China so as to counterbalance Soviets’ regional power. At the same time, Washington engaged Thailand and the Philippines through coordination of military training and processing of equipment in order to counter the communist forces, and supported the Khmer Rouge regime in Cambodia to divide Indochinese states and encircle Vietnam.¹⁴ Under the Carter administration, however, from 1977 Washington sought to contain both the Soviet Union and communist China because of its concern that they could together gain preponderance by expanding their influence and power in the region. For that purpose, the US made full use of Sino-Soviet tensions and drew Japan’s military power closer into the US-led regional security system in order to contain both the Soviet Union and China. Moreover, Washington wanted Vietnam to remain “independent” from both Moscow and Beijing, at the same time seeking rapprochement with it in order to better maintain a balance within the US-Soviet-China strategic triangle. However, Vietnam’s hesitant attitude toward Washington’s rapprochement and differences in both sides’ conditions for normalization of relations led Washington to turn its back on Vietnam by normalizing relations with China at the peak of Sino-Soviet rivalry.¹⁵ This forced Vietnam to formalize its alliance with the Soviet Union, resulting in US and Chinese encirclement of Vietnam as a counterweight to the Soviet Union. In the early 1980s, the Reagan administration brought the détente of the late 1970s to an end by projecting supreme

¹⁴ Joseph J. Zasloff and MacAlister Brown, *Communist Indochina and US Foreign Policy: Postwar Realities*, USA: Colorado, Westview Press/Boulder, 1978, pp. 6–10.

¹⁵ In 1977, a three-step process toward normalization between the US and Vietnam began: (1) Hanoi’s provision of information on Americans missing in action (MIA); (2) US support for Vietnam’s access to the United Nations and establishment of full diplomatic relations, as well as the lifting of export and asset controls on Vietnam; and (3) US commitment to contributing to healing the wounds of war and to postwar reconstruction of Vietnam by opening trade interaction, providing facilities and commencing other economic cooperative areas. However, Hanoi recalled the US pledge to grant US\$3.2 billion in postwar reconstruction aid stated in Article 21 of the 1973 Paris Agreement and asserted that it would neither agree to establish diplomatic relations nor provide information on US POWs/MIAs until the US moved toward the three steps together at the same time. Vietnam’s conditions were fiercely vetoed by the US Congress.

military power over the Soviet Union. Reagan accelerated a policy of steadfast anti-communism through massive buildup of US military and a policy of “peace through strength,” known as the Reagan Doctrine. As a result, Washington sought to crack down on socialist governments elsewhere, granted aid and support to anti-communist rebel movements of the Khmer Rouge, and intensified its encirclement and isolation of the Soviet Union and Vietnam.

The Soviet Union seized the opportunity of the US military withdrawal from the region to expand its power and influence by deploying its naval forces in the Pacific and the Indian Ocean, by forging new relations with the ASEAN member states, and by granting assistance to Vietnam in all respects. Moscow’s policy aimed to prevail over US-led imperialism and to contain China. In the early 1980s, however, the Soviet Union entered a costly new arms race with the US, at a time when socio-economic conditions and relations among the socialist states in Eastern Europe, including the Soviet Union, were strained: social instability was accompanied by severe economic depression thanks to the sluggish pace of production under the central planned model. Relations within the Soviet bloc deteriorated as Czechoslovakia, Rumania, Albania, and others came to distance themselves from the Soviet Union primarily because of the democratic revolutions in Eastern Europe. These democratic uprisings triggered popular opposition to the Soviet military presence in each country, as well as opposition to the ineffective Soviet-led economic model.¹⁶ The already harsh economic conditions were further compounded the Soviet Union’s war in Afghanistan and its aid to the communist camp. Under these grave circumstances, Moscow began to pursue rapprochement with Beijing and the West, particularly once Gorbachev rose to power in the mid-1980s and reoriented strategies under the rubric of “reforms” (*perestroika*) and “new political thinking” (*glasnost*).

As for China, it took advantage of the rivalry with Soviet Union to strengthen relations with the US and other Western powers to contain the Soviet Union and encircle Vietnam, at the same time making best use of the US military withdrawal to expand its influence in Southeast Asia. In particular, out of fear of Vietnam’s growing regional power after its military victory over the US and fear of Vietnam’s deepening alliance with the Soviet

¹⁶ Vu Duong Huan, (Ed.), *History of Vietnam’s Foreign Policy: For the Cause of Doi Moi (1975–2002)*, Hanoi: Diplomatic Academy of Vietnam, 2002, p. 60.

Union, as well as the possibility of a united Indochinese front which would mean complete encirclement, Beijing sought measures to draw Thailand, Singapore, and Myanmar into a united front of opposition against Vietnam. In addition, Beijing strengthened its alliance with the Khmer Rouge in Cambodia to sabotage Vietnam and to break up solidarity and cooperation among the Indochinese states. In the 1980s, however, Beijing began to seek a more balanced stance between the US and the Soviet Union. The reasons behind Beijing's policy adjustment were the limits of Sino-American strategic cooperation following the establishment of bilateral diplomatic relations¹⁷ and the pressure of the Reagan administration's firm foreign policy against the socialist governments, which gave rise to Beijing's concerns about the cost were it to continue a US-dependent policy. At the same time, Gorbachev's "new political thinking" and changed stance toward China gave impetus to Beijing's reconciliation with Moscow.

With regard to ASEAN, concerned about the use of Southeast Asia as a playground for the major powers' expansionism, in 1977 the member states dissolved the Southeast Asia Treaty Organization (SEATO), which was established as part of the Truman Doctrine of creating anti-communist bilateral and collective defense treaties. The founder members of ASEAN were also worried that external intervention in regional affairs could be a major source of conflict, so the organization pursued a neutral policy in light of the Declaration on the Zone of Peace, Freedom and Neutrality (ZOPFAN) and pursued a diversified and multilateral foreign policy as the regional states not only maintained and improved relations with the US, Japan, and other Western powers but also established diplomatic relations with the Indochinese states, the Soviet Union, China, and other socialist states. The member states were more or less skeptical about the possibility of Vietnamese expansionism but were worried by the threat described in the US domino theory. Most of them, with the exception of Thailand, wished to improve their relations with Vietnam rather China,¹⁸ but

¹⁷ The limits of strategic cooperation were driven primarily by contradictory attitudes toward China within the US Congress over the Taiwan Relations Act, followed by its increasing sale of sophisticated weapons to Taiwan, which angered Beijing. This led to Beijing gradually changing its attitude toward the US from a policy of "united front" against the Soviet Union to an "independent policy," which downplayed alignment with the West. See Ross Robert, *Tension and US Arms Sale to Taiwan*, 1995, pp. 120–245.

¹⁸ Indonesia viewed Vietnam as a useful buffer state against China's regional expansion primarily because it perceived China as its primary source of external threat, as can be seen from Beijing's interference in the abortive 1965 *coup d'état*. In addition, Jakarta shared the experience of a military struggle for independence with Hanoi and viewed its domestic political regime as primarily nationalist rather than communist. Malaysia

Hanoi's attitude toward ASEAN at the time remained unchanged; it still viewed the grouping as "pro-Western and anti-communist" or as a "lackey of the imperialists." Vietnam's suspiciousness of ASEAN as an instrument for a US encirclement meant a missed opportunity to join ASEAN, and as Vietnam deployed military intervention in Cambodia from 1978, the organization changed its posture toward Vietnam.¹⁹

On the regional economic front, in contrast to the failure of the central planning economic model of the Soviet Union, the evolving regional trade system, known as the triangular trade of the US, Japan and Southeast Asia (later the Newly Industrialized Countries (NICs)—South Korea and Taiwan—and China, mainly the coastal regions), brought about economic success stories the countries of the region. This process marked the emergence of Japan as an economic powerhouse. Japan's position in Southeast Asia also underwent significant changes, not just because of Japan's role as a growth engine for the region's countries through the twin goals of trade promotion and resource procurement, but also because of Japan's aid and preferential loan diplomacy to them in order to boost regional economic cooperation networks and to placate the US demand for burden-sharing. Between the late 1970s and the first half of the 1980s, ASEAN and the Asian NICs became the biggest recipients of Japanese manufacturing investment and succeeded in export-oriented industrialization. Notably, with the creation of the 1985 Plaza Accord, which resulted in the appreciation of the Japanese yen, Japanese manufacturing firms relocated their production bases in ASEAN countries and the Asian NICs. This created the emergence of East Asia as a center for economic growth and made Japan and the NICs, as well as the US the leading investment and trade partners with the ASEAN countries.

1.2 Vietnam: An All-Realm Crisis in the Post-Vietnam War Period

A couple of years after the 1976 national reunification, Vietnam faced crises in all respects.

also wished to integrate Vietnam within the region, while perceiving China as a threat via internal subversion because of Beijing's past assistance to the Communist Party of Malaya, its involvement in domestic affairs, and the existence of a large ethnic Chinese minority in the federation. The Philippines did not feel threatened by Vietnam because of its geographic location and because of its military links under the US security umbrella.

¹⁹ Former Deputy Foreign Minister Tran Quang Co, "*Hồi ức và Suy nghĩ*" [Memoir and Thought], 22 May 2003, pp. 19–21 /194.

On the diplomatic front, Vietnam's dispatch of military forces into Cambodia in 1978 to remove the Khmer Rouge from power resulted in the international diplomatic isolation, not to mention cuts to aid and a trade embargo. The consequences of Vietnam's military intervention contrasted with its initial calculations. It decided to overthrow the Khmer Rouge as "retaliation" for the Khmer Rouge-led Democratic Kampuchea's two attacks on Vietnam's sovereignty: one on Phu Quoc Island in May 1975 and the other on the provinces of Tay Ninh, An Giang and Chau Doc in April 1977, killing hundreds of Vietnamese civilians. Second, having observed the cemented relations between China and the Khmer Rouge and between the former and the US, Vietnam was acutely worried that "it was facing a two-front struggle against a China-led threat, with one front on the north bordering China and the other in the south-west bordering Cambodia."²⁰ Third, Hanoi calculated that, with its military assistance, the Cambodian people would be able to avoid the threat of the Pol Pot genocide and begin national reconstruction under the pro-Vietnamese regime, the People's Republic of Kampuchea (PRK), in order to form a united front against the external threats posed by China and the US. Vietnam's military intervention met with strong condemnation, however, and provoked an international response. China was strongly opposed, of course, because the overthrow of the Khmer Rouge by the Vietnamese army, in Beijing's view, deprived it of a stronghold in Southeast Asia to counterweigh the Soviet Union.²¹ This explained Western observers' view of the Cambodian conflict as "a war of proxy"—a war between the Soviet Union and China through the Vietnamese and the Khmer Rouge. In the 1980s, China sought to block the Cambodian peace process efforts and to "bleed Vietnam white," for fear that "if a pro-Vietnamese regime was legitimized in Cambodia and an Indochina bloc was consolidated under Hanoi, a severe blow would be dealt to China's regional power" and that "restoration of the Cambodian conflict and restoration of amity between Vietnam and ASEAN would also end the uneasy coalition between China and ASEAN."²² Similarly, the US not only condemned the Vietnamese action and called the international community to isolate and sanction Vietnam and the PRK led by Heng Sarin, but also played a negative role in early

²⁰ Nguyen Van Loi. *Fifty Years of Vietnamese Diplomacy*. Hanoi: Thế Giới Publishers, 2006, p. 401.

²¹ Ramses Amer, "Sino-Vietnamese Relations: Past, Present and Future," in Carlyle A. Thayer and Ramses Amer, (Eds.), *Vietnamese Foreign Policy in Transition*. Singapore: Institute of Southeast Asian Studies, 1999, p. 101.

²² Nayan Chanda. *Brother Enemy: The War after the War*. New York: Macmillan Publishing Company, 1986, pp. 379–379.

attempts by Japan and Australia to advance the Cambodian peace process. In cooperation with China, the US hoped to drag Vietnam into a protracted war to bleed the country of resources, and they blocked a peaceful settlement successfully.²³ As for ASEAN, the outbreak of the Cambodian conflict changed the member states' attitude toward Vietnam, more or less under pressure by the US and China. In particular, after the crackdown of the Khmer Rouge to liberate Cambodia in early 1979, Vietnam maintained its troop presence in the Thai-Cambodia border region in order to wipe out the genocidal Pol Pot forces. This concerned ASEAN. Thailand feared that Vietnam could attack it, primarily because of its support for the Pol Pot forces and because of the Vietnamese army's brief incursion into its border region. Bangkok and, to a lesser extent, Singapore were also worried about Vietnam's "little hegemon" ambitions. Other member states were anxious that the war could spread, undermine their peaceful environment, and threaten their national security because they shared borders with Indochina.²⁴ These concerns hardened ASEAN opposition to Vietnam and made it easier for Thailand to form a de facto alliance with China against Vietnam.

On the security front, Vietnam faced China's aggression in territorial disputes. Vietnam's ousting of the pro-China Khmer Rouge/Pol Pot regime led to China's more hostile attitude and provoked its assertiveness to "teach Vietnam a lesson" as it launched border clashes on the six border provinces of northern Vietnam between February and March 1979.²⁵ At the onset of Chinese troop withdrawal on 5 March 1979, both sides suffered heavy losses, though the Chinese said that Vietnam had been sufficiently chastised and announced that the campaign was over and that the "lesson" was finished. On the Vietnamese side, it was reported that many villages and towns in the provinces of Cao Bang, Lang Son, and Lao Cai were completely destroyed. Thousands of Vietnamese in the six border provinces,

²³ Raymond Feddema, "The Southeast Asian Approach Towards the South China Sea: Conflict Resolution from a Comprehensive Security Perspective," in Kurt W. Radtke and Raymond Feddema, (Eds.), *Comprehensive Security in Asia: Views from Asia and the West on a Changing Security Environment*. Leiden, the Netherlands: Koninklijke Brill, 2000, p. 385.

²⁴ Nguyen Van Loi. *Fifty Years of Vietnamese Diplomacy*. Hanoi: Thế Giới Publishers, 2006, p. 374.

²⁵ At the beginning, some 100,000 Chinese troops (combined infantry, artillery, and tank) crossed the border to enter six border provinces of northern Vietnam: Quảng Ninh, Lạng Sơn, Cao Bằng, Hà Tuyên, Lai Châu, and Lào Cai. In Luu Van Loi, p. 378.

including the elderly, women, and children, were killed or wounded.²⁶ In the meantime, over 60,000 Chinese troops were reported dead or injured,²⁷ and 550 military vehicles, including 280 tanks and armored vehicles were damaged or destroyed. Hundreds of artillery guns and large-caliber mortars were ruined, and a large number of weapons and invading troops were captured.²⁸ In the aftermath of the border clashes, both China and Vietnam reorganized their border defenses, while Vietnamese troops remained present in Cambodia to safeguard the pro-Vietnamese PRK regime. Discussing China's 1979 war against Vietnam, in his 1985 book *Defending China*, Gerald Segal concluded that the war was a complete failure on the Chinese side: "China failed to force a Vietnamese withdrawal from [Cambodia], failed to end border clashes, failed to cast doubt on the strength of the Soviet power, failed to dispel the image of China as a paper tiger, and failed to draw the US into an anti-Soviet coalition."²⁹ It was therefore no coincidence that, from the early 1980s, China was determined to threaten to teach Vietnam a "second lesson." It continued to use armed provocation, artillery poundings, and commando and spying activities to cause many human and material losses to the local Vietnamese population and prevent normal production activities in the six border provinces. While Deputy Foreign Minister-level negotiations over the border were deadlocked, both in content and procedure, China maintained its threat at sea. It deployed armed ships, engaged in spying activities, and harassed and attacked Vietnamese fishing boats conducting in the Bắc Bộ (the Gulf of Tonkin/Beibu). In the meantime, it pressured Vietnam to recognize the Hoàng Sa (Paracels)³⁰ and Trường Sa (Spratlys) archipelagoes as Chinese sovereignty, requesting

²⁶ *The Truth about the Chinese Military Deployments and the China-Vietnam Relations*, by Diplomatic Academy of Vietnam, March 1994, pp. 87–89.

²⁷ Zhang Weiming et al., *Secret Memorandum of the Sino-Vietnamese War*. Hong Kong: Cosmos Books, Ltd., 1993, p. 35.

²⁸ Report by Vietnam's Council of Ministers dated May 29, 1979. In Luu Van Loi, p. 381.

²⁹ Gerald Segal. *Defending China*. Oxford: Oxford University Press, 1985, pp. 136–137.

³⁰ China and Vietnam fought the first territorial clash in the Paracel archipelago during January 1974. Prior to the clash, China had occupied Eastern Paracel, while Vietnam (the South Vietnamese Government) had seized Western Paracel and made the Spratly archipelago part of its administrative unit, with troops stationed on at least five of the islands. However, because of the geographical location of the Paracel within China's military reach, China took over Western Paracel in January 1974 to prevent Soviets from using the islands after the Vietnam War. After occupying Western Paracel, Beijing launched another attack against the Vietnamese troops stationed on the Spratly Islands. Its tactical plan failed, however, because of the inadequate deployment of significant naval forces. In April 1975, for fear of potential Chinese control of the Spratlys, South Vietnamese forces occupied six islands of the Spratlys. Between 1979 and 1982, Hanoi made several attempts to retake Western Paracel but failed, other than permitting Soviet naval access to Cam Ranh Bay under a 25-year lease agreement in order to hedge against any potential Chinese threat to the occupied islands in the Spratlys.

Vietnamese troops to withdraw from Trường Sa and pressing Hanoi to accept the return of Chinese residents who left Vietnam before the 1979 border war.

From the early 1980s, the Soviet Union began to reduce its commitments to Vietnam economically, politically, and militarily. Moscow's Vietnam policy departure stemmed from external and domestic reasons, as mentioned above. In particular, from 1984, once Gorbachev came to power, Moscow stepped up rapprochement policy with Beijing and the West. Consequently, Moscow came to cut off its military support to Hanoi and did not intervene into Sino-Vietnamese issues. At the same time, it urged Vietnam to "liberalize" and to "withdraw its troops from Cambodia" as well as to normalize relations with China.³¹ Economically, in contrast to its previous "unconditional aid," Moscow wanted more concrete assurances from Vietnam that "Soviet economic assistance would not again be wasted."³² To that end, tough aid conditions were imposed as Moscow required Vietnam to fulfill contractual obligations by boosting the export of consumer commodities and foodstuffs, as well as light industrial goods. Toward the end of the Cold War, the Soviet Union turned down and canceled economic assistance and put Vietnam in a grave position; the country seemed to stand alone in the face of the external threats posed by both China and the US, isolated internationally.

On the economic front, one decade—from the end of the Vietnam War to the mid-1980s—saw the failure of Vietnam's central planning economic model, resulting in not just serious economic conditions, but also socio-political problems. At the time of national reunification, the Soviet-based central planning model (CPM) of the North was viewed by Hanoi as "superior," inspiring Vietnamese leaders' unconditional beliefs in the socialist economic model; the Southern model, in Hanoi's view, was associated with French colonialism and American aggression.³³ For this reason, at the Fourth National Party Congress in December 1976, Vietnamese leaders decided to apply all aspects of the CPM of the North to the South—a region more accustomed to a market economy during wartime—in a nationwide

³¹ Vu Duong Huan, (Ed.), *History of Vietnam's Foreign Policy: For the Cause of Doi Moi (1975–2002)*. Hanoi: Diplomatic Academy of Vietnam, 2002, p. 62.

³² *Ibid.* p. 64.

³³ Martin Rama's conversations with H.E. Prime Minister Võ Văn Kiệt, Professor Đặng Phong and Đoàn Hồng Quang. In Martin Rama, "Making Difficult Choices: Vietnam in Transition," Working Paper No. 40. Washington: The International Bank for Reconstruction and Development/The World Bank: Commission on Growth and Development, 2008, p. 13.

economic system. A “Great Leap Forward” version was introduced in an attempt to rapidly industrialize the agricultural sector in the whole country. This model at operational level was known as “the district as a fortress,” which was conceptualized by Party Secretary General Le Duan, requiring the compulsory provision of irrigation, fertilizers and tractors from every district to raise overall productivity. The command economy model was gradually institutionalized. Vast areas of agriculture were collectivized into cooperative bases for production and distribution. Factory prices and agricultural trade were regulated by administrative prices.³⁴ Food stamps, an integral part of public employees’ salaries, were used only in state-run stores. Trade between provinces was limited. Private enterprises were allowed on a tightly limited scale and as an integral part of the collective or state-owned sectors. Foreign trade and foreign economic cooperation were solely determined and monopolized by state-owned enterprises, in many cases under auspices of the state. International economic relationships were a monopolistic function assumed by the state.³⁵ Against this backdrop, the rigid principles of the CPM and the Party leaders’ limited understanding of economic issues quickly proved to be an obvious failure. There was a big gap between the Hanoi leadership’s overoptimistic targets of the “Great Leap Forward” and the reality on the ground because production forecasted to double between 1976 and 1980 grew more slowly than population. As a result, people’s living standards were stuck at a worse level than during the already harsh war period. Moreover, the Soviet-styled model became broadly inadequate in the South as the application of the Northern economic model led to the stagnation of industry and trade as well as the sharp emergence of food shortages; even in Ho Chi Minh City, which was known as the “rice basket” of the country, people did not have enough rice to eat. Moreover, the Party’s poor economic performance spilled over into the social and political realms. Between 1976 and 1980, protests emerged, mainly in the South. Many southerners fled the county by sea, turning up in different parts of the world as “boat people.” The local population gradually lost faith in the Party’s legitimacy, triggering a significant increase in local protests against the Party’s performance. In addition, the international isolation following the Cambodian conflict, which led to the

³⁴ The price system was tightly managed, with 70% of prices (mostly related to agricultural and other essential commodities) under the control of the government.

³⁵ Vuong Quan Nam, Dam Van Nhue, Daniel Van Houtte, and Tran Tri Dung, “The Entrepreneurial Facets as Precursor to Vietnam’s Economic Renovation in 1986,” *Journal of Economics and Management*, Centre Emile Bernheim: Research Institute in Management Sciences, 2011, p. 2.

cutting-off of aid and the imposition of a trade embargo, resulted in vast budget deficits. These consequences seriously damaged the international image of Vietnam. The ensuing crisis was not just economic, affecting the social and political spheres too. In response, Vietnamese leaders adopted a new model at the Fifth Party Congress in 1981, which set out a Five-Year Plan for improvement in socio-economic conditions. These new relaxations focused on three crucial areas: (1) the granting of some freedom in the management of state-run enterprises and limitations on state management and intervention in the operations of enterprises; (2) a temporary relaxing of emphasis on the superior role of large-scale heavy industries; and (3) the application of quota-threshold contractual arrangement with farmers. These adaptations instituted *de facto* market-oriented principles within the centrally planned model, what Secretary General Le Duan referred to as “fence breaking” experimentation. However, the results were disappointing. The period presented many weaknesses in macroeconomic management, while the rigid principles remained: State ownership and a subsidy scheme favoring the state-run enterprises still played a dominant role. A rigid price system remained in place, and grain and food prices increased by 94% to 96% in the early 1980s. Macroeconomic imbalances got worse, causing a surge of unemployment, spiraling inflation, and the permanent inadequacy of long-term credit and foreign exchange. The failure of the Soviet-styled command model and Hanoi’s decade of poor performance almost pushed Vietnam not only into economic and social crisis but also nearly into a political crisis in the mid-1980s. The feeling that the country was reaching a dead end became widespread.³⁶

2. Policy Responses: The Making of the *Doi Moi* Reform and Pursuit of ASEAN Membership

The regional context and Vietnam’s general crisis forced Hanoi’s leaders to proceed with economic reforms and foreign policy transformation in the hope of seeing the light at the end of the tunnel. The late 1980s witnessed Vietnam’s comprehensive renewal policy, which embarked on a new course of transforming the centrally planning economic model into a socialist-oriented market economy, and which sparked a call for new political

³⁶ Martin Rama’s conversations with H.E. Prime Minister Võ Văn Kiệt, Professor Đặng Phong and Đoàn Hồng Quang. In Martin Rama, “Making Difficult Choices: Vietnam in Transition,” Working Paper No. 40. Washington: The International Bank for Reconstruction and Development/The World Bank: Commission on Growth and Development, 2008, p. 15.

thinking in diplomatic and security policies. The creation of the renovation policy resulted in Hanoi's revised attitude toward ASEAN and membership.

2.1 Economic Reform, Renewed Security and Foreign Policies

From mid-1986, in preparation for the political report and leadership selection for the forthcoming Sixth VCP National Congress, the process of reforms was advanced by selecting a new generation of leaders who embraced economic reform incentives and understood the previous problems caused by the Soviet-style economic model and rigid thinking in foreign policy. The four reformist figures selected to hold leading positions were Nguyen Van Linh as Party Secretary General, replacing acting Secretary Truong Chinh, who took over Le Duan's post after his death; Vo Van Kiet, who had headed the State Planning Commission, as Vice Chairman/Deputy Prime Minister of the Council of Ministers (later, in 1991, as Prime Minister); and Nguyen Co Thach and Tran Xuan Bach, as Foreign Minister and Secretary in charge of the Central Department for External Affairs, respectively, both of whom favored the import of Western ideas. Most of the eight economic ministers were sacked, including Deputy Prime Minister To Huu, and the old leadership came under strong pressure to retire. A shift in leadership from individual to collective mechanisms was thereby established, and economic reform was declared to be an urgent priority.

At the Sixth Congress in December 1986, Vietnam launched the *Doi Moi* renovation policy, which embarked on a new course of profound transformations in economic model, worldview, and diplomatic relations. The CPM was converted into a socialist-oriented market economy model, with a wide range of reform packages principally focused on market-opening measures for foreign countries, including the abolition of the central monopoly of trade; encouragement of foreign investment; distribution of agricultural land to local households on a remarkably egalitarian basis; autonomy given to farmers, merchants, and enterprises in terms of manufacturing and sales; and the abolition of price control.³⁷ In line with these landmark economic reforms, a new worldview emerged within the Vietnamese leadership: while upholding the two strategic tasks of national construction and defense, Vietnam came to the view that the “internationalizing process of the forces of

³⁷ *The Sixth VCP National Congress Documents*. Hanoi: Sự Thật Publishing House, 1987, pp. 26–32.

production” would result in an “inevitable requirement for economic cooperation and peaceful co-existence between different socio-political systems.”³⁸ This new worldview replaced the “two camps and three revolutionary currents” thesis that had dominated the Vietnamese leaders’ ideological line during wartime and more than one decade of national reunification.³⁹ The ideological departure explicitly indicated that Vietnam now sought relations with regional states, and states beyond, with non-socialist political systems, as well as the socialist countries. In July 1987, the Sixth Party Congress Resolution was made concrete, with the prime focus on the “peace and development” thesis, which declared that “the external mission of Vietnam is to have good coordination between the strength of the nation and that of the era, to take advantage of favorable international conditions to build socialism and defend the Fatherland, and to proactively create a condition for stability and economic construction through expansion of external relations.” In May 1988, the Politburo adopted Resolution No. 13, under which a “diversified and multidirectional” foreign policy was launched and national security policy was re-conceptualized for the first time in terms of “comprehensive security policy,” to be strengthened by the coordination of three factors: “a strong economy, an appropriate defense capability, and by expanding international cooperation.” In other words, the Hanoi leadership recognized that national defense and security could not be effectively ensured without, first and foremost, economic development and expansion of external relations. This marked a milestone in the Vietnamese leaders’ new political thinking in foreign policy.

2.2 Seeking ASEAN Membership

Under the influence of the economic reforms and revised foreign policy, as well as a new security vision in light of the *Doi Moi* policy, Vietnam also changed its attitude toward ASEAN. The Resolution of the Sixth Congress clearly stated that “Vietnam wishes and is ready to negotiate with the regional states to resolve the existing issues in Southeast Asia and to establish relations on the basis of peaceful co-existence, to build Southeast Asia into

³⁸Ibid. pp. 34–35.

³⁹ On the basis of its experience in the consecutive wars against French and American imperialism, Hanoi had viewed world politics as being composed of two mutually exclusive camps—socialism and imperialism—whose contradictions must be solved by a “*who will triumph over whom*” (*ai thang ai*) struggle between the global revolutionary forces of the world and imperialism during the transitional period from capitalism to socialism. The world revolutionary forces had three currents: (1) the world socialist system, (2) the communist and working-class movements in the capitalist countries, and (3) the national liberation movements.

a region of peace, stability and cooperation.”⁴⁰ Moreover, with the newly elected reformist figures in place, the rigid thinking and misperception of ASEAN as “pro-Western and anti-communist” or as a “lackey of the West” was completely removed. Instead, the leaders assessed “peace and development” to be the common desire for the Southeast Asian region, of which Vietnam was part, to forge cooperation and development with ASEAN member states, and joining ASEAN was viewed as the highest priority.⁴¹ At the same time, the Sixth Party Congress Resolution, 1987 Politburo Resolution No. 2 and 1988 Politburo No. 13 stressed “Vietnam’s wishes to forge a new development with the regional countries and other Asia-Pacific countries, improve relations with socialist countries, and strive for one Southeast Asian region of peace, stability, and cooperation.”

2.2.1 A Political Solution to the Cambodian Issue as a Doorway to Membership

Vietnam regarded the pursuit of a comprehensive political solution to the Cambodian conflict as a way into ASEAN. According to former Deputy Foreign Minister Tran Quang Co, who served in the Ministry of Foreign Affairs from 1954 to 1997, there was a general consensus among the leaders in Hanoi that ASEAN had wanted to integrate Vietnam within the organization at the time of national unification and that now was the time to seize the opportunity; the remaining issue to be resolved was Cambodia.⁴² The Sixth Party Congress Resolution clearly stated, “The main priority is to move toward a political solution to the Cambodian question.” This position was reiterated in 1987 Politburo Resolution No. 2.

To that end, in August 1987 Vietnam and Indonesia representing the Indochinese states met with ASEAN in Ho Chi Minh City to consult on the issue. The meeting resulted in a joint communiqué on settlement of the Cambodian question in which Vietnam announced a two-phased troop withdrawal, to be completed by 1990, if a political solution could be found. This first-ever declaration was a groundbreaking moment in peace talks between Hanoi and ASEAN without direct intervention from external powers. It was at this meeting that

⁴⁰ *The Sixth VCP National Congress Documents*. Hanoi: Sự Thật Publishing House, 1987, p. 108.

⁴¹ Foreign Minister Nguyen Co Thach, “Tất cả vì hoà bình, độc lập dân tộc và phát triển” [All for Peace, National Independence and Development], *Tap chi Cong san* [The Communist Review], No. 8, August 1989, pp. 6–7 & p. 9.

⁴² Former Deputy Foreign Minister Tran Quang Co, “*Hồi ức và Suy nghĩ*” [Memoir and Thought], 22 May, 2003, pp. 26–28/194.

Vietnamese Foreign Minister Nguyen Co Thach told his ASEAN counterparts that Vietnam “wishes to join ASEAN.”

Vietnam’s reconciliatory efforts on the Cambodian issue and its desire to join ASEAN led the member states to support the country’s membership in the organization. In December, President Corazon Aquino of the Philippines declared that Manila did not view Vietnam as a threat and demonstrated its support for the incorporation of Vietnam into ASEAN. On 26 May 1988 (six days after Politburo Resolution No. 13), Vietnam began to implement the first-phase withdrawal of 50,000 troops from Cambodia and removed all remaining troops from the Thai-Cambodian border. In response to Vietnam’s gestures of goodwill, Prime Minister Chatichai Choonhavan of Thailand, which had allied with China in adopting a confrontational approach toward Vietnam, announced a volte-face in the country’s position, saying, “Bangkok wishes to turn Indochina from battlefields into marketplaces.”⁴³ At the same time, Prime Minister Mahathir of Malaysia indicated that “ASEAN could accept Vietnam as a member of the group in future, should it subscribe to the idea of ASEAN.”⁴⁴ The Indonesian Armed Forces Commander-in-Chief, General Tri Sutrisno, stated that “ideology would not be an impediment to Vietnam’s membership in the Association.”⁴⁵ Hanoi and Jakarta played a major role in the reconciliation process between the four Cambodian factions,⁴⁶ as well as in the facilitation of peace talks between the Indochinese states and ASEAN members to pursue a comprehensive settlement, through the Jakarta Informal Meetings I and II of July 1988 and January 1989, respectively. Vietnam also actively participated in the UN-sponsored International Paris Peace Conference on Cambodia and the Australia-sponsored Cambodian Peace Plan.

In September 1989, Vietnam carried out the second phase of troop withdrawals, ending its military presence in Cambodia in the presence of hundreds of local and foreign journalists. Thus, the Vietnamese troop withdrawals were completed earlier than the declared two-

⁴³ Vu Duong Ninh. *Vietnam-the World and Integration*. Hanoi: Education Publishing House, 2007, p. 385.

⁴⁴ Carlyle A. Thayer, “Vietnam and ASEAN,” *Conference on Vietnam: Prospects for Economic and Social Progress* (16–17 November 2000), Washington, *op. cit.*, p. 2.

⁴⁵ ANTARA news in English, 0204 GMT, 13 January 1989. *Op. cit.*, in Carlyle A. Thayer, p. 2.

⁴⁶ The four factions included the pro-Vietnamese People’s Republic of Kampuchea (PRK) and the three anti-Vietnamese factions of the Coalition Government of Democratic Kampuchea (CGDK) (established in 1982 and known as the Democratic Kampuchea regime), comprising the FUNCINPEC party, led by Prince Norodom Sihanouk; the Khmer Rouge-dominated Democratic Kampuchea Party; and the Khmer People’s National Liberation Front.

phase schedule. After this event, Indonesia's President Soeharto became the first ASEAN head of state to pay an official visit to Vietnam, in 1990, which signaled the possibility of Vietnam becoming ASEAN's next member.⁴⁷ At the same time, Malaysia's Prime Minister Mahathir floated the idea of a dialogue between ASEAN and the non-member states of mainland Southeast Asia, which was immediately welcomed by Hanoi because it wanted to persuade ASEAN to integrate Laos and Cambodia within the organization for strategic interests. Thailand's Prime Minister, Chatichai Chunchawan, publicly declared his support for the incorporation of Indochina into ASEAN but only after the Cambodian conflict had been comprehensively settled.⁴⁸

ASEAN's changed posture toward Vietnam resulted in the détente of both Beijing and Washington on the settlement of the Cambodian issue. From the latter half of 1989, Beijing seemed to relax its tough stance as it agreed to enhance talks with Hanoi on the Cambodian issue and to proceed with bilateral normalization after witnessing a series of events that marked ASEAN-Vietnam rapprochement and the former's support for the latter's membership. Moreover, facing international isolation and economic sanctions imposed by the US and its European allies in the wake of the June 1989 Tiananmen Incident, Beijing seemed to have no choice but to move toward Hanoi on the Cambodian issue so as to seek a foothold in Southeast Asia for its economic interests and to find a way out of its diplomatic problem. As for the US, from the middle of 1990, Washington began to endorse for a peaceful political solution to the Cambodian question.⁴⁹ Its revised stance was in part due to Hanoi's revised position on American MIAs and efforts aimed at forging a peaceful and comprehensive settlement on Cambodia by the Indochinese states, ASEAN-6, Japan and Australia, but also in part because of the relaxation of global tensions following the end of the Cold War. Besides which, Washington had begun to seek regional security and stability through diplomatic means conducive to its hegemonic status as well as its geopolitical and economic interests in the Asia-Pacific.

⁴⁷ Kawi Chongkitthawon, "Vietnam's Backdoor to ASEAN," *The Nation*, 24 November 1990, *op. cit.*, in Carlyle A. Thayer, p. 2.

⁴⁸ Carlyle A. Thayer, p. 2.

⁴⁹ On 18 July 1990, the Bush administration showed a change in its stance on the Cambodian question by making public "US cessation of support for the three anti-Vietnam Cambodian factions" and beginning to negotiate with Hanoi on the Cambodian issue and on bilateral relation normalization procedures.

These favorable conditions created a comprehensive political solution to the Cambodian conflict. On 23 October 1991, the UN-sponsored International Peace Conference on Cambodia was convened in Paris and resulted in the signing of the Paris Peace Agreement by the twelve members of the Supreme National Council of Cambodia. This landmark event put an end to Chinese, Vietnamese, and US intervention in Cambodia and left the Cambodians to handle their internal politics under UN supervision.

2.2.2 A New Open Phase of Cooperation for Membership

The end of the Cambodian conflict provided a means of entry for Vietnam into ASEAN. The then Deputy Foreign Minister, Vu Khoan, asserted that “with the comprehensive political settlement to the Cambodian issue, the key obstacles to Vietnam-ASEAN relations over the last 10 years was eliminated. Relations between Vietnam and ASEAN member states could thus rapidly develop bilaterally and multilaterally.”⁵⁰ High-level Vietnam-ASEAN reciprocal visits surged in the post-Cambodia period. Between 24 October (just one day after the Paris Peace Agreement) and 3 November 1991, Prime Minister Vo Van Kiet led high-level government delegations to Indonesia, Thailand, and Singapore. Between late 1991 and mid-1992, Kiet paid similar visits to Malaysia, the Philippines, and Brunei. During these visits, the delegations signed many important agreements on economic and trade cooperation, investment projects, technology transfer, tourism, telecommunications, aviation cooperation, and cultural exchange. In return, in January 1992, Thai Prime Minister Anand Panyarachun paid a groundbreaking visit to Vietnam. In April, Malaysia’s Prime Minister Mahathir, along with almost 200 officials and businessmen, paid a five-day visit to Hanoi. In the same month, Singapore’s high-level delegation led by Lee Kuan Yew visited Hanoi and provided advice on the operation of a market economy, followed by several visits with a number of government officials and businessmen in 1993. By the second quarter of 1992, Vietnam had restored normal relations with all the ASEAN states. This normalization was instrumental in Vietnam’s access to the ASEAN TAC in July 1992 as the legal basis for its participation in all ASEAN meetings as an observer. In October, Secretary General Do Muoi paid official visits to Singapore and Thailand, indicating Vietnam’s eagerness for “early membership.” In Singapore, he announced that “Vietnam

⁵⁰ Vu Khoan, “Vietnam-ASEAN Relations,” in Institute of International Relations, *Hoi nhap Quoc te va Giu gin Ban sac dan toc* [International Integration and National Identity Preservation]. Hanoi, 1995, p. 31.

attaches great importance to expanding relations with the countries in the Asia-Pacific and strengthening multifaceted cooperation with the ASEAN member states and ASEAN as a whole. Vietnam is ready to join ASEAN as early as possible.”⁵¹ In Thailand, Do Muoi announced Hanoi’s “four-point guideline” toward ASEAN, which was highly appreciated by the member states.⁵² In early 1994, ASEAN Secretary General Ajit Singh visited Hanoi and said, during his visit, “there are no obstacles to Vietnam’s membership in ASEAN” and that membership was merely a “question of timing” for Vietnam.⁵³ In the month of March 1994 alone, Singapore Prime Minister Goh Chok Tong, Thai Prime Minister Chuan Leepai, and Philippines President Fidel V. Ramos paid official visits to Hanoi and expressed their “warm welcome” to Vietnam’s impending membership. In 1994, Vietnam became a member of the ARF at the inaugural meeting and a member of the ASEAN Post-Ministerial Conference (PMC).

It is worth noting that the end of the Cambodian conflict and ASEAN’s vigorous support for Vietnam’s next membership provided useful leverage for Vietnam in forging new relations with the major powers and to gain external support for its entry into ASEAN. On 5 November 1991, in a visit to China by Party Secretary General Do Muoi and Prime Minister Vo Van Kiet, both sides restored normal relations and signed a Bilateral Trade Agreement two days later. It should be stressed that only after the Cambodian conflict and Kiet’s groundbreaking visits to Indonesia, Thailand, and Singapore did China agree to normalize relations with Vietnam.⁵⁴ In 1992, Vietnam was successful in restoring sources

⁵¹ *For Peace, Independence and Development*. Hanoi: National Publishing House of Politics, 1994, p. 132.

⁵² The four-point guideline included (1) on the principle of respect for independence, sovereignty and territorial integrity, and the non-use of force or threat of force, Vietnam affirms the diversified and multidirectional foreign policy by expanding relations with all countries, striving for peace, independence, and development; (2) Vietnam plans to expand relations with the countries in the Asia-Pacific region, strengthen multifaceted cooperation with the ASEAN member states and the Association, and is ready to join ASEAN at an appropriate point; (3) Vietnam is ready to engage in dialogues, such as the political and security forum, in order to build Southeast Asia into a region of peace, cooperation, and development, nuclear weapon-free and free of foreign military bases; (4) Vietnam plans to resolve disputes between the parties, including the ones over the East Sea [Bien Dong in Vietnamese name, or the South China Sea], through peaceful negotiation on the basis of equality, mutual understanding, respect for international law and the UN Convention on Law of the Sea, and respect for sovereignty of coastal line for the Exclusive Economic Zone (EEZ) and continental shelf.

⁵³ *New Straits Times*, 22 February 1994, in Hoang Anh Tuan, “Vietnam’s Membership in ASEAN: Economic, Political and Security Implications,” *Contemporary Southeast Asia* 16 (3), December 1994, p. 260.

⁵⁴ Hanoi’s visits to these three ASEAN states prior to its visit to China generally helped enhance its bargaining position to restore normal relations with China. During the Cambodian conflict, Indonesia was the ASEAN state that sought a policy of accommodation and reconciliation with Vietnam and had used Vietnam

of Japanese-donated overseas development aid (ODA), which had been stopped since the beginning of the Cambodian conflict. Tokyo had attempted to play an active and constructive role in the settlement, thus the post-Cambodian era naturally inspired it to endorse Vietnam's membership in ASEAN to expand the organization, as evident in Prime Minister Tomiichi Murayama's August 1994 visit to Hanoi, when he warmly welcomed Vietnam's desire to join ASEAN.⁵⁵ Immediately after its entry into the ASEAN TAC in 1992, Vietnam signed an Agreement on Textile and Garments with the European Union (EU), which in early 1993 supported Vietnam's accessions to the IMF and the World Bank and to ASEAN. In June 1994, after these choreographed events and the ASEAN Foreign Ministers' declaration on Vietnam's membership, Washington lifted its embargo on Vietnam. Shortly after, Washington "granted its full support for Vietnam's membership of ASEAN."⁵⁶

July 1995 saw three events that marked major breakthroughs in Vietnam's foreign policy history: Immediately after Vietnam became the seventh member of ASEAN, it succeeded in normalizing relations with the US and in signing a Framework Cooperation Agreement with the EU.

3. Vietnam's Real Motives in Seeking ASEAN Membership

This section investigates the real motives behind Vietnam's enthusiasm to join ASEAN from three perspectives: diplomatic/political, economic, and security.

3.1 Political/Diplomatic Motives: Breaking Free from International Isolation

The main motive for joining ASEAN was to break free from international isolation. It should be noted that in the wake of the *Doi Moi* Reform policies, the highest priority was

as a buffer state vis-à-vis a potential Chinese threat. President Soeharto was the first ASEAN leader to visit Hanoi in November 1990, only three months after normalization of Chinese-Indonesian relations during Premier Li Peng's visit to Jakarta in August. This suggested that "Jakarta [was] signal[ing] its interest in balancing China by strengthening ties with Hanoi." (See more details in Donald S. Zagoria, "Joining ASEAN," in James W. Morley and Masashi Nishihara. (Eds.), *Vietnam Joins the World*. New York & London: M.E. Sharpe, Inc., 1997, p. 165). In the meantime, Thailand and Singapore—the states that had been part of China's united front to encircle and isolate Vietnam—changed their stance toward Vietnam in pursuit of economic incentives and a new regional vision on Indochina.

⁵⁵ Hoang Anh Tuan, "Vietnam's Membership in ASEAN: Economic, Political and Security Implications," *Contemporary Southeast Asia* 16 (3), December 1994, p. 271.

⁵⁶ *Ibid.* p. 268.

the pursuit of economic goals, but Vietnam remained isolated because of the Cambodian issue and so the immediate task of foreign policy was to end the isolation and embargo to open up a way toward economic cooperation.⁵⁷ The 1987 Politburo Resolution No. 2 stressed that “it is a must to proactively seek the political settlement of the Cambodian issue for a new stage of development and peaceful co-existence with ASEAN, China, and the United States...,” and that the settlement was the “key task of foreign policy” for “Vietnam’s rapprochement with ASEAN states” toward membership and for “breaking free from encirclement and embargo.”⁵⁸ At this point, Vietnam pursued an ASEAN-first policy to realize this endeavor. This was because without immediate rapprochement with the ASEAN states or membership of the organization, Vietnam could not secure a bargaining position vis-à-vis China and the US on Cambodia or seek rapprochement with them as the two main powers behind Vietnam’s isolation. It was clear that joint Vietnam-ASEAN efforts to advance the Cambodian peace process helped in part to change the two powers’ attitudes toward Vietnam on the Cambodia issue. Moreover, immediately after the end of the Cambodian conflict, Vietnam’s reciprocal visits with ASEAN members prior to the restoration of normal relations with China revealed Hanoi’s goal of strengthening its bargaining position vis-à-vis China. ASEAN’s supportive attitude for Vietnam’s membership and the events marking the new stages in Vietnam’s relations with Japan and the EU eventually led the US to lift its trade embargo and grant full support for Vietnam’s entry into ASEAN. As a result, by the mid-1990s, Vietnam had completely broken free from international isolation.

3.2 Economic Motives

In parallel with the most immediate task of escaping international isolation as the immediate task, Vietnam’s decision to join ASEAN from the late 1980s was driven by a number of economic motives that were viewed by Hanoi as the highest priority in the light of *Doi Moi* policy. In the first place, seeking economic development in order to improve people’s living standards, in Hanoi’s view, was imperative to protecting the survival of the party-state regime. This was because the failure of the Soviet-style economic model caused grave domestic socio-economic conditions and naturally led the people to question the

⁵⁷ Former Deputy Foreign Minister Tran Quang Co, “*Hồi ức và Suy nghĩ*” [Memoir and Thought], p. 36/194

⁵⁸ The VCP Politburo Resolution No. 2, dated 9 July 1987, pp. 5–6.

legitimacy of the Party. Moreover, the clear failure of the CPM in the Soviet Union and Eastern Europe in the 1980s alarmed Hanoi. These two factors forced the Vietnamese leaders to transform the economic model with a view to finding new resources to replace those lost from the Soviet bloc as a means of restoring party-state legitimacy. At this point, Vietnam considered joining ASEAN to be the best option. The East Asian trade system around Japan, the Asian NICs, and ASEAN provided an incentive for Vietnam to join ASEAN because a regional trade and investment system of such a magnitude could be the key to economic growth and industrialization in both the short and long terms. The then Foreign Minister Nguyen Co Thach, who was a central actor in the making of Doi Moi and an initiator of the campaign to join ASEAN, argued that Vietnam's enthusiasm to join ASEAN stemmed from a desire to share in the region's economic dynamism. He contended in more details that the ASEAN member countries reaped massive benefits from the regional trade system after the creation of Japan's 1985 Plaza Accord and that the process created a wide range of export markets for ASEAN countries and helped them attract massive investment flows from Japan, South Korea and Taiwan, as well as the US and the EU.⁵⁹ It was therefore no coincidence that Vietnam's promulgation of the 1987 Law on Foreign Investment⁶⁰ and Law on Export and Import Duties of Commercial reflected this motive. However, because of the international isolation imposed on Vietnam, investment inflows only just well surpassed US\$1 billion in 1990, and total trade turnover with East Asian countries was valued at just US\$2.05 billion. After the end of the Cambodian conflict, there was a surge in trade interactions and investment inflows. By 1995, trading with East Asian countries had increased tenfold on 1990, accounting for 75.5% of Vietnam's total trade with the world (**Table 1**). Similarly, foreign direct investment (FDI) inflows from countries of the region rose by eight times, from over US\$1 billion in 1990 to nearly US\$9 billion, of which Japan, the NICs, and ASEAN constituted 84% (**Figure 1**). The trade and investment data clearly indicate that Vietnam's membership of ASEAN had provided

⁵⁹ Foreign Minister Nguyen Co Thach, "Tất cả vì hoà bình, độc lập dân tộc và phát triển" [All for Peace, National Independence and Development], *Tap chi Cong san* [The Communist Review], No. 8, August 1989 pp. 6–7; Nguyen Co Thach, "Tình hình Kinh tế-Xã hội của Nước ta sau 5 năm Đổi Mới" [Social-Economic Conditions of Our Country after Five Years of Doi Moi], *Tap chi Cong san*, Special Number, June 1991, pp. 14–18.

⁶⁰ The Foreign Investment Law (FIL) defined three kinds of FDI: joint venture, 100% foreign-owned capital, and cooperation contract.

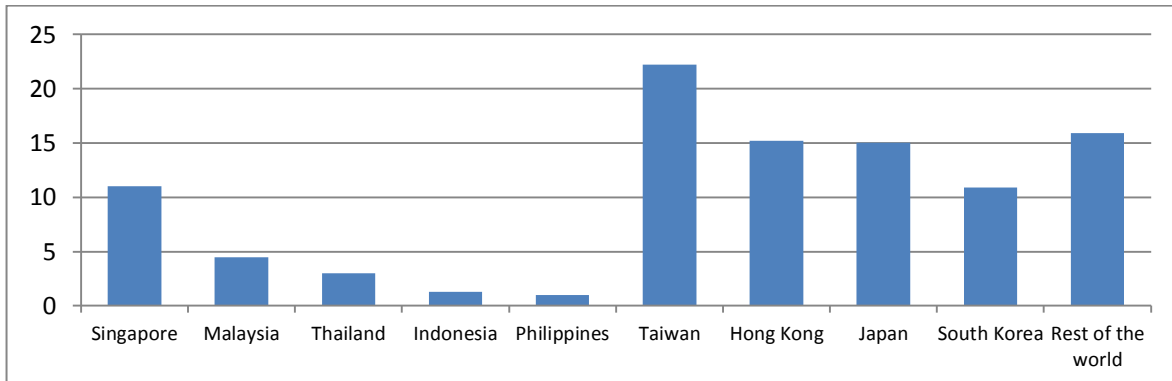
useful leverage in engaging with East Asian economic integration for economic growth and industrialization.

Table 1: Vietnam's Trade Turnover by Destination

Country/Region	1990		1995	
	USD mil.	% of total	USD mil.	% of total
Singapore	629	13.4	2120.0	15.5
Hong Kong	440.1	8.5	675.6	5.0
South Korea	79.8	1.5	1488.8	10.9
Taiwan	69.7	1.4	1340.7	9.9
Sub-total of NICs	1208.6	23.9	5620.1	41.3
Japan	509.3	9.9	2376.7	17.5
China	12.4	0.2	691.6	5.1
Rest of ASEAN	160.1	3.1	1152.1	8.5
Cambodia, Laos	36.7	0.7	222.7	1.6
Total East Asia	2050.1	39.8	10262.9	74.0
Western Europe	454.2	8.8	1450.7	10.7
Eastern Europe	2365.3	45.9	621.1	4.6
North America	8.9	0.2	342.8	2.5
Total World	5153.9	100.0	13604.3	100.0

Source: *Niên Giám Thống Kê* [Statistical Yearbook], 1996. Hanoi: General Statistical Office (GSO)

Figure 1: Investment Capital in Vietnam in 1995 (%)



Source: Vietnam's Ministry of Planning and Investment, Hanoi, December 1995

Second, Vietnam decided to join ASEAN to embark on a learning experience process from the economic models of the developmental states in the region. At the very beginning of transforming its former economic model into a market-oriented economy, the Vietnamese leaders had identified the danger of “lagging behind by other regional countries economically” (*nguy cơ tụt hậu*).⁶¹ In this regard, the economic success stories of the NICs

⁶¹ The Politburo Resolution No. 2 (dated 9 July 1987); Politburo Resolution No. 13 (dated 20 May 1988).

and other such ASEAN countries as Thailand, Singapore, and Malaysia by the late 1980s had hugely impressed Vietnam. As Nguyen Co Thach pointed out, “Developing economic ties with the regional economies will help us [Vietnam] learn developmental experiences from them, especially the ASEAN countries.”⁶² This was evident when Vietnam hosted the international symposia on “Interaction for Progress: Vietnam’s New Course and ASEAN Experiences,” one held in January 1989 and the other in August 1991. The then Deputy Prime Minister, Phan Van Khai, stressed that “We must adopt the developmental strategy of the ASEAN models. The key tasks are economic growth and social progress, and they become even more urgent as Vietnam is situated in the region marked by the most dynamic economic activities in the world.”⁶³ In the period following the Cambodian conflict, many Vietnamese government delegations were accompanied by business groups to Singapore, Malaysia, and Thailand in order to draw lessons from their economic development models, and the ASEAN counterparts reciprocated in their visits to Hanoi for consultation on the operation of a market economy in Vietnam. In other words, learning experiences to develop a competitive market-oriented economy was a pressing motive to pursue ASEAN membership, as the Deputy Director of the Institute for Vietnamese Foreign Policy and Strategy Studies, Nguyen Vu Tung, admitted: “The learning process was instrumental in Vietnam’s decision to seek ASEAN membership as quickly as possible.”⁶⁴

Third, Vietnam considered ASEAN membership to be the best choice to strategically accelerate the pace of Vietnam’s regional and international economic integration. Toward the end of the 1980s, there had been new developments in regional and global economic integration; of particular note were the evolving economic integration and regionalization of East Asia, the enthusiasm of the Pacific Rim countries to establish the APEC to promote free trade and economic cooperation throughout the Asian-Pacific region, and the expansion of European integration. Thus, the leaders in Hanoi saw the need for a “comprehensive and long-term goal regional policy towards Asia, including Southeast Asia,

⁶² Foreign Minister Nguyen Co Thach, “Tất cả vì hoà bình, độc lập dân tộc và phát triển” [All for Peace, National Independence and Development], *Tap chi Cong san* [The Communist Review], No. 8, August 1989, p. 7.

⁶³ Deputy Prime Minister Phan Van Khai, “Về triển vọng Kinh tế Việt Nam trong các năm tới” [On the Prospects for Vietnam’s Economy in the Coming Years]. Report dated 20 August 1993, p. 6.

⁶⁴ Nguyen Vu Tung, “Vietnam’s Membership of ASEAN: A Constructivist Interpretation,” *Contemporary Southeast Asia* 29(2), 2007, p. 492

[to] be drawn up as soon as possible for economic integration orientations.”⁶⁵ The then Foreign Minister, Nguyen Co Thach, pointed out that “Regionalism and regionalization are becoming increasingly important with regard to economic cooperation and endeavors, particularly, in terms of favorable geographical conditions beyond ideological line and arms race. This is the new specific trait of an international division of labor.”⁶⁶ In an interview with Agence France-Presse in 1991, Pham Van Tiem, chairman of the State Planning Committee, said that “ASEAN can become the bridge between Vietnam and the world” given that ASEAN had established economic linkages with many vibrant economies and centers around the world.⁶⁷ Joining ASEAN as a regional organization also meant participation in the regional economic institutions, such as the ASEAN Free Trade Area (AFTA).⁶⁸ This was viewed by Hanoi as an important milestone in gaining familiarity with the norms and practices of international trade and thus would be instrumental for Vietnam in its later accession to the APEC and the WTO. Prime Minister Vo Van Kiet mentioned in Hanoi’s discussion on the AFTA in 1992 that “Access to the AFTA was expected to be a stepping stone to our trade liberalization and to the integration of Vietnam into the world economy.”⁶⁹ In the same month that it became ASEAN’s seventh member, Vietnam succeeded in normalizing relations with the US and signing a Framework Cooperation Agreement with the EU. In December 1995, Vietnam was granted access to the AFTA, and at the same time Vietnam submitted its membership application to the APEC and the WTO. These systematic events clearly show the significance for Vietnam’s ASEAN membership for the long-term goal of regional and international economic integration.

⁶⁵ Nguyen Huu Cat, “Vietnam Hoi nhap vao Khu vuc vi Hoa binh va Phat trien” [Vietnam’s Integration in the Region for Peace and Development], *Nghien cuu Dong A*, February 1996, pp. 28–29.

⁶⁶ Foreign Minister Nguyen Co Thach, “Tất cả vì hoà bình, độc lập dân tộc và phát triển” [All for Peace, National Independence and Development], *Tap chi Cong san* [The Communist Review], No. 8, August 1989, p. 3.

⁶⁷ Remarks by Pham Van Tiem, chairman of the State Price Committee, quoted by at Andrew Sherry, Agence France-Presse (AFP), Hanoi, 25 August 1991.

⁶⁸ Vietnam’s participation in the AFTA was also expected to reap benefits, such as trade creation and trade diversion benefits, because it would mean not only the importation of quality materials and high technology transfers from the member states to serve domestic production and export-oriented industries, but also increased FDI inflow to the extent that the Southeast Asian region was seen as a stable and profitable market. In addition, being an AFTA member, Vietnam would enjoy Generalized System of Preferences (GSP) status in selling products to Europe and North America from its textile, garment, leather, and electronic assembly industries.

⁶⁹ Martin Rama, “Making Difficult Choices: Vietnam in Transition,” Working Paper No. 40. Washington: The International Bank for Reconstruction and Development/The World Bank: Commission on Growth and Development, 2008, pp. 79–80.

3.3 Security Motives

Besides its economic motives, Vietnam's security motives were important in explaining its enthusiasm to join ASEAN. In immediate terms, Gorbachev's changed posture toward China and the US from the late 1980s forced Hanoi to revise its stance on ASEAN in order to avoid security problems because Vietnam's "only ally" had sought rapprochement with its two adversaries.⁷⁰ It was clear at the time that China's "bleed Vietnam white" strategy and the US encirclement policy toward Vietnam remained unaltered, not to mention China's pressure on the Soviet Union over non-intervention in its dealings with Vietnam as one of the prerequisites for the normalization of Chinese-Soviet relations.⁷¹ In other words, Hanoi's use of the Soviet Union as a counterweight to China was no longer an option. For this reason, Vietnam urgently sought a "multidirectional" foreign policy, with the top priority placed on ASEAN and the establishment of "a new balance in relations with the major powers" to avoid the dilemma of "being left alone" in addressing external threats.⁷² As the then Deputy Foreign Minister, Tran Quang Co, argued, "the approach of relying on a major power was no longer well attuned to the new world situation [détente between China and the Soviet Union as well as between the US and the Soviet Union in the years toward the end of the Cold War] and thus, dependency on the Soviet Union alone would have placed Vietnam in a new security dilemma, had we not urgently diversified and multilateralized international relations to adjust to the new context."⁷³ At this point, joining ASEAN seemed to be the best choice because Indonesia and Malaysia were pursuing a policy of accommodation and conciliation with Vietnam amid the Cambodian conflict (the Philippines remaining neutral). They were also the two ASEAN members that had

⁷⁰ Several months after coming to power in 1985, Gorbachev launched a comprehensive reform program, called *perestroika* and *glasnost*, for economic reconstruction and new political thinking, respectively. To secure an external environment conducive to its domestic reforms, Gorbachev embarked on a course of reconciliation with the West and China. In particular, on 28 July 1986, Gorbachev gave a landmark speech in Vladivostok, known as "the Vladivostok speech," announcing a new Soviet outlook towards the Asia-Pacific region. In this regard, Moscow's changing stance toward Hanoi and Beijing was marked by the four major points of Gorbachev's speech: (1) the Soviets' intention of improving relations with China; (2) Moscow's military withdrawal from Afghanistan; (3) a call for normalization of Sino-Vietnamese relations; and (4) the settlement of Cambodia's future by its own people.

⁷¹ Deputy Foreign Ministry Tran Quang Co, "*Hồi ức và Suy nghĩ*" [Memoir and Thought], p. 36/194.

⁷² The 1988 Politburo Resolution No. 13, pp. 3–4; Deputy Foreign Ministry Tran Quang Co, pp. 47–48/194.

⁷³ Deputy Foreign Minister Tran Quang Co, "Cục diện thế giới mới và vận mệnh [đất nước]" [The New World Situation and National Fate], *Tap chi Quan he Quoc te* [International Relations Review], March 1992, p. 21.

maintained economic and trade cooperation, as well as diplomatic contacts, with Vietnam, in spite of the US-led trade embargo and international isolation. Moreover, all the ASEAN states had been enthusiastic about integrating Vietnam into ASEAN prior to the Cambodian conflict. For this reason, it was rational for Vietnam to pursue an ASEAN-first policy while at the same time viewing the Soviet Union as a cornerstone in its foreign relations and seeking rapprochement with China, the US, Japan, and the EU. This calculation was crucial because if Hanoi had not proactively embarked on a new course of expanding foreign relations in the late 1980s, then the 1991 demise of the Soviet Union would have given Vietnam even more serious security problems.

In strategic terms, joining ASEAN would integrate Vietnam's security with that of the whole Southeast Asian region and would pave the way for developing defense relations with the Asia-Pacific's major powers. In the 1980s the major powers' engagement with ASEAN within the ASEAN PMC was a major incentive in this regard for Vietnam.⁷⁴ ASEAN-centered multilateral institutions were also crucial and had strategic appeal to Vietnam in pursuit of its diversified and multidirectional foreign policy as well as in defense diplomacy after *Doi Moi*. That Vietnam was enthusiastic to engage in the ARF and the PMC in 1994 was a clear indication of this.

Above all, the underlining strategic motive of joining ASEAN was to constrain China's aggressiveness in the SCS.⁷⁵ This strategy was driven in several ways. First, the ASEAN united diplomatic front was expected to be instrumental in preventing aggressive Chinese actions in the disputed area. The Hanoi leadership was deeply aware that Vietnam was facing a clear asymmetric naval power relationship vis-à-vis China because it had suffered losses in the 1987–88 naval clashes over the Spratlys.⁷⁶ ASEAN was generally perceived by the Hanoi leaders to be a weak reed to rest upon in balancing Beijing, primarily because

⁷⁴ Tran Quang Co, "*Hồi ức và Suy nghĩ*" [Memoir and Thought], p. 39–40/194.

⁷⁵ Vietnam refers to the SCS as the East Sea (Biển Đông). The conflict involves bilateral Sino-Vietnamese disputes over the Paracel archipelago and the Spratly archipelago involving the overlapping water and territorial disputes among the six parties—China (including Taiwan) and the four ASEAN members: Vietnam, the Philippines, Malaysia, and Brunei.

⁷⁶ In particular, in March 1988, taking advantage of Gorbachev's rapprochement with it, China attacked the Vietnam-occupied South Johnson Reef (or Gac Ma in Vietnamese) in the Spratlys. The clash ended in heavy losses of Vietnamese forces as China sank all Vietnamese ships and killed 64 naval soldiers. By the end of 1988, China had occupied six reefs and atolls in the archipelago. This incident was known by many Vietnamese as the "second lesson" that China had threatened to teach Vietnam in the aftermath of the 1979 border clashes—the first "lesson" China announced it would teach Vietnam.

the regional states had neither the military power nor the will to contest China's claims in the SCS. As an organization, however, ASEAN could provide useful leverage in exerting diplomatic and political pressure on China over this issue. This was evident when Vietnam leveraged ASEAN's united diplomatic front to address Chinese assertiveness in its continental shelf in the first half of the 1990s.⁷⁷ Second, in joining ASEAN, Vietnam calculated that ASEAN-centered multilateral political and security institutions and the organization's norms and principles would be instrumental in producing consultative and confidence-building measures, as well as peaceful settlement of disputes with China. This was because ASEAN had evolved a multilateral regional arrangement for security cooperation (the ARF), and for political dialogues (the PMC); since the 1980s, dialogue partners had been the US, Japan, China, Australia, New Zealand, Canada, South Korea, and the EU. These ASEAN-centered multilateral institutions would, in Hanoi's view, offer opportunities for Vietnam to, on the one hand, enhance confidence-building measures and, on the other, to mobilize support in order to address the issue peacefully in accordance with international laws. ASEAN had also been unsparing in its efforts to stress peaceful processes in the settlement of regional differences through means of consultation, accommodation, reciprocity, and non-use of force or the threat of force. These norms and principles of the "ASEAN Way" were well suited to those of Vietnam and had strategic appeal for its conduct of relations with the major powers, especially with China in the SCS.

⁷⁷ In February 1992, China claimed the entire SCS as its territory based upon its Territorial Waters Law and the Contiguous Zone and insisted on its right to expel by any means those who violated Chinese sovereignty. In May, Beijing took another provocative action in the form of exploratory drilling by its Offshore Oil Corporation and Crestone—an American Energy Corporation—on the Vietnamese continental shelf called Tu Chinh. This exploratory drilling took place adjacent to an existing Vietnamese oil field. In response, almost one week after Vietnam's accession to the ASEAN TAC, Vietnam joined the ASEAN Foreign Ministers Meeting in Manila. The Philippines and Vietnam played an instrumental role in issuing the first-ever "Manila Declaration on the South China Sea," calling for peaceful settlement of the issue by all parties and urging the parties' adherence to the principles of the TAC as the basis for establishing a code of international conduct over the SCS. Although China was not mentioned by name, "it was clearly a target." (Mark Valencia, "The Spratly Imbroglio in the Post-Cold War Era," in David Wurfel and Bruce Burton. (Eds.), *Southeast Asia in the New World Order*, London: Macmillan, 1996, pp. 248–249). In October 1994, a naval clash between China and Vietnam was further inflamed when the former attacked Vietnam's Vietsovpetro drilling station in Vietnam-claimed Tu Chinh. In March 1995, China occupied the Philippine-claimed Mischief Reef. In the same month, it established an Ocean Agency in Hainan Province to oversee the SCS. This series of provocative actions by Beijing goaded ASEAN into presenting a united diplomatic front to China on the SCS issue. ASEAN called for China to open consultations on political and security issues at the senior official level. In April, for the first time, China agreed to host a China-ASEAN Senior Officials Meeting in Hangzhou. At this meeting, ASEAN as a group made it clear to China for the first time that "the occupation of Mischief Reef and a series of sorties with Vietnam could destabilize the region." (See more details in Donald S. Zagoria, "Joining ASEAN," in James W. Morley and Masashi Nishihara. (Eds.), *Vietnam Joins the World*. New York & London: M.E. Sharpe, Inc., 1997, pp. 158–159).

The 1991 China-Vietnam Joint Communiqué on normalization of relations and Vietnam's 1994 "four-point guideline" toward ASEAN made clear the principle of "confidence-building measures and resolution of the existing sovereignty-related disputes through peaceful means." In addition, joining ASEAN would be strategically instrumental in enmeshing China by political and economic means, and by multilateralizing the issue. To put it differently, on the one hand, China's increased incentives for economic and political cooperation with ASEAN as a whole were expected by Hanoi to enhance Beijing's sense of having a stake in playing a peaceful and constructive role in regional stability, which might result in diluting China's aggressive actions in the disputed SCS. On the other hand, membership would help Hanoi to play an instrumental role in transforming the bilateral Sino-Vietnamese dispute over the Spratlys into a multilateral issue involving China and ASEAN as a whole, given that other involved ASEAN parties—the Philippines, Malaysia, and Brunei—also had their territorial claims in the archipelago. As one Vietnamese Foreign Ministry official noted in 1992, after China's enactment of the Law on Territorial Waters and the Contiguous Zone, "Sino-Vietnamese relations will be meshed within the much larger regional network of interlocking economic and political interests. It is an arrangement whereby anyone wanting to violate Vietnam's sovereignty would be violating the interest of other countries as well. This is the ideal strategic option for Vietnam. It is also the most practical."⁷⁸

Another striking strategic motive for seeking ASEAN membership was to address the "peaceful evolution" threat to the Vietnamese communist regime. US-led schemes that misused the concept of human rights and such democratic issues as freedom of religions and the press as a pretext for intervention in domestic affairs to force political change or destabilize the party-state regime's security had long been a concern of the Vietnamese leadership. For this reason, Hanoi considered that ASEAN membership would provide some means of protection for its regime. First, according to Hanoi, the ASEAN principle of "non-interference" in domestic affairs was the most important strategic instrument in ensuring Vietnam's political independence and the security of the regime against the

⁷⁸ Nguyen Hong Thach, "Vietnam-China Ties: A New but Not Easy Era," *Business Times* (Singapore), 31 December 1992. This view is shared by Mr. Hoang Anh Tuan, the Director of the Institute for Vietnam Foreign Policy and Strategy Studies. See detail in Hoang Anh Tuan, "Vietnam's Membership in ASEAN: Economic, Political and Security Implications," *Contemporary Southeast Asia* 16(3), December 1994, pp. 266–267.

West.⁷⁹ Besides, Vietnam calculated that in the future, when any major powers, including the US, accede to the TAC—the key treaty of ASEAN in managing and codifying external powers’ relations with ASEAN, they would be bound by the ASEAN norms and principles contained in the treaty, particularly the principle of “non-intervention.”⁸⁰ Second, the Vietnamese leadership was deeply aware that in spite of the ASEAN states’ market-oriented economic model, there was little room for open democracy and that a number of the member states’ ruling parties remained authoritarian, such as Soeharto’s New Order regime in Indonesia, Mahathir’s National Front in Malaysia, and the People’s Action Party in Singapore. Thus, regime affinity between Vietnam and the ASEAN member states would provide some level of comfort for Hanoi in addressing the threat of “peaceful evolution.” As the Deputy Director of the Institute for Vietnamese Foreign Policy and Strategy Studies, Nguyen Vu Tung, put it, “Leaders in Hanoi understood that in spite of their different political systems, the Vietnamese and ASEAN governments shared a common goal: keeping the ruling regime in power. This has strategic appeal to Vietnam’s regime security in the face of peaceful evolution.”⁸¹ In the process of normalizing relations with Washington, Hanoi upheld the shared Vietnam-ASEAN norms and principles, which, subsequently, were clearly stated in the 1995 Vietnam-US Joint Statement.⁸² Vietnamese government officials and observers from academia have asserted that ASEAN membership and the institutional framework provided by the organization have helped the Vietnamese government to normalize relations with the Cold War enemy.⁸³ Several Vietnamese officials have also pointed out that Vietnam had come close to the principles advocated by

⁷⁹ Le Xuan Luu, “Vấn đề định hướng xã hội chủ nghĩa” [Issues in Socialist Orientation], *Tap chi Cong san*, 9(3), September 1989, pp. 11–14; Vu Ngoc Nhung, “Làm gì để giữ vững định hướng xã hội chủ nghĩa trong định hướng hội nhập kinh tế” [How to Firmly Protect Socialist Orientation in Economic Integrative Orientation], *Tap chi Cong san* 7, July 1992, pp. 25–27.

⁸⁰ *Ibid.*

⁸¹ Nguyen Vu Tung, “Vietnam’s Membership of ASEAN: A Constructivist Interpretation,” *Contemporary Southeast Asia* 29(2), 2007, p. 491.

⁸² The 1995 Vietnam-US Joint Statement on Normalizing Relations clearly stated, “Promoting cooperation on the basis of equality and mutual benefit, mutual respect for independence and sovereignty, non-intervention into each other’s domestic affairs, and resolving the existing issues through peaceful means.”

⁸³ Jörn Dosch and Ta Minh Tuan, “Recent Changes in Vietnam’s Foreign Policy: Implications for Vietnam-ASEAN Relations,” in Duncan McCargo, (Ed.), *Rethinking Southeast Asia: Rethinking Vietnam*. London & New York: RoutledgeCurzon, 2004, p. 207.

Southeast Asian leaders in resisting liberal Western ideas of democracy as phenomena totally alien to Asian societies.⁸⁴

Third and finally, Vietnam believed that its ASEAN membership would be instrumental in integrating Laos and Cambodia into ASEAN for a number of its strategic interests.⁸⁵ In the first place, the inclusion of Laos and Cambodia in the organization, in Hanoi's view, would turn Indochina into a peaceful and stable sub-region within the Southeast Asian region, protecting Vietnam's national security more firmly. The 1988 Politburo Resolution No. 13 said that, "developing and improving special relations among the three Indochinese countries, tripartite solidarity, and comprehensive cooperation and assistance to construct and defend the Fatherland are the laws of survival and development of the three Indochinese countries." The three states had a special relationship not only in terms of geographical, historical, and ideological proximity, but also in terms of their common strategic outlook in the course of nation-state building and national defense. In other words, once the independence, sovereignty, national security, and social stability of Laos and Cambodia were firmly secured, this would further ensure Vietnam's national security, and vice versa. For this reason, the membership of Laos and Cambodia in ASEAN would create further conditions for the consolidation of this tripartite relationship through its cooperative frameworks, while also hedging against any risk posed by external major powers. Besides, in using its accession to ASEAN as an instrument to gain membership for Laos and Cambodia, Vietnam could improve its prestige and enhance its voice in regional affairs. This would better serve the strategic goal of building Vietnam's national standing on the regional stage.⁸⁶

⁸⁴ Le Tinh, "What Is New in the World Context in 1992?" *Tap chi Cong San* 1, 1993, pp. 57–60; Foreign Minister Nguyen Manh Cam, "In the Course of Re-Oriented Policy Implementation", *Tap chi Cong San*, No. 4 (1993), p. 11 – 15.

⁸⁵ In Hanoi's view, Vietnam's admission to ASEAN would mark a groundbreaking shift from confrontation to cooperation between Indochina and the founding ASEAN member states. Thus, the starting point of Vietnam's membership would naturally pave the way for the inclusion of the two remaining Indochinese states to an "enlarged ASEAN" (Vu Duong Ninh. *Vietnam-the World and Integration*. Hanoi: Education Publishing House, 2007, p. 376; Nguyen Vu Tung, p. 484).

⁸⁶ *Ibid.* pp. 74–75.

4. Summary

In the post–Vietnam War period, the regional context underwent significant changes. On the politico-security front, after defeat in the Vietnam War, which led to its military withdrawal from the region, the US initially sought to contain the Soviet Union through the US-led hub-and-spoke security alliance system, at the same time improving relations with China and supporting the Khmer Rouge to encircle Vietnam and provide a counterweight to the Soviet Union. Under the Carter administration, Washington pursued a containment strategy of both the Soviet Union and communist China, while seeking rapprochement with Vietnam to better serve its “double containment” strategy. Moscow sought to project its regional military power and influence, at the same time forging relations with ASEAN countries and seeking alliance with Vietnam in order to exert preponderance over the US and to contain communist China at the peak of Sino-Soviet tensions. In the meantime, China seized the opportunity of US military withdrawal from Southeast Asia to step into the power vacuum, at the same time making full use of its rivalry with the Soviet Union to improve relations with the US and engage Thailand, Singapore, Myanmar, and the Khmer Rouge-led Democratic Kampuchea in order to oppose Vietnam and contain the Soviet Union. As an organization, ASEAN pursued a neutral stance as well as independent and multidirectional foreign policy, but individual member states were divided by the major powers, mainly the US and China, in Cold War politics. Entering the 1980s, Washington pursued a steadfast anti-communism under the Reagan administration, including intensification of the encirclement of Vietnam. The Soviet Union came to seek rapprochement with the West and China. China pursued a balanced stance between the US and the Soviets, while its antagonism against Vietnam remained unaltered. ASEAN changed its posture toward Vietnam in the wake of the Cambodian conflict, but the two important players—Indonesia and Malaysia—and, to a lesser extent, the Philippines, continued to engage with Vietnam economically, politically, and diplomatically. On the regional economic front, the triangular regional trade system brought economic success to the region’s countries. Japan played a role in steering regional economic development and economic cooperation networks. The evolving regional trade system resulted in successful economic models of export-led industrialization for the ASEAN countries and Asian NICs.

After the establishment of the 1985 Plaza Accord, Japan, the NICs, and the US became the largest trading and investing partners of ASEAN.

As for Vietnam, the decade after the war saw crises of all sorts. Diplomatically, Vietnam faced international isolation, as well as cuts to aid and trade embargo, as a consequence of the Cambodian conflict. In security, Vietnam was confronted by China's aggression in territorial disputes, the US encirclement, and the deterioration of the alliance with the Soviet Union. Economically, Vietnam experienced a decade of grave economic crisis stemming from the failure of the CPM, which spilled over seriously into social and political spheres. The crises revealed the Vietnamese leaders' political rigidity in economic and foreign policy and the complexity of Cold War politics.

Vietnam responded to these turbulent times by launching the *Doi Moi* Reform program, which meant a revised economic model, comprehensively changed security outlook, and diversified and multidirectional foreign policies. To fashion the renewed policies and with the reformist leaders in place, Vietnam completely shifted its attitude toward ASEAN, from seeing it a "lackey of the West" to treating membership as the top priority. At the same time, Vietnam announced that it would forge a new stage of development in relations with the other Asia-Pacific countries and strive for "one Southeast Asian region of peace, stability, and cooperation."

In pursuit of ASEAN membership, Vietnam proactively sought a comprehensive political solution to the Cambodian conflict as its highest priority. Vietnam's goodwill gesture of a two-phased troop withdrawal from Cambodia, along with its joint efforts with ASEAN states in the Cambodian peace process, led to the ASEAN states' open support for Vietnam's membership of the organization. The end of the Cambodia conflict created a means of entry into ASEAN; Vietnam-ASEAN relations entered a new phase of cooperation marked by frequent high-level reciprocal visits, bilateral cooperation agreements, and the restoration of normal relations, which paved the way for Vietnam's entry into ASEAN's TAC, ARF, and PMC. Notably, the end of the Cambodian conflict and ASEAN's attitude toward Vietnam's membership provided crucial leverage for the country in normalizing relations with its former adversaries—China and the US—and in forging a new course of political and economic relations with powerhouse economies, particularly

Japan, the Asian NICs, and the EU, as well as access to international financial institutions—the IMF and the World Bank.

In examining the Vietnamese leaders' enthusiasm for ASEAN membership from the late 1980s, this chapter found that Vietnam's pursuit of membership was driven by diplomatic/political, economic, and security motives. Given the aim of breaking free from international isolation as the key task of foreign policy, Vietnam's decision to join ASEAN was intended to enhance its bargaining position vis-à-vis the US and China on the Cambodia and to initiate rapprochement with the two powers. The aim was also to seek the restoration of aid and to create a pathway to economic cooperation with countries both within the region and beyond, which had stalled in the wake of the Cambodian conflict. From an economic perspective, Vietnam's membership of ASEAN was intended to (1) pursue economic development as an imperative to the party-state's legitimacy/survival, through ASEAN-based trade and investment links with Japan and the Asian NICs, as well as the EU and the US; (2) start a process of learning from the economic models of the developmental states in the region in order to accelerate the development of a competitive market-oriented economy; and (3) accelerate the pace of Vietnam's regional and international economic integration. Security motives were driven by both immediate goals and, more importantly, strategic orientations. The immediate motive was to hedge against the risk posed by Chinese antagonism and US encirclement after the Soviet Union's rapprochement policy with both of them. The strategic orientations were to (1) constrain Chinese aggression in the SCS dispute; (2) hedge against risk posed by the US-led "peaceful evolution" through the ASEAN "non-intervention" principle and the preponderance of the member states' authoritarian regimes; and (3) integrate Laos and Cambodia in ASEAN in order to consolidate tripartite security and development in Indochina. This security motive was also related to the strategic goal of building Vietnam's national standing in the regional arena.

To conclude, Vietnam's pursuit of ASEAN membership between late 1980s and 1995 was driven primarily by an economic development motive as the most important, but escaping international isolation (a diplomatic motive) was the first and most immediate task in paving the way for economic development. The security motive was subordinate to economic and diplomatic motives between 1986 and 1991, but after the settlement of the

Cambodian conflict, China's increased assertiveness between 1992 and 1995 in the SCS meant that the security motive became almost as important as the economic motive.

CHAPTER THREE

VIETNAM'S ASEAN MEMBERSHIP: 1995–2001

After its entry into ASEAN, Vietnam adopted an integration-oriented vision, of which the primary focus was to integrate into ASEAN as a means of fast-track access to the Asia-Pacific region. The overall integrative orientation in formal policy was the coordination “favorable external conditions” and “internal strength” for the three major strategic orientations that Hanoi leaders had in mind when they decided to join ASEAN in the late 1980s: stepping up the process of economic integration, strengthening national defense and security through bilateral and multilateral “defense diplomacy,” and pursuit of building greater diplomatic standing to restore Vietnam’s prestige on the regional and global stages.

Why, then, did Vietnam regard the regional and domestic context as “favorable conditions” for its regional integration-oriented vision? How did Vietnam leverage ASEAN membership to carry out its policy, and what were Hanoi’s underlying motives behind its ASEAN-based integrative policy? What were Vietnam’s policy responses in the wake of the East Asian crisis and why?

These questions will be explored in this chapter. The first section examines the regional context and Vietnam’s internal economic-security conditions, as well as the country’s diplomatic stance by the wake of the East Asian financial crisis, as the primary groundwork for its integrative regional orientation. The second section looks at Hanoi’s integration-oriented policy and examines how Vietnam carried out its policy through a leveraging of its ASEAN membership. A substantial part of this section investigates Vietnam’s underlying motives behind its formal policies in economic and security domains. The third section looks at the impacts of the 1997–98 East Asian financial crises on the region and considers Hanoi’s policy responses. The final section summarizes the answers to the questions.

1. Background of Vietnam’s Visions for ASEAN and Asia-Pacific Integration

Understanding Vietnam’s policies regarding ASEAN and Asia-Pacific integration requires an examination of the post–Cold War context and the conditions in Vietnam that laid the

basis for the leadership's new integrative vision. It is absolutely certain that no major decision was made by Vietnam's strategic planners without taking into account the coordination of external context—principally the major powers' foreign policy stances on Southeast Asia—and Vietnam's conditions. This explains Hanoi's long-held emphasis on “making full use of favorable external conditions,” in coordination with “internal strength,” with a view to maximizing opportunities and minimizing challenges.

1.1 Regional Context by the Wake of the East Asian Financial Crisis

In the post–Cold War period, the major powers announced adjustments in their foreign policy and came to view ASEAN-led Southeast Asia as an important region for their overall strategy in the Asia-Pacific. To the US, the end of the Cold War marked a transition in the world order from bi-polarity to uni-polarity, with the US itself becoming the world's only superpower. In this new context, the Asia-Pacific, especially East Asia, gained more importance in Washington's global strategy once the Clinton administration set out its “commitment and enlargement” regional strategy toward security, economics, and democracy under American hegemony.⁸⁷ Given this policy trajectory, Washington sought first to strengthen the US-led regional security alliance system with Japan—the backbone of its regional security system—South Korea, Australia, the Philippines, and Thailand. Second, Washington endorsed the establishment of multilateral security arrangements, such as the ARF and the Council for Security Cooperation in the Asia-Pacific (CSCAP), and encouraged closer regional security cooperation to ensure regional peace and stability for its economic and strategic interests in the Asia-Pacific. Third, the US actively sought greater penetration of democracy and human rights into the region's countries in order to create a democratic environment favorable for capitalism on a global scale.⁸⁸

American commitment to active engagement in and support for efforts to construct multilateral security mechanisms was a notably new stance for several reasons. In security, US withdrawal of a substantial body of troops from Southeast Asia, especially the 1991–92 pull-out of Clark Air Base and Subic Bay Naval Base in the Philippines, left a power

⁸⁷ US Department of Defense, “United States Security Strategy for the East Asia-Pacific Region,” Washington, DC: US Government Presidential Office (USGPO), 1995.

⁸⁸ *Ibid.*, pp. 6–12; Warren Christopher, “America's Leadership, America's Opportunity,” *Foreign Policy* 98, Spring 1995, pp. 7–10.

vacuum in the region. Thus, active engagement in multilateral security arrangements, particularly the ARF, was of significance not only in complementing the US-led hub-and-spokes regional security alliance system, but also in preventing other regional powers from stepping into the power vacuum, especially China, to exert its hegemonic status. Moreover, ASEAN's anxiety about Chinese military modernization and its assertiveness in the SCS disputes—what many scholars referred to as the “China threat” theory—as well as US concern about the Taiwan Strait issue,⁸⁹ together provided a fulcrum for Washington to engage in regional security affairs as a guarantor of regional security and stability. On the economic front, although the US remained an important economic force in the region's triangular trade system (the US, Japan, and Free Asia), in the early 1990s the US trade imbalance with East Asia was obvious; the region constituted 83% of the US total trade deficit.⁹⁰ At the same time, the robust economic development of the East Asian countries and the evolution of de facto intraregional economic integration between Japan and the Asian NICs, the ASEAN countries, and the Chinese coastal regions were widely evident. These regional developments provided an incentive for the Clinton administration's “trade expansion” policy, not only to create job opportunities for US businesses, but also to address the US trade deficit by seeking attractive regional export markets.

In short, the US strategic focus on East Asia provided opportunities for the ASEAN member states, including Vietnam, to engage with the US for national economic and security interests as well as for common interest of regional stability. However, US enthusiasm for open democracy and human rights was a challenge to the authoritarian Southeast Asian regimes, including Vietnam's.

As for China, in the post–Cold War period, the government sought to accelerate the country's rise, and in many ways, engagement in East Asia, including Southeast Asia, catalyzed this process in terms of China's economic and geopolitical interests. Economically, Deng Xiaoping's comprehensive economic reform of the late 1970s, which set China on a new course of modernization, transforming the socialist economic model

⁸⁹ The Taiwan issue increased Sino-US tensions in the mid-1990s as China conducted military exercises in Taiwan's vicinity to prevent the first-ever Taiwanese presidential election, and the US responded by sending its aircraft carriers to the Strait, at the same time redefining and expanding the mission of the US-Japan alliance to include safeguarding Taiwan.

⁹⁰ Hoang Anh, “US Strategy towards the Asia-Pacific from now to 2000 and the beginning of the 21st Century,” Hanoi: *Journal of International Studies* 3(15), 1996, pp. 10–11.

into a market-oriented economy, had provided a firm basis for China's integration into the triangular trade system since the early 1980s.⁹¹ This process resulted in its robust economic development and the integration of its economy, especially its coastal zones, into the East Asian economic sphere. Thus, in the post-Cold War era, Southeast Asia played a more significant part in Beijing's foreign policy for a number of reasons. The region was important in fueling China's economic development because it was composed of emerging economies with which China had long established. It was home to many Chinese residents, and it lies adjacent to China's economically emerging coastal regions. Moreover, Southeast Asia's geopolitical significance and the evolution of ASEAN as an important organization in the Asia-Pacific since the early 1990s increased Beijing's incentives for economic and political cooperation in order to exert its influence in the Asia-Pacific. Furthermore, Southeast Asia was a vital peripheral region for Chinese national security interests as Beijing attached importance to regional stability for its domestic reforms and four modernizations. This also helped Chinese efforts to dilute other major powers' regional influence, especially the hegemonic US and, to a lesser extent, Japan: "[A]n important goal of Chinese policy in Southeast Asia is to create a zone of peace and stability in which China can participate economically and be assured that no other power will dominate any part of it."⁹²

Against this background, there remained contradictory aspects to China's ASEAN security policy. Chinese military modernization and its increasing assertiveness in the territorial disputes over the SCS in the first half of the 1990s aroused acute concerns for ASEAN members, particularly Vietnam and the Philippines, who had claims to territory there. Moreover, Chinese reluctance to be part of the ARF in the early years raised concerns for ASEAN; China was skeptical of the institution as a conduit for US and Japanese influence and wary that the Taiwan Strait issue would be raised there and that the SCS issue would be multilateralized.⁹³

⁹¹ Takashi Shiraishi, "The Rise of China and Its Implications for East Asia," in Peter J. Katzenstein, (Ed.), *Sinicization and the Rise of China: Civilizational Processes beyond East and West*, London and New York: Routledge, 2012, pp. 122–123.

⁹² Wayne Bert, "Chinese Politics and US Interests in Southeast Asia," *Asian Survey* 33-(3), March 1993, p. 323.

⁹³ Shiraishi, *op. cit.*; The ASEAN-initiated ARF was the first-ever multilateral security arrangement in the Asia-Pacific, created in 1994 in part to engage the major powers, including China, in order to promote open

In short, the emergence of China as an economic powerhouse and its view of Southeast Asia as a region of peripheral significance for economic and geopolitical interests provided opportunities for the ASEAN states' economic cooperation and political development with China. However, uncertainty about Chinese expansionist ambitions, especially in light of territorial disputes, was an issue of particular concern for the region's states, particularly the involved parties in the SCS.

For Japan, ASEAN-led Southeast Asia is one of the most important regions with which it has aspired to forge amicable and cooperative relations under its post-Cold War multilateral diplomacy. In the first place, there is the legacy of Prime Minister Fukuda's 1977 "ASEAN diplomacy," whose initiatives for economic cooperation, special relations with the ASEAN countries, ASEAN-Indochina bridge building, and regional aid diplomacy more or less laid the groundwork for Japan's efforts to integrate the entire Southeast Asian region within the dynamic East Asian economy in the post-Cold War era.⁹⁴ It was therefore no coincidence that after the Cambodian conflict, Japan openly supported Vietnam's ASEAN membership in parallel with its economic development projects in, and massive aid grants to, the Indochinese countries to encourage the enlargement of ASEAN for the sake of Japan's East Asian-wide trade and cooperation. Japan was also the major aid donor to the 1992 Asian Development Bank-initiated Greater Mekong Sub-region development program, especially in mainland Southeast Asia. Second, entering the 1990s, in a partial effort to restructure its economy in response to the bursting of the economic "bubble," Japanese firms relocated their production bases from the Asian NICs to the ASEAN countries including Vietnam, the Chinese coastal regions, and beyond, because that they could reap benefits from lower-cost component-making, thus enhancing the competitiveness of their manufactured goods and promoting export bases for Japanese manufacturing industries across the East Asian region. From a politico-security perspective, the end of the Cold War and the narrowing power gap between Japan and the US provided an incentive for Tokyo to play a more active role in regional and global affairs while endeavoring to keep the US engaged in the region and maintaining the most important

dialogue on political and security cooperation, as well as to enhance consultative, confidence-building measures and preventive diplomacy. However, China did not engage actively in the beginning because of its above-mentioned skepticism and concerns.

⁹⁴ Takashi Shiraishi, "Japan and Southeast Asia," in Peter J. Katzenstein, (Ed.), *Network Power: Japan and Asia*, Ithaca and London: Cornell University Press, 1997, pp. 181–186.

alliance for Japan's long-term economic and security interests.⁹⁵ To that end, Japan paid keen attention to ASEAN since the organization emerged as an almost equally important security partner.⁹⁶ This was because the enlargement of ASEAN was foreseeable after Vietnam and Laos's access to the ASEAN TAC, as well as Cambodia and Myanmar's stated interest in membership. Moreover, Japan's engagement in multilateral security arrangements did not jeopardize the US-Japan alliance because the two powers were ASEAN's political and security partners within the PMC and the ARF. This explained Japan's active engagement in these institutions, especially the ARF; it provided Japan with a promising framework in which it could commit itself to regional peace. Cooperation with ASEAN also became more important in Japan's foreign policy because it provided multilateral frameworks, such as the ARF, in which Japan, the US, and ASEAN could cooperate on common security issues with China, Russia, and others.⁹⁷

In short, Japan's engagement with ASEAN was driven purely by an economic motive. This momentum provided ever better opportunities for the ASEAN member states, including Vietnam, to engage Japan in East Asia's economic dynamism, increasing the region's economic development and integration. In addition, Japan's membership in the ARF not only assisted in fostering the political role of Japan itself in the region but also contributed to securing regional peace and stability for economic cooperation.

With regard to ASEAN, the post-Cold War era witnessed the evolution of the organization as an important arrangement in the Asia-Pacific. The AFTA was created in 1992, with the strategic goal of promoting intra-ASEAN trade, attracting investment flows, and strengthening ASEAN competitive advantage as a single production unit. ASEAN's economic linkages with the US and the EU and its engagement in the dynamic East Asian economy, which involved Japan, the NICs, and China's coastal regions, created a key engine for regional economic growth and industrialization. The incorporation of Vietnam into the organization, which resulted in the end of confrontation between Indochina and the

⁹⁵ Yoshihide Soeya, "Vietnam in Japan's Regional Policy", in James W. Morley and Masashi Mishihara, (Eds.), *Vietnam Joins the World*. London & New York: M.E. Sharpe, Inc., 1997, pp. 183-194.

⁹⁶ Susumu Yamakage, "Japan's National Security and Asia-Pacific's Regional Institutions in the Post-Cold War Era," in Peter J. Katzenstein, (Ed.), *Network Power: Japan and Asia*, Ithaca and London: Cornell University Press, 1997, p. 288.

⁹⁷ *Ibid.*, 301.

original ASEAN members, opened up favorable opportunities to enlarge the organization for regional cooperation and development as well as to improve its prestige in the regional and international community. In particular, given Southeast Asia's geopolitical and economic importance, the US, Japan, India, the EU, Russia, and others (e.g., Korea, Australia, New Zealand, and Canada) were interested in regional economic and politico-security cooperation as the members of the PMC and the ARF. These conditions were therefore promising for the ASEAN member states to engage these partners economically, militarily, and politically and to enhance common security cooperation in the Asia-Pacific. It should be noted, however, that ASEAN was deeply aware that regional security depended largely on the actions of outside powers because there remained the potential flashpoints of territorial disputes (as well as nontraditional security issues). Thus, they recognized that a peaceful Southeast Asian could not be guaranteed without the coordination of actions with the major powers. This calculation, in part, made the ARF possible. On the other hand, ASEAN did worry that because of the major powers' increased geopolitical and strategic competition following the Cold War, their involvement and intervention in the region could give rise to complicated relations between and among the individual ASEAN states. Thus, the government leaders endeavored to integrate the major powers into ASEAN-driven multilateral institutions in order to improve the organization's balancing strategy vis-à-vis the major powers, seeking to enmesh them within a web of political and economic measures and security dialogues while endeavoring to secure their own regional autonomy. This explains the consensus-based decision making, confidence-building measures, and progress at a pace comfortable to all participants as the driving norms and values of the ASEAN-led multilateral institutions, especially the ARF process.

1.2 Vietnam's Conditions

One decade on from the *Doi Moi* reforms, Vietnam was achieving impressive economic performance. By 1995, it had established trade relations with 104 countries, having signed trade agreements with 60 of them, including an Agreement on Textiles and Garments (1992) and a Framework Cooperation Agreement (1995) with the EU. In 1995, exports increased by 33%, and inflows of FDI accounted for 13.2% of GDP. As of 1995, it had attracted over 700 FDI companies from 50 countries and territories. This marked a surge in

investment inflows of some eight-fold in 1995 (nearly US\$9 billion), compared to the 1990 level, of which 84% came from Japan, the Asian NICs, and ASEAN. The economic structure shifted rapidly from agriculture toward industry and services; industry and construction rose to 30% of the economy in 1995, from 23% in 1990, and the service sector grew to 43% from 39%. *Doi Moi* turned Vietnam's 1980s socio-economic crisis into an average annual GDP growth rate of 8.2% between 1990 and 1995. GNP per capita improved significantly, reaching US\$230 in 1995.

In security terms, the regime's security was ensured because the economic growth, along with the corresponding improvements in people's living standards, restored the Party's legitimacy and brought about social stability. However, there remained acute concerns about national defense and threats posed by external powers. China's increasing assertiveness in the SCS posed a challenge to Vietnam's national sovereignty as its neighboring giant took aggressive action in the Paracel and Spratly archipelagoes from the 1970s up to the first half of the 1990s; there were also unsettling territorial disputes in the shared border and the Gulf of Tonkin. Similarly, the Clinton administration's increasing enthusiasm for "peaceful evolution" under the banner of open democracy and human rights in the post-Cold War era posed a challenge to the party-state regime's security.

On the diplomatic front, Vietnam's diversified and multidirectional foreign policy enabled it to escape from international isolation and establish diplomatic relations with over 100 countries and territories (as of 1995); of events of particular note were accession to ASEAN membership, normalization of relations with the US, the signing of the two cooperation frameworks with the EU, and the restoration of normal relations with Japan and China. These achievements helped restore Vietnam's image in the eyes of the regional and international communities and would provide a sound basis for Vietnam in restoring its standing after entry into ASEAN.

To sum up, the post-Cold War period generally created favorable conditions for regional economic integration and politico-security cooperation. The Asia-Pacific's major powers, especially the US, China, and Japan, engaged in Southeast Asia for their economic, security, and geopolitical interests and for shared regional cooperation. ASEAN itself emerged as an important Asia-Pacific arrangement as it took the lead in the multilateral institutions—the

PMC and the ARF—that incorporated all the external major powers in their efforts to enhance their economic and security cooperation and political relations with the ASEAN countries. As for Vietnam, the diplomatic and socio-economic successes stories after one decade of *Doi Moi* created the essential conditions for it to engage in ASEAN and the process of Asia-Pacific integration for a new stage of development.

Hanoi viewed the interaction between, on the one hand, the region’s economic and politico-security context and, on the other, Vietnam’s domestic conditions and the country’s improved diplomatic position, as “favorable conditions” for its Asia-Pacific integration-oriented process. Hanoi believed that while, in the post–Cold War period, the world situation and the regional context might be complicated, globalization and integration were “indispensable” processes. In the Asia-Pacific, the US, China, and Japan were viewed as the three most important major powers, with the US being the world’s only superpower. The prevailing trend of the Asia-Pacific powers’ engagement in Southeast Asian economic and politico-security cooperation and development was the catalyst for Vietnam’s orientation toward integration into the Asia-Pacific community.⁹⁸ ASEAN was therefore viewed as highly important to Vietnam’s Asia-Pacific vision because it provided multilateral institutions within which Vietnam could pursue its multilateral diplomacy, economic development, and politico-security goals.⁹⁹ The then Foreign Minister, Nguyen Manh Cam, remarked on the significance of ASEAN membership event: “We are witnessing the rapid development of regionalization and globalization all over the world. In this trend, interdependence between nations is visible. In such circumstances, regional and global integration becomes an objective necessity. Vietnam’s joining of ASEAN is an indication of this trend.”¹⁰⁰ However, China’s assertiveness in territorial disputes and the American “peaceful evolution” strategy remained Vietnam’s primary security concerns. This would partly inform Vietnam’s integrative vision in order to cope with its threat perceptions, although the “China and the US” were never directly mentioned by name in terms of any “threat” in Vietnam’s formal statements.

⁹⁸ Dang Hoang Phuoc, “The World and Regional Context in the Post–Cold War,” *Tap chi Cong san*, 6(11), June 1995, pp. 17–19; Le Anh Tuan, “The Role of the US, China and Japan in the Asia-Pacific Security,” *International Studies* 3(5), August 1995, pp. 21–24.

⁹⁹ Vu Song Toan, “The Significance of Multilateral Mechanisms to Vietnam’s Post–Cold War Multilateral Diplomacy,” *Tap chi Cong san*, 6(11), June 1995, pp. 4–7.

¹⁰⁰ Nguyen Van Loi. *Fifty Years of Vietnamese Diplomacy*. Hanoi: Thế Giới Publishers, 2006, p. 474.

2. Vietnam's Integrative Regional Policy and Motives

The following section looks at Vietnam's integrative regional policy and examines how Hanoi leveraged ASEAN membership to enhance its efforts in carrying out its policy. A substantial part of this section investigates integrative Hanoi's motives from economic and security perspectives.

Between 6 and 14 November 1995, the Central Party Committee Plenum was held in Hanoi in an effort to assess the regional and global context and to evaluate the domestic socio-economic situation after five years of implementing the 1991 Seventh VCP Congress Resolution. The Plenum also set major strategic orientations and prepared political documents for the forthcoming Eighth Party National Congress. The policy theme emerged from the need to promote the process of orientation toward regional and international integration. For that purpose, the Central Party Committee Resolution said, "The orientation and key tasks of foreign policy were to integrate into ASEAN and the Asia-Pacific" in order to "create further favorable international conditions to step up socio-economic development" and to "consolidate a peaceful environment for national defense and security" by means of "strengthening relations with ASEAN members and ASEAN as an organization, with other neighboring countries and traditional friends, and attaching importance to relations with the major powers and international politico-economic centers."¹⁰¹ The Eighth Party Congress, held in mid-1996, set a Five-Year Plan and strategic orientations for international integration up to 2006. The integrative regional vision became more visible and concretized. The Political Document stressed an "orientation toward economic, security, and political integration in ASEAN and in the Asia-Pacific as a main priority." The orientation toward regional economic integration was intended to create "closer economic ties with Southeast Asian countries, ASEAN as an organization, and the APEC economies to enhance economic development, industrialization, and modernization." The orientation toward defense-security integration was intended to "engage Vietnam's security within that of Southeast Asia and of the Asia-Pacific" by means of "bilateral and multilateral defense diplomacy" in order to "consolidate a peaceful environment for national defense-security and for economic development." The

¹⁰¹ The Resolution of the Ninth Conference of the Central Party Committee, 6–14 November 1995, Hanoi, pp. 11–14.

orientation toward political integration was intended to “forge a new stage of development in diplomatic relations with the regional countries and traditional friends” and to “participate in multilateral regional arrangements” with an aim to “consolidate national standing.”¹⁰² The party-state also reiterated its diversified and multidirectional foreign policy, saying, “Vietnam wants to be a friend and a reliable partner to all countries in the world community, striving for peace, independence and development...”¹⁰³ In addition, to enhance economic integration as the highest priority, the Politburo issued a “Resolution on Expanding and Enhancing the Effectiveness of Foreign Economic Relations for the Five Years 1996–2000,” of which the primary focus was to take firm steps of commitment to the AFTA, negotiations over a Bilateral Trade Agreement with the US, and access to the APEC and the WTO.¹⁰⁴

2.1 Stepping up Economic Integration

2.1.1 Vietnam and the Southeast Asian Countries

Trade ties between Vietnam and the ASEAN member countries saw a sharp rise after the former’s entry into ASEAN, as did investment inflows from the latter. This surge in inflows and two-way trade turnover was made possible by the establishment of bilateral trade cooperation agreements between Vietnam and the member states between 1995 and 1997, along with bilateral cooperation agreements on tourism, marine transportation, and investment promotion, especially in the fields of energy, agriculture, and transportation and communications. As a result, ASEAN’s FDI capital flow to Vietnam increased sharply, from US\$3.3 billion as of 1995 to US\$7.7 billion (315 projects) as of May 1997, constituting 20% of Vietnam’s total capital. Singapore became ASEAN’s largest investor in Vietnam, with 156 projects worth over US\$5 billion. Malaysia and Thailand were ranked among the top ten foreign investors, while Indonesia ranked eighteenth and the Philippines twenty-first.¹⁰⁵ Singaporean firms invested in tourism and construction, Indonesian and

¹⁰² The Vietnamese Communist Party, *The Eighth VCP National Congress Political Document of 1996*, Hanoi: National Publishing House of Politics, 1996, pp. 77–89.

¹⁰³ *Ibid.*, p. 120; Vietnam wants to be “a reliable partner” is the vocabulary inserted into its foreign policy statement to spell out Vietnam’s new momentum for integration.

¹⁰⁴ The Politburo Resolution, dated 25 November 1996, Hanoi.

¹⁰⁵ Vietnam General Statistical Office (GSO), in Le Quoc Phuong, “FDI of ASEAN Countries in Vietnam to Increase,” *Saigon Times Daily*, 21 May 1997.

Malaysian firms in the oil sector, and Thai firms primarily in mineral exploitation and processing. In 1997, the trade exchange value between Vietnam and ASEAN increased sharply, to US\$5.3 billion from US\$3.2 billion in 1995, accounting for one-fourth of Vietnam's total trade value that year.¹⁰⁶

Vietnam also attached importance to economic relations with Laos, Cambodia, and, to a lesser extent, Myanmar, in spite of low-key trade turnover and investment. In 1995, Vietnam signed an agreement with Laos on "Strategic Cooperation on Economics, Culture, Science, and Technology up to 2000." Numerous agreements were signed between the two states up to 1997 in the fields of trade and economic promotion, cultural-educational cooperation, investment, science and technology, agricultural and urban development, and tourism. As a result, trade between the two countries increased to US\$290 million in 1997, from only US\$73 million in 1992. Vietnam's investment flows to Laos rose steadily, from eleven projects in 1995 to 18 in 1997, valued at nearly US\$6 million.¹⁰⁷ In 1994, Vietnam signed an Economic and Trade Agreement with Cambodia. Again, both parties signed a number of agreements on investment and cooperation in the fields of transportation, energy-electricity, and health and education. By the middle of 1997, Vietnam had become the sixth-largest trading partner of Cambodia, with 10% (US\$131 million) of its total trade value.¹⁰⁸ In 1995, Vietnam signed two agreements with Myanmar: one was on trade cooperation, the other on tourism. The trade remained extremely low, however, from just US\$1.2 million in 1995 to over US\$2 million in 1997.

2.1.2 Vietnam and ASEAN's Major Partners

After its accession to ASEAN, Vietnam had more favorable conditions to forge closer trade and investment ties with the organization's major trading and investing partners, principally Japan, the US, the EU, the Asian NICs, and China as they all had increased their economic incentives with ASEAN since the early 1990s. It was therefore no coincidence that after entry in ASEAN, Vietnam reemphasized the strengthening of economic ties with the ASEAN's major partners.

¹⁰⁶ Trade Promotion Agency, Vietnam Ministry of Trade (VIETTRADE), 1996 and 1997.

¹⁰⁷ Vietnam Ministry of Trade and Investment, Report No. 2561 TM/CA.TBD, dated 16 September 2002.

¹⁰⁸ Ibid.

In 1995, Japan and Vietnam signed an agreement on avoidance of double taxation. As of 1995, Japanese firms had invested in 126 projects in Vietnam, valued at US\$2.3 billion, peaking at US\$1.13 billion in 1995. Between 1996 and 1997, Japan's FDI capital in Vietnam reached US\$3.59 billion and US\$3.81 billion, respectively.¹⁰⁹ Japan has also been the largest aid donor to Vietnam. Trade turnover between Vietnam and Japan increased steadily, from US\$2.37 billion in 1995 to US\$2.81 billion in 1996 and nearly US\$3.2 billion in 1997, accounting for 15.5% of Vietnam's total trade value and making Japan the second-largest investor after Taiwan. Japan became the largest export market for Vietnam between 1995 and 1997, with 20%–22% of total exports.¹¹⁰

After normalization of relations with the US in the same month as Vietnam's entry into ASEAN, Vietnam sought to forge economic ties by pursuing a Bilateral Trade Agreement (BTA) and sought to obtain US support for Vietnam's accession to the WTO. To that end, in early 1996, Vietnam began negotiations on the WTO membership. In May, Washington sent Vietnam a blueprint on the BTA, and both parties began negotiations on the BTA. Negotiations stalled until the end of the first quarter of 1998,¹¹¹ however, because of tough conditions imposed by the US on Vietnam's structural reforms of its trade and investment regimes, along with concerns about POW/MIA issues and human rights. Nonetheless, trade between the two countries and US investment inflows have increased sharply since 1995.¹¹²

In the same month as Vietnam's entry into ASEAN, it signed the Framework Cooperation Agreement with the EU that laid down the four long-term goals of bilateral comprehensive cooperation.¹¹³ In early 1996, both sides revised the Agreement on Textiles and Garments

¹⁰⁹ Vietnam Ministry of Planning and Investment, Hanoi, December 1997.

¹¹⁰ Trade Promotion Agency, Vietnam Ministry of Trade, 1997.

¹¹¹ US-Vietnam negotiations on the BTA were highlighted in March 1998 when the US Ambassador to Hanoi, Pete Peterson, and the Vietnamese Minister of Planning and Investment, Tran Xuan Gia, signed the Overseas Private Investment Corporation (OPIC) Bilateral Agreement after President Bill Clinton signed a waiver for Vietnam of the Jackson-Vanik amendment, which had restricted US companies in their dealings with countries designated as limiting freedom of emigration. This was seen as a groundbreaking step toward a US-Vietnam BTA.

¹¹² In 1995, the bilateral trade value was just US\$169.7 million, but it rose to US\$1.116 billion in 2000, of which Vietnamese exports were valued at US\$821 million. US investment also increased dramatically, from a ranking of fifteenth in 1994 to a top ten ranking in 2000, with total investment capital valued at US\$1.1 billion.

¹¹³ The Framework Agreement was designed by both sides to achieve four long-term goals: (1) to secure necessary conditions to promote bilateral trade and investment on the basis of mutual benefit and Most-Favored Nation (MFN) status; (2) to support the sustainable economic development of Vietnam and the

in an effort to accelerate Vietnamese exports to the EU market. In March, Vietnam joined the inaugural ASEAN-initiated Asia-Europe Meeting (ASEM) in Bangkok, which included officials from the ASEAN member states, their Japanese, Chinese and South Korean counterparts as the Asian representatives and the EU on the other side.¹¹⁴ On this occasion, the Vietnamese delegation, led by Prime Minister Vo Van Kiet, proposed an extension of the ASEAN-EU Cooperation Agreement to include Vietnam, which resulted in Hanoi's signing of the Protocol on the extension of the Agreement in March of the following year. These mechanisms laid the legal ground for Vietnam to improve amicable and economic ties with the EU and to negotiate with it on WTO membership. In terms of trade, bilateral import-export turnover value increased to US\$3.3 billion in 1997, from US\$2 billion in 1995. In the years 1995–1997, the EU became Vietnam's third-largest export market after Japan and Singapore, with 13.2%, 16%, and 17.5% of Vietnam's total export value, respectively. In terms of investment, as of mid-1997, EU FDI inflow was valued at US\$2.76 billion (207 projects), accounting for 11.8% of total FDI projects in Vietnam. EU firms invested primarily in the fields of oil and gas exploitation, post and telecommunications, and hotels and tourism. In addition, EU development aid to Vietnam had reached US\$110 million by 1997.

Between the end of the Cambodian conflict and the mid-1990s, Vietnam reaped massive benefits from trading with the Asian NICs and from their investment inflows, owing to the NICs being among the leading trade and investment partners of ASEAN. As an ASEAN member, Vietnam naturally had more opportunities to increase exports to the NICs' markets and attract their investment. In 1995, trade between Vietnam and South Korea, Taiwan, and Hong Kong reached US\$3.55 billion, accounting for almost 26% of Vietnam's total trade value. South Korea became Vietnam's third-largest trading partner that year behind Japan and Singapore, while Taiwan was ranked fourth and Hong Kong sixth. Between mid-1996 and mid-1997, Vietnamese exports to these markets reached US\$3.24

improvement of living conditions for the poor sections of the population; (3) to enhance economic cooperation in the mutual interest of the two parties, including support for Vietnam's ongoing efforts to restructure its economy and move toward a market economy; and (4) to assist in environmental protection and in the sustainable management of natural resources.

¹¹⁴ The ASEM was created to enhance economic cooperation, to accelerate political dialogue, and to step up educational and cultural cooperation between the two regions.

billion, with South Korea taking 8.5%–9.2%, Taiwan 6.6%–7.1%, and Hong Kong 4%–5.2% of Vietnam’s total exports.¹¹⁵ In 1996, FDI inflows from these three sources was valued at US\$2.96 billion (189 new projects), making South Korea, Taiwan, and Hong Kong the second-, the third-, and the fifth-largest investors, respectively, in Vietnam. In the first six months of 1997, there were 98 newly registered projects, valued at US\$1.23 billion.¹¹⁶

China became less important as a trading partner of Vietnam at this time because the latter reaped relatively low trade surplus because of the importance of Chinese imports in meeting the domestic consumption requirements of essential commodities.¹¹⁷ However, economic relations with China constituted an important part in Vietnam’s foreign economic policy, given its geographical proximity, similar economic structure, and the requirement for import of low-price raw materials and machinery to accelerate productivity output for both domestic consumption and exports.

The trade and investment data show clearly that between 1995 and 1997, Vietnam worked hard to leverage its ASEAN membership, not just to forge closer economic ties with ASEAN countries but also, much more importantly, to accelerate its exports to and attract investment flows from ASEAN’s major partners. Between 1995 and 1997, around 76% of Vietnamese goods were shipped into the markets of ASEAN countries (including Laos and Cambodia), Japan, the Asian NICs, and the US, and with 14% going to the EU. The annual capital inflow rate from these investors constituted 92% of Vietnam’s total capital between 1995 and 1997. As a result, Vietnam achieved a GDP growth rate of 9.2% in 1995, 9.9% in 1996, and 8.14% in 1997 (the growth rate declined from the third quarter of 1997 due to the impact of the East Asian crisis).¹¹⁸ The increased economic ties between Vietnam and the Asia-Pacific countries and between Vietnam and the EU laid a solid basis for Vietnam’s economic integration into the regional and international economies.

¹¹⁵ Trade Promotion Agency, Vietnam Ministry of Trade (VIETTRADE), 2000.

¹¹⁶ Vietnam Ministry of Planning and Investment, Hanoi, December 1997.

¹¹⁷ In 1995, turnover in trade between China and Vietnam was valued at US\$56 million, meaning a trade surplus for Vietnam of 31.9 million (+31.9); in 1996, bilateral trade increased to US\$670 million (+11), and the following year, it rose to US\$878 million (+70), according to the *Vietnam General Statistical Yearbook of 1997*.

¹¹⁸ Vietnam GSO, 1997.

2.1.3 AFTA

Created in 1992, the AFTA had three key objectives—promotion of Southeast Asia as a center of international trade; enhancing regional economic competitiveness as a response to the growing strength of the EU and the North American Free Trade Agreement (NAFTA) trading blocs; and strengthening the region as an international production center and an attractive investment destination.¹¹⁹ In addition, the establishment of the AFTA was presumably a response, in part, to emerging competition in trade and in FDI from China and an effort to increase the pace of trade liberalization of all ASEAN member states. Under the auspices of the AFTA, tariffs were to be reduced to between 0% and 5% through a Common Effective Preferential Tariff (CEPT) scheme, with all other trade restrictions on intra-ASEAN traded commodities to be eliminated by the year 2003.

As an ASEAN member, Vietnam was granted access to the AFTA once it signed the Protocol of the CEPT Agreement for the AFTA and the ASEAN Framework Agreement on Services (AFAS) on 15 December 1995, during the Fifth ASEAN Summit in Bangkok. Under the auspices of these agreements, Vietnam committed itself to trade and investment liberalization. Such commitments included the CEPT/AFTA tariff reduction of 95 percent of Vietnamese products on the CEPT Inclusion List to between 0% and 5% in 2006¹²⁰ and services trade liberalization in accordance with the AFAS. Prior to implementation of the CEPT tariff reduction, beginning in January 1996 for Vietnam, Hanoi was required by the ASEAN Secretariat to provide information on its General Exception List (GEL), Temporary Exclusion List (TEL), and Immediate Inclusion List. In response, in late 1995, Vietnam submitted its CEPT tariff commitments, with 1,633 items for Immediate Inclusion, accounting for 54.1% of all products (**Table 2**).

During the tariff reduction process, Vietnam's products with tariffs of 20% or less were able to enjoy concessions under the CEPT scheme on a reciprocal basis. Goods from the TEL would have to be phased into the Inclusion List within five years, beginning January

¹¹⁹ The Project of the Office of the Government of Vietnam and the United Nations Development Programme (UNDP) on “Promoting Vietnam’s Integration into ASEAN.” Edited by UNDP consultants Neal Forster and Adam McCarty, 2001, pp. 101–102.

¹²⁰ Vietnam was granted a longer phasing (ASEAN-6 by 2003) to complete AFTA implementation thanks to ASEAN’s recognition of Vietnam’s special transitional difficulties.

1999 and ending January 2003.¹²¹ Quantitative Restrictions (QRs) on a product would have to be removed as soon as it entered the Inclusion List, and non-tariff barriers (NTBs) had to be removed within five years of inclusion. Tariff lines on the Sensitive Exclusion List (SEL) had to be reduced to between 0% and 5% by January 2013, beginning January 2004.¹²²

Table 2: Vietnam’s 1995 CEPT Tariff Commitments

CEPT List	Number of Tariff Lines	Percentage of Total (%)
Immediate Inclusion	1,633	54.1
Temporary Exclusion	1,189	39.5
Sensitive	26	0.9
General Exception	165	5.5
Total	3,013	100

Source: ASEAN Secretariat

Unlike the original ASEAN members, Vietnam did not announce a tariff reduction plan for the whole ten-year period (1996–2006) but summited its CEPT product list and tariff lines year by year, with ASEAN’s approval. In 1996, Vietnam began to implement tariff lines in accordance with the CEPT scheme. A total of 875 lines were phased into Immediate Inclusion, including items already under 0–5% normal tariff and those less than 20%. Thus, all 875 lines (of 1,633 tentative tariff lines submitted to the ASEAN Secretariat in December 1995) met the CEPT requirement, while the remaining 758 lines were not yet legally enacted because they were subject to QRs. Vietnam committed itself to meeting the CEPT tariff reduction scheme on a yearly basis; the then Foreign Minister, Nguyen Manh Cam, said that, “Vietnam would meet its obligations to open its economy under the AFTA by 2006 and strengthen its economic integration toward the trend of regionalism and international integration.”¹²³ Thus, in 1997, an additional 640 products were phased into Immediate Inclusion.¹²⁴

¹²¹ Under the terms of the Protocol, each year, 20% of TEL products must be phased into the Inclusion list.

¹²² Vietnam’s Goods on the SEL are mainly unprocessed agricultural products.

¹²³ Speech by Foreign Minister Nguyen Cam at the First Anniversary of Vietnam’s Membership in ASEAN, Hanoi, 28 July 1996.

¹²⁴ Source: Vietnam Ministry of Finance; ASEAN Secretariat.

2.1.4 Structural Reforms in Trade and Investment Regimes

The accelerated trade ties of Vietnam-ASEAN and Vietnam-ASEAN's major trading partners, and the increased investment inflows were, in part, linked to Vietnam's structural reforms. In early 1996, the Investment Law was modified to give the same tax treatment to joint ventures and 100% foreign-owned enterprises, and to offer longer operation duration. This also allowed for new forms of investment, including Build-Transfer-Operate (BTO) and Build-Transfer (BT) contracts, and gave more rights and incentives to investors, such as the right to assign the contributed capital to other parties. In addition, the Law on Export and Import Duties of Commercial Goods was readjusted, with a number of additional articles designed to manage and strengthen export and import activities, as well as to expand foreign economic relations. This amended law enabled a broader range of foreign firms and individuals to access the growing Vietnamese market and to engage in market transactions across borders.

There were still a number of problems with Vietnam's structural reforms, however. The government retained control over economic activities, and the state-owned enterprises (SOEs) were dominant in consumer goods and heavy industry. In addition, requirements for import licensing (as a means of quantitative restriction), controls over foreign exchange and tariffs, the state-sector-favoring quota system, and other trade barriers were strong incentives in favor of import substitution and against export-oriented production. This was known in Vietnamese discourse as "export-led protectionism." This bias is easy to understand in light of the special circumstances that Vietnam experienced in the transition from a centrally planned to a market-oriented economy. Vietnam insisted that it needed more time to adjust, and to this end, in Hanoi's view, a "gradualist" approach to structural reform was necessary, given the country's special political and economic circumstances. In other words, the legacy of the former model was still in place; the so-called "socialist-oriented market economy" sufficiently spelled out the incomplete nature of the transition. Needless to say, the SOEs played a central role in enhancing state management of the economy, ensuring their survival in the process because the government, individual ministries, regional authorities, and other public entities drew a large share of their revenue from the SOE sector they were controlling. Moreover, the sector employed more than 25%

of the workforce and contributed more than 50% of the state budget. This explains the sluggish pace of the equitization of the SOEs. They were given the privileges of land-use, capital and, other preferential rights ahead of such sectors as textiles and garments, plastics and electronics, and agricultural processing—the most valuable exports of Vietnamese enterprises—so that they could access inputs at world prices and successfully compete with foreign-made products in the domestic and global markets. These structural weaknesses were barriers to Vietnam’s international economic integration.

What, then, was Hanoi’s real motive behind its economic integration-oriented policy, and how was ASEAN membership instrumental in the pursuit of this motive when the legacy of central planning was still in place?

In Hanoi’s view, the strategy of “narrowing development gap” or “playing catch-up” with other countries in the region was the key to Vietnam’s economic integration. The goal was to create a wide range of export markets and investment inflows to spur economic development and the process of industrialization in order to bridge the gap. For this purpose, ASEAN membership as a means of fast-track access to the Asia-Pacific’s economies and elsewhere became the underlining strategic motive for Vietnam. The “catch-up” strategy also had strategic appeal in terms of the regime’s survival and its value to the party-state’s legitimacy. The 1994 Mid-Term Party Plenum Resolution identified “poverty and economic backwardness” and the danger of “lagging behind regional countries economically” as major challenges to the regime and national security in the post–Cold War era. Despite GDP growth rate of over 9% in 1995, GNP per capita income was just US\$230, less than half that of Indonesia, the most populous country in Southeast Asia, and one-sixth that of Thailand, and one-tenth that of Malaysia in 1990.¹²⁵

Given this strategy of economic growth and industrial development, Vietnam worked actively to utilize the leverage provide by ASEAN membership. The above-mentioned trade and investment data show the significance of Vietnam’s increased trade ties with ASEAN’s major partners. When Vietnam joined the organization, there was no multilateral

¹²⁵ In 1990, Indonesia’s GNP per capita was US\$570, Thailand’s was US\$1,410, Malaysia’s was US\$2,320, Singapore’s was US\$11,160, and the Philippines’ was US\$730 (*Far Eastern Economic Review*, according to World Bank estimates, 4 May 1995, pp. 23–24).

intra-ASEAN economic mechanism to forge closer intraregional trade and investment ties, except the long-term goal of constructing the AFTA. This explains why all the ASEAN member states preferred to look beyond the region in order to develop trade and investment. At this point, Vietnam was no exception, because its trade surplus with ASEAN's major partners was huge, while having a trade deficit with the ASEAN member states themselves, with the exception of Singapore. For example, Vietnamese exports to the ASEAN markets during 1995–1997 constituted 25% of total export turnover, while imports from ASEAN accounted for 55% of total import turnover,¹²⁶ even though Vietnam's imported raw materials, machinery, and intermediates from the member states were used for export-led growth. Investment inflows were also dominated by ASEAN's major partners, making up 68% of Vietnam's total foreign capital; most of the FDI was focused on industry, construction, and the service sector. In other words, it was apparent that in both exports and investment terms, ASEAN was a “bridge” rather than a destination for Vietnam.

ASEAN's norms and values were instrumental, however, in safeguarding the legacy of Vietnam's former economic model. In Hanoi's view, Vietnam needed more time to adjust to a market economy. In this regard, there was room for it to pursue “gradual” structural reforms through ASEAN's norms and values. In the first place, ASEAN's long legacy of flexibility, “free will,” and consensus-based decision making process assisted Hanoi in its “go slow” approach toward trade and investment liberalization. Moreover, ASEAN's low institutionalization, lack of legally binding economic mechanisms, and the sluggish pace of its trade liberalization at the time (partly the result of the APEC's voluntary basis) were all instrumental in ensuring Vietnam's gradual move at a comfortable level.

It should be added, however, that despite favoring gradual reform of the investment regime, Vietnam made full use of its domestic advantages to attract FDI. First, the country had an energetic, young, and low-cost labor force, along with rich-but-unexploited natural resources. These factors meant impressive productivity and enhanced competitiveness for foreign investors' product in the global markets. Second, Vietnam was an emerging market for foreign-made products because there was increasing demand from a market of 76 million people. Third, Vietnam enjoyed political stability. This stable environment was

¹²⁶ *Vietnam Nien Giam Thong Ke* [Vietnam Statistical Yearbook] 1997, 1998.

attractive to foreign investors because it ensured economic security for their production activities within the Vietnamese border. Thus despite the non-transparency of Vietnamese investment policy, investors still found the country attractive. At its peak, investment reached US\$10.114 billion in 1996 alone.

2.2 Strengthening National Defense and Security

After its entry into ASEAN, Vietnam had more favorable conditions for forging closer defense-security relations with ASEAN countries and the ASEAN-centered ARF's security partners through bilateral and multilateral "defense diplomacy." The formal policy was to integrate Vietnam's security with that of Southeast Asia and the broader Asia-Pacific to create a peaceful peripheral environment favorable to national defense-security and domestic reform implementation. As such, in 1995 alone, Vietnam exchanged 35 major delegations with all the ASEAN states, including two visits by Defense Minister Doan Khue to the Philippines, two to Laos, and one to Indonesia (plus one visit by Deputy Defense Minister Nguyen Thoi Bung), Singapore, Thailand, and Cambodia. It should be added that in the previous year, General Doan Khue visited all the founding ASEAN member states except Brunei.¹²⁷

With regard to its ARF partners, in 1995 Vietnam sent two defense delegations to Russia, which paved the way for the establishment of a joint venture to co-produce KBO 2000 and BPS 500-type vessels at the Ba Son naval dockyard in Hoi Chi Minh City, along with some low-key arms procurement contracts and a training package for pilots and maintenance personnel. In the same year, a military delegation led by the Vietnam People's Army (VPA) Chief of General Staff visited India, where both sides agreed on the protocol for development of defense industry cooperation and military training and study for Vietnamese defense personnel. Vietnamese defense officials paid one visit to South Korea in April, when both sides agreed, among other things, to exchange defense industrial materials, and Korea reciprocated with a visit to Hanoi in October, posting its first defense attaché there. Vietnam's military-to-military relations with China were low at this time, while party-state exchanges increased steadily (forthcoming). Similarly, military interaction with the US was frozen because Hanoi's concerns about the psychological impact on China

¹²⁷ Defense interaction between Vietnam and Brunei and Myanmar was at an extremely low level.

and about the possibility of outstripping its economic ties with the US because Washington was keener on developing military ties with Hanoi. However, the ASEAN-led multilateral arrangements were instrumental in creating security interaction channels between Vietnam and the two major powers because, as an ASEAN member, Vietnam automatically participated each year in the ARF and the PMC, which incorporate both China and the US.

Details of Vietnam's defense interactions with the Asian-Pacific states only tell part of the story, however. The "China factor" loomed large behind Vietnam's defense diplomacy. Beijing's increasing assertiveness in the SCS and beyond¹²⁸ had been one of Hanoi's primary security concerns. The 1994 Resolution of the Mid-Term Party Plenum identified "Four Threats" facing Vietnam in the post-Cold War era: (1) the threat of lagging behind regional countries economically; (2) the threat of "peaceful evolution"; (3) the threat to national sovereignty and territorial integrity; and (4) the threat of corruption and deviation away from socialist orientation.¹²⁹ The political reports of the 1995 Central Party Committee and the 1996 Eighth Congress continued to identify these threats, without mentioning China or the US explicitly.

Coping with Chinese Assertiveness in the SCS

As an ASEAN member, Vietnam sought measures to constrain Chinese assertiveness in the SCS through bilateral and multilateral channels. Bilaterally, in 1995 and 1997, VCP Secretary General Do Muoi paid two official visits to Beijing. Do Muoi's visit was reciprocated by Chinese Premier Li Peng, who led a Party delegation to the Eighth Party Congress in Hanoi in June 1996. At all of these visits and meetings, the subject of border and territorial disputes was on the agendas, but there was no major breakthrough regarding the SCS dispute. Rather, both parties agreed to proceed with settlement of the land border disputes that had reached an impasse in the wake of the 1979 clashes and the sea border issue in the Gulf of Tonkin, while reiterating both sides' adherence to the basic principles

¹²⁸ In addition to the SCS dispute, there were other unsettling sovereignty-related issues between Vietnam and China over land borders and sea borders in the Gulf of Tonkin (Bei Bu Gulf).

¹²⁹ Threats (1) and (4) are defined as internal threats to the regime and national security. Threat (2) implicitly refers to US-led "peaceful evolution" threat to the regime, and threat (3) implicitly refers to China's threat to territorial integrity, particularly the SCS.

of the 1993 agreement to solve territorial differences.¹³⁰ The two parties could not reach any acceptable compromise at the negotiation table on this issue because China's consistent stance was to endorse a bilateral approach, whereas the Vietnamese Party chief consistently called for a multilateral approach involving China and all the ASEAN claimants to settle the Spratlys peacefully. Do Muoi reiterated Vietnam's position during his visit to China in 1997, saying that "Since it [the Spratlys dispute] involves six claimants [Vietnam, the Philippines, Malaysia, Brunei, China, and Taiwan], it will be solved on the basis of an agreement reached by the six sides."¹³¹ China and Vietnam also established a joint working group in 1994 to consult on the Paracel and Spratlys issues, and between 1995 and 1997, it met four meetings, but no consensus could be reached.

At the same time, Vietnam sought to use ASEAN as crucial leverage to multilateralize the SCS issue whenever an opportunity offered itself. It should be noted that Hanoi did not, and will probably never, seek to maneuver ASEAN as a whole or even the individual member states, against China because ASEAN is not a military alliance and because Vietnam and the ASEAN states have neither the power nor the will to fight their giant neighbor. Rather, Vietnam sought to mobilize regional support for its multilateral approach and settle the contentious issue by negotiation. To that end, the April 1995 ASEAN-China Senior Officials Meeting in Hangzhou, China, provided the first-ever opportunity for Vietnamese senior officials to engage ASEAN in support of a multilateral stance on the issue. On this occasion, ASEAN made clear to China for the first time that China's occupation of Mischief Reef and recent incidents with Vietnam could destabilize the region.¹³² In 1996, Vietnam, along with the Philippines, convinced ASEAN Foreign Ministers to call China to consultation meetings to discuss a regional code of conduct (COC) in the SCS. As a result, ASEAN Foreign Ministers made an official proposal for an ASEAN-China COC. In response, China showed its resistance to ASEAN's proposal by "citing previous bilateral

¹³⁰ In October 1993, Vietnam and China signed an agreement that includes three basic principles to solving territorial differences: Both sides should (1) not resort to force or the threat of force; (2) make every effort to prevent differences from standing in the way of the development of bilateral relations; and (3) exercise restraint and avoid clashing over territorial disputes.

¹³¹ Ang Cheng Guan, "Vietnam-China Relations since the End of the Cold War," *IDSS Working Paper Series*, No. 1, November 1998, Singapore: Institute of Defence and Strategic Studies, p. 11.

¹³² *Ibid.*, pp. 15.

agreements between China and ASEAN countries which already embodied the commitment to peaceful resolution of disputes.”¹³³

Sino-Vietnamese tensions erupted following China’s dispatch, on 7 March 1997, of Kanto Oil Platform Number 3 and two other pilot ships, Numbers 206 and 208, to conduct exploratory drilling in what was supposedly Vietnam’s continental shelf. In response, Hanoi went public in its diplomatic protest against China’s oil rig and called for the halting of the Chinese action. At the same time, Deputy Foreign Minister Vu Khoan called together the ASEAN ambassadors in Hanoi to explain Vietnam’s position.¹³⁴ In response to Hanoi’s call, a senior ASEAN official noted, “We do not recognize any Chinese rights to Vietnam’s continental shelf, nor do we recognize the right of the Chinese to do what they did. Now we’re all in this together.”¹³⁵ The Philippines was the most vocal critic of the Chinese action, simply because Vietnam and the Philippines shared an awareness of common problems with China over the SCS.¹³⁶ Foreign Affairs Undersecretary Rodolfo Severino said that his government was “very much concerned over China’s reported oil exploration on the Vietnamese continental shelf.”¹³⁷ In response, a Chinese Foreign Ministry spokesman stated, “China always held that problems and disputes existing among countries should be solved through peaceful negotiations.”¹³⁸

¹³³ Aileen S. P. Baviera, “The South China Sea Disputes after the 2002 Declaration: Beyond Confidence-Building,” in Saw Swee-Hock, Sheng Lijun, and Chin Kin Wah, (Eds.), *ASEAN-China Relations: Realities and Prospects*. ISEAS Publications, 2005, p. 348.

¹³⁴ Vietnam spelled out the Chinese violation of its sovereignty and tried to convince the member states to press Beijing to halt the drilling in Vietnam’s continental shelf. A diplomatic note released in *Far Eastern Economic Review* revealed that Hanoi tried to convince the member states “if China behaves this way to Vietnam, it could behave the same way toward [them],” in Michael Vatikiotis, *Far Eastern Economic Review*, 3 April 1997, p. 14.

¹³⁵ *Ibid.*

¹³⁶ In April 1994, after series of assertive Chinese sorties in Vietnam’s Tu Chinh, President Fidel Ramos visited Hanoi. Both parties agreed to accelerate defense cooperation, including exchanges of senior military officials and study tours for defense instructors and officers. Later in the same year, Vietnamese military officials visited the Philippines’ Subic Bay Naval Base with the aim of drawing lessons from the Philippines for the possible commercialization of Vietnam’s Cam Ranh Bay, the most important and strategic bay in terms of protecting Vietnamese sovereignty in the SCS. After Chinese occupation of Mischief Reef in March 1995, Vietnamese Defense Minister General Doan Khue visited the Philippines twice within a year. This provided sufficient evidence that the two parties had common concerns about the Chinese problem in the disputed region.

¹³⁷ *Far Eastern Economic Review*, 17 April 1997, *op. cit.*, p. 20.

¹³⁸ *Xinhua News Agency*, 27 March 1997, SWB/FE/2880/G/15. In Ang Cheng Guan, “Vietnam-China Relations since the End of the Cold War,” *IDSS Working Paper Series 1*, November 1998, Singapore: Institute of Defence and Strategic Studies, p. 12.

Tensions persisted until 3 April, when it was announced that both sides would meet six days later in Beijing. Details of the meeting were not made public, however. Hanoi understood well that the SCS dispute would be a long-standing issue because Chinese assertiveness was difficult to prevent. However, as an ASEAN member, Vietnam felt some level of comfort in dealing with China because other ASEAN member states also had sovereignty claims and naturally favored Vietnam's attitude toward multilateralism, and because ASEAN as an evolving regional organization could exert some pressure over China. As Hoang Anh Tuan, the Director of the Institute for Vietnamese Foreign Policy and Strategy Studies, argued, "China would find it difficult to isolate Vietnam as it would no longer be possible to treat Vietnam separately from the other ASEAN claimants to the islands. This would temper any Chinese intention to put military pressure on the Vietnamese presence in those islands."¹³⁹

ASEAN was not the only source of comfort for Vietnam. Other major security partners of the ASEAN-led ARF saw the strategic appeal in constraining China's potential aggression. In spite of Vietnam's wariness of the US "peaceful evolution" policy, Hanoi considered the US military presence in the region and its engagement in the ARF to be "necessary" for regional security and stability, not least because of the US legitimate interest in navigational freedom of the waters of the Western Pacific. Although Vietnam was quite careful about increasing any obvious defense arrangement with Washington, which might have elicited a fierce response from China, as an ASEAN member, Vietnam could hide behind ASEAN's common position to support the US military presence in the region and its engagement in regional security affairs, including on the SCS issue. As Hoang Anh Tuan stressed, "US active involvement [in the ARF], as well as a continued American military presence in the region, is of crucial benefit to the smaller countries in the dispute. Vietnam, for some reason, finds it hard to express openly its view on the role that the US is playing or which Vietnam wants to see it play. But as a member of ASEAN it would be easier for Vietnam to take a common stand on this issue with other ASEAN members."¹⁴⁰ At the time of the Kanto incident, the Commander of the US Pacific Fleet, Admiral Joseph Prueher, fortuitously visited Hanoi. On this occasion, Deputy Prime Minister Tran Duc

¹³⁹ Hoang Anh Tuan, "Vietnam's Membership in ASEAN: Economic, Political and Security Implications," *Contemporary Southeast Asia* 16(3), December 1994, p. 269.

¹⁴⁰ *Ibid.*, 268.

Luong expressed his great appreciation for the contribution of improved US-Vietnam relations to “stability and development in the region.”¹⁴¹ This suggested that the degree of development in US-Vietnam defense relations was likely to depend on China’s actions in the disputed area.

Japan’s membership in the ARF also had strategic appeal for Vietnam, given that its growing regional influence as an economic power “provide[d] one more check on the dominance of other great powers over the region.”¹⁴² In January 1997, in a visit to Hanoi, Japanese Prime Minister Ryutaro Hashimoto met with his Vietnamese counterpart, Vo Van Kiet, and it was reported that through the meeting there were indications of both parties’ concerns that China may become a “common threat” for Japan and ASEAN.¹⁴³ In a courtesy meeting with Hashimoto, Do Muoi stressed the significance of cooperation between Japan, the US, and China to maintain stability in the Asia-Pacific.

As partners of the ARF, India and Russia could provide a certain level of political support and strategic value to Vietnam. Russia had been Vietnam’s powerful strategic ally from the late 1970s through the 1980s. In 1994, both parties signed a treaty of friendship and cooperation to replace a similar 1978 treaty. Low-key arm procurement packages and increased defense interactions were also in place. Notably, Russia retained its nominal presence at Cam Ranh Bay—the strategic bay near the SCS. India had long been on good terms with Hanoi since the Vietnam War, and bilateral military cooperation came to the fore after the end of the Cold War. New Delhi was also keen on Hanoi’s support for its ASEAN engagement.

In short, ASEAN and the major security partners of the ASEAN-led ARF had strategic value for Vietnam in constraining China’s potential aggression in the SCS. Changes in the level of Vietnam’s defense relations with the major powers would be likely to depend heavily on Chinese actions in the disputed region. It should be noted, however, that Vietnam did not try to mobilize these major powers and ASEAN en masse against China because, in spite of the potential flashpoints in the SCS, party-to-party and state-to-state

¹⁴¹ *Quan Doi Nhan Dan* [The People’s Army Review], 28 March 1997.

¹⁴² Hoang Anh Tuan, p. 271.

¹⁴³ *Mainichi Shimbun*, 13 January 1997, in FBIS-EAS-97-008 (The Foreign Broadcast Information Service—East Asia).

interactions between Hanoi and Beijing remained warm, and economic ties had improved. The two parties were also members of multilateral cooperative frameworks, such as the Greater Mekong Sub-region, the PMC, the ARF, and APT created in 1997, through which Vietnam might be able to engage and ensnare China politically and economically.

The “Peaceful Evolution” Threat

In parallel with addressing the salient concerns about China’s increased assertiveness in the SCS, Vietnam was worried about the US-led threat of “peaceful evolution” to the regime’s security. Between 1995 and the first half of 1997, what Vietnam really wanted from the US was for a new stage of economic cooperation and full diplomatic relations after bilateral relation normalization. However, US maneuvers to forge freedom in Vietnam and its tough stance on human rights and democratic issues caused a deadlock in BTA negotiations and prevented full diplomatic relations. At the event marking normalization of relations, US President William J. Clinton’s speech, which stressed “freedom” in Vietnam, raised concerns for Hanoi ¹⁴⁴ because it was wary of Washington’s use of human rights and democracy issues to force political change. Between late 1996 and early 1997, both sides held negotiations on a BTA after Washington presented Vietnam with a trade agreement blueprint in May 1996. However, US conditions, which included, among other things, structural reforms in Vietnam and respects for human rights did not produce any progress; Vietnam agreed to step up structural reforms, but only at a level appropriate to Vietnam’s political and economic circumstances, and it did not accept the US condition relating to human rights.¹⁴⁵ Similarly, negotiations on full diplomatic relations reached an impasse because Washington required Vietnam to step up democratization, respect for human rights, and a full accounting of the POW/MIA issue. Vietnam was willing to cooperate on POW/MIA but did not accept the US stance on human rights and democracy as prerequisites for full diplomatic relations. Vietnamese Foreign Minister Nguyen Manh Cam

¹⁴⁴ US President Clinton marked the event by saying, “I believe normalization and increased contact between Americans and Vietnamese will advance the cause of freedom in Vietnam, just as it did in Eastern Europe and the former Soviet Union.” Available at

[<http://www.presidency.ucsb.edu/ws/index.php?pid=51605#axzz1wisAKfMw>].

¹⁴⁵ “Quan he My-Vietnam sau khi binh thuong hoa quan he” [US-Vietnam Relations after Normalization of Diplomatic Relations], Division of International Relations, the Government Office, 2000 (unpublished document).

told US Secretary of State Warren Christopher, “Vietnam agrees to enhance ongoing cooperation on the POW/MIA issue, but not to the attachment of human rights.”¹⁴⁶

To address “peaceful evolution,” Vietnam sought measures to enhance ideological interactions with China and some ASEAN member states’ ruling parties. It should be noted that in spite of Vietnam’s salient concerns about the “China threat” in territorial disputes, Beijing remained important in coping with “peaceful evolution” because both had concerns about American enthusiasm for human rights and democracy. This basic idea was best expressed in Vietnam’s post–Cold War concept of “combination of both cooperation and struggle within peaceful co-existence” (*kết hợp hai mặt hợp tác và đấu tranh trong cùng tồn tại hoà bình*).¹⁴⁷ Between 1995 and 1997, party-to-party and state-to-state interactions between Hanoi and Beijing provided platforms to discuss, among other things, socialist ideology and defense against “peaceful evolution.” In addition, there were three ideology seminars that involved administrative units and specialists from both countries and delegations from both parties’ Central Committee Departments. By the time of the East Asian crisis, the delegations of the VCP had also enhanced interactions with Soeharto’s New Order regime in Indonesia, Mahathir’s National Front in Malaysia, and the People’s Action Party in Singapore, with a view to improving protection of the regime in light of shared concerns about US enthusiasm for democratization and human rights.

3. The East Asian Crisis and Vietnam’s Responses

The following section examines the East Asian financial crisis of 1997–98 and its impact on the region. A substantial part takes into account Vietnam’s policy responses in the wake of the crisis.

3.1 The East Asian Crisis of 1997–98

The crisis of 1997–98 marked a major watershed in the history of East Asia. The crisis started in the third quarter of 1997 in Thailand with the pull-out of short-term portfolio

¹⁴⁶ Ibid.

¹⁴⁷ In Vietnam’s foreign policy discourse, cooperation serves a strategy of integration and development while also helping to resist any entity that maneuvers to challenge its national autonomy, independence, sovereignty, or territorial integrity. This approach is best shown in relation to China and the US; China has strategic value to Vietnam in safeguarding the regime against “peaceful evolution,” while the US is useful to Vietnam to hedge against the threat posed by China, especially in the SCS.

investors' capital, owing to their grave concerns about the Thai government's inability to maintain the pegged exchange rate between its currency and the US dollar. Facing the lack of foreign currency, the Thai government used its foreign exchange reserves to support its fixed exchange rate. When the reserves were used up in a vain attempt to defend the baht, Bangkok turned to the IMF for emergency assistance, but under IMF conditionality, it was forced to float the baht. Instantly, its currency depreciated considerably. Many firms found it difficult to meet their debt repayments because their incomes were overwhelmingly in the depreciated local currency while their debts were largely denominated in foreign currencies. Non-performing loans also mounted, because of the difficulty many firms had in servicing their local debts as the crisis broke out. These events triggered the insolvency of the Thai banking system, making it impossible to repay loans denominated in foreign currencies and rapidly causing the collapse of the stock market and job losses.

The collapse of the Thai financial system quickly spilled over into the region, mainly Indonesia, South Korea, and Malaysia, which had been heavily dependent on short-term foreign debts in part to serve their real estate and stock markets as well as exports. The Indonesian rupiah, the South Korean won, and the Malaysian ringgit were the worst hit, but the Philippine peso also suffered.¹⁴⁸ Bankruptcies increased, financial systems failed, and stock markets collapsed, though to different degrees of severity.¹⁴⁹ Japan was not directly affected by the regional financial turbulence but was affected indirectly because there was a sharp fall in its net exports and the devastation of joint ventures between local firms and Japanese ones.

The crisis was not just limited to the collapse of the financial system itself: it also damaged the economic, social, and political spheres of the affected ASEAN countries. At the onset of the regional financial meltdown, the IMF created a series of bailouts—the so-called “rescue packages”—that included heavy-handed conditions requiring structural reforms and tying the packages to the reform of the banking sector in parallel with pressure on the states over accountability, transparency, and good governance. These rescue packages were

¹⁴⁸ According to *Asia Week*, (December 1997), by the end of October 1997, the Indonesian rupiah had depreciated by 54% relative to the US dollar, the Malaysian ringgit by 34%, and the Philippines peso by 33%.

¹⁴⁹ Takashi Shiraishi, “States, Markets and Societies after the Asian Crisis,” in Takashi Shiraishi and Patricio N. Abinales, (Eds.), *After the Crisis: Hegemony, Technocracy and Governance in Southeast Asia*, Kyoto, Japan: Kyoto University Press, 2005, p. 1.

intended to reform the structures to resemble those of the US and Europe. In other words, the crisis was an opportunity for the US and IMF to impose conditional support in the form of “structural adjustment packages” (SAPs) based on neoliberal economic principles.

These reforms were instrumental in democratizing and dismantling ASEAN’s authoritarian developmentalist regimes. They were connected to US intervention and the usefulness of US-centered technocratic network in Southeast Asia that comprised a vast number of US-trained technocrats working in academia; international multilateral lending agencies, such as the IMF and the World Bank; government ministries and agencies; domestic financial and banking institutions, and businesses. This network was able to make the claims on the state for structural reforms under the IMF conditionality, in line with calls by popular and elite nationalism for free-market and political reforms.¹⁵⁰ In the case of Thailand, in the wake of the crisis, the government turned to the IMF for assistance, but Washington seized the opportunity to press Bangkok to liberalize its economic system. With a pro-market technocracy in place, Thai officials responded favorably to the US, complied with IMF conditionality, and democratized the state. This led, in part, to the democratic constitutional reform late in 1997, which paved the way for Thaksin Shinawatra’s subsequent rise to power.

At the onset of the crisis, Indonesia’s macroeconomics remained stable, and the annual GDP growth rate was still at 7.5%. However, technocrats took the opportunity of a “mini-crisis” to convince Soeharto to introduce structural reforms and the fiscal and financial reform package in line with the IMF conditions. The technocratic proposals paved the way for the government’s introduction of a comprehensive economic reform package in the third quarter of 1997, when symptoms of the crisis spilled over into the country. They then convinced Soeharto to ask for IMF assistance and concluded an agreement with the IMF that structural reforms and the closure of sixteen private banks.¹⁵¹ The reform package and agreement did not just trigger a systematic crisis in the entire banking sector but also undermined Soeharto’s system of patronage, based on the informal funding mechanism of state agencies, including the military, and damaged the business interests of his children, cronies, and lieutenants. Soeharto’s distrust in the technocracy was aroused, and his serious

¹⁵⁰ Ibid., pp. 2–7.

¹⁵¹ Ibid., p. 9.

illness from late 1997 meant there was no visible positive change, and the economic crisis quickly led to political and social upheavals. Business groups went bankrupt, including those owned and established by Soeharto's relatives and cronies. The rupiah depreciated considerably, meaning an inability to repay loans denominated in US dollars. This resulted in the devastation of the government banking sector and informal funding mechanisms. Rising prices, along with the depreciation of the rupiah, led to uncontrollable inflation. Social disorder ensued, with increasing unemployment and widespread riots (some anti-Chinese), with looting and criminality. The economic and social crises eventually led to the collapse of Soeharto's New Order regime in May 1998 in the wake of massive riots, especially in Jakarta.

Similar stories could be told about Malaysia and the Philippines, although circumstances there were less severe. The broad ideological consensus on pro-market reforms, which had been informed by technocracies entrenched in the private sector, bankers, professionals, politicians and so on, put political pressure on the state for structural reforms during the crisis. This led to the near collapse of Mahathir's National Front in Malaysia and the political and social crises of the Philippines under the Ramos and Estrada regimes.

In short, the crisis of 1997–98 presented major challenges to the authoritarian ASEAN regimes as a consequence of the structural reforms required by the US and US-led IMF. The contagious nature of the crisis revealed not only how vulnerable individual nations were but also the potential for financial, political, and social instability right across East Asia.

A New Age of East Asian Regionalism

Concerns arising from regional exposure to the crisis resulted in a collective response from the East Asian states, marked by new engagement with ASEAN on the part of the Northeast Asian states—Japan, China, and South Korea. Between late 1997 and 2001, there had been an increase in multilateral East Asian frameworks created by the region's states in an attempt to forge closer intraregional cooperation to prevent a similar crisis and to hedge against risks posed by the US and the IMF, as well as to help recover regional economic stability and resilience. In December 1997, the APT framework initiated by ASEAN was

established at an inaugural summit meeting in Kuala Lumpur. At the same time, Japan raised the need for the establishment of an Asian Monetary Fund (AMF). Also in Kuala Lumpur, the ASEAN leaders approved ASEAN Vision 2020 at the ASEAN Summit, with its goal of working toward an ASEAN community of peace, stability, and prosperity by 2020.¹⁵² At the second APT summit meeting in Hanoi in November 1998, Korean President Kim Dae-Jung floated the idea for the establishment of an East Asian Community, along with his proposal for an East Asia Vision Group (EAVG), to pursue regional economic integration and enhance the region's competitiveness with the EU and the NAFTA.¹⁵³ At the same time, China proposed the institutionalization of the APT process, while Japan announced the Miyazawa Initiative and the "Asian Aid Program" to assist the crisis-hit economies, especially the ASEAN countries. At the third APT summit meeting in Manila in November 1999, the institutionalization of the APT process came to fruition as the ASEAN leaders and their "Plus Three" counterparts issued the "Joint Statement on East Asia Cooperation" (the Manila Statement), which specified the eight priority areas of cooperation.¹⁵⁴ On this occasion, the EAVG was set up to make recommendations for the APT leaders toward the long-term realization of an East Asian Community. In May 2000, at the APT Finance Ministers Meeting in Thailand, the Chiang Mai Initiative, which had been proposed by Japan, was officially established to create a zone of currency stability. At the Fifth APT Summit in January 2001 in Brunei, the idea of an East Asia Economic Community was first mooted in the EAVG Group Report entitled "Towards an East Asian Community: Region of Peace, Prosperity and Progress." In this report, the integration of the East Asian economies with a view to the ultimate realization of an East Asia Economic Community was laid out in terms of a mid- to long-term vision of cooperation in six sectors: the economy; finance; politics and security; environment and energy; society, culture, and education; and institutions. The EAVG also called for the establishment of the

¹⁵² See more detail in ASEAN Secretariat. ASEAN Vision 2020. Kuala Lumpur, 15 December 1997. Available at <http://www.aseansec.org/1814.htm>

¹⁵³ Kim Dae-jung, "Regionalism in the Age of Asia," *Global Asia* 1(1), pp. 10–11.

¹⁵⁴ The eight priority areas for the joint efforts were specified in the Manila Statement: 1) economic cooperation; 2) monetary and financial cooperation; 3) social and human resources development; 4) scientific and technical development; 5) cultural and information; 6) development cooperation; 7) political security; and 8) transnational issues. See more details in Vyacheslav V. Gavrilov, "Framework of the ASEAN Plus Three Mechanisms Operating in the Sphere of Economic Cooperation," *CALE Discussion Paper* 7, September 2011, pp. 6–8.

¹⁸ See "East Asia Vision Group Report 2001." Retrieved from [<http://www.mofa.go.jp/region/asia-paci/report2001.pdf>].

East Asia Free Trade Area (EAFTA) and the East Asia Investment Area (EAIA) and recommended that the APT be developed into the East Asia Summit.¹⁵⁵ In the same year, Japan concluded an Economic Partnership Agreement with Singapore, and Prime Minister Junichiro Koizumi proposed the establishment of a Japan-ASEAN economic partnership as the first step in building an East Asian Community.

Clearly, while a major watershed in East Asia was caused by the crisis, the regional states' collective response was positive, especially on the part of the "Plus Three" states.

3.2 Vietnam's Responses in the Wake of the Crisis

3.2.1 A Shift from Economic Motive to Security Motive as the Top Priority

The wake of the East Asian crisis marked a major shift in priorities. The regime's security became the highest priority in the face of the threats posed by the US and the IMF intervention, while also seeking a regional COC in the SCS to enmesh China in a legally binding mechanism.

3.2.1.1 Ensuring Regime Security as the Top Priority

Unlike ASEAN's authoritarian developmentalist regimes, which proceeded with drastic structural reforms, Vietnam put a halt on the process and turned to emphasizing regime security, in spite of pressure imposed by the IMF and World Bank.¹⁵⁶ Between September

¹⁵⁵ East Asia Vision Group Report 2001, "Towards an East Asian Community: Region of Peace, Prosperity, and Progress." Retrieved from [<http://www.mofa.go.jp/region/asia-paci/report2001.pdf>].

¹⁵⁶ It should be noted that prior to the crisis, the IMF and the World Bank had pressed Vietnam to accelerate structural reforms and that Hanoi had demonstrated its commitment, but "reactively" in many ways. Specifically, after entry to ASEAN, Vietnam was granted assistance and low-interest loans by the IMF's Enhanced Structural Adjustment Facility (ESAF) and the World Bank's Structural Adjustment Credit (SAC). Under the terms of the SAC and ESAF, Hanoi committed to adjusting appropriate policies for structural reforms, introducing the 1996 modification of the Law on Investment and the adjustment of the Law on Export and Import Duties of Commercial Goods. In the third quarter of 1996, however, the IMF and the World Bank, as well as other international donors, urged Hanoi to eliminate other non-tariff barriers and to enhance transparency of its trade and investment regimes. Vietnam responded by introducing the Government's November 1996 Policy Framework Paper (PFP), which laid down its detailed commitments toward the AFTA, the World Bank's SAC, the IMF's ESAF, and five major areas for reform—trade and FDI policy, the state sector, the private sector, the financial sector, and public administration—but neither concrete targets nor time plans were given. In early 1997, the IMF and the World Bank put additional pressure on Vietnam for trade reform. The main new requirements concerned the formulation and implementation of a clear time-bound action program. In response, numerical targets were introduced, and at least 150 state-owned enterprises were committed to equitization between 1997 and 1999. Export rights were given to most

1997 and October 1998, the Party Central Committee convened six meetings to fashion a policy response to the crisis. In essence, Hanoi raised the question of whether or not it needed to launch a new round of comprehensive economic reforms, given concerns about the pace and scope of development of the private sector and state-sector restructuring, and particularly about declining foreign investment and exports.¹⁵⁷ Each Plenum adopted a “gradualist” approach to structural reforms, but many trade restrictions were nevertheless tightened between 1997 and 1998 when “Vietnamese leaders felt compelled to restrict imports of ‘non-essential’ goods so as to allocate the increasingly scarce foreign exchange to the import-dependent industrial sector.”¹⁵⁸ In spite of a call in 1998 by the IMF and World Bank for structural reforms that Hanoi had committed itself to, the government insisted that “Vietnam is committed to accelerating comprehensive and uniform reform but this should be ‘gradual’ at a level appropriate to Vietnam’s unique political and economic circumstances.”¹⁵⁹ Instead, Vietnam placed a priority on maintaining social and political stability as imperative to the regime’s security at the time of the crisis, for both external and domestic reasons. Externally, US intervention and the IMF’s call for “structural reforms” carried enormous political costs for the authoritarian ASEAN regimes, a fact that Vietnam saw as having great significance for its defense against the threat of “peaceful evolution.” This consequence therefore naturally became alarmed for the VCP. Moreover, Vietnam’s dream of learning from ASEAN’s developmental models, especially those of Thailand and Malaysia, disappeared as the regional states faced a major watershed in several respects—financial, economic, social, and political—in the wake of the crisis. Domestically, there was widespread peasant unrest in the northern province of Thai Binh in the final quarter of 1997, extending into early 1998, and there were other less severe “hot spots” elsewhere in the country. For this reason, Hanoi was worried that the crisis might provide an opportunity for domestic reactionary forces, in coordination with external hostile forces, to destabilize

domestic enterprises, and import licensing requirements for a large number of consumer goods were eliminated.

¹⁵⁷ Vietnam was hit indirectly by the crisis because there was a remarkable decline in FDI and a fall-off in export demand from the onset of the crisis; the country was heavily dependent on investment from, and exports to, Japan and the Asian NICs, but also, to a lesser extent, on Thailand, Indonesia, and Malaysia which were all hit by the crisis. Consequently, in the middle of 1998, export growth had declined by over 30% and foreign investment had fallen by 25%, compared to those on the first six months of 1997.

¹⁵⁸ Ari Kokko, “Growth and Reform since the Eight Party Congress,” in Duncan McCargo, (Ed.), *Rethinking Southeast Asia: Rethinking Vietnam*, London & New York: RoutledgeCurzon, 2004, p. 77.

¹⁵⁹ The Sixth Plenum of the VCP Central Committee (unpublished), the Office of the Government of Vietnam, Hanoi, 1998, p. 16.

the regime's security. This concern was evident at the first three plenums of the Central Party Committee, when leaders identified "domestic reactionary elements and external hostile forces" as a threat to the regime's security while identifying the major ills besetting Vietnam's economy—"bureaucracy, corruption, inefficiency, and wastage"—as elements challenging the party's legitimacy.

The importance of safeguarding regime security was also highlighted by Vietnam's efforts to water down some ASEAN states' initiatives for the modification of ASEAN's "non-intervention" principle. At the very beginning of the crisis, this ASEAN principle came under pressure as Malaysia's former Deputy Prime Minister Anwar Ibrahim "informally" floated the idea for "constructive involvement" as an alternative to "non-intervention" so that some member states could provide assistance to weaker members to prevent their internal collapse.¹⁶⁰ Ibrahim's proposal was mainly aimed at Cambodia's second political crisis, which began in July 1997. The proposal included the four specific measures: (1) direct assistance to firm up electoral processes; (2) an increased commitment to legal and administrative reforms; (3) the development of human capital; and (4) the general strengthening of civil society and the rule of law.¹⁶¹ At the ASEAN Ministerial Meeting (AMM) in Manila in the middle of 1998, Thailand's Foreign Minister, Surin Pitsuwan, seized on Ibrahim's previous proposal to call on the ASEAN Foreign Ministers to modify the "non-intervention" principle by initiating "flexible engagement." It was assumed that Thailand's intention was to target Myanmar, whose domestic issues had led to ASEAN concerns about its spillover effects on regional stability and ASEAN's diplomatic standing. In addition, as a consequence of the crisis, ASEAN leaders had become more receptive toward to human-centric security norms.¹⁶² In a press statement, Surin explained his ideas to local reporters, saying that "Thailand should not shy away from addressing the issues of an open society, democracy, and human rights," and that "we must be willing to cede some

¹⁶⁰ Simon S. C. Tay, Hadi Soesastro, and Jesus P. Estanislao, (Eds.), *Reinventing ASEAN*. Institute of Southeast Asian Studies, 2001, p. 253.

¹⁶¹ Ibid.

¹⁶² Carlyle A. Thayer, "Vietnam in ASEAN: Multilateralism and Relations with the Great Powers." Paper presented at Conference on "Vietnam on the Road to Development and Integration: Tradition and Modernity," Ho Chi Minh City (Vietnam), July 14–16, 2004, p. 11; Kasira Cheeppensook, "The ASEAN Way on Human Security." Paper presented at "Mainstreaming Human Security: The Asian Contribution," an International Development Studies Conference in Bangkok, 4–5 October 2007, p. 11. [<http://humansecurityconf.polsci.chula.ac.th/Documents/Presentations/Kasira.pdf>].

aspects of national sovereignty.”¹⁶³ Later, Surin had to soften his proposal to “enhanced interaction” in the face of opposition from other ASEAN members at the AMM and after a meeting with senior officials. Vietnam, Myanmar, Laos, Cambodia, and, to a lesser extent, Singapore and Malaysia were the most vocal in supporting the *status quo* because of their concern that their domestic issues would be discussed publicly at the ASEAN level.¹⁶⁴ At this point, the principle of “non-intervention” remained valid because the meaning of “enhanced interaction” was vague in ASEAN discourse.

At the Third ASEAN Informal Summit in Manila in November 1999, Thailand’s Prime Minister, Chuan Leekpai, raised the need for the establishment of an ASEAN Troika as an ad hoc body at the ministerial level so that ASEAN could address more effectively and cooperate more closely on domestic problems with regional implications. At the annual AMM in Singapore in 2000, the Foreign Ministers touched on the possibility of institutionalizing the new concept of “enhanced interaction” by establishing the ASEAN Troika. In response, Vietnam seized its opportunity as host of the Eighth ARF in July 2001 to stress the importance of more confidence-building measures and the significance of the non-intervention principle. The Chairman’s Statement (paragraph 5) read, “The Ministers reaffirmed that the ARF will continue to develop at a pace comfortable to all ARF participants and emphasized the importance of ARF making decisions by consensus and on the basis of non-interference in one another’s internal affairs.”¹⁶⁵ At the 34th AMM, which took place in Hanoi from 23 to 24 of July, Vietnam took the opportunity to water down the previous initiatives; the Joint Communiqué of the 34th AMM makes no reference whatsoever to “enhanced interaction,” and the “non-intervention” principle remained in place.¹⁶⁶ The Hanoi ARF and AMM may therefore be seen as a step backward because the participating states reiterated commitments to the “non-intervention” principle. Vietnam’s response was apparently based upon its consistent stance of reducing the danger of US

¹⁶³ *Kyodo News*, Bangkok, 26 June 1998.

¹⁶⁴ Carlyle A. Thayer, “ASEAN-Vietnam Relations.” Paper presented at the First Conference on Vietnamese Studies, (24–26 October 2006), Hanoi, p. 8.

¹⁶⁵ ASEAN Secretariat, “Chairman’s Statement of the Eighth ASEAN Regional Forum,” Hanoi, 25 July 2001. Retrieved from [<http://www.aseansec.org/3719.htm>].

¹⁶⁶ See detail in “The Joint Communiqué of the 34th ASEAN Ministerial Meeting,” Hanoi, 23–24 July 2001. Available at [<http://www.aseansec.org/3716.htm>].

intervention in its domestic affairs as well as preventing any outside attempts to undermine national autonomy and challenge the regime's security.

Clearly, Hanoi's focus on regime security at this time can be explained by fears about US intervention and IMF's heavy-handed conditionality, and the concerns about domestic unrest and the direction of ASEAN's developmental models. Moreover, Thailand's enthusiasm for modification of the "non-intervention" principle gave rise to Hanoi's concerns about the intervention of external powers, principally the US, into domestic affairs to change its regime survival. In contrast to the huge political costs suffered by ASEAN's authoritarian developmentalist regimes, Vietnam's responses at least helped ensure the survival of the regime.

Not until Vietnam's social and political stability was firmly secured and the crisis was over did Hanoi begin to step up structural reforms, launched by Prime Minister Phan Van Khai, along with specific initiatives submitted by the Ministries of Trade, Finance, and Planning and Investment.¹⁶⁷ Formal trade and investment policies were introduced between late 1999 and early 2000. Reform measures included the dismantling of quantitative import restrictions and a significant reduction in tariffs, especially with regard to both the level and dispersion of effective rates of protection. Initiatives to expose public sector enterprises to greater market discipline and to relax restrictions on FDI, particularly in export-oriented projects, were also introduced in formal policy. Restrictions on private-sector participation in foreign trade were eliminated and business ventures by private entities, both individuals and companies, were established. There were a number of motivations behind Hanoi's structural reform package. First, Vietnam was concerned about the detrimental long-term impacts of high trade barriers on the growth rate, which became widely apparent when Vietnamese exports fell sharply up to 1999. The structural reforms after the crisis were thus intended to accelerate exports and restore investment inflows. Second, the structural reforms were intended to fashion a new phase of East Asian regionalism because Hanoi held the view that the institutionalization of the APT process toward an East Asian Community would provide opportunities for Vietnam to accelerate the pace of its

¹⁶⁷ Author's interview with Prof. Dr. Tran Thi Thu Huong, Director of Institute of VCP History and Editor-in-Chief of Journal of VCP History, Hanoi, 19 February 2012.

integration into the regional and global economies.¹⁶⁸ Third, Vietnam found it essential to “take new steps toward structural reforms after the crisis for commitments to the APEC membership, stronger commitments toward the AFTA, and, more importantly, for accession to the BTA with the US and to WTO membership.”¹⁶⁹

3.2.1.2 Seeking a Regional COC in the SCS

In the wake of the crisis, Vietnam sought to engage ASEAN and China in the hope of producing a China-ASEAN COC, which ASEAN formally proposed in 1996. What Vietnam saw as an “opportunity” for the possibility of the COC was China’s revised regional policy in the wake of the crisis. Beijing had adopted a “friendly neighborhood” policy to engage neighboring states, especially the Southeast Asians. This revised policy was shaped in part to eliminate ASEAN’s “China threat” theory and support its “peaceful rise.” China also adopted a “New Security Concept” that laid the ground for its active engagement in the ARF. It also came to engage actively in the APT process, as evidenced by its initiative to institutionalize the APT. For these reasons, Vietnam hoped China’s revised regional policy could be an opportunity to settle the contentious issue in a constructive and peaceful manner.¹⁷⁰ In late 1997, China and ASEAN issued a “Joint Statement for ASEAN-China Cooperation towards the 21st Century.” Under the Joint Statement, the two parties pledged to “continue to exercise restraint and handle relevant differences in a cool and constructive manner,” but there was no reference to both parties’ proceeding toward COC.¹⁷¹

China’s revised regional policy did not proceed as Vietnam hoped. During February and March 1998, China took provocative steps by establishing a ground satellite station in the

¹⁶⁸ Deputy Foreign Minister Vu Khoan, “Hội nhập để Phát triển” [Integration for Development], *Tap chi Cong san* [The Communist Review], *Special Number*, January 2000, pp. 19–21.

¹⁶⁹ “PM Phan Van Khai: A New Phase of Vietnam’s International Economic Integration,” *Vietnam News Agency*, dated 17 October 1999; The reforms had also been shaped by the November 1996 Politburo Resolution on Expanding and Enhancing the Effectiveness of Foreign Economic Relations for the Five Years 1996–2000, of which the primary focus was to take firm steps toward the commitments to the AFTA, negotiations on a BTA with the US, and access to the APEC and the WTO.

¹⁷⁰ Vu Duong Huan, (Eds.), *Ngoai Giao Viet Nam Hien Dai: Vi Su Nghiep Doi Moi 1975–2002* [Vietnam’s Foreign Policy: For the Cause of Doi Moi 1975–2002], Hanoi: Institute of International Relations (internally circulated), 2002, pp. 103–104.

¹⁷¹ Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People’s Republic of China, Kuala Lumpur, 16 December 1997.

Paracels and a telephone booth in the Spratlys, both of which were supposedly in Vietnamese territory and on its continental shelf. In response, Hanoi protested against the “Chinese violation of Vietnam’s sovereignty.” Vietnamese diplomats and think tanks reiterated Hanoi’s position on the issue at the Managing Potential Conflict in the South China Sea Workshop held by Indonesia in March. It was not until June that China came to agree with ASEAN on “resolving to work for a regional COC to prevent any further escalation of conflict.” This paved the way for China-ASEAN consensus to discuss the drafting of a COC, commencing in 1999. After many consultation meetings within ASEAN on the issue and then between ASEAN and China, a regional Declaration on the Conduct of Parties to the SCS (DOC) was eventually reached in 2002. This was not a COC, however, because China refused to establish a legally binding mechanism to restricting its actions within a multilateral framework that might favor the ASEAN claimants.

With the establishment of the DOC, Vietnam more or less succeeded in playing an instrumental role in transforming the Sino-Vietnamese dispute into a bi-bilateral issue involving China on the one hand and ASEAN on the other. However, there remained Hanoi’s cautiousness and suspicion of Chinese assertiveness and expansionist ambitions because the DOC served only as a political document, rather than a legally binding mechanism to enmesh China. These attitudes of caution and suspicion shaped Hanoi’s “defense diplomacy” activities in such a way as to avoid any exposure of its national sovereignty to its giant northern neighbor, in spite of increased bilateral state-party interaction, closer economic ties, and shared concerns about the threat of “peaceful evolution.”

3.2.2 Building National Standing

In the wake of the regional crisis, Vietnam also sought measures to build its national standing through ASEAN and the ASEAN-centered multilateral institutions.

In Vietnamese foreign policy discourse, the building of “national standing” (*vị thế*) refers to the process of building Vietnam’s diplomatic position as well as its political influence on the regional and global stages. To that end, the June 1996 Eighth Party Congress identified “Vietnam’s participation in regional affairs and in multilateral regional arrangements, as

well as development of diplomatic and political relations with regional countries” and beyond—“Vietnam wants to be a friend and a reliable partner in the world community”—, with a view to restoring the country’s diplomatic and political standing. In this regard, as an ASEAN member, Vietnam calculated that it could have more favorable conditions to improve its position after more than a decade of international isolation by actively participating in regional affairs and ASEAN-based multilateral regional institutions, and facilitating ideas for regional cooperation and development. However, in the early years of ASEAN membership, Hanoi kept a “low profile” in ASEAN and ASEAN-centric multilateral regional institutions because it needed more time to become familiar with ASEAN’s working procedures, and because it lacked English-speaking officials.

From the onset of the crisis, Vietnam had worked actively to build its national standing through its active engagement in regional affairs and acceleration of initiatives for regional cooperation and development. Vietnam’s membership of ASEAN was the starting point for the transformation of ASEAN-6 into ASEAN-10. With Vietnam playing a role as informal spokesman for the enlargement of ASEAN, Laos and Myanmar¹⁷² were granted membership in July 1997. Cambodia was supposed to be a member, but it was not, because of its second political crisis in July of that year. However, after the July 1998 general election in Cambodia, which stabilized the country’s domestic politics, Vietnamese Foreign Minister Nguyen Manh seized the opportunity to call on the ASEAN leaders at the Sixth ASEAN Summit, held in Hanoi that December, to integrate Cambodia into the organization. ASEAN reached a consensus to include the last Southeast Asian country, and in April 1999, ASEAN Foreign Ministers returned to Hanoi to attend the Cambodia admission ceremony. ASEAN-10 opened a new chapter in partnership and development in Southeast Asia and increased ASEAN’s role and image in the Asia-Pacific.

Another landmark for Vietnam’s diplomatic position occurred during its chairing of ASEAN in 1998, when Hanoi facilitated many important ideas for regional development.

¹⁷² Vietnam did not play a direct role in incorporating Myanmar into ASEAN because it was widely assumed that Singapore and Malaysia demonstrated massive support for Myanmar’s membership so that ASEAN could engage China and India, who were using Myanmar as a “buffer” zone for geopolitical and strategic competition. Vietnam did, however, play an indirect role because it made no sense for Vietnam, Laos, and Cambodia to be members and for Myanmar to be excluded if ASEAN was going to be defined in terms of geography and the region entirely integrated.

Vietnam's initiatives included the idea of building ASEAN into a region of sustainable and uniform development in the face of the crisis; the proposal for bridging the development gap between the CLMV countries (Cambodia, Laos, Myanmar, and Vietnam) and the ASEAN-6, which resulted in the Hanoi Declaration on Narrowing the Development Gap for Closer ASEAN Integration; the initiative for solving urgent social problems; the proposal for the acceleration of the Greater Mekong Sub-region development projects and the West-East Corridor; and the ideas of ASEAN tourism cooperation and ASEAN culture weeks. Many of these initiatives were put into the Hanoi Plan of Action (HPA), the first in a series of action plans to realize the goals of the 2020 ASEAN Vision.¹⁷³ Alongside the ASEAN Summit, Vietnam chaired the second APT meeting, through which the ASEAN leaders and the "Plus Three" dialogue partners agreed to hold the annual APT summit and ministerial meetings. Vietnam took over the chairing of the ASEAN Standing Committee and the ARF from July 2000 to July 2001, as well as 2001 chairing of the AMM, through which the HPA on Narrowing the Development Gap for Closer ASEAN Integration was adopted and the Laos-Cambodia-Vietnam "Development Triangle," initiated by Hanoi, was established. Moreover, Vietnam played an active role as a coordinator in enhancing dialogues between ASEAN and New Zealand, Russia, the US, Japan, and India. Thus, even as a new ASEAN member, Vietnam made positive contributions to the developments of ASEAN and to the process of East Asian integration. Although ASEAN's standing and intra-ASEAN cohesion were damaged by the crisis, the role and contributions of Vietnam helped to soften the impact of the varied attitudes taken toward ASEAN. These actions helped improve Vietnam's standing and in part consolidated the regional environment of cooperation in the face of the crisis.

However, these examples do not tell the whole story. Vietnam's strategic thinking was to make full use of its enhanced national standing as a way of mobilizing regional support for its development and security goals, and for improving its bargaining position vis-à-vis the major powers. This strategy had been in place since the late 1980s, when Vietnam decided to join ASEAN with a view to restoring Vietnam's national stature on the regional and international stages as useful leverage in gathering external support. After Vietnam broke

¹⁷³ See detail in Hanoi Plan of Action. Hanoi, 15 December 1998. Available at [<http://www.asean.org/687.htm>].

free from international isolation in the early 1990s, this strategic thinking became clear. The logic behind pursuing these three objectives—security, development, and building national standing—through the process of ASEAN-based integration was established by Vietnamese think tank and Foreign Ministry leaders. The Director of the Institute for Vietnamese Foreign Policy and Strategy Studies, Hoang Anh Tuan, argued that “ASEAN membership would enhance Vietnam’s diplomatic standing and integrate Vietnam’s security with the security of the whole of Southeast Asia, thus creating an external environment favorable for economic development.”¹⁷⁴ The then Deputy Foreign Minister, Vu Khoan, argued that the three objectives are “mutually reinforcing.” The ‘security objective’ was to focus on protecting national security, sovereignty, territorial, and political integrity. The ‘development objective’ was to take advantage of favorable external conditions and to create a peaceful and stable external environment in the service of national construction and economic development. The ‘national standing objective’ was to promote the country’s diplomatic standing and political influence in the regional and global community and to gather regional and international support for the two preceding goals.¹⁷⁵ The interrelated logic of the three objectives was also stated by Foreign Minister Nguyen Manh Cam and other Foreign Ministry officials after Vietnam joined ASEAN. They shared a strategic thinking that when Vietnam was able to enhance diplomatic standing as well as exert a certain degree of political influence in the regional and international communities, this would help achieve external support for the country’s development and security goals.¹⁷⁶

To that end, Hanoi worked actively to attain its development and security goals through leverage of its national standing in ASEAN and beyond. Its eagerness to convince the ASEAN leaders to admit Laos and Cambodia to the organization was motivated by the desire to consolidate tripartite Indochinese solidarity and common developments through

¹⁷⁴ Hoang Anh Tuan, “Vietnam’s Membership in ASEAN: Economic, Political and Security Implications,” *Contemporary Southeast Asia* 16 (3), December 1994, p. 283.

¹⁷⁵ Deputy Foreign Minister Vu Khoan, “An ninh, Phát triển và Anh hưởng trong Hoạt động Đối ngoại” [Security, Development and Influence in Diplomatic Activities], in Nguyen Vu Tung, (Ed.), *Vietnam’s Foreign Policy 1975–2006, Vol. 2*. Hanoi: The Gioi Publishers, 1997, pp. 60–68. .

¹⁷⁶ See details in Nguyen Manh Cam, “Tren duong Trien khai Chinh sach Doi ngoai theo Dinh huong moi” [On the Road to Implementing Foreign Policy in Accordance with New Orientation], *Tap chi Cong san* [The Communist Review], 3, February 1996, pp. 16–19; Doan Manh Giao, “Why Vietnam Joins ASEAN?” Paper presented to international seminar on Vietnam and ASEAN: Business Prospects and Policy Directions, Kuala Lumpur, 19 December 1995.

ASEAN cooperative frameworks in order to ensure national and sub-regional security against external major powers. This approach was also instrumental in improving Vietnam's influence in Indochina in competition with external powers, principally China. It was thus clear that Hanoi's 1998 initiative to "Narrow the Development Gap" was aimed at helping not just Vietnam to catch up but also Laos and Cambodia. The proposal for the acceleration of the West-East Corridor across Vietnam, Laos, and Cambodia (also Thailand and Myanmar) and the initiative for the 2001 establishment of the Laos-Cambodia-Vietnam "Development Triangle" were aimed at drawing the three Indochinese states closer together for their mutual security and strategic interests. It should be noted that the initiatives for regional development were also aimed at improving intra-ASEAN political cohesion and solidarity to prevent outside major powers, especially China and the US, from dividing the member states to better exploit them.¹⁷⁷

Vietnam also actively sought the utility of its diplomatic standing to mobilize support for its access to important economic centers, as in the cases of membership of the APEC and WTO observer status in 1998. At the advent of the ASEAN enlargement in July 1997, the ASEAN leaders and Foreign Ministers acclaimed Vietnam's contributions to the development of the organization.¹⁷⁸ At the ASEAN Summit meeting in Kuala Lumpur in November, Vietnam seized the opportunity to call on the ASEAN leaders to support membership for Vietnam in the APEC and observer status at the WTO by the time Vietnam hosted the December 1998 ASEAN Summit. Simultaneously, Vietnam demonstrated stronger commitment to the CEPT/AFTA tariff line schedule than previously (**Table 3**). As a result, with the support of ASEAN members, Vietnam was granted observer status at the WTO in July 1998 and was admitted to the APEC in November at the Kuala Lumpur Ministerial Meeting. It should be noted that when Vietnam had achieved APEC membership and WTO observer status, Hanoi had not actually resumed its structural reforms, but ASEAN's support and Vietnam's demonstration of stronger commitment to

¹⁷⁷ In its foreign policy discourse, Vietnam repeatedly stressed the importance of ASEAN's political cohesion and solidarity to maintain and improve a united ASEAN diplomatic front to prevent external threats on unsettling issues. The implication is that, were ASEAN to be divided, Vietnam could not gain the organization's support for its multilateral position on the SCS vis-à-vis China, and the ASEAN principle of "non-intervention" could come under attack from the US, undermining national and regional autonomy.

¹⁷⁸ Deputy Foreign Minister Vu Khoan, "An ninh, Phat trien va Anh huong trong Hoat dong Doi ngoai" [Security, Development and Influence in Diplomatic Activities], in In Nguyen Vu Tung, (Ed.), *Vietnam's Foreign Policy 1975–2006*, Vol. 2. Hanoi: Thế Giới Publishers, 1997, p. 64.

the AFTA, combined with positive signals about US-Vietnam BTA negotiations after March 1998,¹⁷⁹ made these accessions possible. Domestic and external observers argued that without ASEAN membership in general and the AFTA commitments in particular, Vietnam would not have been able to join the APEC so soon and might not have succeeded in obtaining observer status at the WTO.¹⁸⁰

Table 3: Vietnam’s CEPT Product List to 1999

CEPT List	Total Number of Tariff Lines			
	1996	1997	1998	1999
Immediate Inclusion	857	1,497	1,661	1,895
Temporary Inclusion	1,189	1,143	1,317	1,547
Sensitive	26	26	26	18
General Exception	146	146	213	122
Total	2,218	2,812	3,217	3,582

Source: Vietnam Ministry of Finance; ASEAN Secretariat

Vietnam’s enhanced national standing also contributed to improving its bargaining position vis-à-vis the US and China. After exerting its diplomatic and political influence in regional affairs and ASEAN-based institutions, as well as attaining membership of the APEC and observer status at the WTO, in November 1998, Vietnam was successful in establishing full diplomatic relations with the US, which had reached an impasse between 1995 and 1997 because of the US position on structural reforms, human rights, democracy, and a full accounting of POW/ MIAs. Vietnam had forged negotiations with the US over the BTA, and in July 1999, Deputy US Trade Representative Richard W. Fisher and Vietnamese Minister of Trade Truong Dinh Tuyen signed the Agreement in Principle on Draft Bilateral Trade. In 2000, there were three landmark events that opened up a new page of Vietnam-US economic and trade ties as well as security cooperation: US Defense Secretary William S. Cohen’s visit to Vietnam in March, the bilateral signing of a US-Vietnam BTA in July, and US President Bill Clinton’s four-day visit to Vietnam in November. These were unprecedented events. Now, both parties could put the past aside and look to the future,

¹⁷⁹ US-Vietnam negotiations on the BTA were highlighted in March 1998 when the US Ambassador to Hanoi, Pete Peterson, and the Vietnamese Minister of Planning and Investment, Tran Xuan Gia, signed the Overseas Private Investment Corporation (OPIC) Bilateral Agreement. This was seen as a groundbreaking step toward the US-Vietnam BTA after the impasse of the years 1996–1997.

¹⁸⁰ Ta Minh Tuan and Jorn Dosch, “Recent Changes in Vietnam’s Foreign Policy: Implications for Vietnam-ASEAN Relations,” in Duncan McCargo, (Ed.), *Rethinking Southeast Asia: Rethinking Vietnam*. London & New York: RoutledgeCurzon, 2004, p. 209.

even though the legacy of the war and Vietnam's concerns about democratization and human rights remained.

Vietnam's pursuit of developing its bargaining position vis-à-vis China through leverage of its national standing was also a particular note. Vietnam's pursuit of support from ASEAN and the ARF's major partners for a multilateral approach to the SCS issue, as opposed to China's bilateral approach, was clear, but once the country exerted some diplomatic and political influence in ASEAN and East Asia, China came to establish amicable and cooperative relations with it. In October 1998, Vietnamese Prime Minister Phan Van Khai visited Beijing and held talks with Chinese Premier Zhu Rongji. Both parties agreed to cement economic and trade cooperation and to settle the land border issue and demarcation of the Gulf of Tonkin by the year 2000. In 1999, Vietnamese Party chief Le Kha Phieu visited China, where both parties signed the Agreement on Economic-Technical Cooperation and established a strategic framework for the long-term development of state-to-state relations in the 21st century under the motto "Friendly neighbors, comprehensive cooperation, long-term stability, and looking toward the future."¹⁸¹ During a visit of Vietnamese President Tran Duc Luong to Beijing in December 2000, both parties signed three important documents: the Agreement on the Demarcation of Waters, Exclusive Economic Zones, and Continental Shelves in the Gulf of Tonkin; the Agreement on Fishing Cooperation in the Gulf of Tonkin; and a Joint Statement for Comprehensive Cooperation in the New Century.¹⁸²

Clearly, these changes in Vietnam-US partnership and Vietnam-China relations could not have developed as they did without membership of ASEAN and Vietnam's enhanced national standing. As Deputy Foreign Minister Vu Khoan stressed, "the structure of ASEAN multilateral schemes has helped form a crucial part of our framework for the conduct of bilateral relations with the major powers."¹⁸³ Similarly, the then Foreign Minister, Nguyen Dy Nien, affirmed that "Vietnam's membership of ASEAN contributed

¹⁸¹ Division of China Northeast Asia, Central Party Department of External Relations. China-Vietnam Relations Profile (internally circulated), Hanoi.

¹⁸² Vu Duong Huan, (Eds.), *Ngoai Giao Viet Nam Hien Dai: Vi Su Nghiep Doi Moi 1975-2002* [Vietnam's Foreign Policy: For the Cause of Doi Moi 1975-2002], Hanoi: Institute of International Relations, 2002, pp. 112-115.

¹⁸³ Vu Khoan, "Integration for Development," *Tap chi Cong san* [The Communist Review], Special Number + No. 2, Hanoi, January 2000, p. 20.

remarkably to the building of Vietnam's new standing in the regional and international community that was significant in pursuit of the development and security goals."¹⁸⁴

4. Summary

In the post–Cold War era, Vietnam viewed the regional economic and politico-security context and its domestic conditions as “favorable conditions” for its integration-oriented Asia-Pacific approach. The Asia-Pacific’s major powers, especially the US, China, and Japan, were engaged in Southeast Asia for their economic, security, and geopolitical interests and for common regional cooperation. ASEAN itself had emerged as an important Asia-Pacific institution, engaging all the external major powers in their efforts to improve economic and security cooperation and political dialogue with ASEAN members. Domestically, the diplomatic and socio-economic success stories one decade after *Doi Moi* created favorable conditions for Vietnam’s engagement in ASEAN and the process of Asia-Pacific integration. The regional and domestic conditions were conducive to a new stage of integration and development. However, China’s increased assertiveness in the SCS and the US-led threat of “peaceful evolution” remained Vietnam’s primary security concerns.

While treating economic integration as its highest priority, Vietnam worked actively to forge closer economic ties with all Southeast Asian countries and ASEAN’s major partners, at the same time demonstrating its commitment to AFTA tariff reductions and proceeding to negotiate over membership of the WTO and the BTA with the US. The process resulted in a sharp rise in Vietnam’s trade interactions with the ASEAN countries and ASEAN’s major trading partners, particularly Japan, the Asian NICs, the EU, and the US. Their investment capital in Vietnam was consistent with the increased trade turnover, but the surge in trade interactions and investment were not accompanied by the structural reforms that Vietnam had committed to. Nor was Southeast Asia (except for Singapore) a destination for Vietnamese exports and investment flows to the country. This suggests that there were two motives at work behind Vietnam’s pursuit of an ASEAN-based integration policy. On the one hand, it used ASEAN membership as crucial leverage to create a wide

¹⁸⁴ Nguyen Dy Nien, “Chinh sach Ngoai giao Da dang hoa Da phuong hoa tren Buoc duong Hoi nhap” [Vietnam’s Diversified and Multilateral Foreign Policy on the Pathway to Integration], *Tap chi Cong San* [The Communist Review] 9(3), June 2001, p. 17.

range of export markets to, and investment from, ASEAN's major trading and investing partners, with the aims of bringing about economic development and accelerating the pace of domestic industrialization, both of these being byproducts of its "catch-up" strategy and efforts to restore party-state legitimacy. On the other hand, Vietnam used ASEAN's norms and values of flexibility, voluntary adherence, and consensus-building to pursue a "gradualist" approach to structural reform, given concerns about public safety and state revenue mobilization, as well as about survival of state stakeholders in the SOEs and the cost to the regime of rapid economic openness.

In defense-security terms, the prime focus of Vietnam's formal policy was to integrate Vietnam's security with that of Southeast Asia and the Asia-Pacific through bilateral and multilateral "defense diplomacy." As an ASEAN member, Vietnam forged closer defense-security interactions with the other ASEAN member states and with the ARF's security dialogue partners, as evidenced by the number of party-state and military visits in 1995. It also engaged actively in the PMC and the ARF from the start. ASEAN membership not only provided a good avenue for Vietnam to improve its defense-security relations with the ARF members, but also helped foster political relations with them. However, the underlying strategy behind its "defense diplomacy" was to constrain China's increasing assertiveness in the SCS. Vietnam leveraged ASEAN membership to address the threat perception of China by pursuing a threefold approach: It sought a new defensive hedge against China's potential aggression in the SCS by stepping up defense interactions with the key ASEAN states—the Philippines and Indonesia—and the ARF's major security partners—Japan, Russia, India, and, to a lesser extent, the US. It also sought to ensnare China by multilateralizing the SCS issue to involve China and ASEAN as a whole. In addition, the ASEAN-centered multilateral mechanisms—the ARF and the PMC—and China's political and economic interests with ASEAN were instrumental for Vietnam in constraining China (these instruments also complemented Vietnam's engagement with its northern giant). Engagement was driven by bilateral party-state diplomatic channels, which resulted in joint statements on border issues and the Gulf of Tonkin, and consultations on the SCS issue although it remained deadlocked. Vietnam pursued neither a balance of power nor a bandwagoning strategy against China. Instead, the adoption of a hedging approach and efforts to engage China were more prominent than enmeshment because

China had not been an active member of the ARF and the PMC by the time of the East Asian crisis.

In parallel with addressing significant concerns about China's assertiveness in the SCS, Vietnam attached importance to hedging against the risk posed by the "peaceful evolution." Washington's consistent stance on human rights and democracy in Vietnam caused deadlock in the BTA and the negotiations over full diplomatic relations. At the same time, Vietnam sought to enhance ideological exchanges with China and to develop party interactions with ASEAN's authoritarian developmentalist regimes to hedge against the US threat.

In the wake of the East Asian crisis, the focus of Vietnam's concerns shifted from economic integration to ensuring regime security. The US and IMF interventions, under the banner of "structural reforms," to democratize and dismantle ASEAN's authoritarian developmentalist regimes, combined with domestic unrest and destruction of Vietnam's dream of the ASEAN states' developmental models, forced Vietnamese leaders to bring regime security to the fore. Thailand's enthusiasm to modify the ASEAN's "non-intervention" principle also gave rise to Vietnam's concerns about the involvement of external powers, principally the US, in domestic affairs. These concerns occupied Vietnamese leaders' minds entirely, with the result that there were no structural reforms until the end of 1999.

In parallel with their concerns about regime security, Hanoi sought a regional COC to codify interactions with China in the SCS. China's revised regional policy in the wake of the crisis was viewed by Hanoi as an opportunity to proceed with a multilateral approach in its favor. This in part made the DOC possible. Vietnam more or less succeeded in playing an instrumental role in multilateralizing the issue but without the hoped-for COC, Vietnam remained suspicious of Chinese assertiveness and expansionist ambitions, suspicions based on lessons learned from history and China's actions in the first quarter of 1998, not long after it had declared its "friendly neighborhood" policy.

In the wake of the crisis, Vietnam sought to build its national standing. Vietnam's active participation in regional affairs and a wide range of initiatives helped in this regard and

made positive contributions to intra-ASEAN developments and East Asian integration. Vietnam actively used its enhanced national standing to mobilize regional support for its development and security goals. It gained support for the “catch-up,” “Development Triangle,” and other initiatives so as to draw the three Indochinese states closer together to consolidate common security and stability and to undermine the influence of outside powers, especially China, in Indochina. It also gained regional endorsement for its accession to the APEC and to the WTO as an observer, and it strengthened a bargaining position vis-à-vis China and the US.

To conclude, Vietnam sought ASEAN membership as crucial leverage to serve three major strategic objectives that it had pursued since the late 1980s: (1) to accelerate economic development and industrialization through regional and international economic integration as the byproducts of its “catch-up” strategy and to secure regime legitimacy (development goal); (2) to constrain China in the SCS, and to counter the threat of “peaceful evolution” to the regime’s survival through ASEAN’s “non-intervention” principle (security goal); and (3) to build national standing through ASEAN and ASEAN-based multilateralism as leverage to mobilize external support for its development and security goals. Shifts in priority seemed to depend more on the regional context; from 1995 to the first half of 1997, economic interests were the most important while security was subordinate (concerns about China in the SCS were more salient than those about “peaceful evolution”). In the wake of the East Asian crisis, however, security interests became more important (and, thus, safeguarding the regime against “peaceful evolution” was more important than restraining China in the SCS), as did the interest in building national standing while economic integration became secondary.

CHAPTER FOUR

NEW POWER DYNAMICS IN SOUTHEAST ASIA: VIETNAM'S REPOSSES 2001-2007

At the turn of the 21st century, there was probably nowhere more vibrant than Southeast Asia, an increasingly important region in relations between the major powers. Japan and China's new engagement with ASEAN, under the auspices of the APT process in the wake of the East Asian crisis, had prepared the ground for their increased interest in accelerating comprehensive cooperation with Southeast Asia. Of particularly note were the new initiatives for bilateral and multilateral Comprehensive Economic Partnerships (CEPs) toward the establishment of FTAs for East Asian economic integration. The beginning of the new century also marked the two powers' increasingly active engagement with Southeast Asia on the politico-security front, including their entry into the ASEAN key treaty—the TAC—as a guideline for bilateral comprehensive cooperation; their joint coordination on nontraditional issues; and enhanced politico-security cooperation with individual states, as well as active participation in such ASEAN-centered multilateral security institutions as the ARF. This new engagement enhanced both Chinese and Japanese presence in Southeast Asia and gave them greater weight in the Asia-Pacific. India—the rapidly rising giant in South Asia—also came to actively engage Southeast Asia through bilateral and multilateral channels, among which were comprehensive economic cooperation framework agreements, defense cooperation agreements, a joint cooperation agreement on international terrorism, and access to the ASEAN TAC. Russia also sought to restore its influence in the Asia-Pacific through the strategic landscape of Southeast Asia by engaging ASEAN and the individual member states in politico-security areas and the energy sector. In the meantime, US attention to Southeast Asia was episodic, if not neglectful. Although it viewed the region as an important “second front” in the “global war on terror” after 9/11, Washington pursued bilateral cooperative interests rather than the region-wide engagement pursued by the other major powers. Washington primarily focused on its hub-and-spoke security alliance, drawing the Philippines, Thailand, and Singapore closer and projecting its regional military capacity. New economic initiatives were

proposed but remained bilateral, with a number of Southeast Asia countries, while no multilateral economic agreement was mooted.

What, then, were the major powers' interests in Southeast Asia and ASEAN's role in shaping the regional architecture, and what was Vietnam's situation? How did it respond to the dynamic of new power relations as an ASEAN member in pursuit of its strategic objectives?

These questions will be addressed in this chapter. The first section of the chapter examines the regional context, Vietnam's economic-security situation, and the country's diplomatic stance, which laid the basis for Vietnam's revised integration policy. The second section investigates Vietnam's policy responses to the dynamic of new power relations in pursuit of its strategic objectives. The third section summarizes the answers to the two research sub-questions.

1. Regional Context and Vietnam's Situation

1.1 Dynamic of New Power Relations in Southeast Asia

At the beginning of the new century, the rising regional powers geared their attention toward the ASEAN-led Southeast Asian region. Engagement was cemented in a wide range of new economic initiatives and in politico-security cooperation with ASEAN and the individual Southeast Asian countries. Their new policy initiatives were focused on comprehensive cooperation in the process of East Asian integration, but at the same time embracing competition for economic and geopolitical interests in the region.

1.1.1 China

China's foreign policy, revised in the light of its "friendly neighborhood" vision and its "New Security Concept" in the wake of the East Asian crisis, prepared the basis for its active engagement with neighboring states, especially the Southeast Asian nations. On the economic front, Beijing focused on two main priorities: economic assistance and establishment of FTAs. Economic assistance was mainly given to boost infrastructure

development in mainland Southeast Asia through the Greater Mekong Sub-region¹⁸⁵ and the East-West Corridor (EWC) projects,¹⁸⁶ known as ASEAN Connectivity, in order to draw China and the ASEAN countries closer together for economic cooperation through trade routes. For the creation of FTAs, right after the 2001 conclusion of the Japan-Singapore CEP Agreement and Japanese Prime Minister Junichiro Koizumi's proposal for the establishment of a Japan-ASEAN CEP as the first step in building an East Asian Community, China put forth an initiative for an ASEAN-China FTA (ACFTA). As a result, in 2002, the ACFTA Framework Agreement was reached and announced, to enter into force by 2010, along with an early harvest package of initial preferential tariff reductions to be negotiated, commencing 2003 (ASEAN Secretariat 2002). It was clear that China had understood the value of the Japan-Singapore CEP and the Japan-ASEAN CEP. It therefore forged new initiatives for closer economic partnership with Southeast Asia to enhance its economic competition and make the region more dependent on it; cheaper Chinese commodities could more easily enter the region through Chinese-supported intra-ASEAN Connectivity.¹⁸⁷ Needless to say, China's rise as an economic powerhouse in the wake of the crisis changed the Japan-centered triangular trade system.¹⁸⁸ China had also actively

¹⁸⁵ The Mekong River begins high in the mountains of southwest China, where it is known as the Lancang River, and through Yunnan before crossing Southeast Asia into the SCS. The establishment of the GMS is aimed at creating an unbroken connection from mainland Southeast Asia (Burma, Thailand, Vietnam, Cambodia, and Laos) to Yunnan Province to enhance China-ASEAN trade routes and interaction. In fact, the GMS was established in 1992 as a project of the Asian Development Bank (ADB), with strong backing from Japan—the ADB's largest donor—with a view to building a transportation system to create opportunities for Japanese business. In the beginning, China was not a part of this project. However, because of Japan's economic stagnation in the 1990s, which sidelined its involvement in the GMS, China quickly stepped into the gap. Yunnan's interest was as much or more in the Mekong itself and in powering the economic development of the southwestern Chinese province through the building of eight hydroelectric dams in the upper Mekong. This has triggered its downstream neighbors' increased concern about environmental issues and Chinese control over energy access.

¹⁸⁶ Within the EWC project, China had funded and offered preferential loans for the building of the project, which links the entire mainland of Southeast Asia, from Vietnam to Myanmar.

¹⁸⁷ Bhanubhatra Jittiang, "The American Foreign Policy Towards Southeast Asia in the 21st Century: The Second Front or the Containment against China?" *Journal of Political Sciences*, 2005, p. 743.

¹⁸⁸ In the wake of the 1997–98 crisis, Japanese, South Korean, Taiwanese and other firms reorganized their regional production systems. Having produced capital and intermediate goods in their home countries and their production bases in Southeast Asia, they assembled the final products in China for export to the US and other markets. As a result, the triangular trade system that had been established since the 1985 Plaza Accord around Japan, the rest of Asia, and the US, came to be organized around China, the rest of Asia, and the US as its three pillars. This resulted in the expansion of Chinese exports to the US and the EU, and at the same time the intra-regional trade in capital and intermediate goods expanded between China and the rest of Asia. In Takashi Shiraishi, "The Rise of China and Its Implications for East Asia," in Peter J. Katzenstein (Ed.), *Sinicization and the Rise of China: Civilizational Processes beyond East and West*. London and New York: Routledge, 2012, pp. 121–149.

engaged in the APT process to enhance economic cooperation and to address regional affairs with ASEAN, but the APT had been a major mechanism for China to increase its influence in the regional architecture without US participation.

On the politico-security front, China signed the Declaration on Conduct of Parties in the South China Sea (DOC) with ASEAN in November 2002 to calm the fears of the ASEAN claimants. In 2003, it gained accession to the ASEAN TAC and signed a key ASEAN security protocol as a guideline for increasing China-ASEAN cooperation on nontraditional security issues, security dialogue, and military cooperation. With these, both parties declared each other to be strategic partners in the pursuit of peace and prosperity, which was upgraded to an “enhanced strategic relationship” in 2004. China also actively participated in the ARF and enhanced cooperation with ASEAN on combating transnational crime, such as dealing with drug-trafficking, terrorism, sea piracy, and trafficking in persons. China sought to expand its political and economic influence into the military realm as well. It improved military ties with individual ASEAN members, through high-level visits by Chinese military leaders, military training and assistance with weapons and military technology, and naval port visits. Notably, China forged closer relations with Cambodia, Myanmar, and, to a lesser extent, Laos by granting aids and accelerating investment and trade interaction, and by developing military ties. The expansion of Chinese ties with the two Indochinese states helped erode Vietnam’s influence in the sub-region. Burma was of geostrategic significance to China, not only to protect its major strategic maritime trade routes transiting Southeast Asia, but also to exert its influence in the Indian Ocean in order to enhance its geopolitical competition with India and to deal with possible encirclement by the US, using Burma as a buffer zone.¹⁸⁹ In short, China’s shift from its assertive foreign policy in the early 1990s to a cooperative approach in the wake of the crisis paved the way for its increased engagement with its neighboring states, especially the Southeast Asian countries. Its engagement contributed to the process of East Asian integration and helped calm Southeast Asia’s fears that the country posed a threat. That said, China’s revised policy also extended its presence and weight not just in Southeast Asia but

¹⁸⁹ US Congress, “China-Southeast Asia Relations: Trends, Issues and Implications for the United States.” *Congressional Research Service Report for Congress*, by Bruce Vaughn and Wayne M. Morrison. Washington: The Library of Congress, 4 April 2006, p. 23.

also in the Asia-Pacific, shaping a regional order at the expense of the US and enhancing its economic and geopolitical competitiveness in the region with the other major powers.

1.1.2 Japan

The early years of the 21st century marked a more active and dynamic diplomatic approach by Japan toward East Asian regionalism, particularly toward the Southeast Asian region. Economically, Prime Minister Koizumi Junichiro pursued a two-track strategy to forge closer economic ties with Southeast Asia. After the 2001 JSEPA, Japan and ASEAN signed the ASEAN-Japan Framework Agreement for Comprehensive Economic Partnership (AJFA-CEP).¹⁹⁰ At the same time, Tokyo engaged in bilateral negotiations on economic partnership agreements (EPAs) with Thailand, Malaysia, and the Philippines. In 2001, Tokyo established the Initiative for ASEAN Integration (IAI) in an effort to accelerate Japan's cooperation with, and to offer its financial assistance to, the CLMV nations. Japan also established the Japan-ASEAN Integration Fund in an effort to help bridge the development gap in ASEAN through the ASEAN-Japan Comprehensive Economic Partnership (AJCEP); offered its assistance in the development of the Mekong River region and the EWC projects; and expanded its Official Development Assistance to countries in the region, particularly mainland Southeast Asia. On politico-security front, at the ASEAN-Japan summit meeting in Tokyo in December 2003, the ASEAN-Japan Plan of Action was adopted, and both sides signed the Tokyo Declaration for the Dynamic and Enduring ASEAN-Japan Partnership in the New Millennium.¹⁹¹ In July 2004, Japan acceded to the ASEAN TAC. Japan was also an active member in the ARF and actively cooperated with regional countries, along with the US, on transnational issues, particularly terrorism and piracy, to ensure maritime security.¹⁹² There were several reasons for Japan's enhanced

¹⁹⁰ The objectives of the AJFA-CEP are to “strengthen ASEAN-Japan economic integration; enhance their mutual competitiveness in the world market; progressively liberalize and facilitate trade in goods and services and a transparent and liberal investment regime; explore new areas and develop appropriate measures for further cooperation and integration; and facilitate the more effective economic integration of CLMV countries and bridge the development gap in ASEAN.” Chia Siow Yue, “Regional Economic Cooperation in East Asia: Approaches and Progresses,” in Zhang Yunling (Ed.), *East Asian Cooperation: Progress and Future*. Beijing: World Affairs Press, 2003, p. 86.

¹⁹¹ For more detail, see “The Tokyo Declaration for the Dynamic and Enduring ASEAN-Japan Partnership in the New Millennium,” Tokyo: Ministry of Foreign Affairs, 2003. Available at [http://www.mofa.go.jp/region/asia-paci/asean/year2003/summit/tokyo_dec.pdf].

¹⁹² In 2001, Japan dispatched the “Mission for Combating Piracy and Armed Robbery against Ships” to Singapore, the Philippines, Indonesia, and Malaysia to consult with these coastal countries about more

engagement in Southeast Asia. On the economic front, Tokyo's enthusiasm was an integral part of its policy to ensure the economic security of East Asia as a base for Japanese production and business networks so as to facilitate its economic recovery and to fashion the development of East Asian regionalism. Second, Japan sought to turn its closer economic partnership into political influence because the country could serve as an economic growth engine for ASEAN to address the regional stagnation triggered by the Asian financial crisis. Third, Tokyo attempted to forge a closer economic partnership with ASEAN to enhance its competitiveness with China, if not to compete as the regional economic hub, as suggested by the 2001 JSCEP and the 2002 AJFA-CEP, at least in part to respond to the emergence of the triangular trade system that had come to organized around China, the rest of Asia, and the US in the wake of the crisis.

On the politico-security front, Japan sought to build its image as a responsible power through its initiatives in a dense network of dialogues and cooperation for East Asian integration. Japan was keen to strengthen ASEAN-Japanese relations further and to engage ASEAN's other major partners in dialogue in an effort to enhance its regional presence and weight in the face of China's growing regional power.¹⁹³

1.1.3 India

The beginning of the 21st century witnessed a new phase of India's Look-East policy, as it sought to exert its stature as an emerging power by forging a closer partnership with Southeast Asia in the economic and politico-security dimensions. Economically, in response to new Japanese and Chinese initiatives for economic partnerships with ASEAN, India floated the ideas of an India-ASEAN Summit and an India-ASEAN Business Summit in 2002, which were immediately welcomed by ASEAN. At the second ASEAN-India Summit the following year, India and the ASEAN member states signed the ASEAN-India Framework Agreement on Comprehensive Economic Cooperation as the basis for the

specific measures of assistance and cooperation. Japan had financed efforts of the International Maritime Organization (IMO) and had offered maritime security assistance to the region. Tokyo had also conducted joint patrols of the sea lanes of the straits of Malacca with the US.

¹⁹³ This was also evident when Japan managed to maintain US involvement and actively supported the inclusion of Australia, New Zealand, and India in the East Asia Summit (established in 2005) as a counterweight to the APT, in spite of Chinese opposition. The deterioration in Sino-Japanese relations was highlighted by anti-Japanese riots and demonstrations in China between 2004 and 2005 in response to Japanese Prime Minister Koizumi's annual visits to the Yasukuni Shrine.

eventual establishment of an ASEAN-India Regional Trade and Investment Area (RTIA) and the ASEAN-India FTA. Bilaterally, India signed an FTA with Thailand in 2003. In 2005, it signed a Comprehensive Economic Cooperation Agreement (CECA) with Singapore, followed by another CECA-type FTA under negotiation with Malaysia.¹⁹⁴ New Delhi also directed more economic cooperation with and investment into the Indochinese countries (Vietnam, Laos, and Cambodia) where there were sufficient opportunities and scope to extend India's influence. Within the Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC),¹⁹⁵ in 2004 India and all other members signed a Framework Agreement to establish a BIMSTEC FTA by 2012. On the politico-security front, India signed the ASEAN TAC in 2003 and the ASEAN-India Joint Declaration for Cooperation to Combat International Terrorism. At the third ASEAN-India Summit in 2004, New Delhi signed the ASEAN-India Partnership for Peace, Progress, and Shared Prosperity, supplemented by a Plan of Action (2004–2010) to intensify India's partnership with ASEAN.¹⁹⁶ Through these measures, India gained ASEAN's support for its membership at the East Asia Summit in Kuala Lumpur in 2005, despite objections from China.¹⁹⁷ India also forged closer military ties with member countries through bilateral defense cooperation agreements with Malaysia, Singapore, Thailand, Myanmar, Indonesia, Laos, and Vietnam, covering cooperation on maritime security, anti-terrorism, and transnational crime as well as energy and maritime environmental protection. In addition, New Delhi entered into an annual meeting of the defense secretaries with—and offered military personnel training and supply of defense equipment for—Myanmar, Thailand, Indonesia, Singapore, and Vietnam. To curb China's growing military influence in the region, particularly China's influence in Myanmar and in the Shanghai Cooperation Organization (SCO), India conducted joint patrolling with Indonesia and joint exercises with Singapore and Vietnam, as well as with Japan and South Korea, to ensure the security of the sea lanes, particularly the Straits of

¹⁹⁴ Zhao Hong "India's Changing Relations with ASEAN in China's Perspective," *EAI Background Brief* 313, 7 December 2006, p. 6.

¹⁹⁵ In 1997, India took the lead in establishing the BIMSTEC with ASEAN. The BIMSTEC is more like an India-sponsored organization, initially including India, Bangladesh, Myanmar, Sri Lanka, and Thailand. Bhutan and Nepal became full members of the group in 2004. Geopolitically, all of these countries act as a gateway to Southeast Asia from India's Northeastern region. To facilitate investment and economic cooperation, transportation networks have been built.

¹⁹⁶ See more details in ASEAN Secretariat, "ASEAN-India Dialogue Relations." Available at [<http://www.aseansec.org/5738.htm>].

¹⁹⁷ Asif Ahmed, "India-ASEAN Relations in the 21st Century: Strategic Implications for India," *Analysis. Eurasia Review*, 9 July 2012, p. 13.

Malacca.¹⁹⁸ India and Myanmar have increased bilateral military ties in recent years, notably with the first-ever joint military exercises conducted along their border in 2007.¹⁹⁹ All told, New Delhi's new engagement with ASEAN was not just for its economic interests within the East Asian economic dynamic but also to exert its influence and presence in the region through the strategic landscape of Southeast Asia. India's increasing enthusiasm for bilateral and multilateral security cooperation was also motivated by its strategic competition with China.

1.1.4 Russia

Early in the 21st century, Russia sought to restore its influence in the Asia-Pacific through the strategic landscape of Southeast Asia. First, Russia forged closer ties with ASEAN as a fulcrum to exert its influence and to participate in multilateral cooperation in the Asia-Pacific. This was evidenced by Moscow's participation in the ARF and the PMC, which laid the ground for Russia and ASEAN signing the 2003 Joint Declaration on the Partnership for Peace and Security, and Prosperity and Development in the Asia-Pacific Region. In 2004, Russia acceded to the ASEAN TAC, which led to ASEAN's consensus to regularize the ASEAN-Russia Summit and give Russia observer status in the first East Asia Summit (EAS) in 2005. Second, in the changing architecture of the Asia-Pacific, Russia's closer partnership with ASEAN would give Moscow a role to play in multilateral cooperation driven by ASEAN rather than by the other major powers.²⁰⁰ Equally important, Russia has been an important actor in ASEAN's balancing strategy, given Southeast Asia's unique geopolitical significance as a fulcrum for the major powers' strategic competition. In 2005, Russia signed the Joint Declaration on Progressive and Comprehensive Partnership with ASEAN, which aims to promote an ASEAN-Russia partnership in a wide range of areas. Both sides also adopted the Comprehensive Program of Action 2005–2015 to realize the goals and objectives set out in the Joint Declaration.²⁰¹ Third, Moscow's

¹⁹⁸ Faizal Yahya, "Challenges of Globalization: Malaysia and India Engagement," *Contemporary Southeast Asia* 27(3), December 2005, p. 23.

¹⁹⁹ Details in [http://www.arakanrivers.net/?page_id=147].

²⁰⁰ Russian foreign policy experts regard ASEAN as an important partner in creating a multipolar world, shaping a coherent system of regional security, and counteracting new challenges and threats. See details in [http://www.mid.ru/brp_4.nsf/e78a48070f128a7b43256999005bcb3/f982bd095207f90cc32570d500524cd7?].

²⁰¹ See more details in ASEAN Secretariat, "ASEAN-Russia Dialogue Relations."

engagement with ASEAN was also driven by energy diplomacy. This was evident once Russian companies not only participated in a number of oil and gas exploration projects but also assisted Indonesia, Vietnam, Cambodia, Thailand, Myanmar, and the Philippines in building necessary energy infrastructure. Fourth, although Russia's economic and trade relations with Southeast Asia were low, Moscow looked at the region as a possible market for its arms as a way of raising its defense cooperation profile as the states in the region increased their defense capabilities. This was evidenced by the number and volume of arms deals between Russia and a number of Southeast Asia states, especially Vietnam and Indonesia.²⁰²

1.1.5 The US

While the regional powers geared their attention toward Southeast Asia, US attention to the region was episodic. In the 1990s, Southeast Asia was widely known as a region that received “benign neglect” from the US, except for its demands for “structural reforms” via the IMF to democratize and dismantle the authoritarian developmentalist regimes, which caused, in Richard Higgott's words, a “politics of resentment.”²⁰³ This provided an opportunity for China to quickly step into the gap by engaging its neighboring states to shape the regional order to its own advantage and at the expense of the US. However, after the events of 9/11, Washington paid renewed attention to Southeast Asia, declaring it to be a “second front” in the “US global war on terror.”²⁰⁴ This was because, after 9/11, the region—one-fifth of whose population was Muslim—emerged as a new hotbed for terrorist organizations dominated by Al-Qaeda-linked fundamentalist groups, such as Abu Sayyaf, Jemmah Islamiyah, the Kumpulan Mujahidin Malaysia, and Pembela Islam Indonesia. In

Available at [<http://www.aseansec.org/5922.htm>].

²⁰² Vietnam and Indonesia have been Southeast Asia's largest buyers of Russian arms. In 2003 alone, Vietnam signed a contract with Russia for a purchase package of three major weapons: four Su-30 MKKs (with an option for eight more); two Molnya 1241.8-type missile boats (Ho-A Class in Vietnam), with a further eight to be assembled in Vietnam; and two batteries (12 launchers each) of S-300PMU1 surface-to-air missile systems, in total valued at US\$200 million. Indonesia became one of Russia's main arms buyers in 1999 when the US tightened an embargo on arms sales to the country over alleged human rights violations. Jakarta's major arms procurements from Moscow have increased steadily since then, notably with a US\$300 million contract signed in 2007 for the delivery of three Su-30MK2 and three Su-27SKM fighters to Jakarta, in addition to two Su-27SK and two Su-30MK fighters purchased in 2003. See details in [http://en.rian.ru/military_news/20101110/161278912.html].

²⁰³ Richard Higgott, “The Asian Economic Crisis: A Study in the Politics of Resentment,” *New Political Economy* 3(3), November 1998, pp. 333–56.

²⁰⁴ *The US National Security Strategy (NSS)*, US White House, 2002.

2002, to combat terrorism, former US Secretary of State Colin Powell and the ten ASEAN member states signed the Joint Declaration for Cooperation to Combat International Terrorism. At the same time, Washington accelerated joint anti-terrorist military exercises with Thailand and Singapore under the US-led “Cobra Gold” annual joint military exercises and training. In 2005, it cemented military ties with Singapore through the formation of a bilateral strategic Framework Agreement for a “Closer Cooperation Partnership in Defense and Security.” In addition, after the Visiting Forces Agreement that provides a legal framework for US-Philippine joint military exercises, Manila agreed to re-open Clark Air Base and Subic Bay Naval Base for US use in the fight against terrorism. The Bush administration primarily focused on the war against terrorism through the US-led hub-and-spoke security alliance system and used the banner of counterterrorism as a way of increasing its military projection capabilities in the region, rather than engaging with the entire region for common security cooperation. This was evident once US Secretary of State Condoleezza Rice skipped her first-ever opportunity to attend the 12th ARF in Vientiane during 24–29 July 2005. Rice’s decision was widely reported as an “unnecessary snub.”²⁰⁵ The absence of the US from this multilateral security forum led the ASEAN states to question Washington’s commitment to the region.²⁰⁶ The legacy of US intervention during the 1997–98 crisis already created problems for any US involvement in the region under the banner of “democracy.”²⁰⁷ One issue that raised particular concern for ASEAN was US diplomatic pressure on the organization to be more critical of the Myanmar military regime after the renewed detention of Nobel Prize laureate Daw Aung San Suu Kyi in May 2003.²⁰⁸ In response, ASEAN did not share the US position because the legacy of US intervention remained. American failure to convince the Southeast Asian littoral states of the Malacca Strait to conduct joint military exercises was another indication of this. Because of US wariness of Chinese dominance in the Western Pacific strategic sea lanes and its concern about maritime threats arising from 9/11, in 2004 former US Pacific

²⁰⁵ *Asia Times*, dated 28 July 2005 [http://atimes.com/atimes/Southeast_Asia/GG28Ae03.html].

²⁰⁶ Jürgen Haacke, “Playing Catch-up: The United States and Southeast Asia,” at [<http://www2.lse.ac.uk/IDEAS/publications/reports/pdf/SR003/haacke.pdf>].

²⁰⁷ The 2002 *NSS* stressed the strengthening of “sound bilateral relations with its traditional allies in the region to pace up political reforms, to counter terrorism, and to promote democracy.” This strategy was echoed in the 2006 *NSS*: “to forge new international initiatives and institutions that can assist in the spread of freedom, prosperity, and regional security.” (*The US National Security Strategy* (NSS), US White House, 2006, p. 40).

²⁰⁸ Haacke, *op. cit.*

Command Chief Admiral Thomas B. Fargo proposed the Regional Maritime Security Initiative (RMSI) to accelerate US cooperation with the Indonesian, Malaysian, and Singaporean navies on countering nontraditional security threats to maritime space.²⁰⁹ However, the proposal was turned down by Indonesia and Malaysia because they were rather sensitive about sovereignty issues related to the RMSI.²¹⁰ Recognizing China's rising power in the region, which was likely to disrupt the balance of power in the Asia-Pacific, in 2006 Washington reaffirmed its interest in Southeast Asia;²¹¹ however, Secretary of State Condoleezza Rice once again failed to attend the ARF in July 2007, which marked the 30th anniversary of US-ASEAN relations. This again triggered "ASEAN anger at snub by Rice."²¹² President George W. Bush even decided to call off the first-ever US-ASEAN Summit proposed by ASEAN on this 30th-anniversary occasion.²¹³ For these reasons, it is quite clear that, on the politico-security front, US attention to the region was not permanent, but passing, if not neglectful. On the economic front, in 2002 Washington floated the idea of an ASEAN Cooperation Plan and an "Enterprise for ASEAN Initiative" (EAI) to strengthen its economic cooperation with Southeast Asia, partly in response to the ASEAN-China FTA (ACFTA).²¹⁴ Under these initiatives, the US sought free-trade agreements with the ASEAN member countries by requiring that any potential FTA partner should be a member of the WTO and must sign the Trade and Investment Framework Agreement (TIFA) with Washington.²¹⁵ Singapore was the first ASEAN country to sign the FTA with

²⁰⁹ This initiative was also to implement the Proliferation Security Initiative and the State Department's Malacca Strait Initiative in the Asia-Pacific.

²¹⁰ Noel M. Morada, "Regional Maritime Security Initiative in the Asia Pacific: Problems and Prospects for Maritime Security Cooperation." Discussion Paper, First Berlin Conference on Asian Security, September 2006, pp. 8–10.

²¹¹ The 2006 NNS highlighted US key interests in Southeast Asia, among them, preventing the region from becoming a base of support for terrorists; promotion of stability and balance of power, with the strategic objective of keeping Southeast Asia from being dominated by any hegemon; preventing US exclusion from the region by another power or group of powers; ensuring freedom of navigation and protection of sea lanes; promoting trade and investment interests; support of treaty allies and friends; and promotion of democracy, rule of law, human rights, and religious freedom (see more details in "China-Southeast Asia Relations: Trends, Issues and Implications for the United States." *Congressional Research Service Report for Congress*, by Bruce Vaughn and Wayne M. Morrison. Washington: The Library of Congress, 4 April 2006, pp. 4–5).

²¹² *The Australian News* (online), dated 26 July 2007. Available at

[<http://www.theaustralian.com.au/news/asean-anger-at-snub-by-rice/story-e6frg6t6-111114037879>].

²¹³ Jürgen Haacke, "Playing Catch-up: The United States and Southeast Asia." Available at [<http://www2.lse.ac.uk/IDEAS/publications/reports/pdf/SR003/haacke.pdf>].

²¹⁴ US Trade Representative. 2002. Enterprise for ASEAN Initiative. Available at http://www.ustr.gov/Trade_Agreements/Regional/Enterprise_for_ASEAN_Initiative/Section_Index.html

²¹⁵ US Trade Representative. 2006. Trade and Investment Framework Arrangement between the United States of America and the Association of Southeast Asian Nations.

Washington, in 2003. Thailand's Prime Minister Thaksin was enthusiastic to negotiate an agreement, but it did not come to fruition once Thaksin was deposed in the 2006 coup d'état. By 2007, all ASEAN members except Laos and Myanmar had concluded TIFAs with the US, but little progress has been made since, except for the steady warming in relations between Vietnam and the US since the entry into force of the BTA in 2001. It is quite clear that, unlike the region's rising powers, the US focused more on a bilateral approach toward particular states that could be exploited to its own advantage, rather than engaging the Southeast Asian region as a whole. It has been argued that Washington's Southeast Asia policy was a "policy without strategy."²¹⁶ This distracted approach was probably in part because the US was bogged down in the prolonged wars in Afghanistan and Iraq.

1.1.6 ASEAN: Emergence as a Central Player in East Asian Regionalism

How, then, was ASEAN evolving in the newly shaped regional architecture? The beginning of the new century marked the emergence of ASEAN as a central actor in East Asian Asia-Pacific regionalism. As the initiator of the APT framework, widely recognized as a major mechanism in countering US and IMF intervention during the crisis, ASEAN has occupied the driver's seat in the process within the region, as well as in dialogues with Japan, China, and Korea (ASEAN+1). Through these mechanisms, ASEAN exerted profound influence in bringing those three states closer together.²¹⁷ With the APT as a leading vehicle in the long-term goal of building an East Asian Community (EAC), ASEAN played a central role in the EAS.²¹⁸ To promote interaction between the Southeast Asian states and their major dialogue partners, ASEAN leaders set up three criteria for participation in the EAS as the guiding norms and principles in the East Asian integration process.²¹⁹ Given Southeast

²¹⁶ Rommel C. Banlaoi, "Southeast Asian Perspectives on the Rise of China: Regional Security after 9/11," *Parameters* 33(2), 2003, p. 102.

²¹⁷ Hung Ming-Te and Tony Tai-Ting Liu, "Sino-US Strategic Competition in Southeast Asia: China's Rise and US Foreign Policy Transformation Since 9/11," *Political Perspectives* 5(3), 2011, p. 98.

²¹⁸ The APT and the EAS are the foundations of the long-term building of EAC. Since the first EAS, held in Kuala Lumpur in December 2005, there has been a general consensus that the APT process over the long term "would remain the main vehicle toward the long-term goal of building an East Asian Community, with ASEAN as the driving force." This means that the APT and the EAS will co-exist within the framework of East Asian integration.

²¹⁹ The three criteria for countries' participation in the EAS are that (1) participant countries must sign the ASEAN Treaty of Amity and Cooperation (TAC); (2) they must be formal dialogue partners of ASEAN; and (3) they must have substantive cooperative relations with ASEAN. Within the APT framework, China was acceded to the TAC in 2003, followed by Japan and South Korea in 2004. Russia signed the TAC in 2004. In

Asia's strategic significance as the "second front" of the "US global war on terror," ASEAN has driven all of its major dialogue partners to sign the Joint Declaration for Cooperation to Combat International Terrorism so as to further their commitments to regional security and stability. As the driver of the ARF and the PMC, ASEAN has exerted profound influence in drawing ASEAN and non-ASEAN powers closer together to enhance political dialogue, confidence-building measures, and common security cooperation. At the same time, with the signing of the TAC by ASEAN's dialogue partners, consensual decision making, mutual respect for sovereignty and territorial integrity, and non-intervention in domestic affairs have been the driving norms and values of all the ASEAN-centric arrangements and mechanisms in East Asia.

Southeast Asia's growing market potential is also of great importance in enhancing ASEAN's role. The region harbors a number of fast-growing economies and a market of more than 600 million people. It is also home to fruitful natural resources and is a huge supplier of cheap raw materials and commodities to, and an attractive investment destination for, the world's most vibrant economies. This has resulted in ASEAN's crucial role in drawing external economies into cooperation with the region, as evidenced by Japan and China's economic partnership initiatives with the region, which resulted in a "chain reaction": India followed suit, then the US, the EU, South Korea, Australia, and New Zealand. It has been argued that ASEAN has generally sought to steer a middle path in economic affairs between the major powers to create a web of economic interdependence so that powerful external actors develop clear stakes in regional peace and stability.²²⁰

With energy security becoming an important issue in the new century, the strategic location of the region began to stand out. The region lies at the intersection of the world's two most heavily traveled sea lanes.²²¹ Nearly all shipping from the Middle East to the Pacific

2005, right after having signed the TAC, Australia, New Zealand, and India joined the first EAS as full participants (with Russia as an observer).

²²⁰ John David Ciorciari, "The Balance of Great Power Influence in Contemporary Southeast Asia," *International Relations of the Asia-Pacific* 9(1), 2009, pp. 157–96; Amitav Acharya, "Do Norms and Identity Matter? Community and Power in Southeast Asia's Regional Order," *The Pacific Review* 1(18), 2005, pp. 98–91.

²²¹ The east-west route connects the Indian and Pacific Oceans while the north-south one links Australia and New Zealand to Northeast Asia. Both routes are economic lifelines by which China, Japan, and Korea receive critical inputs such as oil and other natural resources and export finished goods to the rest of the world. In

transits three chokepoints in the region—the Strait of Malacca, Sunda Strait, and the Straits of Lombok and Makassar.²²² As a result, freedom of navigation and maritime security for the sea lines of communication (SLOCs) that heavily traverse the northern Indian Ocean and the corridors of the SCS have become an issue of particular concern for ARF participants, which has led them to enhance cooperation with ASEAN to address common maritime security threats. However, the increasing importance of energy resources in the new century has also generated competition between the major powers over control of the strategic maritime trade routes.

1.2 Vietnam's Economic-Security Situation and Diplomatic Stance

Economically, in spite of the consequences of the East Asian crisis, Vietnam's economy was in dramatic recovery during this period. In 2001, the GDP growth rate reached 6.9%, up from 4.7% in 1998. Trade turnover in the period 1996–2000 reached \$51.6 billion, increasing by 21% per year.²²³ Exports increased by 28.74% on 1998 levels. As of 2001, Vietnam had signed trade agreements with 71 countries.²²⁴ The establishment of trade agreements, especially the BTA with the US and the Framework Cooperation Agreement with the EU, along with structural reforms between late 1999 and 2000, laid the prerequisites for Vietnam's entry into the WTO. The country also became an emerging market and an attractive investment destination because it enjoyed socio-political stability and offered competitive labor costs, supplemented by youthful labor force and rich natural resources. Between 1998 and 2001, the total number of newly registered FDI projects reached 2,016, valued at US\$14.226 billion.²²⁵ The economic structure shifted toward an increased proportion of industry, construction, and services: industry and construction rose to 35.75% of the economy in 2001, from 32.9% in 1998; services increased to 34.78% from 32.3%; and agriculture, forestry, and fisheries declined to 29.47% from 34.8%.²²⁶ The recovered economic conditions helped reduce the poverty rate to 28.9% in 2001, from 70%

Richard Sokolsky, Angel Rabasa, and C. R. Neu, *The Role of Southeast Asia in US Strategy toward China*. Santa Monica, CA: RAND, 2000, pp. 10–11.

²²² Chris Rahman and Martin Tsamenyi, "A Strategic Perspective on Security and Naval Issues in the Sea Lines of Communication (SLOC) that Traverse the Northern Indian Ocean and South China Sea," *Ocean Development & International Law* 41(4), 2010, pp. 316–317.

²²³ The Political Report at the 9th National Congress, Hanoi: 22 April, 2001.

²²⁴ Trade Promotion Agency, Vietnam Ministry of Trade (VIETTRADE, 1999, 2000, 2001).

²²⁵ Vietnam Ministry of Planning and Investment, 2001.

²²⁶ Trade Promotion Agency, Vietnam Ministry of Trade (VIETTRADE, 1999, 2000, 2001).

in 1990, a reduction of more than half. Against this background, the economy of Vietnam faced several problems. Despite some steps taken toward structural reforms between late 1999 and 2000, Vietnam's economic openness was rather limited because of its concern about the political costs of rapid openness and about the undermining of the state's role in managing economic activities while the state sector's operational effectiveness remained weak, causing a trade deficit. Moreover, Vietnam's economic policy appeared to be reactive, rather than proactive, as evidenced by Hanoi's responses in the 1996–2000 period. These factors would pose barriers to the country's economic integration and even place the country in stiff competition with ASEAN countries and China in trade and investment, were Vietnam not to make further structural reforms and to take proactive steps toward economic integration.

In terms of security, the regime's legitimacy and security were enhanced. The economic development that resulted in an improvement of the population's living standards and social stability helped in this regard. There were, however, two problems facing the VCP at the turn of the new century. One was how the regime could balance between economic development and democracy, a fact that the Party leaders had long been concerned about and regarded as the "internal threat" to the regime's security. The other was Hanoi's wariness of Western intervention in democracy and human rights issues in Vietnam and about domestic reactionary elements linked to external hostile forces bent on political change. With regard to the SCS issue, China's revised regional policy of engaging ASEAN and its signing of the DOC with the organization helped calm the fears of Hanoi's leaders and the Vietnamese in general about China's potential threat to Vietnam's sovereignty in the SCS. However, Vietnam's attitudes of caution and suspicion toward China's assertiveness and uncertainty about its expansionist ambitions remained in place because of past experience. These concerns became more acute when China extended its influence in Indochina, drawing both Cambodia and Laos closer to it and shaping a new regional order to its own advantage.

In terms of Vietnam's diplomatic stance, the beginning of the 21st century saw Vietnam's increased involvement in the ASEAN integration process and in the East Asian Asia-Pacific, most obviously. The country was in a position to contribute significantly to

regional developments through a wide range of initiatives that Vietnam proposed between the East Asia crisis and 2001. Vietnam became the most prominent and influential actor of the CLMV group in ASEAN and a dynamic actor in East Asian integration. Moreover, Vietnam was an active member and contributor of all multilateral regional institutions, including ASEAN, the ARF, the PMC, the ASEM, the APEC, the APT, and the EAS. These factors made Vietnam more attractive as a partner to the major powers seeking influence in the region.

2. Vietnam's Policy Responses

Taking into account the interaction between the regional context and the domestic situation, Vietnam made major adaptations to its economic, security, and foreign policies. Economically, rather than the “gradualist” and “reactive” approaches of the 1990s, Hanoi adopted a “proactive and active” approach, strengthening its economic integration into the global economy. On the security front, it introduced the new concepts of “partners” (*đồng tác*) and “objects of struggle” (*đối tượng*), removing all ideological considerations about determining friend and foe in order to forge a new era of defense relations with all the major powers and others in the Asia-Pacific region. In diplomacy, Vietnam declared itself a friend and reliable partner to all countries in the international community, regardless of any differences in socio-political system. This section investigates how Vietnam leveraged ASEAN membership to carry out these adopted policies to accelerate the realization of ASEAN-based strategic objectives.

2.1 Strengthening International Economic Integration

To pursue the adopted approach toward international economic integration, the 2001 Ninth Party Congress Resolution introduced for the first time the concept of a “market economy” with socialist characteristics, setting a roadmap for the strengthening of Vietnam’s economic integration into the global economy (“to plunge into the Big Ocean” or “*vươn ra biển lớn*”) and advancing the course of socialist-oriented industrialization and modernization as the basis for building Vietnam into a modern-oriented industrial country

by 2020.²²⁷ Enthusiasm for international economic integration was further boosted by the first-ever Resolution of the VCP Politburo (No. 07-NQ/TW) on “International Economic Integration,” which clearly pointed out the objective of *proactively* and *actively* integrating Vietnam into the international economy to expand its market, making full use of capital and technology inflows and improving management knowledge and labor-intensive sectors in order to step up socialist-oriented industrialization and modernization.²²⁸

2.1.1 A New Round of Structural Reforms and Commitments to ASEAN-Based Integration

Under the guidelines of the Ninth Party Congress Resolution and the Politburo’s “Resolution on International Economic Integration,” Vietnam made major changes in its trade and investment regimes. In late 2001, the government revised the implementation of its Trade Law, permitting all companies and individuals to export most of their goods without having to acquire a special license. The restructuring of the state enterprise sector was implemented at a much faster pace than in the 1990s. Among 5,355 SOEs, 3,572 were restructured, of which 2,378 were equitized in the years 2001–2005.²²⁹ In 2006, Vietnam began to add a new dimension to the sector by transforming the large SOEs into State General Corporations and State Business Groups, with the expectation that they would make best use of their internal linkages, large scale, and diversity of ownership for greater efficiency and competitiveness.²³⁰ In terms of investment policy, in 2005, for the first time, Vietnam made a major breakthrough in the structural reform on investment when it introduced new laws on investment and enterprise. These laws developed a common legal and regulatory framework for all types of investor and enterprise, regardless of nationality

²²⁷ To achieve this goal, the Resolution identified several needs: to speed up and sustain economic development, to stabilize and improve the people’s living standards; to vigorously transform the economic structure; to set up an industrialization- and modernization-oriented labor structure; to strengthen the effectiveness and competitiveness of the economy and expand foreign economic relations; and to make a major change in human resources development and the technological sciences (The Vietnamese Communist Party (VCP). *The Resolution of the Ninth VCP National Congress: Roadmap for Socio-Economic Development 2001–2010*. Hanoi: The Publishing House of National Politics, 2004, pp. 23–24).

²²⁸ The VCP Politburo. *Resolution on International Economic Integration*. Hanoi: The Publishing House of National Politics, 2001, p. 7.

²²⁹ The Government Statistics Office, Hanoi, 2006.

²³⁰ Vietnam’s Ministry of Planning and Investment, *Vietnam’s Economy: SOE Reform and Market Structure*. Hanoi: Central Institute of Economic Management and Foreign Investment Agency, Hanoi, 2007, p. 5.

(foreign or domestic) and form of ownership (private or public). Notably, a number of sectors were further opened up for foreign investment enterprises (FIEs), alongside the improvement of procedures and protection for them.²³¹

From 2001, Vietnam also progressed in its commitments regarding the 0-5% range of commodities in the Inclusion List (IL), which the CEPT/AFTA required to be completed by 2006 (**Table 4**). According to the Ministry of Industry and Trade, by 2003 Vietnam had completed the transference of products from the TEL to the IL, with the exception of fourteen items regarding automobile and motor parts, for which the country committed itself to further tariff reductions. As of 2005, Vietnam had committed 96.15% of IL products under the CEPT/AFTA schemes.

Table 4: Vietnam’s Tariff Line under the CEPT-AFTA(%), 1996–2006

Items	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
IL	7.0	6.8	5.8	5.6	4.7	3.9	3.8	2.8	2.6	2.5	2.3
TEL	19.9	19.9	19.9	19.9	19.8	19.6	19.4	17.5	13.4	8.9	3.9

Source: Ministry of Industry and Trade (MIT), Hanoi 2010.

In the years 2001–2007, Vietnam ramped up the removal of QRs and NTBs for priority industrial products under the AFTA commitments (**Table 5**). At the same time, it deepened its commitment to the AFAS²³² through the seven sectors of priority services: financial

²³¹ The two laws clearly point out that foreign investors can have 100 percent ownership of their firms in all unrestricted sectors; foreign investors are allowed to set up joint-stock companies and issue securities; foreign investors are allowed to use international arbitration or foreign courts and foreign laws can be used where Vietnamese law does not cover the issues in dispute; licensing by registration is allowed for foreign direct investment under VND300 billion (US\$18.75 million) in unrestricted sectors; dual pricing and other discriminatory practices are eliminated; restrictions on capital contribution and requirements for using Vietnamese for senior management in joint ventures have been removed; other corporate governance regulations have been improved; protections against expropriation and nationalization have been strengthened; repatriation of investment profits is allowed; and market access restrictions have been liberalized substantially, especially for most services sectors. In Vietnam’s Ministry of Planning and Investment, “Assessment of the Five-Year Impact of the US-Vietnam Bilateral Trade Agreement on Vietnam’s Trade, Investment, and Economic Structure.” Hanoi: Central Institute of Economic Management and Foreign Investment Agency, 2007, p. 45.

²³² The AFAS was established at the ASEAN Economic Ministerial Meeting held in Bangkok on 15 December, 1995. It is supposed to achieve the following objectives: a) enhance cooperation in services amongst Member States in order to improve the efficiency and competitiveness, diversify production capacity and supply and distribution of services of their service suppliers within and outside ASEAN; b) eliminate substantially restrictions to trade in services amongst Member States; and c) liberalize trade in services by expanding the depth and scope of liberalization beyond those undertaken by Member States under the GATS with the aim of realizing a free trade area in services. See ASEAN Secretariat, “ASEAN Framework Agreement on Services.” Retrieved from [<http://www.aseansec.org/6628.htm>].

services, shipping services, telecommunication, business services, tourism, construction, and air transport (**Table 6**).

Within the ASEAN Industrial Cooperation Scheme (AICO),²³³ by 2007 Vietnam had approved 76 companies, including six Vietnamese companies. Vietnam also signed the Agreement on ASEAN Investment Area (AIA) to improve its investment environment, especially in such sectors as manufacturing, fishery, mining and quarrying, and agriculture and forestry, as well as incidental services for these sectors.²³⁴ For the EWC projects and the GMS, Vietnam accelerated cooperation with ASEAN countries on trade and investment, services, agriculture-forestry, manufacturing, transport, post and telecommunications, energy, and tourism.

Table 5: Timeline of Vietnam’s Tariffication under CEPT/AFTA

Products	
01/01/2001	Liquid sodium hydroxide, ceramic & glassware consumer goods, plastic packaging
01/01/2003	DOP plasticizer, ceramic sanitary equipment, ceramic and granite floor tiles, electric fans, bicycles
01/01/2004	Vegetable oil and window glass
01/01/2005	Alcoholic beverages, newsprint, writing and packaging paper, automobile parts and motorcycles and kits
01/01/2006	Cement, clinker, fertilizers
01/01/2007	Petroleum products, steel products

Source: MIT, Hanoi 2007

Table 6: Composition of Vietnam’s Services under the AFAS Commitments

Ord.	Sector	Description
1	Financial services	- Insurance: offer life-, accident-, health-, non-life insurance, reinsurance, incidental services for insurance, including intermediary services and agent services. - Banking services: accept deposits and loan types, financial intermediaries, money transfer and payment.
2	Shipping services	Goods shipment and international passenger transport, maritime agents.
3	Telecommunication	Electronic data exchange, telex and telegraph, e-mail, voice mail.
4	Air transport	Aircraft repair and maintenance, sales and marketing of air transport services.

²³³ The AICO was established in July 1996 in Singapore. The aim of this Agreement is to create a new mechanism for intra-ASEAN industrial cooperation and to enhance ASEAN’s industrial competitive edge through promotion of investment and resource sharing among ASEAN member states. At the same time, the AICO is expected to promote cooperation among ASEAN-based small- and medium-sized companies through enjoyment of preferential tariff rates of 0–5% immediately upon approval. Though Vietnam joined the Agreement in 1996, the number of Southeast Asian companies that invested in Vietnam under AICO was very small until 2002, primarily because of tight conditions and non-tariff barriers.

²³⁴ Ministry of Industry and Trade, *Vietnam’s Economic Cooperation with ASEAN and ASEAN Plus*. Hanoi: The Publishing House of Industry and Trade, 2010, pp. 132–133.

5	Tourism	Hotel and lodging services, food serving, international hotel and tour operators, resort services.
6	Construction	Construction of commercial buildings; construction of public entertainment works, hotels, restaurants or similar; civil construction works; installation works; rental of construction equipment, etc.
7	Business services	Accounting, auditing, architecture, engineering, legal, tax services, advertising, research and development.

Source: MIT, Hanoi 2006.

There are four explanations for this new round of structural reforms and strong commitments to economic integration. First, Hanoi viewed economic integration as the prevailing trend of the new century and saw that the country would lag further behind other countries in the region economically if it did proactively proceed with a new phase of economic restructuring and reforms to trade and investment regimes in keeping with the new trend. Second, recognizing China's 2001 entry into the WTO and the Southeast Asian countries' increasing economic competitiveness, Vietnam was acutely concerned about the possibility of stiff competition with them in both trade and investment if it did not increase the effectiveness of its economy. Third, there was a pressing demand for further commitments to trade and investment liberalization toward the BTA with the US and the AFTA, and in particular to meet conditions required for joining the WTO. Fourth, the structural reforms and commitments to ASEAN-based integration were intended to reap benefits from the CEPs and investment agreements signed between the ASEAN leaders and the organization's major partners. This adopted policy, in its end, was to promote its economic growth and industrialization through the enhancement of trade and investment that ASEAN membership offered.

2.1.2 Vietnam-ASEAN Trade and Investment

In the years 2001–2005, Vietnam's exports to Southeast Asian countries increased sharply every year. Its exports to Cambodia increased by 39.8% per year, Indonesia by 36.1%, Malaysia by 30.8%, Thailand by 28.9%, Myanmar by 28.8%, the Philippines by 20.7%, Singapore by 9.6%,²³⁵ and Laos by 9.5%.²³⁶ Vietnam's intra-ASEAN exports over this

²³⁵ Although Singapore was a large market for Vietnam's exports, it was barely ahead of Laos in the years 2001–2005 because exports to the country only began to increase in 2004 and primarily relied upon crude oil, exports of which dropped sharply in volume the following year, leading to a reduction in the overall export volume of 16.5% with Singapore.

²³⁶ Ministry of Industry and Trade, Hanoi, 2010.

period made up nearly 19% of its total exports, while imports from ASEAN constituted 22.5% of total imports. Vietnam's exports were driven by a large share of primary goods, mainly mineral fuels, lubricants and related materials, foodstuffs (agricultural products and seafood) and live animals, and crude oil and raw materials, along with a smaller share of manufactured products, such as electronic components and computer parts, and industrial consumer goods, such as clothing, textiles, and footwear. Its imports from ASEAN were dominated by manufactured products, such as machinery, transport, equipment, and chemicals, supplemented by a smaller share of primary goods.²³⁷ Also between 2001 and 2005, ASEAN's investment flows into Vietnam accounted for well over one-fifth of the country's total capital, with Singapore, Malaysia, and Thailand making up 13%, the top three ten source countries.²³⁸ After the introduction of the 2005 Law on Investment and Law on Enterprises, Vietnam-ASEAN trade and investment surged sharply. The total bilateral import-export turnover value increased from US\$14.9 billion in 2005 to US\$19 billion in 2006. In 2007, total bilateral trade reached US\$20 billion, and newly registered FDI capital reached US\$5.03 billion, increasing by 493% on the 2001 level (US\$1.02 billion).²³⁹

2.1.3 Vietnam-ASEAN's Major Partners

Vietnam's economic ties with ASEAN's major partners have enjoyed a new momentum since the early years of the new century. Needless to say, ASEAN membership provided useful leverage for Vietnam to accelerate exports to and attract investment flows from ASEAN's major trading and investing partners. This was because the economic engagement of ASEAN's major partners in Southeast Asia became more robust. Immediately after Japan and China's economic initiatives with ASEAN, India followed suit, signing the India-ASEAN CEP as a basis for creating an ASEAN-India RTIA and the ASEAN-India FTA. In 2003, the European Commission launched a "New Partnership with Southeast Asia" that included, among other things, the Trans-Regional EU-ASEAN Trade Initiative (TREATI). In November 2004, at the ASEAN-Australia-New Zealand Commemorative Summit, the involved parties' leaders took the formal decision to launch

²³⁷ The GSO, International Merchandise Trade, Hanoi, 2008.

²³⁸ Compiled from statistics of the GSO 2004 and the Ministry of Investment and Planning (MIP) 2005.

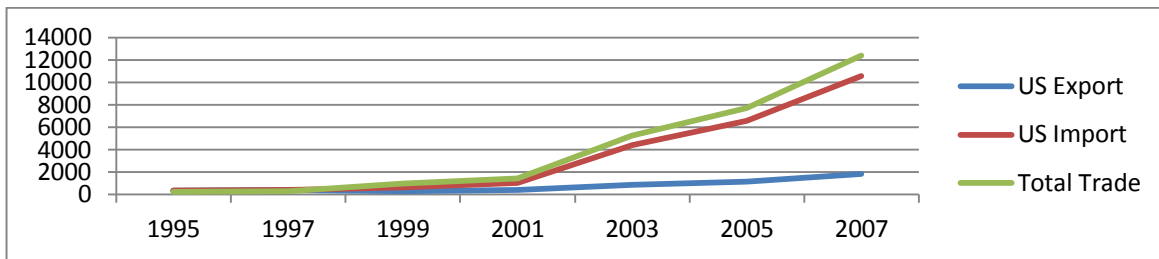
²³⁹ The GSO, 2008.

the ASEAN-Australia–New Zealand Free Trade Area (ANZFTA) negotiations. At the same time, the US followed suit by negotiating and establishing FTAs with individual ASEAN countries, signing the TIFA. In 2005, South Korea signed the Framework Agreement on Comprehensive Economic Cooperation with ASEAN and subsequently signed four more agreements that formed the legal instruments for establishing the ASEAN-Korea Free Trade Area (AKFTA). Because of this new momentum, Vietnam accelerated structural reforms trade and investment regimes, as well as its commitments to the regional cooperative mechanisms with a view to reaping the benefits of trade and investment with ASEAN’s major partners.

The US constituted a crucial part of Vietnam’s foreign economic policy because it was not only an important trading and investing partner but also a major player in the international economy that Vietnam could use to strengthen its economic integration, particularly entry in the WTO. After the Vietnam-US BTA came into force in 2001, Vietnam enjoyed most-favored-nation (MFN) or normal trade relations (NTRs) status when exporting its goods to the US market. The value of Vietnamese exports to the US in 2007 reached US\$10.5 billion, yielding a trade surplus of US\$8.7 billion, an increase in the value of exports of more than ten times the 2001 level.²⁴⁰ **Figure 2** shows that bilateral Vietnam-US economic ties have expanded dramatically over the years 2001–2007. By 2007, the two-way trade volume had reached more than US\$12.3 billion, representing more than eight times the level of 2001, which made the US Vietnam’s single-largest export market. There was a surge in US FDI into Vietnam from just US\$111 million in 2001 to US\$2.01 billion in 2007, an increase of 180%. In 2006, the US and Vietnam became full economic partners once the former approved the extension of Permanent Normal Trade Relations (PNTRs) in the context of the latter’s bid for entry into the WTO. With this, Vietnam gained Washington’s support for its membership of the WTO in late 2006 and officially became the 150th member of the WTO in January 2007, followed by the bilateral signing of a TIFA. In addition, the US granted financial assistance to Vietnam for the development of administrative reforms, civil society, and HIV/AIDS treatment and prevention programs, notably with an amount of over US\$75 million in 2006 and over US\$90 million in 2007.

²⁴⁰ United Nations Conference on Trade and Development (UNCTAD), *Investment Policy Review of Vietnam*. Geneva: United Nations Publication, September 2008, p. 16.

Figure 2: US-Vietnam Bilateral Trade (US\$ Million)



Source: US International Trade Commission, 2009

Vietnam's closer economic ties with Japan, South Korea, and China—ASEAN's three major partners under the APT cooperative framework—were also notable. As an ASEAN member, Vietnam signed the ASEAN-China FTA framework and ASEAN-Japan CEP Framework in 2002. It also signed a comprehensive trade cooperation framework with China in the same year. In 2005, Vietnam signed up to a CEP framework with South Korea immediately after signing the ASEAN-South Korea Framework Agreement on Comprehensive Economic Cooperation. Alongside the first EAS in 2005 in Kuala Lumpur, Vietnam and Japan set up a Joint Committee to discuss an Economic Partnership Agreement.

The period 2001–2007 saw a sharp rise in total trade turnover between Vietnam and the “Plus Three” countries. **Table 7** shows that the average annual growth rate of Vietnam's exports to China was almost 15%, 25% to Korea, and 17% to Japan. Japan was Vietnam's third single-largest export market (after the US and the EU) in terms of value, followed by China and South Korea. Vietnam tended to have a trade surplus with Japan, which reached an unprecedented figure of over US\$500 million in the years 2006–2007. Between 2001 and 2003, Japan was Vietnam's leading trading partner, with an import-export turnover valued at over US\$5.9 billion in 2003. Between 2004 and 2007, however, China surpassed Japan, with the two-way trade exceeding US\$16 billion in 2007, because of a surge in Vietnam's imports from China (with an almost threefold increase, from US\$4.4 billion in 2004 to US\$12.7 billion in 2007). One Vietnamese analyst argues that Vietnam still reaped benefits from the trade deficit with China because its imports easily met Vietnamese production and consumption demand and the country had, in fact, effectively used Chinese

materials, chemicals, machinery, etc., in agriculture and industry, helping to save on costs and which could be offset by industrial exports to other countries.²⁴¹

FDI-related flows from the “Plus Three” countries into Vietnam surged sharply as well. Korea was the top investor, with the newly registered FDI of US\$3.79 billion in 2007 representing an increase of 389% on the 2001 level (US\$974 million).²⁴² Japan’s newly registered FDI rose to US\$3.24 billion in 2007, from 1.2 billion in 2001, an increase of 270% and making Japan the fourth-largest investor that year, after South Korea, Singapore, and Taiwan. China’s registered investment capital surged to US\$1.03 billion in 2007, from US\$221 million in 2001, increasing by 466%. The distribution of direct investment from Korea, Japan, and China was pretty much the same as most of the other FDI projects in Vietnam, which, taken together, accounted for over 60% of total FDI capital in the dominant sectors of manufacturing and processing and a smaller share of the construction, real estate, hotel and restaurant, and information sectors.²⁴³ In addition, Japan was the largest Official Development Assistance donor for Vietnam, with an unprecedented JPY123.2 billion (equal to US\$1.1 billion) in 2007. Korea came fourth, with US\$215 million in the same year.

Table 7: Bilateral Trade between Vietnam and China, Japan, and South Korea in the Years 2001–2007 (US\$ Million)

Country	Year	2001	2002	2003	2004	2005	2006	2007
China	Export-Import Value	3047.2	3654.3	4870.0	7192.0	8739.9	10420.9	16356.1
	Export Value	1418.1	1495.5	1747.7	2735.5	2961	3030	3646.1
	Import Value	1629.1	2158.8	3122.3	4456.5	5778.9	7390.9	12710
	<i>Trade Balance</i>	-211.0	-663.3	-1374.6	-1721.0	-2817.9	-4360.9	-9063.9
	Export-Import	2299.6	2751.5	3418.6	3931.9	4231.3	4623.5	6583.8

²⁴¹ Ha Thi Hong Van, “Comparisons of Vietnam and East Asia Countries (China, Korea, and Japan) Economic Relations,” in Mitsuhiro Kagami (Ed.), *Economic Relations of China, Japan and Korea with the Mekong River Basin Countries*. Bangkok: Bangkok Research Center (BRC), IDE-JETRO, 2010, p. 232.

²⁴² The number of its investment projects increased fourfold, from 750, valued at US\$2.9 billion as of 2001, to over US\$11 billion (2,104 projects) as of 2007, accounting for 20% of Vietnam’s total and making Vietnam the largest recipient of Korea’s investment capital in Southeast Asia over this period (Vietnam Ministry of Planning and Investment, 2009).

²⁴³ The GSO and the Ministry of Planning and Investment, Hanoi 2001, 2004, and 2007.

Korea	Value							
	Export Value	406.1	466	794.2	603.5	630.8	842.9	1243.4
	Import Value	1893.5	2285.5	2624.4	3,328.4	3600.5	3780.6	5340.4
	<i>Trade Balance</i>	-1487.4	-1819.5	-1830.2	-2724.9	-2969.7	-2937.7	-4097
Japan	Export-Import Value	4725.1	4947.7	5903	7055	8704.2	9933.1	12278.9
	Export Value	2509.8	2438.1	2909.1	3502.4	4411.2	5232.1	6500
	Import Value	2215.3	2509.6	2993.9	3552.6	4293	4701	6000
	<i>Trade Balance</i>	+294.5	-71.5	-84.8	-50.2	+118.2	+531.1	500

Source: MIT and GSO

The EU, India, and Australia-New Zealand were also among ASEAN's major economic partners of great importance to Vietnam. After signing the TREATI in 2003, Vietnam entered a bilateral agreement with the EU on WTO entry, and in 2004, both sides declared their intention of taking the established Vietnam-EU BTA to a higher plane. In addition, immediately after acceding to the India-ASEAN CEP Agreement in 2003, Vietnam signed a Joint Declaration on the Framework of Comprehensive Cooperation with India. The same procedure followed when Vietnam signed a trade and investment agreement with Australia-New Zealand in 2005 after the ASEAN-Australia-New Zealand CEP Framework Agreement was reached in 2004. These events underline the fact that ASEAN membership offered crucial leverage for Vietnam in forging close economic ties with these partners.

Vietnam's exports to the EU grew rapidly, from US\$3.07 billion (of a total trade value of US\$4.3 billion) in 2001 to US\$8.6 billion (of a total trade value of US\$12.6 billion) in 2007, making the EU the second-largest export market for Vietnam after the US.²⁴⁴ Exports to India rose four times, from US\$236 million in the years 2000–2001 to US\$1.1 billion in 2006–2007, accounting for 89% and nearly 70%, respectively, of total two-way trade.²⁴⁵ Trade between Vietnam and Australia-New Zealand grew well, with total Vietnam-Australia turnover valued at US\$2.1 billion in 2007 (Vietnamese exports were worth US\$1.4 billion), and with total Vietnam–New Zealand trade turnover valued at US\$278 million (Vietnamese exports were worth US\$147 million).

²⁴⁴ The GSO, Hanoi, 2002 and 2007.

²⁴⁵ Vietnam's Ministry of Industry and Trade, Hanoi, 2009.

To sum up, the period 2001–2007 marked Vietnam’s proactive and active integration into the regional and international economy. Vietnam had worked hard to use membership of ASEAN as leverage for economic development and industrialization. Vietnam’s engagement in intra-ASEAN economic cooperation frameworks and in the ASEAN’s economic linkages with the major partners brought about major achievements. The economic growth rate increased to 8.5% in 2007 from 6.9% in 2001. Trade was a key element in Vietnam’s economic growth, particularly the contribution of the role of FDI from ASEAN and its major investors (as well as Taiwan and Hong Kong), making up over 47% of Vietnam’s total exports in 2007. The FIEs created almost 1.5 million jobs for Vietnamese workers in 2007, doubling the 2004 level (**Table 8**). FDI also played a crucial role in Vietnam’s industrialization process; during the period 2001–2007, manufacturing accounted for 62.2% of FIEs’ total capital, followed by real estate and renting business activities (16.7%), and hotel-restaurants and construction (9.8%).²⁴⁶ The trade and investment data underline the fact that ASEAN membership was a valuable form of leverage in enhancing Vietnam’s efforts toward integration for export-led growth and industrialization. The data also shows clearly that, despite China emerging as a major FDI competitor, Vietnam became one of the region’s most attractive investment destinations.

Table 8: FIEs’ Contributions to Vietnam’s Economy

	2004	2005	2006	2007
FIEs’ contributions to GDP (%)	15.1	16.0	17.1	18.0
Share of FDI in total investment (%)	15.5	15.7	16.4	24.3
Export by FIEs, excl. oil export (USD mil.)	8601	11144	14620	23523
- Share of FIEs’ exports (%)	33.1	34.4	36.9	47.2
No. of employees in FIEs (1,000 persons)	739	935	1,129	1,458

Source: The GSO and Ministry of Planning and Investment (MPI)

2.2 Strengthening National Defense and Security

The beginning of the new century saw Vietnam’s adapted security approach, of which the primary focus was to strengthen its sovereignty and territorial integrity. The Ninth Party Congress Resolution set out the plans for the protection of the nation’s independence and to

²⁴⁶ Vietnam’s Ministry of Planning and Investment and the GSO, Hanoi, 2008.

firmly ensure its sovereignty, territorial integrity, and national security.²⁴⁷ Of particular note was a major change to Vietnam's security policy under the July 2003 "Resolution on Strategy for Defense of the Fatherland in a New Situation," approved by the Eighth Plenum of the Central Committee, which introduced the new concepts of "partners" (*doi tac*) and "objects of struggle" (*doi tuong*). The Resolution clearly pointed out that "anyone who respects Vietnam's independence and sovereignty and anyone who establishes and expands friendly and cooperative relationships with Vietnam on an equal footing and mutual benefit will be the partners. Any force that has maneuvers and actions to oppose Vietnam's objectives in the course of national construction and defense of the Fatherland will be the objects of struggle."²⁴⁸ The Resolution added a more sophisticated application of these concepts, saying, that, "with the objects of struggle, we can find areas of cooperation; with some partners, there may be embraced interests that are contradictory and different from those of ours." This marked the removal of ideological foundations in the determination of friend and foe in Vietnam's external relations, thus paving the way for a new stage of Vietnam's defense relations with all of the ASEAN's major security partners. In addition, the Conclusion Paper of the Eighth Plenum clearly set out Vietnam's security policy toward ASEAN: first, firmly protecting independence, sovereignty, territorial integrity, and socialist orientations; second, strengthening friendship and cooperation on the basis of mutual respect for independence, sovereignty, and territorial integrity; third, settlement of disputes through peaceful negotiation without doing harm to other countries' interests; fourth, constantly raising awareness of national autonomy and self-reliance, combining elements of both partnership and struggle, taking advantage of commonalities and narrowing or restraining differences, preventing and countering any forces' maneuvers to take advantage of ASEAN to oppose us; and fifth, further improving relations with neighboring countries and other countries in the world community, making clear that

²⁴⁷ The Vietnamese Communist Party (VCP). *The Resolution of the Ninth VCP National Congress*. Hanoi: The Publishing House of National Politics, 2004, p. 29.

²⁴⁸ The VCP Central Commission for Ideology and Culture, *Learning Materials on the Eighth Plenum of the Ninth Central Committee*. Hanoi: The Publishing House of National Politics, 2003, p. 44.

Vietnam's viewpoint toward ASEAN is for peace, stability, cooperation, and development, not for opposing against any political entity.²⁴⁹

There were a number of reasons behind Vietnam's changed security vision. First, Hanoi regarded the development of the country's already-established defense relations with the Asia-Pacific's major powers as only natural, in light of their new engagement with ASEAN; such development was necessary for the country to be able to contribute at a level appropriate to its economic development and national standing. Second, there was a general assessment by Hanoi's strategic planners that geopolitical competition in Southeast Asia among the Asia-Pacific's major powers had been on the rise, even alongside enhanced cooperation. Thus, Vietnam needed to forge a new stage in defense relations with other countries in the region—providing that they respected Vietnam's independence, sovereignty, and territorial integrity—in order to enhance confidence-building measures and encourage the major powers' ASEAN engagement. Third, because of Hanoi's general recognition of economic integration as the prevailing trend, it was essential to downplay ideological considerations in security and foreign policy to develop comprehensive partnerships with other countries in the Asia-Pacific in the service of its economic interests.

One crucial factor that primarily informed this modified security approach was the Vietnamese leaders' view on the changing regional order. According to Vietnamese analysts, Hanoi regarded relations between China and the US as the most important in the new century. The former was attempting to create a new regional order, with itself as the dominant power, while the latter was trying to maintain its hegemony by strengthening its “hub-and-spokes” formula. Accordingly, an enhanced US military presence in Southeast Asia immediately after 9/11 could contribute to intensifying Sino-US rivalry and could warm up potential flashpoints, such as the Taiwan Strait, the Korean Peninsula, and the East Sea (*Bien Dong* in Vietnamese or the SCS). This could exert a negative impact on regional stability and could deepen their intervention, thus possibly jeopardizing Vietnam's national security and defenses.²⁵⁰ As a country in Southeast Asia, however, Vietnam was

²⁴⁹ *The Conclusion Paper of the Eighth Plenum of the Central Committee*. Hanoi: The Office of the Government (internally circulated document), 2003, pp. 7–8.

²⁵⁰ Author's interview with Prof. Dr. Tran Thi Thu Huong, Director of the Institute of VCP History and Editor-in-Chief of the *Journal of VCP History*, Hanoi, 19 February 2012; author's interview with Assoc. Prof. Pham Quang Minh, Dean of the Faculty of International Studies, Hanoi National University of Social

worried that “terrorist” and “secessionist” threats to regional stability could affect it and thus regarded US counterterrorism in the region as “indispensable” to ensuring peace and stability. In the meantime, uncertainties about China’s expansionist ambitions became salient concerns. Hanoi’s position became clearer under the 2004 Defense White Paper, which clearly stated that, “In the Asia-Pacific region, there exist factors that may cause instability and latent dangers of armed conflicts such as border and territorial disputes ... violent activities of various groups of terrorists and secessionists.”

Why did Vietnam change its stance on China in spite of its cooperative attitude toward Southeast Asia? First, Hanoi maintained that although China has shown its increased engagement in the region, China’s expansionist ambitions could not be ignored. China’s growing economic, military, and political power in the region could, when taken altogether, pose uncertain implications for territorial disputes, especially in the SCS.²⁵¹ Second, China’s ongoing influence in Indochina through its enhanced relations with Cambodia and, to a lesser extent, with Laos raised concerns for Hanoi. This was because Vietnam has long sought to draw Cambodia and Laos closer together in order to hedge against the threat posed by outside powers, especially China, and because of their geographical proximity and historical ties. Indochina is also vital for Vietnam to exert its influence in competition with China in this sub-region. However, China’s enhanced assistance, economic ties, and military interactions with Cambodia and, to a lesser extent, Laos in the wake of the crisis have eroded Vietnam’s influence in this sub-region. Third, the fact that Sino-Vietnamese relations are asymmetric in size and power became an acute concern for Hanoi. In terms of population, Vietnam is the same as a middle-sized Chinese province—88 million people—compared to China’s 1.3 billion. In territorial terms, China is 29 times larger than Vietnam. In respect of military size, Vietnam’s People’s Army comprises 412,000 personnel while China’s People’s Liberation Army has 2.3 million (*Global Security*, 2003), not to mention

Sciences and Humanities, Hanoi, 22 February 2012; author’s interview with Assoc. Prof. Hoang Anh Tuan, Director of Vietnam Institute for Vietnamese Foreign Policy and Strategy Studies, Hanoi, 28 February 2012.

²⁵¹ Author’s interview with Dr. Hoang Anh Tuan, Director of Institute for Vietnam Foreign Policy and Strategy Studies, Diplomatic Academy of Vietnam, Hanoi, 15 February 2012; author’s interview with Mr. Nguyen Cong Khanh, Professor of Vietnam’s Foreign Policy Studies, 24 July 2012, Vinh University, Nghe An Province.

the wide gap in military spending. In economic performance, in 2003, China's total GDP was US\$1.414 trillion,²⁵² or 27 times bigger than that of Vietnam (US\$53 billion).

2.2.1 Vietnam's Approaches to China in the SCS

Given the above concerns, Vietnam viewed ASEAN membership to be the most important in addressing its threat perception of China. This was because ASEAN had drawn all the major powers closer into defense changes and dialogues in such a way that Vietnam could be provided a fulcrum to develop bilateral defense diplomacy with them to hedge against the risk posed by China, at the same time viewing the major powers' increased engagement with ASEAN to be an indirect counterweight to the neighboring giant. In addition, the new ASEAN-based political and economic mechanisms were viewed by Hanoi as crucial instruments to further enmesh and engage China with a view to eroding China's potential aggression in the SCS.

The following sub-section examines the three approaches that Hanoi pursued toward China. The first approach was to develop the "defensive hedge," which involved Vietnam's enhanced defense interactions with the ASEAN's major security partners—the US, India, Japan, and Russia—to hedge against the threat posed by China. The second approach was enmeshment: seeking to enmesh China within multilateral economic and politico-security means, and cooperating with ASEAN and China to implement the DOC guideline toward a regional COC as a legally binding mechanism to enmesh China. The third approach was engagement: engaging China in a web of party-to-party, state-to-state, and military-to-military exchanges in order to manage and codify bilateral relations.

2.2.1.1 Developing the Defensive Hedge

Among the ASEAN-centered ARF's major security partners, the US, India, Japan, and Russia were the four most important partners of Vietnam in pursuit of its hedging strategy.

Vietnam's defense interactions with the US saw an unprecedented increase right after the Eighth Plenum Resolution of 2003. In the years 2003–2007, there were six high-level

²⁵² According to the China National Bureau of Statistics, 2004.

delegations from the US to Vietnam, grouped into three categories: (1) visits by the Commander-in-Chief of the US Pacific Command; (2) visits at the Deputy Assistant Secretary of Defense level; and (3) visits by other Commanders of the US Pacific Command.²⁵³ In November 2003, Vietnamese Defense Minister Pham Van Tra became the first defense leader to visit the Pentagon since the Vietnam War. On this occasion, both sides agreed to upgrade defense interaction to an annual Bilateral Defense Dialogue and Policy Level Discussion, beginning in 2004. In 2005, the US Ambassador to Vietnam raised the possibility of joint cooperation in repair and maintenance and the purchase of supplies by the US Navy. On this occasion, Vietnam signed up for extended International Military Education and Training (IMET), under which Vietnam was eligible to send its military personnel to the US for professional military education and training. In 2006, during his visit to Hanoi, Secretary of Defense Donald Rumsfeld suggested that Vietnam buy military spare parts. Later in the year, Rumsfeld approved the sale, lease, export, and/or transfer of non-lethal defense articles and offense services to Vietnam. In November 2006, President George Bush went to Hanoi, alongside the APEC Summit, and signed a finding to authorize the US government and US private companies to provide limited defense articles to Vietnam. In 2007, the International Traffic in Arms Regulations were amended to allow further arms procurements by Hanoi. Moreover, from 2007, Washington funded Vietnamese participation in a number of defense-related seminars and exercises in the region, such as the Western Pacific Naval Symposium and US-Southeast Asia bilateral joint exercises. It should be noted, however, that by this time, Vietnam had turned down a number of US requests for small joint exercises. Nevertheless, US-Vietnam defense and security cooperation also expanded into addressing the legacy of the Vietnam War, mainly in the fields of demining, unexploded ordnance removal, joint research into Agent Orange, as well as military medical research (HIV/AIDS), US humanitarian assistance and disaster relief, counterdrug trafficking, and information sharing, among other areas.

Particularly notable was the steady rise in the visits of US Navy ships to Vietnamese ports over the period 2003–2007. **Table 9** shows that the year 2003 saw a US Navy warship visit

²⁵³ Nguyen Thi Hang, “Reality in Vietnam-US Relations,” *The National Defense Review* 4(16), 2011, pp. 46–47; Carlyle A. Thayer, “Vietnam’s Relations with China and the United States,” in *Vietnam’s Role in the Asia-Pacific*, edited by Faculty of International Studies, Hanoi National University of Social Sciences and Humanities. Hanoi: Thế Giới Publishers, 2010, p. 42.

to a Vietnamese port for the first time since the Vietnam War. This laid the basis for annual visits by the US Navy to Vietnam, although 2007 saw three US naval warship visits—the year of China’s establishment of the Sansha administrative unit to administer the Vietnam-claimed Paracel Islands and the Spratly archipelago, following the detainment and ramming of a number of Vietnamese fishing boats in April and in July.

Table 9: US Navy Ship Visits to Vietnamese Ports 2003–2007

Date of Visit	US Navy Ship	Vietnamese Port
November 2003	USS <i>Vandergrift</i>	Ho Chi Minh City
July 2004	USS <i>Curtis Wilbur</i>	Da Nang
March-April 2005	USS <i>Gary</i>	Ha Chi Minh City
July 2006	USS <i>Patriot</i> and USS <i>Salvor</i>	Ho Chi Minh City
July 2007	USS <i>Peleliu</i>	Da Nang
October 2007	USNS <i>Bruce Heezen</i>	Da Nang
November 2007	USS <i>Patriot</i> and USS <i>Guardian</i>	Hai Phong

With regard to India, since the establishment of the Vietnam-India Protocol on Defense Cooperation in 2000, Vietnam had been provided with an Air Force pilots training program in India and its Repair Programs for Vietnam Air Force fighter planes.²⁵⁴ New Delhi also provided Vietnam with avionics equipment, non-refundable aid to develop spare parts for naval ships, assistance to improve radar systems, and many key components used for vessels and warships of Soviet-made missiles.²⁵⁵ From 2001, there were a large number of visits by Indian Naval Ships (INSs) to Vietnamese ports: The INS *Mumbai* and INS *Jyoti* visited Ho Chi Minh City in 2001, and the Indian Coast Guard Ship (CGS) *Sangram* visited the same port in 2003. From 2003, bilateral defense cooperation entered a new phase. Between 2004 and 2006, the INS *Rajput*, INS *Kulish*, and INS *Kirpan* visited Tien Sa port in Da Nang. In May 2007 alone, the INS *Ranjit*, INS *Mysore*, and CGS *Sagar* visited Ho Chi Minh ports. High-level exchange visits were significantly expanded, too. In July 2003, Vietnamese Navy Deputy Chief Be Quoc Hung visited India following the Joint Declaration on the Framework of Comprehensive Cooperation in May. In March 2004, the Vice Defense Minister, Chief of General Staff of the VPA Phung Quang Thanh, visited New Delhi, and both sides agreed to expand counterterrorism and military cooperation,

²⁵⁴ Vo Xuan Vinh, “Vietnam-India Relations in the Light of India’s Look East Policy,” *Sapru House Paper, Series 2*. New Delhi: Indian Council of World Affairs, 2012, p. 20.

²⁵⁵ *Nghien cuu Bien Dong* [Journal of the Eastern Sea Studies], “An Do Tang cuong Hien dien Quan su tai Dong Nam A” [The Strengthening India’s Military Presence in Southeast Asia], 13 October 2010, p. 2.

including joint anti-sea piracy exercises in the SCS. In March 2005, during a visit to New Delhi, Defense Minister Pham Van Tra signed a multi-sided cooperative agreement under which both sides committed to developing military cooperation to a higher degree. In June, the Indian Navy gave 150 tons of warship components and other accessories worth \$10 million to the Vietnamese Navy. In July 2007, during his visit to New Delhi, Prime Minister Nguyen Tan Dung and his counterpart, Manmohan Singh, signed a Joint Declaration on establishing a Vietnam-India Strategic Partnership. With this Declaration, Vietnam was the first country in Southeast Asia and the second in the Asia-Pacific (after Japan) to officially establish a strategic partnership with India. Immediately after, Indian Defense Minister A. K. Antony visited Hanoi, and both parties agreed to develop the Joint Declaration on Military Cooperation to a new level, including protection of territorial waters and airspace, military officer training, maintenance of joint naval exercises, application of information technology in defense, and technical support for the Vietnamese Navy. In a meeting with his counterpart, Phung Quang Thanh, Antony announced that India would transfer 5,000 items of naval spares belonging to the Petya class of ships to Vietnam.²⁵⁶

With regard to Japan, Vietnam sought to establish a strategic partnership. Although enhanced bilateral relations were focused on Vietnam's trade, investment, and aid interests, Vietnam still saw strategic value in using Japan to hedge against China, given that Hanoi and Tokyo had common sovereignty concerns about China's potential aggression over the SCS and Senkaku Island, respectively. In particular, the SCS was significant for Japan's international trade and economic security. More than 90% of Japan's imports pass through the SCS, and some 66% of its crude oil imports traverse this area. This explains Japan's close cooperation with the three Southeast Asian littoral states of the Strait of Malacca—Singapore, Malaysia, and Indonesia—and with the US under the annual “Cobra Gold” joint patrol and training exercises, as well as with other Asian states, to address its maritime security concerns, such as navigational safety, threats of piracy, and maritime terrorism. In addition, Vietnam and Japan viewed each other as strategic partners in curbing China's

²⁵⁶ Vo Xuan Vinh, “Vietnam-India Relations in the Light of India's Look East Policy,” *Sapru House Paper, Series 2*. New Delhi: Indian Council of World Affairs, 2012, pp. 20–21.

growing regional power.²⁵⁷ It has been argued that Japan, the principal US ally in Asia, seemed increasingly wary of China's power, with some in Japan viewing it as a potential military threat.²⁵⁸ Given this, Vietnam forged close politico-security relations with Japan. In 2001, Hanoi and Tokyo officially started the annual Bilateral Diplomatic-Defense Dialogues at the department level, following the bilateral exchange of military attachés and General Consulates in Ho Chi Minh City and Osaka. In April 2002, during Japanese Prime Minister Koizumi's visit to Hanoi, the leaders of both sides agreed to promote bilateral relations in accordance with the "Enduring Long Stable Partnership" guidelines, including annual economic, security, and defense exchanges. During Japanese Foreign Minister Nobutaka Machimura's visit to Hanoi in July 2004, both parties signed the Joint Statement "Toward a Higher Sphere of Enduring Partnership." With this, Vietnam and Japan agreed to hold regular political dialogues between the Foreign Ministers and to deepen high-level exchange visits.²⁵⁹ Particularly notable was Vietnamese Prime Minister Nguyen Tan Dung's visit to Tokyo in October 2006, when both parties issued the "Japan-Vietnam Joint Statement Toward a Strategic Partnership for Peace and Prosperity in Asia." Under this new stage of partnership, Vietnam first floated the idea for bilateral cooperation on regional security situations, including maritime security, which might possibly involve Vietnam's engagement with Japan in multilateral joint patrol and training exercises.²⁶⁰

With regard to Russia, Vietnam sought the establishment of a strategic partnership and major arms procurement packages. In fact, Vietnam had less strategic interest in using the Russian Federation to hedge against the threat posed by China because Russia had engaged China in the SCO and acted as a major supplier for China's military modernization. In

²⁵⁷ Author's interview with Prof. Nguyen Chu Hoi, General Administrator of Seas and Islands, Ministry of Natural Resources and Environment, Hanoi, 27 July 2012.

²⁵⁸ James Brooke, "Japan to List China as a Major Threat," *New York Times*, 16 September 2004; This was also evidenced in the deterioration of Sino-Japanese relations between 2004 and 2005, which was highlighted by anti-Japanese riots and demonstrations in China in response to Japan's Prime Minister Junichiro Koizumi's annual visits to the Yasukuni Shrine.

²⁵⁹ Reciprocal visits have developed since then, with Vietnamese high-level visits to Japan by Prime Minister Phan Van Khai (July 2004 and 2005), Foreign Minister Nguyen Dy Nien (March 2005), Prime Minister Nguyen Tan Dung (October 2006), Foreign Minister Pham Gia Khiem (May 2007), Deputy PM Truong Vinh Trong (July 2007), President Nguyen Minh Triet (November 2007). Visits have been made to Vietnam by Prime Minister Koizumi (October 2004), Foreign Minister Nobutaka Machimura (October 2004 & June 2005), and Prime Minister Shinzo Abe (November 2006).

²⁶⁰ *Nghien cuu Bien Dong* [Journal of the East Sea Studies], "Hop tac Quoc Phong Vietnam-Nhat Ban" [Vietnam-Japan Military and Defense Cooperation], 21 October 2011, pp. 17–18.

addition, Russia did not lie adjacent to the SCS. However, Hanoi had always viewed Russia as a “traditional friend” with interests in the area, especially joint oil exploration and maritime survey and research activities. In particular, Russia could act as a major supplier of military weapons and equipment to Vietnam. Given this calculation, during Russian President Vladimir Putin’s visit to Hanoi in March 2001, the leaders of both countries signed the “Joint Declaration on Vietnam-Russia Strategic Partnership.” Both sides also agreed to “promote bilateral cooperation in military and defense, including Russia’s supplies to meet Vietnam’s security demands.”²⁶¹ Even after the Russian withdrawal from Cam Ranh Bay in May 2002, when a 25-year leasing treaty ended, Russia remained a major weapons supplier. In November, Moscow listed the sale of eight missiles and missile launchers to Hanoi on its annual report to the UN Register of Conventional Weapons.²⁶² In December, Russia delivered to Vietnam two Type 14310 Svetlyak-class patrol boats for use by the Coast Guard Service. In 2003, Russia and Vietnam signed a procurement contract for three major weapons: four Su-30 MKKs (with an option for eight more); two Molnya 1241.8-type missile boats (Ho-A Class in Vietnam), with a further eight to be assembled in Vietnam; and two batteries (12 launchers each) of S-300PMU1 surface-to-air missile systems. The contract was valued at US\$200 million.²⁶³ In 2005, both sides signed the “Vietnam-Russia Military and Technology Cooperation Agreement for the 2005–2010 Period.” Under this mechanism, Hanoi and Moscow committed to strengthening their continued military and technical cooperation and partnership in national defense and security in joint efforts to meet the challenges and new dangers to security and for peace, stability, and sustainable development in the Asia-Pacific. In addition, the two states agreed on annual cooperative programs aimed at enhancing strategic dialogues on diplomatic-security and national defense. Moscow also committed to provision of spare parts and assistance in the maintenance and modernization of military equipment. Russia provided technical and military education and training for Vietnamese military personnel at Russian

²⁶¹ Nhu Quang Nam, “Vietnam-Russian Federation Relations under the Putin Administration,” *The National Defense Review* 3(19), 2012, p. 17.

²⁶² According to press reports, Vietnam took delivery of 50 portable SA-18 SAMs in 2002 in a contract valued at US\$643 million. In Carlyle A. Thayer, “Vietnam’s Defense Diplomacy and Its Impact on Foreign Policy.” Paper delivered to EuroViet 6, Asia-Africa Institute, Hamburg, Germany, 5–7 June 2008, p. 17.

²⁶³ The four Su-30 aircraft were delivered in late 2004. However, the cost of the remaining eight aircraft was too much, so the sale was incomplete. The first S-300PMU1 battery was delivered in August 2005. In *Ibid.*, p. 17.

academies and military schools. From 2007, Russia and Vietnam began to hold the annual meeting of the Inter-government Committee for Military Technical Cooperation. Interestingly, from 2007, as Vietnam began to deal with China's assertive actions in the Gulf of Tonkin and the SCS, Hanoi began to back Russia's major investment projects in the oil and gas, mining, and energy sectors in its Exclusive Economic Zone (EEZ) and continental shelf in these areas. Hanoi calculated that Moscow's engagement in these projects would be an important factor in hedging against China because Russia would have a stake there. Thus, if China exerts its aggression in the area, it would threaten Moscow's interests as well.²⁶⁴

2.2.1.2 Enmeshment

In parallel with its defensive hedging approach to cope with potential aggression from China, Vietnam pursued an enmeshment strategy. This approach involves “the process of engaging with an actor or entity so as to draw it into deep involvement in a system and community, enveloping it in a web of sustained exchanges and relationships, with the eventual aim of integration.”²⁶⁵ In Vietnamese foreign policy discourse, this approach means “constructive entanglement” (*ràng buộc lợi ích*). From Hanoi's viewpoint, this strategy was of great importance in Vietnam's China policy, given the asymmetric power relations with its northern giant. Vietnamese strategic planners realized that the asymmetrical relations and geographical proximity meant that Vietnam was not in a position to resist China or act as a counterweight against it.

Under this approach, ASEAN-centric multilateral institutions, ASEAN-China cooperative mechanisms, and other sub-regional schemes have been major instruments for Vietnam in engaging and enmeshing China. In terms of ASEAN-centric multilateral institutions, Vietnam has used the APT, the ARF, the EAS, and the PMC to restrict China to conduct that abides by a web of political and diplomatic means, as well as security dialogue exchanges. These arrangements, in Hanoi's view, would increase Chinese interest in cooperation and play an active role in regional stability, at the same time eroding China's

²⁶⁴ Author's interview with Prof. Nguyen Chu Hoi, General Administrator of Seas and Islands, Ministry of Natural Resources and Environment, Hanoi, 27 July 2012.

²⁶⁵ Evelyn Goh, “Great Powers and Hierarchical Order in Southeast Asia,” *International Security* 32(3), 2007/08, pp. 120–121.

ambitions affecting the sovereignty of its neighboring states, including Vietnam.²⁶⁶ In actual fact, in the wake of the East Asian crisis, China had shown greater involvement in regional affairs and had played a critical role in these processes. Hanoi poured praise on China's contributions to ASEAN-centered multilateralism and stressed the importance of Beijing's role in regional security and stability. Vietnam also recognized that all the Asia-Pacific's major powers, in their role as ASEAN's dialogue partners in the ARF and the PMC, would play an instrumental role in enmeshing China. Were China to exert aggression in the SCS, then the issue would jeopardize China's political and economic ties with them (as well as with ASEAN), not least because of their legitimate interest in navigational freedom along the SCS corridors.

With China as a member of the ASEAN-centered institutions, the driving norms and principles included in the ASEAN TAC have served as tools to enmesh Beijing's actions, mainly in adherence to the principle of "peaceful settlement of disputes" and "non-use or threat of force." With regard to ASEAN-China cooperative mechanisms, such as the ASEAN-China Summit, ASEAN-China political-security consultations, ASEAN-China Joint Cooperation Committee, and ACFTA, these have been instrumental for Vietnam in enmeshing China in political and economic interests with ASEAN as a whole. ASEAN and China have also institutionalized their relations through a strategic partnership that involves annual summit meetings of heads of state/government. As for the sub-regional cooperative mechanisms, the GMS has been the main instrument for enmeshment. The growth of trade between Southwestern China and mainland Southeast Asia has been in part thanks to massive upgrading and construction of infrastructure—roads, bridges, and railways—much of it funded by the ADB and the World Bank as part of the GMS. Through this mechanism, Vietnam and China have also developed the "two corridors and one economic beltway," linking southern China and northern Vietnam. In Hanoi's view, this not just serves Vietnam's development needs but also enmeshes China and provides Beijing with incentives for cooperative behavior.

²⁶⁶ Author's interview with Dr. Hoang Anh Tuan, Director of the Institute for Vietnam Foreign Policy and Strategy Studies, Diplomatic Academy of Vietnam, Hanoi, 15 February 2012; author's interview with Mr. Nguyen Cong Khanh, Professor of Vietnam's Foreign Policy Studies, 24 July 2012, Vinh University, Nghe An Province.

Another striking method of enmeshing China has been to build an ASEAN-China regional COC in the SCS so that China acts in accordance with international laws and regional norms. The ASEAN-China Senior Officials Meeting and the ASEAN-China Joint Working Group (JWG) on DOC implementation toward a COC were the main instruments. In 2003, China agreed to step up the establishment of a JWG with ASEAN to set out guidelines for DOC implementation. In 2004, at the Eighth China-ASEAN Summit, Premier Wen Jiabao called for the shelving of disputes to go for “joint development in the SCS,” which paved the way for a tripartite China-Vietnam-Philippines agreement on the Joint Marine Seismic Undertaking (JMSU).²⁶⁷ At the 12th ARF in Vientiane in July 2005, ASEAN and China agreed upon the enhancement of confidence-building measures and “the need to explore ways and means for cooperative activities among the parties concerned in accordance with the spirit and principles of the DOC.” On this occasion, the ASEAN-China JWG on the DOC was officially established to set out recommendation measures for peaceful settlement of the SCS.²⁶⁸ Implementation of the DOC with a view to progressing toward the COC did not proceed as Vietnam had hoped, however. Since 2005, ASEAN had been reiterating the need to a move toward full implementation of the DOC, with a view to the eventual conclusion of an ASEAN-China COC in the SCS;²⁶⁹ no progress had been made, however, owing to China’s assertiveness in favor of a bilateral approach to negotiations on the issue.

2.2.1.3 Engagement

Vietnam sought engagement with China in order to manage and codify bilateral relations and to make Chinese intentions more predictable through a web of party-to-party, state-to-state, and military-to-military exchanges. High-level reciprocal visits in the years 2001–2007, as shown in **Table 10**, underline the fact that the number of exchanges between Vietnam and China were roughly equal in number, and were even in Vietnam’s favor between 2001 and 2003. This contrasts strongly with the 1990s, when Vietnam made far

²⁶⁷ The JMSU agreement, which came into force in July 2005, involved oil corporations from each signatory: China National Offshore Oil Corporation (CNOOC), Philippine National Oil Company-Exploration Corporation (PNOC-EC), and Vietnam Oil and Gas Corporation (PetroVietnam).

²⁶⁸ ASEAN Secretariat. Chairman’s Statement of the 12th Meeting of the ASEAN Regional Forum, Vientiane, 29 July 2005.

²⁶⁹ See more details in ASEAN Secretariat, *Documents on ASEAN and the South China Sea*. Retrieved from [<http://cil.nus.edu.sg/wp/wp-content/uploads/2011/06/Documents-on-ASEAN-and-South-China-Sea-as-of-June-2011.pdf>], pp. 11–13.

more visits to China. In this connection, Vietnam's enhanced political and military ties with the US and other major powers led Beijing to improve its relations with Hanoi because China did not want to see any other major powers obtain influence over Vietnam because it might enable the US, India, and Japan to use it as a buffer to counterbalance or contain China.

Table 10: China-Vietnam Reciprocal Visits (Party, State, and Military) 2001–2007

Year	China's Visits to Vietnam	Vietnam's Visits to China
2001	Defense Minister Chi Haotian (February) Vice President Hu Jintao (April)	None
2002	CCP Chief, President Jiang Zemin (27 Feb.–1 Mar.)	None
2003	Foreign Minister Li Zhaoxing (June) Defense Minister Chi Haotian (November)	VCP General Secretary Nong Duc Manh (April)
2004	Premier Wen Jiabao (October)	Prime Minister Phan Van Khai (May)
2005	Defense Minister Cao Gangchuan (October)	President Tran Duc Luong (July) Defense Minister Pham Van Tra (October)
2006	Defense Minister Cao Gangchuan and Member of the Politburo Jia Qinglin (February) Defense Minister Cao Gangchuan (April) Party Chief, President Hu Jintao (November)	General Secretary Nong Duc Manh and Defense Minister Phung Quang Thanh (August) Prime Minister Nguyen Tan Dung and Minister of Public Security, Lt. General Le Hong Anh (October).
2007	Defense Minister Cao Gangchuan (August)	President Nguyen Minh Triet (May)

Source: Chronology of Vietnam-China Relations, Division of Chinese Northeast Asia, Central Party Commission for External Affairs.

The regular summit meetings of both parties' leaders laid the ground for increased exchanges of Party delegations from Central Committee Departments, administrative units, and specialists on socialist ideology.²⁷⁰ State-to-state visits also paved the way for bilateral agreements on common border boundaries and territorial waters in the Gulf of Tonkin; during his visit to Beijing in July 2005, Vietnam's President Tran Duc Luong issued a joint communiqué with his Chinese counterpart, Hu Jintao, announcing the decision to conduct a joint investigation into fishery resources in joint fishing areas and to strive to launch joint patrols in Beibu Bay (the Gulf of Tonkin) by the two navies. Both sides also agreed to start negotiations over the demarcation of the sea areas beyond the mouth of Beibu Bay. In October 2006, during his visit to Beijing, Prime Minister Nguyen Tan Dung signed, among

²⁷⁰ By 2007, both parties had conducted five seminars on ideology.

other things, an agreement with China on conducting joint explorations for oil and gas in the Gulf of Tonkin. On this occasion, both sides agreed to set up a Joint Steering Committee on Bilateral Cooperation at deputy prime ministerial level to coordinate all aspects of their relationship, beginning in November of that year.²⁷¹

The military-to-military interactions focused primarily on exchanges of views on army-building, border security, and regional security issues. In November 2001, the People's Liberation Army Navy guided missile frigate *Jiangwei-II* visited Ho Chi Minh City, but no further port calls were made before 2007.²⁷² This was in contrast with the regular annual visits by US Navy warships to Vietnamese ports over the same period. In the meantime, joint naval patrols improved relations, but only after the leaders of both states agreed to conduct joint oil and gas exploitation in the Gulf of Tonkin in 2006.²⁷³ From 2005, both sides proceeded with defensive security consultations during Defense Minister Pham Van Tra's visit to Beijing. The consultations remained extremely low-key, however.²⁷⁴ In sum, bilateral defense cooperation was mainly of a confidence-building nature, which involved demining, demarcating common land borders, and joint naval patrols in the Gulf of Tonkin. In the meantime, no defense clause concerning the SCS was included in any Sino-Vietnamese agreements through party, state, and military exchanges. This was primarily because of the contentious and sensitive nature of the issue. Leaders in Hanoi were deeply aware that China had been consistent in exploiting a bilateral approach to its own advantage and that a bilateral settlement on the issue would put Vietnam in a weak position in negotiations.

In short, party, state, and military interactions not only aimed to ensure ideological solidarity and to provide a common ground for wide-ranging discussions and resolution of land border and Gulf of Tonkin issues, it was also used as a diplomatic instrument to codify Vietnam's relations with China through joint statements and agreements. In particular,

²⁷¹ The Steering Committee meetings were held on an annual basis in the respective capital cities.

²⁷² Carlyle A. Thayer, "Vietnam's Relations with China and the United States," in *Vietnam's Role in the Asia-Pacific*, edited by the Faculty of International Studies, Hanoi National University of Social Sciences and Humanities. Hanoi: Thế Giới Publishers, 2010, p. 43.

²⁷³ The first joint patrols were conducted in April 2006, the second in December. There were two in 2007: one in July and the other in October.

²⁷⁴ Do Minh Cao, "The Rising Military Power of China and Reactions of the Involved Parties in the East Sea," *The National Defense Review* 4(16), 2011, pp. 36–38.

exchange visits were instrumental in checking up on China's intentions, given the uncertainties of its ambitions in the SCS disputes.

2.2.2. Downplaying the “Peaceful Evolution” Threat

Vietnam's enthusiasm for economic integration and openness led to a downplaying of any ideological considerations in its stance on human rights and democracy in relation to the US. In fact, at the turn of the new century, in order to improve the population's education levels and living standards while accommodating the “indispensable processes” of globalization and regionalization, the VCP came to relax authoritarian rule as the party-state stepped up democratization, mainly in the media and economy. Internet connections were encouraged to help people access to the latest in knowledge and information. Freedom of the press and religion was relaxed. People's opinions were gathered prior to the National Assembly meetings, and discussions and debates within the National Assembly were transmitted live on mass media to demonstrate the transparency of policy making. Moreover, all information related to the economy, financial markets, investment, prices of goods, etc., were updated regularly on the network. Between 2003 and 2005, Vietnam proceeded to negotiate with Washington (as well as the EU) on human right issues. This was one of the conditions required by the US for the extension of PNTRs to Vietnam and by the EU for the conclusion of the Vietnam-EU Cooperation Agreement.

These measures did not necessarily mean that Vietnam allowed some room for intervention by the US and other Western powers in domestic affairs. Rather, the underlining motive behind these was that Hanoi hoped these changes would discourage the US Congress and the West from taking a tough line on human rights and democracy as a way of forcing political change, open bilateral trade and business opportunities, and gain their support for Vietnam's integration into the international economy. Moreover, because of ASEAN's greater awareness of US intervention, as evidenced in the wake of the East Asian crisis, Vietnam now felt more reassured about the retention of ASEAN's “non-intervention” principle.

2.3 Enhancing National Standing

Since the beginning of the new century, the speed of East Asian integration has provided further leverage for Vietnam to enhance its national standing.

The faster pace of Vietnam's structural reforms, its commitments to the CEPT/AFTA tariff schemes and the AFAS have contributed to fostering Vietnam's national standing; ASEAN Secretary General Ong Keng Yong drew attention to the great work carried out by Vietnam toward ASEAN economic integration and highly valued its contributions to ASEAN's development and prestige on the global stage.²⁷⁵ These actions laid the legal basis for the country's deeper integration into the international economy as Vietnam earned the support of the US and the EU, as well as ASEAN and other Asia-Pacific states, for its accession to the WTO in late 2006.

Vietnam's active engagement and ideational role in multilateral institutions further enhanced the country's influence in the regional community. In 2001, Hanoi took over the chair of the ASEAN Standing Committee to hold the Eighth ARF, at which the participants agreed to Vietnam's proposal for an annual Seminar on Economic Security for the Asia-Pacific. In 2004, Hanoi chaired the fifth Asia-Europe Meeting Summit (ASEM 5), which resulted in the first-ever Joint Declaration of dialogue expansion on "cultures and civilizations" and on "closer economic cooperation" between the two regions. In particular, the summit brought about the first enlargement of the ASEM process, with thirteen new members officially becoming part of the arrangement, including Myanmar, Cambodia, and Laos.²⁷⁶ It should be noted that prior to the summit, Hanoi had taken steps to persuade ASEAN members to enhance their political cohesion in the face of EU pressure, in particular over the refusal to allow Myanmar's military regime ASEM membership, along with disputes over human rights, which had arisen for some reason in ASEAN-European relations.²⁷⁷ In 2006, Vietnam chaired the 14th APEC Meeting. On this occasion, Hanoi proposed measures for closer regional economic cooperation, which in part contributed to

²⁷⁵ "Secretary General of ASEAN Ong Keng Yong Visits Hanoi," *Vietnam News*, 8 July 2005.

²⁷⁶ The 13 new ASEM member states acceded to the ASEM process at the Fifth Summit in October 2004 in Hanoi, including the ten new EU members (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia) and three new ASEAN countries (Cambodia, Laos, and Myanmar).

²⁷⁷ Linh Thuy Duong, "Vietnam's Participation in ASEAN Politico-Security Cooperation," in Vu Duong Ninh (Ed.), *Southeast Asia: Tradition and Integration*. Hanoi: Thế Giới Publishers, 2008, p. 446.

the conclusion of the Hanoi Declaration on “Advancing Trade and Investment in a Changing World” and on “Fundamentals Ensuring Dynamism, Growth, and Sustainable Development.”²⁷⁸ Vietnam took a particularly active part in all areas of cooperation within the APT process and the EAS, ranging from trade and finance, politico-security, socio-culture, and education. It also held seminars, conferences, and research activities, and it strengthened policy coordination and implementation with the other members in an effort to move the process forward. Vietnam was nominated by ASEAN to be its coordinator in forging dialogues with New Zealand and the US between 2001 and 2003, and with Canada from 2006. With all these contributions to its credit, in 2007 Vietnam gained a majority of UN General Assembly votes for its non-permanent membership of the United Nations Security Council (UNSC) for 2008–2009.

In parallel with its active engagement in multilateral regional institutions to build national standing, Vietnam pursued ASEAN community-building²⁷⁹ to strengthen intra-ASEAN cooperation and to ensure the ASEAN’s centrality in East Asian integration. This was because a more integrated and united ASEAN, playing the focal role in East Asian integration, would provide Vietnam with greater leverage to improve its bargaining position vis-à-vis the major powers, especially China and the US. In order to help build an Asian Economic Community (AEC), Vietnam signed cooperation agreements with ASEAN bilaterally and multilaterally in areas of agriculture-forestry, manufacturing, transport, post and telecommunications, energy, and tourism. With regard to the construction of an ASEAN Security Community (ASC), at the Tenth ASEAN Summit in Vientiane in November 2004, Vietnam signed the Vientiane Action Program (VAP) which laid down Hanoi’s commitments to political development, shaping and sharing norms, conflict prevention, conflict resolution, post-conflict peace-building, and framework

²⁷⁸ For more detail, see “Hanoi Declaration,” the 14th APEC Economic Leaders’ Meeting, Hanoi (18–19 November 2006). Retrieved from [http://www.international.gc.ca/apec/dec_hanoi_2006.aspx?lang=eng&view=d].

²⁷⁹ The establishment of an ASEAN community by 2020 was launched at the Ninth ASEAN Summit in October 2003 in Bali (known as the Bali Concord II), when the ASEAN leaders signed an accord to lay out a platform for the establishment of an ASEAN community based on three pillars—the ASEAN Economic Community (AEC), the ASEAN Security Community (ASC), and the ASEAN Socio-Cultural Community (ASCC). At the Tenth Summit in Vientiane in November 2004, the ASEAN leaders laid out a detailed action program for the period 2004–2010.

implementation.²⁸⁰ As the host country of the SOM, Vietnam enhanced the implementation of the VAP by submitting the proposal for “comprehensive security cooperation” that “ensuring socio-political stability and furthering economic cooperation to narrow down development gaps and reduce poverty serve as the key grounds for the sustainable development of the long-term ASC building.” This initiative gained support and acclaim from the senior ASEAN officials.²⁸¹ Moreover, Vietnam persuaded, and cooperated with, the other member states to include in the Action Program, among other things, “prevention of military intervention from outside in any form, especially refusing to allow the use of territory of one country to oppose another.”²⁸² The country was also an active member in developing the ASEAN TAC into a COC as an instrument for confidence-building measures and preventive diplomacy between ASEAN and its external dialogue partners. Regarding the building of an ASEAN Socio-Cultural Community (ASCC), Vietnam played an active role in developing Track II diplomacy. In September 2002, it hosted the 23rd ASEAN Inter-Parliamentary Organization (AIPO) General Assembly in an effort to “deepen mutual trust and understanding among ASEAN parliamentarians, and between ASEAN parliamentarians and those of observer countries.”²⁸³ Between 2003 and 2006, it organized 29 uni-sectoral and multi-sectoral seminars and conferences, involving officials, academics, intellectuals, think tanks, business circles, and other civil society groups, through which Vietnam created closer connections among ASEAN participants, as well as between them and non-ASEAN counterparts, to exchange ideas, experience, and information about various matters of common concern.²⁸⁴ In addition, an annual ASEAN culture week, proposed by Vietnam at the 34th AMM, contributed to mutual understanding of cultural diversity in the ASCC.

Building the ASEAN community was a rather ambitious project, particularly because various differences and a sharp disparity in development levels existed between the ASEAN-6 and the CLMV. However, given the aim of building its national standing

²⁸⁰ ASEAN Secretariat, “Vientiane Action Programme 2004–2010,” Vientiane, 29 November 2004. Available at [<http://www.aseansec.org/VAP-10th%20ASEAN%20Summit.pdf>].

²⁸¹ Linh Thuy Duong, “Vietnam’s Participation in ASEAN Politico-Security Cooperation,” in Vu Duong Ninh (Ed.), *Southeast Asia: Tradition and Integration*. Hanoi: Thế Giới Publishers, 2008, p. 449.

²⁸² Ibid.

²⁸³ Mr. Nguyen Van An, President of the National Assembly of Vietnam. Speech at the Opening Ceremony of the 23rd AIPO General Assembly (9 September 2002), Hanoi.

²⁸⁴ Report by the Socio-Cultural Commission of the National Assembly, Hanoi, 19 December 2006.

through its role in community-building, Vietnam took a high-profile role in the process at an early stage. This also underlined the fact that Hanoi considered ASEAN to be a vital institution for Vietnam's international integration and that the development of ASEAN was closely related to its project of nation-state building and its long-held view of "striving for one Southeast Asian region of stability, cooperation, and prosperity." This stance, in part, directed Vietnam's engagement in the ASEAN integration process from the beginning of the century and resulted in fostering its standing in the regional and international community.

3. Summary

The beginning of the 21st century saw a new dynamic in power relations in Southeast Asia. China, Japan, India, and, to a lesser extent, Russia became more engaged in ASEAN through a range of new initiatives for economic and politico-security cooperation with the region. Japan and China were the two most active and dynamic actors to engage ASEAN to promote East Asian integration under the auspices of the APT process. Alongside their new cooperative engagements in the region, China, Japan, and India embraced the competitive economic and geopolitical interests in the region, while Russia's key incentive was to seek restoration of its influence in the Asia-Pacific through the strategic landscape of Southeast Asia. By contrast, US attention to Southeast Asia was episodic. The lack of any region-wide engagement in Southeast Asia reflected a US policy of "passing, not permanent" attention, if not outright neglect. With the new powers' increasing interest in Southeast Asia, ASEAN emerged as a leading player in East Asian and Asia-Pacific regionalism, being central to the APT, the EAS, the ARF, and the PMC. ASEAN has also played a pivotal role in drawing the world's most vibrant economies into comprehensive economic partnership with Southeast Asia. The increasing significance of Southeast Asian economic dynamism and the region's geopolitical importance, which make it increasingly attractive to all the major powers, have also helped enhance ASEAN's standing in the developing regional architecture.

The dynamic of new power relations in Southeast Asia and the evolution of ASEAN's role gave impetus to the Vietnamese leaders' revised policies on trade and investment, defense and security, and foreign relations, with a view to making full use of ASEAN membership

for the realization of its strategic objectives. Given economic integration as the highest priority, Vietnam promoted trade and investment liberalization, as well as commitments to all ASEAN-based economic mechanisms in order to reap the benefits of trade and investment from Southeast Asia's dynamism and from ASEAN's major partners. In the years 2001–2004, Vietnam-ASEAN trade turnover and investment from latter constituted one-fifth of Vietnam's total trade and investment capital. From the years 2005–2007, these sectors made up well over a quarter of the total. The economic leverage that ASEAN membership offered was hugely important to Vietnam. In the period 2001–2007, Vietnam actively sought to take advantage of ASEAN's economic links with its major partners to accelerate trade with them; the “Plus Three” Northeast Asian countries, the US, the EU, India, and Australia-New Zealand made up over 60% of Vietnam's total trade. Investment from ASEAN's major partners made up a roughly equal proportion with trade turnover in the same period. This laid the basis for deepening Vietnam's international economic integration, a milestone being its entry into the WTO in early 2007. The enhanced trade interaction and investment inflows served Vietnam's strategic objective of economic development and industrialization more effectively during this period than any other since *Doi Moi*.

In respect of national defense-security, the beginning of the new century marked Vietnam's re-conceptualization of friend and foe under the terms “partner” and “object of struggle.” The influence of ideology on defense interactions and expansion of foreign relations was thereby removed. This paradigm shift was intended to allow Hanoi to seek new developments in Vietnam's “defense diplomacy” with other countries in the Asia-Pacific to fashion the new phase of regional integration. However, the basic thinking of Hanoi's leadership behind this modified security approach was to address threat perceptions, that of China being the key strategic concern. To address the perceived threat posed by this neighboring giant, Vietnam pursued a combination of three main approaches: defensive hedging, enmeshment, and engagement. The first method was carried out by stepping up defense interactions with the US and developing military ties with India, Japan, and Russia to hedge against China's potential aggression in the SCS. The second approach—“enmeshment”—was intended to enmesh China in conduct in accord with multilateral political, diplomatic, economic, and security norms. There were three categories of

mechanism. The first included the ASEAN-centric multilateral institutions, such as the APT, the ARF, the EAS, and the PMC; the second included ASEAN-China mechanisms, such as the ASEAN-China Summit, ASEAN-China political-security consultations, the ASEAN-China Joint Cooperation Committee, and ACFTA; and the third related to such sub-regional mechanism as the GMS. Enmeshment was also pursued by seeking to multilateralize the SCS issue through a COC that would require China to comply with a legally binding mechanism. The third approach was engagement, which involved not just trade but also party-to-party, state-to-state, and military-to-military interactions as ways of managing and codifying relations with Beijing while making its ambitions more predictable. With the “China factor” becoming a central concern for Vietnam, the US-led threat of “peaceful evolution” became subordinate, owing to Vietnam’s enthusiasm for economic integration and openness and the necessity to gradually improve human rights and democratization in response to people’s improved living standards. This does not necessarily mean that Vietnam offered some scope for US intervention; rather, the relaxation of authoritarian rule was meant to encourage the US and the West not to interfere in domestic affairs because domestic democratic issues were being dealt with independently. In addition, ASEAN’s increased awareness of US intervention, as evidenced in the wake of the East Asian crisis, helped relax Vietnam’s concerns about any likelihood of a change in ASEAN’s “non-intervention” principle.

In terms of the building of national standing, Vietnam actively sought to foster its national influence, diplomatically and politically, on the regional stage through its active engagement in and ideational facilitation for ASEAN and East Asian integration process. At the same time, Vietnam’s positive contributions helped gained support for its accession to the WTO and international endorsement for its non-permanent membership of the UN Security Council, where Vietnam would be in a position to address global issues. Vietnam also worked actively to institutionalize ASEAN’s norms, values, and principles, contained in the TAC, into East Asian integration; these would also serve as instruments to codify ASEAN relations with external powers. In parallel with playing an active and ideational role in regional integration as a way of gathering support for economic development and security goals, Vietnam pursued ASEAN community-building and ensured ASEAN’s centrality in East Asian integration. Hanoi understood that a more integrated and united

ASEAN as a focus for regionalism would provide Vietnam with greater leverage in its bargaining position with the major powers, principally China and the US. It should be noted, however, that while these calculations were the underlining motives for its actions, Vietnam's positive contributions to ASEAN community-building were highly valued.

To conclude, over the period 2001–2007, Vietnam gave highest priority to the economic motive, and the security motive was subordinate. Within the security motive, concerns about China in the SCS became far more relevant than those about the US-led “peaceful evolution” threat. Among the approaches taken toward China, defensive hedging and enmeshment became more important, but only marginally more than engagement.

CHAPTER FIVE

EVOLUTION OF VIETNAM'S STRATEGIES 2007–2012: THE SCS TO THE FORE

This chapter examines the evolution of Vietnam's three strategic objectives— development, security, and national standing—through its leverage of ASEAN membership. It argues that in spite of the contagion effects of the global crisis, Vietnam remained engaged in economic integration for economic development and industrialization; however, the period saw Vietnam's security motive become the most important driver of its actions because China's unprecedented assertiveness in the SCS became the most acute cause for concern. The strengthening of national standing was best used over this period to mobilize regional and international support for Vietnam's position on the SCS.

This chapter is organized into three sections. The first section examines the economic and politico-security context for the region and for Vietnam. The second section investigates Vietnam's policy responses. A substantial part of this section explores Sino-Vietnamese interactions in the SCS and considers the evolution of Vietnam's China policy during the disputes. The final section summarizes the findings.

1.1 Regional Context

1.1.1 Impacts of the Global Crisis on Southeast Asia: A New Phase of Economic Cooperation

The global crisis triggered contagion effects on the Southeast Asian region in terms of trade-investment flows. The global financial crisis can be traced back to the eruption of the US subprime mortgage crisis in the middle of 2007 as a result of a prolonged period of abundant liquidity; excessive, imprudent lending in the subprime sector; lack of adequate regulation over financial institutions; and the bursting of the housing bubble.²⁸⁵ The US mortgage subprime crisis quickly spilled over into the rest of the country's financial system

²⁸⁵ Masahiro Kawai (Dean, Asian Development Bank Institute), "Global Financial Crisis and Implications for ASEAN," *Report No. 6*. Singapore: ASEAN Studies Center, Institute of Southeast Asian Studies, 2008, pp. 3–5.

and into the capital flows of other industrialized countries, subsequently spreading across the globe and peaking in September 2008. The crisis had a negative effect on Southeast Asia in terms of trade and investment. There was a sharp fall in world demand, especially from the industrialized countries, for the region's exports, which had long served as the basis for the region's robust economic growth.²⁸⁶ In terms of investment, as the global financial turbulence peaked in 2008, some countries simply faced a curtailment of capital inflows, while others that had enjoyed large inflows with large current account deficits, large external debt, and high inflation rates, were confronted by extreme vulnerability.²⁸⁷ Moreover, countries with traditionally large remittance inflows from overseas workers, particularly the Philippines, Indonesia, and Vietnam, faced declining remittances from abroad and the return of migrants to difficult home conditions when the economic meltdown of industrialized countries led to dwindling demand for foreign workers.

In the face of the global crisis, ASEAN and its major partners elevated regional economic integration to new heights, in particular bringing into force CEPs as well as FTA frameworks. In June 2007, the ASEAN-Korea Agreement on the Trade in Goods of the ASEAN-Korea FTA (AKFTA) came into force. Two months later, the Trade in Services Agreement was signed by the Korean economic minister and ASEAN counterparts at the ASEAN-Korea Summit.²⁸⁸ In the same year, the EU started negotiations with ASEAN for the establishment of an FTA, at the same time promoting negotiations on FTAs with individual ASEAN member states, including Singapore, Malaysia, and Vietnam.²⁸⁹ In December 2008, the AJCEP came into effect. Indonesia was the first member country whose CEP Agreement with Japan came into force, in July 2008. The Agreement took effect in relation to Singapore, Laos, Vietnam, and Myanmar in late 2008; Brunei, Malaysia, and Thailand in 2009; and Cambodia in 2010.²⁹⁰ In February 2009, ASEAN and Australia-

²⁸⁶ Nguyen Manh Hung and Pham Sy An, "Impacts of the Global Economic Crisis on Foreign Trade in Lower-Income Economies in the Greater Mekong Sub-Region and Policy Responses: The Case of Vietnam and Its Implications for Lao PDR and Cambodia," *RTNet Working Paper Series*, 102, May 2011, pp. 6–8.

²⁸⁷ Masahiro Kawai, "Global Financial Crisis and Implications for ASEAN," *Report No. 6*. Singapore: ASEAN Studies Center, Institute of Southeast Asian Studies, 2008, p. 5.

²⁸⁸ On 1 January 2010, the AKFTA came into effect, with flexibility to eliminate maximum 5% of products listed in Normal Track by 1 January 2012 for the ASEAN-6, by 1 January 2018 for Vietnam, and by 1 January 2020 for Cambodia, Laos, and Myanmar.

²⁸⁹ The EU and ASEAN restarted FTA negotiations in May 2012.

²⁹⁰ For more detail, see [<http://www.mofat.gov.bn/index.php/free-trade-agreements-ftas/agreements-in-force/asean-japan-comprehensive-economic-partnership-ajcep>].

New Zealand concluded the ASEAN-Australia–New Zealand Free Trade Agreement (AANZFTA), which came into force in January 2010, following the entry into force of the FTA between Australia-New Zealand and individual member states, including Singapore, Myanmar, Brunei, Malaysia, Vietnam, the Philippines, and Thailand.²⁹¹ In January 2010, the ACFTA came into effect between China and ASEAN-6, with an additional five years (2015) given to the CLMV group to comply. At the same time, the ASEAN-India Free Trade Area (AIFTA) took effect, first coming into force for Malaysia, Singapore, and Thailand, with remaining members to follow once they had completed their required domestic legal procedures. In the US, President Obama notified Congress in November 2009 of the government’s commitment to joining the Trans-Pacific Partnership (TPP).²⁹² As of August 2011, the negotiating parties had expanded to nine countries: the US, the original P-4 countries, Australia, Peru, Vietnam, and Malaysia. Once finalized, the TPP will be the largest trade bloc in the Asia-Pacific region and could become even larger once Canada and Mexico join the discussions. Japan and South Korea could also apply to join.²⁹³

In parallel with the entry into force of the various FTAs, new initiatives for economic cooperation and trade liberalization were vigorously pursued in the context of the EAS. Since the Fourth EAS in October 2009 in Bangkok, ASEAN+6 has officially been working on the CEP for East Asia (CEPEA) proposed by Japan in 2007, with the ultimate goal of “developing a regional production network and trade and investment liberalization, along with system facilitation and institutional capacity-building” (CEPEA Study Group 2009). At the same time, the APT is pursuing the EAFTA in parallel with the CEPEA to deepen regional integration in East Asia, around the three pillars of liberalization, facilitation, and

²⁹¹ The agreement came into force for Laos and Cambodia in January 2011 and for Indonesia in January 2012.

²⁹² The TPP was initially conceived in 2003 by Singapore, New Zealand, and Chile as a path to trade liberalization in the Asia-Pacific region. Brunei joined negotiations in 2005, creating the P-4, which came into effect in 2006. Washington’s launch of the TPP basically followed its long-term idea for regionalization in an APEC-centered Asia, which aimed to bring together the US, Canada, Australia, South America, and other Pacific Rim countries for trade liberalization in the Asia-Pacific. It is also argued that Washington’s enthusiasm for the TPP can be explained by its aim of countering China’s growing economic influence in the region. See more details in Hung Ming-Te and Tony Tai-Ting Liu. 2011. “Sino-US Strategic Competition in Southeast Asia: China’s Rise and US Foreign Policy Transformation Since 9/11,” *Political Perspectives* 5(3), pp. 107–108.

²⁹³ <http://www.eastasiaforum.org/2012/10/16/tpp-may-drive-brics-into-action/#more-29473>.

cooperation.²⁹⁴ Moreover, a dense web of sub-regional cooperation has entered a new phase, particularly the ASEAN Comprehensive Investment Area (ACIA), the GMS, the AICO, and AFAS, along with the establishment of development triangles.²⁹⁵

1.1.2 China's Unprecedented Assertiveness in the SCS

While the region's countries were facing the spillover effects of the global economic crisis, China stirred up the SCS dispute to an unprecedented degree. In late 2007, China established a prefecture-level city—Sansha—on Hainan Island to administer the Parcel Islands, the Spratly Archipelago, and Macclesfield Bank, following the dispatch of a number of its patrol vessels to the disputed area.²⁹⁶ In 2008, Beijing unilaterally issued its fishing ban and intensified the harassment and detention of Vietnamese and Filipino fishing boats, causing a number of confrontations between Chinese fisheries administration vessels and the two countries' fishing boats in the disputed region. In 2009, for the first time, Beijing officially claimed over 80% of the SCS by sending a nine-dash line or a U-shaped line map to the UN. This move was followed by actions that were even more aggressive in 2010 as China categorized the SCS as a “core interest,” on a par with Taiwan and Tibet. In the subsequent years, China came to intensify the harassment and damage of seismic research ships in the EEZs of Vietnam and the Philippines and on the continental shelf. China's systematic and increasingly assertive moves in the SCS posed a clear threat to the ASEAN claimants' sovereignty as well as to regional stability. Its growing assertiveness has also reawakened concern among non-claimant major powers, especially the US, about regional security and about their vested maritime interests, at least in their navigational freedom of this vital sea lane.

In parallel with its revised approach to the SCS, China's increased military spending, in part to help enforce its sovereignty claim, added to the acute concerns of the region's

²⁹⁴ ASEAN Secretariat, “Chairman's Statement of the 4th East Asia Summit,” Cha-am Hua Hin, Thailand, 25 October 2009; Mohit Anand, “Toward Comprehensive Economic Partnership in East Asia,” *IPSC Journal of Peace & Conflict Studies* (12 October 2008), New Delhi: Institute of Peace and Conflict Studies.

²⁹⁵ The new phase of developing these cooperative schemes was aimed at further opening up economic corridors, intensifying implementation of cross-border trade facilitation measures, and accelerating the completion of the AFTA by CLMV on their way to membership in the ASEAN Economic Community (AEC) by 2015.

²⁹⁶ Carlyle Thayer, “The Tyranny of Geography: Vietnamese Strategies to Contain China in the South China Sea.” Paper to International Studies Association 52nd Annual Convention, Montreal, Quebec, Canada (16–19 March 2011), p. 11.

countries. According to external observers, China's annual average spending on defense reached 15.9% of its budget in the years 1998–2006.²⁹⁷ In 2007, China submitted to the UN its annual Simplified Reporting Form for the first time. Based upon this document and the annual publication of China's Defense White Papers, the official figures announced were RMB355.491 billion (US\$52.064 billion) in 2007, RMB417.769 billion (US\$61.185 billion) in 2008, RMB480.6 billion (US\$70.3 billion) in 2009, and RMB532.115 billion (US\$78 billion) in 2010.²⁹⁸ Thus, by 2010, China's officially declared military spending had increased by two-thirds on 2007. According to the US Department of Defense and estimates by the Stockholm International Peace Research Institute (SIPRI), China's annual increase in military spending had averaged between 17.5% and 18.5% from 2007.²⁹⁹

1.1.3 The US Return to Asia

Since Barack Obama's victory in the 2008 presidential elections, with his promise of "Change," Washington had geared its priorities toward Asia, especially the East Asian Asia-Pacific. It has been argued that the US's limited success in Afghanistan and Iraq, the domestic economic and financial difficulties arising from the global crisis, and China's growing regional power expansion can explain the Obama administration's revised approach toward Asia, particularly East Asia.³⁰⁰ As discussed in the preceding chapter, in spite of new US initiatives for enhanced economic ties with the region, Washington focused primarily on bilateralism and on counterterrorist measures with its allies as a way of projecting its regional military capability. This limited the pace and scope of economic ties between the US and the region's countries. When the global crisis hit and Obama came to

²⁹⁷ Andrew S. Erickson and Adam P. Liff, "Understanding China's Defense Budget: What it Means and Why it Matters," *PacNet* No. 16. Hawaii: Pacific Forum CSIS (9 March 2011), Center for Strategic and International Studies (CSIS), p. 21.

²⁹⁸ Sean Chen and John Feffer, "China's Military Spending: Soft Rise or Hard Threat?" *Asian Perspective* 33(4), 2010, p. 49.

²⁹⁹ Regarding the official figure reported to the UN in 2007, for example, SIPRI's estimate of Chinese military expenditure in 2007 was RMB506 billion (US\$81 billion), which was 46% higher than the reported budget of US\$52 billion (Elisabeth Sköns, Catalina Perdomo, Sam Perlo-Freeman & Petter Stålenheim, "Military Expenditure," in *SIPRI Yearbook 2007*, p. 195); Estimated expenditure in 2010 reached US\$119 billion versus the reported amount of US\$78 billion, making China the second-largest military spender after the US (details in *SIPRI Yearbook 2011*, Stockholm International Peace Research Institute (SIPRI), p. 9). [<http://reporti.net/cms/wp-content/uploads/SIPRIYB11summary.pdf>].

³⁰⁰ Michael Evans, "Power and Paradox: Asian Geopolitics and Sino-American Relations in the 21st Century," *Asian Geopolitics* 2011, p. 107; Hung Ming-Te and Tony Tai-Ting Liu, "Sino-US Strategic Competition in Southeast Asia: China's Rise and US Foreign Policy Transformation Since 9/11," *Political Perspectives* 5(3), 2011, p. 105.

power, however, Washington initially justified its “pivot to Asia” in economic terms. At the time, Washington regarded “engagement with Beijing above all else”³⁰¹ as a way to address its domestic and international economic meltdown. In any case, in the face of a global financial crisis, the global climate change crisis, North Korea’s nuclear proliferation, and problems with terrorism, it was unavoidable for Washington to coordinate with Beijing as a key partner. This was clear when Washington floated the idea for a “Group of Two” (G-2) mechanism in January 2009 in an attempt to elevate China to the status of the US’s most important partner to cope with the major challenges facing the international system.³⁰²

The main goal for Washington under these circumstances was to maintain the US’s hegemonic status in the Asia-Pacific. In comments on national security the previous year, Obama had stressed the importance of maintaining US diplomatic influence and military power; reconstructing the image of the US; and maintaining national security and global leadership.³⁰³ In addition, by declaring the US to be an Asia-Pacific nation in his speech, Obama aimed to assert US legitimacy in Asia and Washington’s right to participate in regional affairs. The US return to Asia was not just about countering China’s influence, however. The robust economic growth of the East Asian region over recent years and the evolution of the regional institutions without US participation provided incentives for the US to “return” to the region, not just to boost its Asian exports and to create jobs at home in the face of the economic crisis, but also, and above all, to address its concerns about lagging behind China in shaping the course of Asia’s development, which might erode its dominance of regional affairs.³⁰⁴

For that purpose, from the end of the first quarter of 2009, Washington worked actively to maintain its hegemony by adopting an assertive stance toward China while engaging heavily with the other East Asian states. Sino-American maritime rivalry was highlighted

³⁰¹ Aaron L. Friedberg, *A Contest of Supremacy: China, America, and the Struggle for Mastery in Asia*. New York: W. W. Norton & Company, Inc., 2011, p. 12.

³⁰² This initiative was proposed by Zbigniew Brzezinski, former national security advisor to President Jimmy Carter and an advisor to the 2008 Obama presidential campaign. See more details in Edward Wong, “Former Carter Advisor Calls for a ‘G-2’ between US and China,” *New York Times*, 2 January 2009. Retrieved from [http://www.nytimes.com/2009/01/12/world/asia/12iht-beijing.3.19283773.html?_r=1].

³⁰³ Barack Obama, “Remarks of President-elect Barack Obama: Announcement of National Security Team,” 2008. Retrieved from [<http://www.whitehouse.gov/the-press-office/remarks-president-barack-obama-suntory-hall>]

³⁰⁴ Pasha L. Hsieh, “The Road Map for a Prosperous US-ASEAN FTA: Legal and Geopolitical Considerations,” *Journal of World Trade* 46(2), January 2012, pp. 375–376.

on 8 March 2009 when five Chinese vessels 75 miles off Hainan Island in the SCS harassed a US Navy surveillance, the USNS *Impeccable*. The incident coincided with the passage of the Philippines' baseline bill into law.³⁰⁵ One month before the incident, US Secretary of State Hillary Clinton had made the first official trip to Japan, China, South Korea, and Indonesia (including a visit to the ASEAN headquarters in Jakarta) to define Washington's determination to return and pay more attention to the region.³⁰⁶ In July, the US was officially acceded to the ASEAN TAC, signaling US enthusiasm to be part of the EAS. Washington's new engagement in East Asia was also highlighted by Obama's eight-day trip to Japan, Singapore, China, and South Korea in November. In the same month, Obama was the first US President to meet with ASEAN heads of state, alongside the APEC Summit in Singapore; he was also the first US President to attend a US-ASEAN Summit.³⁰⁷ The Obama administration's actions were in sharp contrast to those of his predecessor, George W. Bush, who missed the first-ever US-ASEAN Summit in 2007 and whose Secretary of State, Condoleezza Rice, missed two out of the three previous ARF meetings.

From the start of 2010, the "return to Asia" strategy entered a new phase. Washington forged closer economic and politico-security relations with the region, and the "China factor" constituted a more significant part of its Asian foreign policy in light of the way China's increasing military capability was turning Asia's military balance in its favor and strengthening its capabilities beyond the Taiwan Strait, including the SCS.³⁰⁸ Needless to say, China's increasingly assertive posture toward the SCS provided an opportunity for the US to curb China's regional power play by indirectly intervening in the SCS issue and supporting the ASEAN claimants' position. This was unsurprising, given the US's strategic maritime interests and its commitment to regional security as the hegemon, as well as other outstanding issues with China.³⁰⁹

³⁰⁵ Ian Storey, "Impeccable Affair and Renewed Rivalry in the South China Sea," in *China Brief* 9(9), 30 April 2009, p. 8.

³⁰⁶ Hung Ming-Te and Tony Tai-Ting Liu, "Sino-US Strategic Competition in Southeast Asia: China's Rise and US Foreign Policy Transformation Since 9/11," *Political Perspectives* 5(3), 2011, p. 105.

³⁰⁷ At the summit meeting, Obama expressed Washington's interest in acceding to the EAS. ASEAN has sought US engagement in the EAS since 2005, in spite of objections from China.

³⁰⁸ Ian Storey, "Impeccable Affair and Renewed Rivalry in the South China Sea," in *China Brief* 9(9), 30 April 2009, p. 10.

³⁰⁹ Apart from US concerns about China's disruption of the regional balance of power in its favor and Sino-American maritime rivalry, there remain other outstanding issues, including the Taiwan Strait, China's human

1.1.4 New ASEAN-Centered Mechanisms for Major Powers' Enhanced Engagement

In parallel with the acceleration of ASEAN's economic links with its major partners, ASEAN leaders pushed the expansion of multilateral regional institutions and the establishment of new mechanisms to encourage the Asia-Pacific's major powers to engage in the region in the face of China's growing power in the region. The ASEAN Defense Ministerial Meeting Plus (ADMM+) was created to integrate the US and Russia into the regional security forum in order to boost operational effectiveness and practical cooperation on regional security, as well as confidence-building measures and defense diplomacy. This mechanism also served as a major instrument for ASEAN to ensure its centrality³¹⁰ and to engage all the major powers in mediation over potential flashpoints in the SCS. For similar purposes, ASEAN expanded membership of the EAS by integrating the US and Russia. The Shangri-La Dialogue was also enlarged into a 28-member security dialogue, incorporating defense ministers, permanent heads of ministries and military chiefs, and non-government delegates in the Asia-Pacific, to enhance confidence-building measures and manage inter-state conflicts with regional implications, including the SCS issues. These major multilateral security institutions, along with the ARF, provided crucial platforms for the major powers, especially the US, Japan, India, Russia, and Australia, to engage with ASEAN on common security operations, especially maritime security. More importantly, Washington had great strategic interest in these arrangements as a way of intervening indirectly in the SCS as a way of countering China. Tokyo and New Delhi have also been active members, not just because of their role in ensuring regional stability and maritime interests but also because of their shared concerns about territorial disputes with China and about its growing regional power.

rights problems, and China's strong objections to US-Korea joint naval exercises in the Yellow Sea (Aaron L. Friedberg, *A Contest of Supremacy: China, America, and the Struggle for Mastery in Asia*. New York: W. W. Norton & Company, Inc., 2011, p. 114).

³¹⁰ ASEAN's great determination to exert its hub role in East Asia regionalism was strengthened after ASEAN leaders decided in 2008 to establish an ASEAN Community by 2015, instead of 2020 as laid down in the 2003 Bali Accord.

1.2 Vietnam's Economic-Security Context and Diplomatic Stance

From 2007, Vietnam's economic and security context underwent significant changes, characterized by both opportunities and challenges. Economically, close to a decade of deepened international economic integration had brought about remarkable achievements. The GDP growth rate reached 8.5%, making Vietnam one of the fastest-growing economies in Asia. The economic structure had changed significantly by 2007, with the proportion of the industrial sector (41.8%) and services (40.4%) having grown rapidly as part of the total GDP by 2007, while the share of the agricultural sector had been sharply reduced (17.8%). Economic development resulted in the improvement of people's living standards; average GNP per capita reached US\$840, and the ratio of poverty was reduced to 19.2%, from nearly 29% in 2001. However, the outbreak of the global financial crisis and the economic meltdown had a number of "seismic" impacts on trade and investment inflows. Moreover, despite robust economic development, there remained imbalances in macroeconomic management, which triggered more difficulties for Vietnam's economic conditions in the face of the global crisis.

In security terms, despite the fact that the economic development and the improvement of people's living standards had helped to improve the regime's security, Vietnam faced a "double dilemma" after late 2007. On the one hand, China's increasing aggression in the SCS had caused unprecedented concern in Vietnam about national sovereignty. More seriously, in the wake of China's revised stance on the SCS, there had been a surge in anti-Chinese nationalism, with riots and demonstrations in Hanoi and Ho Chi Minh City, as well as elsewhere. Many Vietnamese questioned the Party leaders' accommodating approach toward China and naturally exerted pressure on the party-state. On the other hand, the regime faced the rise of domestic reactionary "pro-democracy" elements intent on using SCS card to undermine and destabilize the regime's security. Anti-party forces distributed leaflets and created social media sites and blogs, supported by a large number of anti-party Vietnamese abroad, mainly in the US, to press the party-state for further democratization and to take actions against China.

Against the background of these economic and security difficulties, Vietnam took a high-profile position diplomatically on the regional stage. The country's active and dynamic

engagement in and contributions to ASEAN community-building and ASEAN-based multilateralism since the beginning of the new century had helped enhance the nation's diplomatic standing. This continued to provide the basis for Vietnam's further participation in ASEAN-based integration to enhance its national standing and in the service of its development and security goals.

2. Vietnam's Policy Responses

2.1. Deepening International Economic Integration

In response to the regional economic context and the domestic economic difficulties, the Politburo held meetings in Hanoi in early 2008 to introduce policy orientations. Politburo Resolution No. 12/2007NQ-BCT set out an integration policy that declared as its goals the "active pursuit of regional and international economic integration appropriate to our membership in the WTO..." and "promotion of comprehensive economic partnership and trade agreements with major economic partners" with a view to "reaching socio-economic targets laid down in the Tenth Party Congress."³¹¹ The thinking of Vietnamese party-state leaders that primarily informed Vietnam's deeper integration policy orientations was that almost one decade of the country's rapid economic openness and its entry into the WTO had created opportunities for its international economic integration, thus participating more deeply in the global economy was a necessity, and this became more important when the economic networks between ASEAN and its major partners entered a new phase. Second, Vietnam believed that the establishment of bilateral FTAs with ASEAN's major partners, as well as FTAs between ASEAN and the organization's major partners, could create a "push" (*cú hích*) for increases in investment and trade with them and for competition with other economies in the region, particularly China.³¹² Third, Vietnam believed that the FTAs would create a pressing demand for the country to embark on reforms of the state sector for further operational effectiveness and competitiveness and create an equal playground between the different economic sectors.

³¹¹ Politburo Resolution No. 12/2007NQ-BCT, dated 15 December 2007, Hanoi: pp. 3–4.

³¹² Tran Dinh Thien, Director of Vietnam Economic Institute, "Vietnam's Economic Integration after the WTO," *The Economic Review* 10(3), 23 October 2009, p.14.

Given these considerations, between 2008 and 2010, the government signed five FTAs as an ASEAN member (between ASEAN and its individual partners: India, ANZ, South Korea, Japan, and China) and two bilateral FTAs: one with Japan and one with Chile. FTA negotiations with the EU and South Korea and CEP negotiations with India, Australia, and New Zealand also made progress. In 2010, Vietnam began negotiations for the TPP, at the same time negotiating with the EU on a European Free Trade Association. Moreover, Vietnam rammed up the restructuring of the state sector, of particular note was the rapid equitization of the remaining 1,783 small- and medium-sized SOEs, while there were only twelve multi-sectoral State Business Groups and some 100 state holding-subsidiary corporations transformed from large SOEs and State General Corporations by 2012.

The establishment of the FTAs and the restructuring of the economy helped boost economic growth and industrialization. In terms of trade interactions, in the first nine months of 2008, Vietnam's trade ties with and investment flows from ASEAN and ASEAN's major partners were robust. Newly registered FDI inflows had reached a record, with total newly registered capital valued at almost US\$64 billion, just over three times the 2007 level of US\$21 billion.³¹³ ASEAN and its major partners accounted for 87% of Vietnam's total FDI, with Japan being the largest investor, followed by the EU, South Korea, ASEAN, Taiwan, and the US. Similarly, total trade revenues rose to US\$143 billion, from US\$111 billion in 2007, and nearly 86.7% of the country's trade was with ASEAN and its major trade partners.³¹⁴ However, as the crisis hit the global economy in September 2008, Vietnam's trade performance and investment inflows were exposed. Registered FDI capital was disbursed at an extremely sluggish pace because of the scarcity of credit, stricter conditions for credit in the international financial markets, and bottlenecks in infrastructure, institutions, and the workforce.³¹⁵ Consequently, of the US\$64 billion newly registered FDI capital, only US\$11.5 billion was disbursed. Many Vietnamese economists expected the global credit crunch to make the investment climate worse in Vietnam if the

³¹³ Trade Promotion Agency, Vietnam Ministry of Industry and Trade, 2009.

³¹⁴ ASEAN was the largest trading partner (US\$29.945 billion), followed by China (US\$20.824 billion), Japan (US\$16.7 billion), the EU (US\$15.807 billion), the US (US\$14.534 billion), South Korea (US\$9.05 billion), and Australia (US\$5.71billion), according to the Trade Promotion Agency, Vietnam Ministry of Industry and Trade, 2009.

³¹⁵ ³¹⁵ Nguyen Vu Tung, "Impacts of the Global Financial Crisis to Vietnam," in Konrad Adenauer Stiftung, (Ed.), *Global Financial Crisis and Its Impacts on Asia*. Korea: Korea Office, pp. 93–108.

crisis was exacerbated, including a possible withdrawal of foreign investors' capital or delays and cancellations of FDI projects.³¹⁶ In trade terms, from the fourth quarter of 2008, Vietnam faced a sharp decline in demand for its exports.³¹⁷ The reason for this was the reduced demand from Vietnam's leading partners—the US, the EU, and Japan—which took roughly 60% of Vietnamese exports in 2007.³¹⁸ This led to an increase in Vietnam's trade deficit, recorded at US\$17 billion or nearly 20% of GDP. Apart from this trade deficit, inflation rate grew rapidly, financial capital mobility faced difficulties, and unemployment increased.³¹⁹ The overall economic growth rate of 2008 declined to 6.23%, lower than the annual average GDP growth rate of 7.5% in the period 2001–2007, though still considered a decent rate when compared to that of other countries in the region.

In response, the government released Resolution 30/2008/NQ-CP on Urgent Measures to deal with the recession and maintain growth and social security. The Resolution introduced a wide range of measures that focused primarily on boosting production and business; strengthening exports; stimulating investment and consumption; guaranteeing social security; and setting a target growth rate of 6.5% for 2009.³²⁰ It also introduced, among other things, an expansionary fiscal policy to support small and medium enterprises (SMEs) for export activities: SMEs could take advantage of (i) a 30% Corporate Income Tax (CIT) deduction; (ii) an extension of up to 9 months on the deadline for submission of tax payable for 2009; and (iii) a temporary refund of 90% of Value Added Tax (VAT) for exported goods without justifiable payment documents. In early 2009, the government announced a “fiscal stimulus package” valued at about US\$6 billion (VND100 trillion), accounting for

³¹⁶ Vo Tri Thanh, “Impact of Global Financial Crisis on Vietnam's Economy and Recommended Policy Responses,” in *The Impact of the Global Financial Crisis on Developing Countries*. Hanoi: Institute of Development Studies, 12 November 2008, p. 17; Le Thi Thuy Van, “Vietnam's Policy Responses to the Financial Crisis,” *EAI Background Briefs No. 447*. Singapore: East Asian Institute, National University of Singapore, 14 April 2009; Pham Van Ha, “Overview of Macroeconomic Indices of Vietnam in 2008,” in Nguyen Duc Thanh (Ed.), *Vietnamese Economy 2008: Recession and Challenge for the Reforms*. Hanoi: Vietnam Center for Economics and Policy Research, 2008.

³¹⁷ According to the Vietnam Trade Promotion Agency, VIETTRADE, a strong decrease in exports led to a decline in export revenue to less than US\$5 billion a month after October 2008.

³¹⁸ In 2007, Vietnamese exports to the US, the EU, and Japan accounted for 26%, 19%, and 16% of total exports, respectively.

³¹⁹ According to the Vietnam Labor and Employment Agency (Vietnam Ministry of Labor-Invalid and Social Affairs), reports from 41 of the 63 provinces and cities of Vietnam as of 28 February 2009 indicate that 66,700 workers (out of 45 million workers) lost their jobs in 2008, with a national unemployment rate of 4.65%. Thus, it is estimated that over 80,000 workers lost their jobs nationwide in 2008.

³²⁰ Resolution No. 30/2008/NQ-CP, dated December 11 2008, pp. 4–11.

6.8% of GDP, to promote consumption and investment, including tax cuts and interest rate assistance for firms in the business and manufacturing sectors to boost exports.

However, as the global economic recession worsened in 2009, Vietnam's economy came to be more severely affected, in spite of the government's interventions. According to the Vietnam General Statistical Office (GSO), in the first quarter, the growth rate reached its lowest point, at 3.14%, because of a further decline in export demand and the reduced FDI.³²¹ The deepening economic recession led the government to reduce the targeted growth rate from 6.5% to 5% in late March. In the subsequent quarters, trade revenues gradually rebounded. **Table 11** shows that the US, the EU, Japan, and ASEAN's other major partners remained the leading export markets for Vietnam, but there was a downturn in the value of exports, while China and ASEAN remained Vietnam's largest sources of raw materials, intermediate goods, and machinery. These imports were important to Vietnam to serve its outward exports, but the reduced demand for Vietnamese exports led to a trade deficit of US\$12 billion in 2009, although this was a reduction of 27% on the deficit for 2008 (US\$17 billion).

Table 11: Vietnam's Trade with ASEAN and ASEAN's Major Partners in 2009 (Million)

Country/Region	Exports	Imports	Total Trade	% of total
ASEAN	8,584	13,811	22,395	17.8
China	4,909	16,441	21,350	16.95
The US	11,356	3,009	14,365	11.4
Japan	6,292	7,468	13,940	11.1
The EU	7,711	5,501	13,212	10.5
Taiwan-Hong Kong	2,155	7,078	9,233	7.33
South Korea	2,064	6,976	9,040	7.17
Australia-New Zealand	2,977	1,300	4,277	4
India	420	1,635	2,055	1.65
Total	46,469	63,219	109,688	87.1
Total trade with the world	57,000	69,000	126,000	100

Source: Trade Promotion Agency, Vietnam Ministry of Trade (VIETTRADE, 2010–2011)

³²¹ Vietnam's export revenue for the first two months of 2009 reached only US\$8 billion, a reduction of 5.1% on 2008 figures. US\$11.8 billion dollars was spent on imports as of the end of the first quarter, a decline of 45%. The decline in imports thus suggests a concomitant fall in production activities for exports and reduced demand for domestic consumption amidst the crisis. In addition, the registered FDI for the first quarter of 2009 amounted to only US\$6 billion, a decline of 40%.

Similarly, the total of newly registered FDI dropped significantly, to only US\$21.5 billion, of which US\$16.34 billion was related to newly licensed projects (making up 76%, 839 projects). This figure was equal to the 2007 level and one-third of the 2008 level. The top five investors were ASEAN, Japan, South Korea, the EU, and the US.³²² All told, Vietnam's export volume fell by 9.7%, and the decline in FDI contributed to a further slowdown of the growth rate, from 6.23% in 2008 to 5.32% in 2009 (GSO, Annual Report 2009). However, this growth rate represented a success given that Hanoi had changed its target from 6.5% to 5% after the low of the first quarter. Vietnam became a middle-income country in 2009, with a GNP per capita income of over US\$1,200.

A New Phase in Vietnam's Economic Rebound

The recovery in Vietnamese exports occurred in tandem with the economic recovery of the country's major trading partners. Export revenues for 2010 reached US\$72 billion, an increase of 26% on the previous year. In 2011, it increased by 34% or nearly US\$97 billion, of which foreign-invested enterprises contributed US\$47.8 billion and domestic firms made up US\$48.4 billion. **Table 12** indicates that the US, the EU, ASEAN, Japan, and China, respectively, became the five largest export markets for Vietnam between 2010 and 2011, accounting for 71–73% of its total exports to the world. In terms of import-export turnover value, however, China and ASEAN, respectively, became Vietnam's largest trading partners because there was a surge in imports of raw materials, intermediate goods, and machinery used for export-led production activities, as well as an increase in imported essential goods for domestic consumption. Excluding Taiwan and Hong Kong, Vietnam's bilateral trade with ASEAN and the major partners of ASEAN that had entered into CEPs/FTAs with the organization since 2010 accounted for 80–81% of Vietnam's total trade revenues in 2010–2011.

According to the Vietnam Ministry of Trade, between 2010 and 2011, Vietnamese exports of its main products enjoyed many advantages as unit prices in the world market increased sharply.³²³ The main Vietnamese exports that enjoyed this price advantage are shown in

³²² Vietnam Ministry of Planning and Investment, 2010.

³²³ For example, in 2010, unit prices increased for, among other products, rubber by 81%, textiles and garments by 20%, cashew nuts by 22%, coal by 53%, and crude oil by 34%, according to the Vietnam Trade Promotion Agency, VIETTRADE 2010–2011.

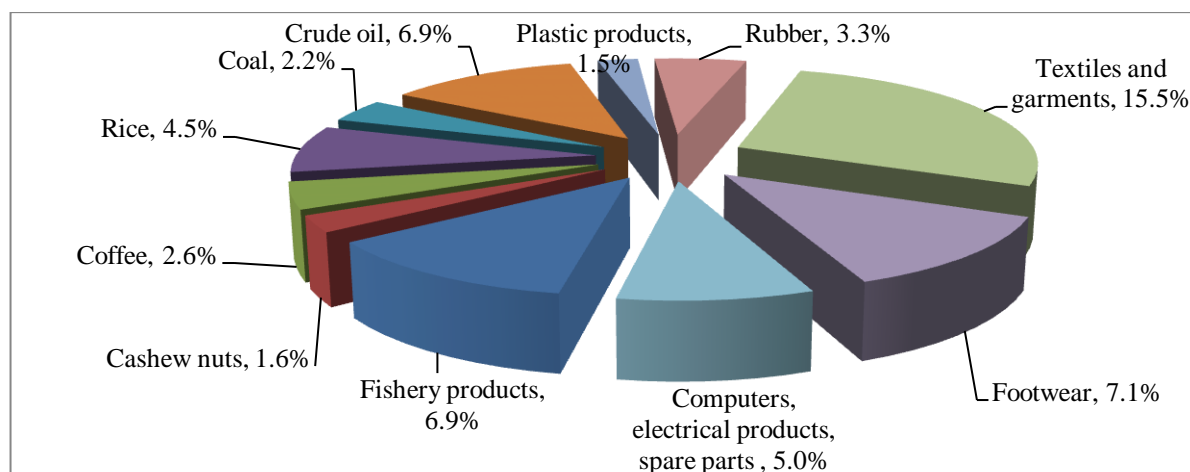
Figure 3. As a result, the trade deficit of 2011 declined to US\$10 billion, down 21% on 2010. This proportion was lower than the government’s target of a 16% decline for 2011. As of November 2012, total export turnover reached US\$114.6 billion, a rise of 18.3% on the same period in 2011, of which the domestic economic sector comprised US\$41.6 billion and the FDI sector (including crude oil) US\$73 billion, a rise of 31.8% (See **Figure 4** for top exports).

Table 12: Vietnam’s Trade Interactions with ASEAN and ASEAN’s Major Partners

Country/ Region	Year 2010				Year 2011			
	Exports	% of Total Exports	Bilateral Total Trade	% of Trade with the World	Exports	% of Total Exports	Bilateral Total Trade	% of Trade with the World
China	7,308	10.15	27,327	17.5	11,125	11.5	25,719	17.5
ASEAN	10,350	14.4	26,744	17.2	13,500	13.9	34,220	16.8
The EU	11,385	15.81	17,598	11.3	17,500	18.04	26,785	13.3
The US	14,238	19.8	18,094	11.6	16,928	17.5	21,457	10.51
Japan	7,727	10.73	16,743	10.73	10,781	11.12	21,181	10.4
Korea	3,092	4.3	12,853	8.24	4,715	4.7	17,891	8.8
Taiwan- Hong Kong	2,906	4.1	10,742	6.9	4,049	4.17	13,576	6.7
ANZ	2,862	3.93	4,657	3	2,670	2.8	4,793	2.35
India	991	1.38	2,753	1.77	1,554	1.6	3,900	1.91
Total	60,859	84.53	137,511	88.15	82,822	85.33	169,522	83.1

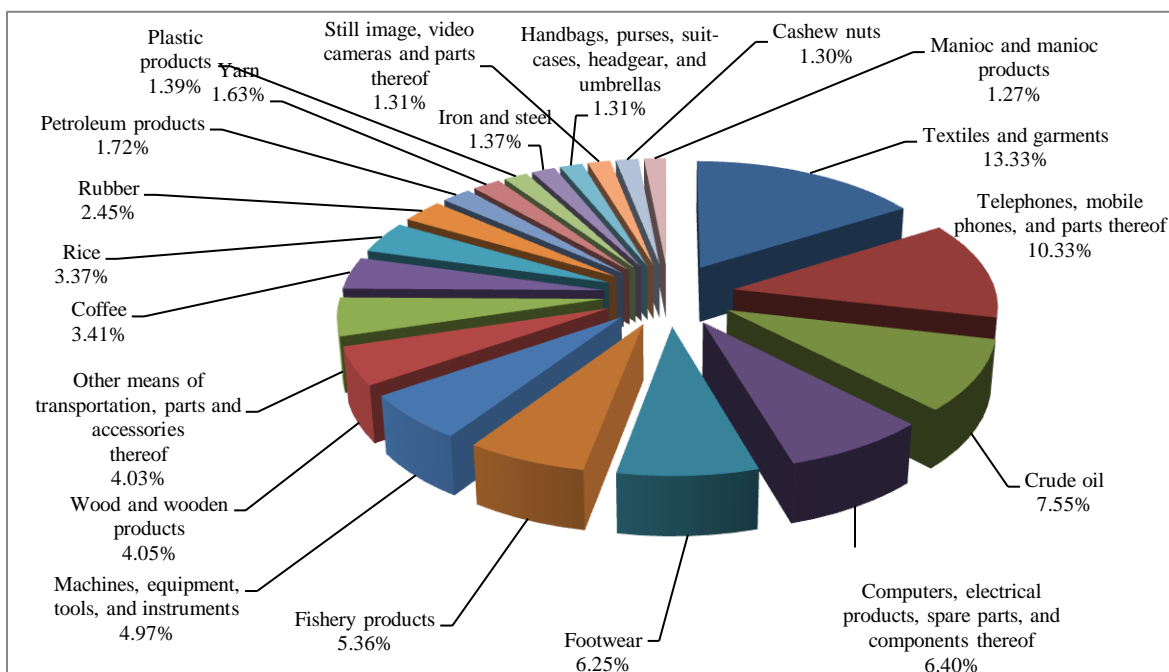
Source: Trade Promotion Agency, Vietnam Ministry of Trade (VIETTRADE 2010, 2011, 2012)

Figure 3: Share of Main Export Products 2010



Source: Vietnam Trade Promotion Agency, VIETTRADE 2010–2011.

Figure 4: Vietnam's Top 20 Export Products in the First Nine Months of 2012



Source: Vietnam Trade Promotion Agency, VIETTRADE 2012

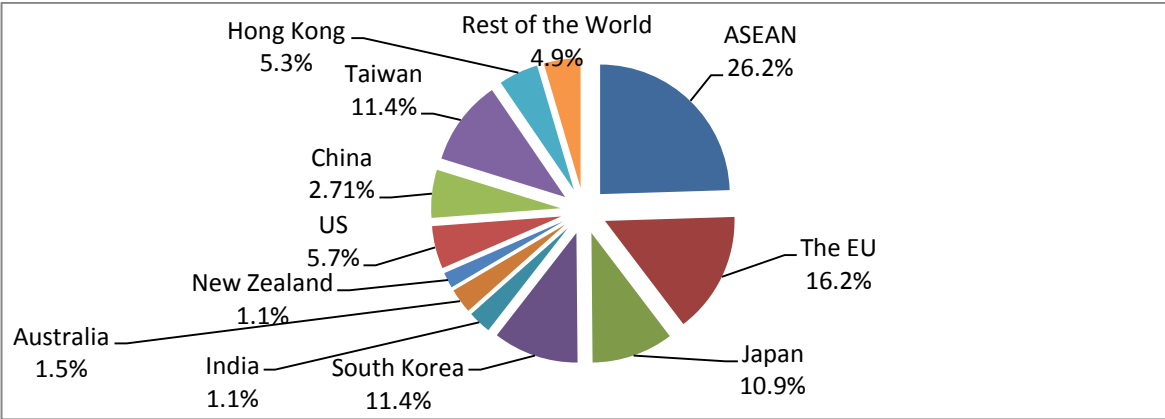
Vietnam's trade with ASEAN and the organization's major partners made up 89% of total trade revenue, with the US, Japan, the EU, ASEAN, China, and South Korea, respectively, being the largest export markets for Vietnam. Import turnover reached US\$114.3 billion, increasing by 7.1%.³²⁴ Thus, Vietnam enjoyed a trade surplus of US\$300 million, a huge improvement in its trade balance after the US\$10 billion trade deficit of 2011.

In terms of investment, the sector's structure changed significantly, in favor of the manufacturing sector. According to the Ministry of Planning and Investment (MPI), in 2011, manufacturing and construction made up 76% of investment, much higher than the 54% of 2010, while the proportion of real estate in FDI fell heavily, from 34% in 2010 to just 6% in 2011. As of October 2011, there had been 13,435 valid FDI projects valued at US\$204.195 billion, including newly registered capital worth US\$14 billion. **Figure 5** shows that ASEAN and the "Plus Three," the EU, the US, Australia-New Zealand, and

³²⁴ According to the GSO, the increased import rate of 7.1% was a success because, although at the beginning of 2012 the government set a target for imports of an increase of 11–12%, under some circumstances it could be lowered to 10%.

India, constituted 79.5% of Vietnam’s total foreign investment capital (US\$204.195 billion) and that Taiwan and Hong Kong made up nearly 17%.

Figure 5: FDI Share of ASEAN and ASEAN’s Major Partners as of October 2011



Source: Compiled with data from the GSO, VIETTRADE, 2011–2012

In the first eleven months of 2012, newly registered FDI capital was US\$13.2 billion, with the manufacturing sector representing 72.8% of total FDI inflow. Among the foreign investors in 2012, Japan’s newly registered capital was nearly US\$5.3 billion, accounting for over 38% of the total, making Japan the largest single investor in Vietnam as of 2012.³²⁵ Besides the rebound in trade and investment, the inflation rate declined significantly, from 18% by the third quarter of 2010 to 9.96% over the same period in 2012. The consumer price index (CPI) was 9.43% up for the first 11 months of 2012 compared with same period in 2011.³²⁶ The GDP growth rate averaged 5.7% for the years 2010–2012.

In sum, the 2008–2012 period saw Vietnam’s deeper integration into the international economy. In spite of the global crisis, Vietnam viewed the deepening into economic links with ASEAN and the organization’s major partners as its primary objective in maintaining economic development and industrialization. The establishment of the FTAs between ASEAN and its major partners, and the bilateral FTAs and CEPs between Vietnam and ASEAN’s major individual partners, combined with the SOEs restructuring, were

³²⁵ Ibid. As of September 2012, of 14,198 valid FDI projects valued at US\$217.3 billion, Japan invested in 1,758 projects worth US\$28.6 billion, accounting for 13.74% of Vietnam’s total FDI value.

³²⁶ Vietnam GSO. From the 2012 monthly statistics information of the GSO at [http://www.gso.gov.vn/default_en.aspx?tabid=491].

instrumental in this regard. However, it was not until 2010 that Vietnam enjoyed economic rebound as well as increased investment inflows, even though the government produced macroeconomic measures and solutions to mitigate its economic exposure in the wake of the global crisis. Vietnam's economic performance since the global crisis clearly shows the country to be one of the fastest-growing economies and one of the most attractive investment destinations, despite the downturn triggered by the contagion of the crisis.

2.2 Strengthening National Defense and Security

In security, the 2008 Resolution of the Politburo stressed “strengthening defense diplomacy, proactive and active participation in multilateral security institutions in ASEAN and the Asia-Pacific to improve a peaceful environment and firmly protect independence, national sovereignty, and territorial integrity.”³²⁷ It is also worth noting that in 2008, for the first time, the Vietnam Maritime Strategy Toward 2020 was introduced, with the primary goals of developing a maritime economy,³²⁸ building the country into a maritime power, strengthening ocean management, and giving great importance to “coordinating security and defense strategies with foreign policy so as to protect national sovereignty and territorial integrity in service of maritime economic exploitation.”³²⁹

Under the guidelines of the Politburo Resolution and the introduction of the Maritime Strategy, Vietnam forged a new stage of defense relations with all the major powers and beefed up its military capabilities. Military exchanges with the US and visits to Vietnamese ports by US Navy warships were elevated to a new height. Relations with Japan, India, and Russia on defense have received a new emphasis too, with a view to developing strategic partnerships into broader arrangements. Vietnam also established strategic relations with

³²⁷ Politburo Resolution No. 12/2007NQ-BCT, dated 15 December 2007, Hanoi: pp. 3–4.

³²⁸ By 2020, the maritime economy will contribute about 53–55% of GDP, 55–60% of the country's exports, solving social problems and contributing significantly to improving the lives of those in the marine and coastal regions.

³²⁹ Specifically, the coordination of security-defense strategies with foreign policy is designed to (1) promote overall strength while firmly protecting independence, sovereignty, sovereign and jurisdictional rights, territorial and maritime integrity, and national airspace; (2) combine “the forms and methods of political, diplomatic, legal, economic, and defense fronts to manage and protect airspace and sea-and-islands” with the “people's security posture”; and (3) build up the armed forces, with the key focus on beefing up naval capabilities, joint naval-air forces, the coast guard, the border guard, and a strong armed maritime militia. The coordination of these three factors together serves as a solid basis for fishing and other maritime-based economic components.

Australia and South Korea in 2009, and defense interactions have since been stepped up. Defense interactions with ASEAN's littoral states took the shape of regular military meetings, confidence-building measures, and maritime cooperation. At the same time, Vietnam's naval power, joint air-naval forces, and coastal missile forces have been developed, notably by the procurement package of six Kilo-class submarines from Russia. All of these new moves were intended to shape Maritime Strategy to protect sovereignty and vital maritime economic interests. This revised policy was a clear response to China's renewed assertiveness in the SCS since late 2007.

2.2.1 The Re-emergence of the SCS Dispute: Vietnam's Approaches

This subsection examines the new developments in the SCS disputes between Vietnam and China and their causes. A substantial part investigates the approaches Hanoi adopted to deal with China's potential aggression in the SCS. The first was the "multilateral" approach, which aimed to make full use of ASEAN and ASEAN-centric multilateral security dialogues as useful leverage for the creation of a regional COC (this was also part of Vietnam's enmeshment strategy). The second approach involved the strengthening of "self-help" option by forging new developments in defense capabilities, especially naval power, to deter its northern giant from using force in the SCS. The third approach is the combination of two methods—pursuing engagement alongside a stronger defense, using what might therefore be called "defense diplomacy." To put it differently, on the one hand, Vietnam developed relations with China in the area of defense as a way of preventing China from using force in the SCS and as a diplomatic tool of prevent any dispute spillover effects from the dispute affecting bilateral politico-economic relations; on the other hand, Vietnam sought to deepen its military ties with the ASEAN littoral states and with other major powers to enhance protection of its waters against China.

2.2.1.1 Outstanding Sino-Vietnamese Issues in the SCS

Since 2007, China's unprecedented assertive approach in the SCS had determined the nature of the disputes. In late 2007, China established the city of Sansha to administer the Parcel and Spratly Islands (and the submerged reef of Macclesfield Bank), which led to Vietnam's strong diplomatic protests and stirred up anti-China riots in Hanoi and Ho Chi

Minh City. In 2009, China sent the United Nations its official map of the SCS, showing the enigmatic “nine-dotted-line” or “U-shaped line” to claim over 80% of the region as under its “indisputable sovereignty.” Immediately, China’s provocative action was protested at the diplomatic level by Vietnam, along with the three other ASEAN claimants and even non-claimant Indonesia. In January 2010, China decided to establish local governing bodies in the Paracel Islands and to develop the islands’ tourism industry. These actions provoked Hanoi’s condemnation as a violation of Vietnamese sovereignty.³³⁰ In addition, senior Chinese officials told high-ranking US visitors that it had put the SCS into its “core national interest” category of non-negotiable territorial claims—along with Taiwan and Tibet.³³¹ This implied that China was entitled to defend its national interests in the SCS at all costs, including the use of force. Later, China published the “2010–20 Grand Plan for Construction and Development for the International Tourism Island of Hainan,” in which the Paracel and Spratly Islands would be incorporated in an oceanic multi-purpose complex under the management of the province of Hainan, air and sea tourist routes bound for the Paracel Islands would be enhanced, and registration for the right to use uninhabited islands would be encouraged. In June 2010, a spokesperson from Vietnam’s Ministry of Foreign Affairs condemned the Chinese plan as a violation of its sovereignty and contradictory to the spirit of the DOC, quoting Provision Five of the DOC that “the parties undertake to exercise self-restraint in the conduct of activities that would complicate and escalate disputes and affect peace and stability, including refraining from any action of inhabiting the presently uninhabited islands, reefs, shoals, cays and other features, and to handle their differences in a constructive manner.”³³²

To strengthen the basis for the legal enforcement of its claims, the Chinese authorities took a wide range of measures to assert their *de facto* control over the SCS. First, China conducted occasional military exercises in the disputed area to send deterrent signals to

³³⁰ Statement by the Spokesperson of Ministry of Foreign Affairs of Vietnam on 4 January 2010. [http://www.mofa.gov.vn/vi/tt_baochi/pbnfn/ns100104182947#KvTE0ShBsOB].

³³¹ See more details in “Chinese Military Seeks to Extend Its Naval Power” at [www.nytimes.com/2010/04/24/world/asia/24navy.html?_r=1&scp=1&sq=Chinese%20Military%20Seeks%20to%20Extend%20Its%20Naval%20Power&st=cse&].

³³² Regular Press Briefing by Vietnam Ministry of Foreign Affairs Spokesperson on 24 June 2010. Retrieved from [http://www.mofa.gov.vn/en/tt_baochi/pbnfn/ns100624185700#JVew0HAfgRkg].

other claimants.³³³ The frequency and coordination level of Chinese military exercises have increased in recent years.³³⁴ Second, China intensified pressure on international firms and corporations to withdraw oil and gas exploitation projects from Vietnam, even though their projects were being conducted within the sovereign and jurisdictional rights of the country.³³⁵ Third, China extended its encroachment on Vietnam's continental shelf and deliberately damaged Vietnam's seismic survey ships. From 2010, China used the survey vessel M/V *Western Spirit* and many escort ships to conduct seismic drill tests in the waters off Triton Island (Paracel Islands) and in Vietnam's oil and gas exploration Blocks 141, 142, and 143 on the continental shelf of Vietnam, in a region roughly 100 nautical miles from Ly Son Island (Quang Ngai Province). At the same time, it carried out ground leveling activities and land expansion on Triton Island in preparation for construction.³³⁶ Most recently, on May 26, 2011, just four days before convening the Shangri-La Dialogue, three marine surveillance vessels slashed a cable of a seismic survey ship, *Binh Minh 02*, operated by PetroVietnam at Block 148 about 80 nautical miles off the Vietnamese coast.³³⁷ Again, on June 9, a Chinese fishing boat escorted by Chinese patrol ships cut a seismic survey cable of *Binh Minh 02* at Block 136/03 within the 200-nautical-mile continental

³³³ Tran Truong Thuy, "Recent Developments in the South China Sea: Unconstrained Waves of Tensions," *International Studies*, 24 (June 2011) p. 39.

³³⁴ In the middle of 2010, China conducted a military exercise in the SCS. In June the following year, it conducted daytime and night-time military exercises in the disputed area, involving a total of 14 Navy patrol boats, landing craft, and submarine hunting boats, along with two military aircraft (See more detail at [<http://newsinfo.inquirer.net/15864/china-holds-3-day-military-exercises-near-spratlys>]). In October 2012, two Chinese naval fleets conducted joint military exercises in the SCS to test emergency combat capabilities [<http://www.telegraph.co.uk/news/worldnews/asia/china/9632972/Chinese-naval-fleets-conduct-joint-military-drills-in-the-South-China-Sea.html>].

³³⁵ In June 2007, after Chinese pressure over its gas pipeline construction project, British Petroleum (BP Inc.) decided to halt exploration projects in the gas fields of Moc Tinh and Hai Thach on continental shelf of Vietnam (Block 5.2, between the coast and the Spratly Islands of Vietnam, about 370 km offshore). In the middle of 2008, Chinese diplomats in the US repeatedly opposed Exxon Mobile and publicly threatened retaliation against the company in mainland China if it continued to cooperate with PetroVietnam in oil and gas exploration and exploitation projects in offshore areas near the central and southern part of Vietnam. Between 2008 and 2010, China frequently protested other exploration activities conducted by international energy companies within Vietnam's EEZ and continental shelf, such as BP in Block 117, PGS (Norway) in Block 122, Chevron (US) in Block 122, Pogo (US) in Block 124, ONGC (India) in Block 127, Indemisu (Japan) in Block 04-3, CoconoPhilips (US) in Block 133, Pearl Energy (UK) in Block 06-1, Knoc (South Korea) in Block 11-4, and Gazprom (Russia) in Blocks 111 and 113 (data provided by Prof. Nguyen Chu Hoi, General Administrator of Seas and Islands, Ministry of Natural Resources and Environment, Hanoi, 27 July 2012).

³³⁶ "Yêu cầu Trung Quốc chấm dứt khảo sát đảo Tri Tôn" [Protesting China to Stop Seismic Activities on Triton Island], *Ho Chi Minh Public Security Review*, 5 August 2010. Available at [<http://www.congan.com.vn/?mod=detnews&catid=681&id=127115>].

³³⁷ "Vietnam Says Chinese Boats Harassed Oil Exploration Ship," *Reuters*, 27 May 27 2011. Available at [<http://www.reuters.com/article/2011/05/27/vietnam-china-idUSL3E7GR15720110527>].

shelf of Vietnam and more than 622 miles from China's Hainan Island³³⁸ These aggressive Chinese moves not only led to diplomatic protests from Vietnam but also stirred up anti-China riots in many parts of the country and abroad.³³⁹ Fourth, every year, China imposed its unilateral fishing ban in the SCS for two months, usually in June and July, the peak of the fishing season. In 2006 and 2007, there were a number of press reports of incidents in which Vietnamese fishermen were killed or detained by Chinese patrol vessels and gunboats. From late 2007, Chinese enforcement became more threatening, with a longer, more frequent, and more aggressive patrol operations and more drastic detainment of fishermen. In 2009, Chinese forces repeatedly detained Vietnamese fishing boats near the Parcel Islands and demanded payment of a \$10,000 fine for the release of the fishermen.³⁴⁰ In 2010, six further incidents took place, including cases outside the unilateral fishing ban that led to diplomatic protests from Hanoi and increased Vietnamese demonstrations.³⁴¹ In recent years, China has deployed a number of renovated warships as patrol vessels to chase, collide with, and sink small Vietnamese and Filipino fishing boats.³⁴²

What has caused China's unprecedented assertive posture on the SCS dispute? Six possible explanations account for Beijing's revised approach. First, the lack of a legally binding

³³⁸ Tran Truong Thuy, "Recent Developments in the South China Sea: Unconstrained Waves of Tensions," *International Studies*, 24 (June 2011), p. 58.

³³⁹ After the 26 May *Binh Minh 02* incident, hundreds of demonstrators gathered in Hanoi to demand that China stay out of their waters. The group of mostly young people demonstrated in front of the Chinese embassy, many wearing Vietnamese flag T-shirts and carrying signs that read, "Stop Chinese invasion of Vietnam's islands." A second protest flared up after the 9 June *Binh Minh 02* incidents. Protests in front of Chinese diplomatic missions in Vietnam were held in Hanoi and Ho Chi Minh City. According to *Vietnam News* dated 11 June 2011, in Hanoi, about 300 people marched to the Chinese embassy on Saturday (11 June), waving placards and shouting slogans against Beijing's actions. In Ho Chi Minh City, more than one thousand protesters targeted the Chinese consulate. According to *AsiaNews* a number of marches targeting the Chinese embassy were also reportedly held in other countries, including Japan, with the slogan "Stop Chinese invasion of Vietnam's islands." There were also many calls on social media, especially Facebook, protest in support of Vietnam over disputes with China.

³⁴⁰ "Vietnamese Protests Chinese Ship Seizure," *Earth Times*, 30 March, 2010. Available at [<http://www.intellasia.net/vietnam-protests-chinese-ship-seizure-124129>].

³⁴¹ On 2 February 2010, a Chinese patrol boat stopped and boarded a Vietnamese fishing craft and seized its catch, navigational aids, spare parts, and tools. On 22 March, Chinese patrol boats detained a Vietnamese fishing boat and its 12-member crew, who were sheltering near Woody Islands in the Paracels. On 13 April, a Chinese naval patrol seized a second Vietnamese fishing boat and its crew of nine near Da Loi Island (near the Paracels) and demanded payment of a US\$10,000 fine. On 4 May, Chinese Fishery Administration vessels seized a Vietnamese fishing boat in the Parcel archipelago and demanded a fine of US\$8,000. In June, China seized three Vietnamese fishing boats and arrested the crew in waters east of the Gulf of Tonkin and near the Parcel Islands. In September, China seized a Vietnamese fishing trawler and arrested its crew of nine in waters near the Paracels, according to a source in the Vietnam Ministry of Foreign Affairs.

³⁴² Do Thanh Hai, "In Retrospect of China's Policy toward South China Sea Disputes since 2007," *International Studies*, 24 (June 2011), p. 139.

multilateral mechanism provided room for China's maneuvers. Although China's entrance to the 2002 DOC marked a major change in its stance from a bilateral approach to "bi-multilateralism," involving China on the one hand and ASEAN on the other, the DOC only serves as a political document created by all signatories pledging to seek peaceful solutions to disputes and maritime cooperation in order to maintain regional stability in the SCS, without any enforcement mechanisms to sanction violators.³⁴³ This legal vacuum has been instrumental for China in taking unilateral actions in the SCS. Second, thanks to decades of endless economic growth, China has built up its power, economically and militarily, to a level that has made it much more self-confident and assertive in its external behaviors, particularly during and after the global financial crisis.³⁴⁴ Thus, China's changing posture on the SCS was linked to its overall security and economic development strategies to become a global power. It has been argued that Chinese expansion in the SCS was just a part of its overall expansionist plans, which include "hard expansion" to enlarge its land and maritime territories and "soft expansion" to enhance its influence and presence in all areas considered strategic in terms of natural materials, energy reserves, and geopolitical significance.³⁴⁵ Third, the increasing role and activities of the People's Liberation Army (PLA) and China's growing nationalism, as well as competition between interest groups (especially law enforcement agencies and energy corporations) exerted a profound influence on China's policy changes on the SCS issue. Fourth, the stabilizing of China-Taiwan relations allowed for the diversion of Chinese priorities, capabilities, and resources to other issues, notably the SCS.³⁴⁶ Fifth, actions taken by other claimants in response to Beijing's revised posture contributed to China's overreactions.³⁴⁷ Sixth, Washington's

³⁴³ According to Provision Five of the DOC, "the parties undertake to exercise self-restraint in the conduct of activities that would complicate and escalate disputes and affect peace and stability including, among others, refraining from any action of inhabiting the presently uninhabited islands, reefs, shoals, cays, and other features, and to handle their differences in a constructive manner." However, the Declaration does not clarify what kind of activities could be considered to complicate or escalate a dispute. See more details in Tran Truong Thuy, "Recent Developments in the South China Sea: Unconstrained Waves of Tensions," *International Studies*, 24 (June 2011), pp. 37–38.

³⁴⁴ Ian Storey, "The South China Sea: The Theatre for Emerging Strategic Competition?" Paper Presented at Security Environment in the East Asian Seas, Ocean Policy Research Foundation, Tokyo, 16–17 February 2011, p. 2. Available at [http://blog.canpan.info/oprf/img/858/dr.storey_presentation.pdf].

³⁴⁵ Giap Van Duong, "Vietnam 2008: Twelve Major Problems to Solve." Paper presented at the Retrospect Vietnam workshop, p. 13. Available at [http://hoithao.viet-studies.info/2009_GVDuong.pdf].

³⁴⁶ Tran Truong Thuy, "Recent Developments in the South China Sea: Unconstrained Waves of Tensions," *International Studies*, 24 (June 2011), p. 50.

³⁴⁷ Since late 2007, all SCS disputants have enhanced their infrastructure and boosted propaganda campaigns about their sovereignty and jurisdiction, as well as stepping up patrols and reconnaissance at sea; particularly

changing strategic focus on East Asia, which led to the development of political and military ties with its allies and ASEAN member states and, thus, to indirect US involvement in the SCS issue, was a catalyst for China's increasingly assertive posture.

2.2.1.2 Vietnam's Approaches

Bringing the SCS to Multilateral Security Agendas

As China's renewed assertiveness in the SCS generated serious concern, the Hanoi leadership calculated that bilateral negotiations on this contentious issue would not stop China's aggressive actions. The diplomatic protests and talks³⁴⁸ with Beijing over the killing or detention of Vietnamese fishermen and over the pressure out by Beijing on international companies exploring for oil and gas in Vietnam's EEZ and continental shelf did not bring any obvious positive results. One Vietnamese foreign policy expert pointed out that "[a]lthough we have consistently pursued an accommodating stance to reduce tensions with China and endeavored to seek a peaceful resolution on the basis of international law, the spirit of the DOC, and the Sino-Vietnamese memorandum of mutual understanding on the issue, facts show that we cannot prevent China's unpredictable and aggressive actions. We urgently need to make best use of favorable international conditions to cope with this issue, especially through multilateral regional institutions."³⁴⁹ According to the Director of the Institute for Vietnamese Foreign Policy and Strategic Studies, Hoang Anh Tuan, China's changing posture on the SCS could have offered an opportunity for Vietnam to gain international support because those very Chinese actions could stir up the

notable are Taiwan's completion of a runway on the Island of Itu Aba, the visit of former Taiwan leader Chen Shui-bian to the island, and his mention of the "Sansha Initiative" (Spratly Initiative); the Filipino President's signing of a law on a new baseline of the Philippines (RA9522) in 2008 to lay claim to the Spratlys; Malaysia's claims over part of the Spratly Islands by the visit of its Deputy Prime Minister and Defense Minister on 12 August 2008, and that of its Prime Minister to Hoa Lau Island on 5 March 2009; Malaysia and Vietnam's submission of a joint proposal to the UN Commission on the Limits of the Continental Shelf (CLCS) in relation to an area of seabed in the southern SCS located seaward of their EEZ limits on 6 May 2009—a week before the deadline of submission designed by the CLCS.

³⁴⁸ In late 2008, Hanoi and Beijing agreed to start bilateral discussions on maritime issues, with priority given to developing a set of "fundamental guiding principles" for settling specific issues. By the middle of 2010, three sessions had been held and both sides had agreed to settle differences through "peaceful negotiations" and to "refrain from any action to complicate the situation, violence, and the threat of use of violence." However, China continued to harass and detain Vietnamese fishermen, as well as exerting pressure on Vietnam's foreign oil and gas exploitation partners. (Answer from Vietnam Ministry of Foreign Affairs spokesperson Nguyen Phuong Nga to questions by *Vietnam News*, 3 June 2010.)

³⁴⁹ Personal interview with Mr. Nguyen Cong Khanh, Professor of Vietnam's Foreign Policy Studies, Vinh University, Vietnam, Vinh, 24 July 2012.

regional and international communities' concerns about the region's stability and navigational freedom in international waters.³⁵⁰ Needless to say, Chinese disruption of the balance of power in its favor and other outstanding issues in Sino-US relations, as well as strategic US maritime interests, could have given incentives for Washington to engage in the region's affairs, including the SCS, to curb China's growing power in the region. Japan and India also had problems with China, given its renewed assertiveness in claims over the East China Sea (Diaoyutai in Chinese or Senkaku in Japanese) and over the 4,057-kilometer border China shares with India, especially in Arunachal Pradesh. Tokyo and New Delhi also had vested interests in the vital sea-lane trade routes along the SCS corridors. China's growing assertiveness in the SCS could have thus provoked the Asia-Pacific's major powers to involve themselves in mediation on the issue for the sake of regional stability and for their strategic and maritime interests. ASEAN had also come to demonstrate its increasing relevance in managing traditional security issues within the region, as evidenced by the creation and expansion of the region's multilateral security institutions. All of these factors were relevant for Hanoi in making full use of "favorable external conditions" to multilateralize and internationalize the issue and, eventually, to establish an ASEAN-China regional COC. Domestically, social concerns relating to the surge in nationalist anti-Chinese sentiments had a significant effect on the leaders' more assertive stance on China.

For these reasons, Vietnam actively sought opportunities to multilateralize the SCS issue, through the China-ASEAN, intra-ASEAN, and, particularly, ASEAN-centered security arrangements with a view to enmeshing its northern giant within a legally binding mechanism.

One chance came during Vietnam's chairing of ASEAN in 2010. Before chairing ASEAN meetings and multilateral security dialogue meetings, Vietnam had held two meetings of the ASEAN-China JWG on the DOC to address incidents in the SCS arising from China's actions. On 16 April, the JWG met in Hanoi for two days to discuss "concrete measures for coordination and effective realization" of the DOC.³⁵¹ At the 43rd AMM, 19–20 July,

³⁵⁰ Personal interview with Dr. Hoang Anh Tuan, Director of Institute of Strategic Studies and Foreign Policy, Diplomatic Academy of Vietnam, Hanoi, 15 February 2012.

³⁵¹ "ASEAN-China Joint Working Group Meets in Hanoi," *Vietnam News Agency*, 17 April 2010.

Ministers “stressed the importance of maintaining peace and stability in the South China Sea,” “reaffirmed the importance of the DOC,” “underscored the need to intensify efforts to ensure the effective implementation of the Declaration,” and “looked forward to the eventual conclusion of the Regional Code of Conduct in the South China Sea.” ASEAN Ministers also tasked ASEAN Senior Officials to work closely with their Chinese counterparts to reconvene the ASEAN-China SOM on the DOC at “the earliest opportunity.”³⁵² In response, at the ASEAN-China Foreign Ministers Meeting, China’s Foreign Minister, Yang Jiechi, agreed to implement the DOC but declared that an ASEAN-China SOM on the DOC would be held at the “appropriate time.”³⁵³

At the 17th ARF, held on July 23 in Hanoi, Vietnam utilized its role as ASEAN Chair to put the SCS on the agenda and call for the adoption of the DOC implementation toward the COC. Unsurprisingly, US Secretary of State Hillary Clinton announced a major shift in White House policy on the SCS dispute, stressing that Washington was prepared to play a more proactive role in helping implement confidence-building measures consistent with the 2002 ASEAN-China Declaration.³⁵⁴ Clinton stated that the US had a national interest in freedom of navigation, open access to Asia’s maritime commons, and respect for international law in the SCS. She also stressed US support for a “collaborative diplomatic process” and the 2002 ASEAN-China DOC, calling the involved parties to reach agreement on a COC.³⁵⁵ In response, Yang Jiechi highlighted the ability of the DOC to enhance mutual trust and to create favorable conditions and a good atmosphere for a final resolution of the disputes. He insisted, however, that the SCS issues should not be internationalized and that the DOC should not be viewed as a dispute between China on one side and ASEAN on the other. He stressed the Chinese position that disputes should be handled on a bilateral, not multilateral, basis, adding that there had been JWG consultations on DOC, and that, “when the conditions are ripe,” an SOM could also be held.

³⁵² See more details (in particular, Point 28) in “Joint Communiqué of the 43rd ASEAN Foreign Ministers Meeting.” Retrieved from [<http://www.asean.org/communities/asean-political-security-community/item/joint-communication-of-the-43rd-asean-foreign-ministers-meeting-enhanced-efforts-towards-the-asean-community-from-vision-to-action-hanoi-19-20-july-2010-3>].

³⁵³ Tran Truong Thuy, “Recent Developments in the South China Sea: Unconstrained Waves of Tensions,” *International Studies*, 24 (June 2011), p. 51.

³⁵⁴ See [http://www.viet-studies.info/kinhte/power_play_in_sea.htm] for further details.

³⁵⁵ Remarks at Press Availability, Hillary Rodham Clinton, Secretary of State, Hanoi, Vietnam, 23 July 2010. [<http://www.state.gov/secretary/rm/2010/07/145095.htm>].

Right after the ARF meeting, a statement was posted by China's Foreign Ministry citing cautionary words from Yang Jiechi's: "[W]hat will happen if this issue is made into an international or multilateral one? It will only make matters worse and the resolution more difficult."³⁵⁶ In this regard, indirect US intervention in the SCS and its support for the ASEAN claimants' position apparently was of grave concern to Beijing. In response to the implicit US "attack on China" at the 17th ARF, in September China attempted to prevent the ASEAN-US Summit from discussing the SCS issue by voicing its opposition to the US proposal for the SCS.³⁵⁷

The July ARF subsequently led Beijing to soften its tone regarding its position on the SCS. The weight of Clinton statement and regional states' support for a multilateral approach created a debate in Beijing over whether it had been wise to elevate the SCS to a "core interest." According to an article issued on 27 August 2010 by the columnist Li Hongmei in the *People's Daily*, some Chinese military strategists and scholars believed that incorporating the SCS into the package of China's core national interests was, for the moment, "not a wise move." They considered that the claim would "upset and enrage the US" and could "strike a nerve with China's neighboring countries." In addition, it was felt that the claim could "make it easier for the US to bring its carrier close to China home and make the regional issue [South China Sea] international ... to strengthen US leadership and its economic, military, and political presence in East Asia."³⁵⁸ As a result, in late September, the Chinese Ambassador to the Philippines, Liu Jianchao, announced that China and the Southeast Asian countries had initiated discussions at the working level to "draw up a code of conduct" and that China was "ready to work with the other parties concerned on this document," although no deadline for ongoing consultations was set.³⁵⁹ In addition, just before the ADMM+ in Hanoi, China informed Vietnam that it would unconditionally release a trawler and its crew of nine detained in September near the Parcel Islands.

³⁵⁶ "Foreign Minister Yang Jiechi Refutes Fallacies on the South China Sea Issue," retrieved from [<http://www.fmprc.gov.cn/eng/zxxx/t719460.htm>].

³⁵⁷ Tran Truong Thuy, "Recent Developments in the South China Sea: Unconstrained Waves of Tensions," *International Studies*, 24 (June 2011), p. 52.

³⁵⁸ Li Hongmei, "Unwise to Elevate 'South China Sea' to be Core Interest?" Retrieved from [<http://english.peopledaily.com.cn/90002/96417/7119874.htm>].

³⁵⁹ "China, ASEAN States Begin Talks on 'Code of Conduct' for Disputes." Retrieved from [<http://www.gmanews.tv/story/202363/china-asean-states-begin-talks-on-code-of-conduct-for-disputes>].

At the inaugural forum of the ADMM+8 in October, although the SCS issue was not on the official agenda, representatives of seven states raised the issue of guaranteeing maritime security for all countries surrounding the SCS.³⁶⁰ US Defense Secretary Robert M. Gates reiterated Hillary Clinton's comments that competing claims in the SCS should be "settled peacefully, without force or coercion, through collaborative diplomatic processes, and in keeping with customary international law." He continued by stating that the US had "a national interest in freedom of navigation; in unimpeded economic development and commerce; and in respect for international law."³⁶¹ In response, Chinese Defense Minister Liang Guanglie called for "mutual trust" throughout the region. He meant that neighbors did not need to fear his nation's military, explaining that "China pursues a defense policy that is defensive in nature" and that "China's defense development is not aimed at challenging or threatening anyone, but to ensure its security and promote international and regional peace and stability." Guanglie did not describe the SCS as a region of "core interest" to China.³⁶² According to the Plan of Action to Implement the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity (2011–2015), released after the ASEAN-China Summit in November, China committed to working with ASEAN so as to "push forward the full and effective implementation of the DOC in the South China Sea" and "toward the eventual conclusion of a code of conduct in the South China Sea."³⁶³ On November 4, Chinese Assistant Foreign Minister Hu Zhengyue said that Beijing was making efforts to establish a new security concept and that China remained committed to playing "a constructive role" in addressing important regional and international issues, including peaceful resolution of disputes on territory and marine rights through friendly negotiations with neighboring countries.³⁶⁴

It was unclear whether China's softened tone after the 17th ARF reflected a more conciliatory posture or was just lip service. Some striking cases showed clearly that China's

³⁶⁰ Tran Truong Thuy, "Recent Developments in the South China Sea: Unconstrained Waves of Tensions," *International Studies*, 24 (June 2011), p. 54.

³⁶¹ "Remarks by Secretary Gates at ASEAN Defense Ministers Meeting Plus." Retrieved from [http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4700].

³⁶² "US and China Soften Tone Over Disputed Seas." Retrieved from [http://www.nytimes.com/2010/10/13/world/asia/13gates.html].

³⁶³ [http://asean2010.vn/asean_en/news/36/2DAA15/Plan-of-Action-to-Implement-the-Joint-Declaration-on-ASEAN-China-Strategic-Partnership-for-Peace-and-Prosperity]

³⁶⁴ "China Voices Commitment to 'Constructive Role' to Address Regional, International Issues." Retrieved from [http://news.xinhuanet.com/english2010/china/2010-11/04/c_13591585.htm].

position remained unaltered. On 2 November, the PLA Marine Corps (PLAMC) staged a military drill in the disputed SCS, massing 1,800 troops and more than 100 ships, submarines, and aircraft for a live-fire display.³⁶⁵ At the fifth meeting of the ASEAN-China JWG in Kunming in December, Beijing refused to agree to ASEAN's previous proposal for an ASEAN-China SOM platform to implement the DOC because the two parties could not reach a consensus on the Guidelines of the DOC.³⁶⁶ This position signaled China's continued "bilateralism." By the second quarter of the following year, many more incidents had occurred that underscored China's aggression in the SCS, among these its harassment of the Philippines' seismic survey vessels and the cable cutting of Vietnam's *Binh Minh 02*, as well as the detention of fishing boats from the two countries.³⁶⁷

China's tough stance led to the SCS issues being raised in all plenary sessions at the 10th Shangri-La Dialogue in Singapore of 3–5 June 2011.³⁶⁸ This time, in his speech, Vietnamese Minister of Defense Phung Quang Thanh raised the SCS issue by saying, "we hold the line of expanding our cooperative relationships to militaries both inside and outside the region for the sake of promoting mutual understanding and respect, collaborating in activities to cope with common threats, including those to maritime security," stressing that "we determinedly protect our national sovereignty, while preserving peace and stability in the East Sea [the SCS] and maintaining friendly relationships with neighboring countries."³⁶⁹ In particular, he mentioned events in the East Sea, including the 26 May *Binh Minh 02* incident, stressing that "it is a must for us to

³⁶⁵ "Chinese Marine Corps Stages Live-action Drill in South China Sea." Retrieved from [\[http://military.globaltimes.cn/china/2010-11/588894.html\]](http://military.globaltimes.cn/china/2010-11/588894.html).

³⁶⁶ Tran Truong Thuy, "Recent Developments in the South China Sea: Unconstrained Waves of Tensions," *International Studies*, 24 (June 2011), p. 57.

³⁶⁷ It is reported that by the middle of 2011, the Aquino administration had protested at least six incidents, including the Reed Bank incident, involving alleged Chinese intrusion into waters within the Philippines' EEZ. Another serious incident relates to a report from the Philippine military in June 2011 that a Chinese surveillance vessel and navy ships were seen unloading building materials and erecting posts in the vicinity of Iroquois Reef and Amy Douglas Bank, an uninhabited undersea hill claimed by the Philippines about 230 kilometers from southwestern Palawan province. Retrieved from [\[http://globalnation.inquirer.net/3205/philippines-accuses-china-of-%E2%80%98serious-violations%E2%80%99-in-spratlys\]](http://globalnation.inquirer.net/3205/philippines-accuses-china-of-%E2%80%98serious-violations%E2%80%99-in-spratlys).

³⁶⁸ Carlyle A. Thayer, "China's New Wave of Assertive Aggressiveness in the South China Sea." Paper to Conference on Maritime Security in the South China Sea, the Center for Strategic and International Studies, Washington, DC, 20–21 June 2011, p. 21. Retrieved from [\[http://csis.org/files/publication/110629_Thayer_South_China_Sea.pdf\]](http://csis.org/files/publication/110629_Thayer_South_China_Sea.pdf).

³⁶⁹ "Đổi thoại Shangri-La 10: Quan tâm về an ninh biển" [The 10th Shangri-La: Maritime security raises concern], *Nghiên cứu Biển Đông* [<http://nghiencuubiendong.vn/tin-ncbd/1564-i-thoi-shangri-la-10-quan-tam-an-ninh-bin>].

strictly uphold and abide fully by the 1982 United Nations Convention on the Law of the Sea ... to fully implement the DOC, and to work toward the conclusion of an ASEAN-China Code of Conduct.”³⁷⁰ Hanoi’s mention of the SCS incidents instantly provoked the Philippines to comment on China’s past aggression. Although Defense Secretary Voltaire Gazmin did not directly mention China by name, he stated, “In some cases, these challenges result from actions by other states, which necessarily make states like the Philippines worried and concerned. These actions necessarily create insecurity, not only to the government but more disturbingly to ordinary citizens, who depend on the maritime environment for their livelihood.”³⁷¹ Malaysia’s Defense Minister, Ahmad Zahid Hamidi, stressed the importance of the SCS in terms of geopolitics, competition over natural resources, and maritime safety and called for confidence-building measures toward a peaceful resolution.³⁷² Other representatives of regional powers, including Japan, Korea, and India, voiced their opposition to recent events in the East Sea and called for the involved parties to resolve the issues peacefully and to respect freedom of navigation in international waterways.³⁷³ Notably, US Secretary of Defense Robert M. Gates confirmed Washington’s strong commitment to improving its military relations with its traditional allies and said the principles that had guided the US in its engagement with Asia had fostered the economic growth and stability of the region. Secretary Gates said issues regarding “territorial claims and the appropriate use of the maritime domain” presented “ongoing challenges to regional stability and prosperity.” He reiterated the fact that freedom of navigation remained a matter of national interest and called for cooperation in the “appropriate regional and multilateral fora” to address disputed issues, adhering to “customary international law.”³⁷⁴

After the Shangri-La Dialogue, China agreed to hold an ASEAN-China SOM with ASEAN on 20 July. This paved the way for the commencement of consultations aimed at drawing

³⁷⁰ [<http://english.vietnamnet.vn/fms/special-reports/8644/vietnam-brings-binh-minh-02-case-to-asian-security-forum.html>].

³⁷¹ Secretary Gazmin speaking at the 10th Asia Security Summit, Singapore, 3–5 June 2011. Press Release.

³⁷² See details in [<http://english.vietnamnet.vn/en/special-report/9151/vietnam-brings-binh-minh-02-case-to-asian-security-forum.html>]; Carlyle A. Thayer, p. 22.

³⁷³ Major-General Vu Tien Trong, “Đối thoại Shangri-La—Cơ hội tìm kiếm nhận thức chung và thúc đẩy hợp tác an ninh khu vực” [The Shangri-La Dialogue—Opportunity for Seeking Common Perception and Promoting Regional Security Cooperation], *Defense Relations Review*, 19, Quarter III, 2012, p. 4.

³⁷⁴ Remarks by Secretary Gates at Shangri-La Dialogue 10, Singapore, 3 June 2011. Retrieved from [<http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4831>].

up a legally binding regional COC at the ASEAN-China Summit in November 2011. In Hanoi's view, Chinese rapprochement toward the building of a COC would be a milestone to managing disputes peacefully, adhering to law enforcement mechanisms and arbitration provided by the 1982 UNCLOS. However, at the AMM and related gatherings in Phnom Penh (from 9 to 13 July 2012), China effectively lobbied Cambodia—a leading recipient of Chinese aid³⁷⁵ and the chair for the event—to block regional-level discussions on the issue as well as attempts to agree upon a COC to manage disputes. As a result, no AMM Joint Communiqué could be agreed on, an unprecedented event in the 45-year history of ASEAN. Indonesia's Foreign Minister, Marty Natalegawa, subsequently played a conciliatory role in calling on other parties, including the Foreign Ministers of Cambodia, Vietnam, and the Philippines, for consultations on the issue. On 20 July, ASEAN released a statement presenting its "Six-Point Principles on the South China Sea."³⁷⁶ Although ASEAN managed to present a united front in making the statement, China's maneuvering to divide ASEAN was clearly an ominous sign for the organization. ASEAN's divisions are of the greatest concern to Vietnam and the Philippines because both have actively sought to leverage ASEAN membership to support their positions in disputes with China. Cambodia's position as a de facto ally of China was a clear problem for Vietnam because it has attempted to incorporate Cambodia, along with Laos, into ASEAN right from the beginning as a way of enhancing tripartite solidarity in Indochina in order to hedge against the threats posed by external powers and to maintain its influence in the sub-region vis-à-vis China. The situation had clearly changed, however, as Cambodia shocked Vietnam and shifted into China's orbit.

³⁷⁵ Chinese aid to the tune of \$1.2 billion for Phnom Penh, ten times the amount of US assistance, was suspected by many as having been intended to secure Cambodia's support to bat down the SCS issue on the agenda. According to an article by Shiraishi Takashi in *Nippon*, in the months prior to the AMM and at related meetings in Phnom Penh, China had lobbied Cambodia very aggressively, using aid to keep the disputed issues out of regional discussions. The evidence includes Beijing's package of grants and concessional loans totaling RMB450 million (about US\$70 million), during President Hu Jintao's visit to Cambodia just before the ASEAN summit in April; National Defense Minister Liang Guanglie's signing of a document on the provision of RMB120 million (about US\$19 million) in grants and other assistance, in his visit to Phnom Penh alongside the ADMM+ in May; and Secretary of the Central Commission for Discipline Inspection He Guoqiang's signing of papers for US\$420 million in lending and the granting of two aircraft, in his meeting with Cambodia's Prime Minister Hun Sen in Phnom Penh in June. See more details in Shiraishi Takashi, "China's Diplomatic Offensive: Consequences for Regional Relations," *Nippon*, 23 August 2012. Available at [<http://www.nippon.com/en/editor/f00011/>].

³⁷⁶ See more details of the "Six-Point Principles" in "ASEAN Foreign Minister Release the Statement on the South China Sea" at [<http://cogitasia.com/asean-foreign-ministers-release-statement-on-the-south-china-sea/>].

Developing a Self-Help Approach

As China's increasing assertiveness in the SCS became the most acute concern, Hanoi developed its self-help approach—strengthening its defense capabilities—to a new level as a way of deterring its neighbor from using force and to safeguard Vietnam's vital maritime economic interests.

In terms of naval capabilities, in 2009, in his visit to Moscow, Prime Minister Nguyen Tan Dung signed a contract to purchase six Kilo-class submarines totaling about US\$1.8 billion in value, with a view to possessing a modern submarine fleet within a six-year period. According to the most recent news from Vietnam, the country will take delivery of the first two submarines from Russia by the middle of 2013, with the remaining four to be delivered at a rate of two submarines a year or quicker. This means that Vietnam will have the most modern submarine fleet in Southeast Asia in 2014 or 2015. In addition, in 2010, Vietnam ordered two Gepard 3.9-class frigates from the Russian shipbuilder Zelenodolsk. The first frigate, named *HQ-011 Dinh Tien Hoang*, was delivered in March 2011,³⁷⁷ and the second one, named *HQ-012 Ly Thai To*, was delivered in August 2012. The Vietnam People's Navy has also built many Tarantul-class corvettes, with Russian assistance. In September 2011, the first locally made artillery ship, the TT400TP, was successfully tested.³⁷⁸ The ship was created to undertake four missions: wipe out enemy battleships, protect the base of the amphibious fleet, protect civilian vessels, and patrolling.³⁷⁹ This marked a new development in Vietnam's defense industry. At the same time, the construction of a large military harbor at Hai Phong began, intended as the second-largest naval base after Cam Ranh Bay. When completed, this naval harbor will have the capacity to berth 40,000-tonne large warships and 40–60 naval vessels and submarines.³⁸⁰ Moreover, in November 2011,

³⁷⁷ Later that month, Russia pledged to help Vietnam build the submarine base it needed to house its new Kilos, provide a loan to help buy rescue and auxiliary vessels and planes for Vietnam's navy, and build a ship repair yard. That yard would benefit the Russians, too, because it could service visiting Russian Navy ships.

³⁷⁸ The ship was tested at the wharf of Hong Ha shipbuilding plant—a state factory established in 2007 in the northern city of Hai Phong.

³⁷⁹ “Made-in-Vietnam Battleship Unveiled,” *Tuoi Tre News*. Retrieved from [<http://www.tuoiitrenews.vn/cmlink/tuoiitrenews/politics/made-in-vietnam-battleship-unveiled-1.46601>].

³⁸⁰ [<http://vietbao.vn/Xa-hoi/Xay-dung-quan-cang-lon-nhat-mien-Bac/40118807/157/>]

Hanoi resumed talks with Dutch-shipbuilder Damen Schelde Naval Shipbuilding (DSNS) for the construction of four Sigma-class corvettes.³⁸¹

In terms of developing joint naval–air force capabilities, in early 2010, the General Staff of the VPA announced the formation of the 954th Naval Air Force Regiment. In 2011, the Navy enhanced recruitment and training programs of naval pilots and technical classes at the Naval Academy before sending them to Russia, India, Canada, and France for specialized training.³⁸² Hanoi also acquired three EADS-CASA C212 Series 400 maritime patrol and surveillance aircraft from Spain in late 2008. In 2010, the aircraft were equipped with the MSS 6000 side-looking airborne radar from the Swedish Space Corporation for general patrol purposes by the Air Force. In late 2012, the Vietnamese Navy purchased two French helicopters, EC-225 Super Pumas, for offshore patrols and search and rescue missions. During the delivery ceremony of these Eurocopter-manufactured long-range helicopters at Vung Tau Airport, the Navy announced its decision to establish an EC-225 flying squadron in Ba Ria-Vung Tau province.³⁸³ The Vietnamese Navy also ordered the purchase of six DHC-6 Twin Otter Series 400 aircraft from Viking Air Company of Canada in May 2010, with delivery scheduled to take place between 2012 and 2014,³⁸⁴ to go with seven Kamov Ka 27 helicopters developed by the Russian Navy. It also acquired 20 Sukhoi Su-27 MK and 24 Sukhoi Su-30 MKK2 multirole fighters, as well as other defense weapons, associated services, and support from Russia.³⁸⁵

Coastal defense missile forces were elevated to a new height as well. Under Russian supervision, the Vietnamese Navy had already designed and produced its own P-5 Pyatyorka/Shaddock anti-ship missile, with an enhanced range of 550 km. Russia delivered

³⁸¹ More details in [<http://www.defensenews.com/article/20111110/DEFSECT03/111100301/Vietnam-Talks-Buy-4-Sigma-class-Corvettes>]. The construction of two Sigma missile corvettes will be conducted in Vietnam, with two more to be built in Holland. In 2005, these projects were canceled because the task was beyond Vietnam’s technical capability.

³⁸² “Xây dựng lực lượng phòng không-không quân hải quân (Quân chủng Hải quân)” [Strengthening air-naval air forces (the Vietnamese Navy)], *Vietnam Military History*. Available at [<http://www.vnmilitaryhistory.net/index.php?topic=21347.0>].

³⁸³ In fact, the decision to establish the EC-225 air fleet had been announced in November, barely two months after Vietnam People’s Navy Commander Nguyen Van Hien had said that the Vietnamese Navy was about to upgrade its capacity with more advanced equipment and devices to protect the country’s sovereignty, but with peaceful intentions. Available at [http://apdforum.com/en_GB/article/rmiap/articles/online/features/2012/03/22/vietnam-navy-additions].

³⁸⁴ [http://avstop.com/news_may_2010/vietnamese_navy_selects_viking_series_400_twin_otter.htm].

³⁸⁵ [<http://www.defenseindustrydaily.com/vietnam-reportedly-set-to-buy-russian-kilo-class-subs-05396/>]

two K-300P Bastion-P coastal defense systems to Vietnam—the only customer of this Russian missile system—with one delivered in 2005 and another in 2011. The Bastion system incorporated the P-800 Oniks/Yakhont supersonic anti-ship missile for the primary use of attacking targets on land and sea. The attack range was declared to be 300 km and thus for use in protecting a coastline of over 600 km.³⁸⁶ According to *Vietnam Defense* newspaper, by 2010 Hanoi had acquired seventeen 3M24E anti-ship missiles worth 767 million rubles from the Tactical Missiles Corporation (KTRV) of Russia, with a further sixteen missiles of this type worth 656 million rubles and eight training missiles 3M24EMB worth 72 million rubles to be delivered.³⁸⁷ According to the KTRV, between 2009 and 2010, Vietnam acquired the tactical Kh-35E anti-ship missile, also known as the Uran-E, which will serve as the main anti-ship missile on surface battleships of the Vietnamese Navy.³⁸⁸ In September 2012, the National Assembly approved a decree on the establishment of a national “Fishery Control Force” aimed at patrolling, stopping, and responding to foreign fishing boats or vessels that enter into Vietnam’s EEZ, continental shelf, and territorial waters. Vietnam also planned to build fisheries administration branches in 28 coastal provinces, each of which will have large and modern ships to undertake search and rescue missions.³⁸⁹

Clearly, China’s growing assertiveness, in parallel with its naval power projection in the disputed region, loomed large behind Vietnam’s recent major arms procurement packages, but the strengthening of its military capabilities is defensive in nature. At the June 2011 Shangri-La Dialogue in Singapore, Defense Minister Phung Quang Thanh confirmed that “Vietnam’s policy [developing military capability] is defensive, not to attack others and never to invade the territory of another country. We build a strong army to preserve peace, and anyone who has the intention of invading Vietnam must take into account this factor.” He continued by saying, “The recent incidents have violated international laws and the Declaration of Conduct of the Parties in the East Sea [SCS], causing grave concerns for

³⁸⁶ “Siêu âm song sát Bastion-BrahMos” [The Bastion-P system], *Vietnam Defense* Newspaper (online). Available at [<http://vietnamdefence.com/Home/ktqs/tongquan/Sieu-am-song-sat-Bastion--BrahMos/201112/51190.vnd>].

³⁸⁷ *Vietnam Defence* Newspaper. Available at [<http://vietnamdefence.com/Home/tintuc/vietnam/Viet-Nam-mua-ten-lua-chong-ham-Kh35E/20121/51307.vnd>].

³⁸⁸ [<http://english.vietnamnet.vn/en/society/18391/russia-hands-over-full-gepard-missile-to-vietnam.html>]

³⁸⁹ [<http://biengioilanhtho.gov.vn/eng/%E2%80%9Cfisherycontrolforcetoprotectnational-nd-7a0f5381.aspx>]

Vietnam and other states in the region.”³⁹⁰ In other words, in spite of developing its military capability to deter China from using force, Vietnam’s leaders understand well that an armed conflict with China would be detrimental to Vietnam’s long-held foreign policy goal of maintaining a peaceful and stable external environment conducive to its domestic reforms and developments. Moreover, Hanoi is acutely aware that Vietnam has an asymmetric naval power relationship with its neighbor and that an open armed conflict with it therefore seems unthinkable. This explains the importance that Hanoi’s attached to the rule of international law (the 1982 UNCLOS) and regional norms (the DOC and the procedure of the COC) as a long-term peaceful resolution while calling on China to adhere to the Sino-ASEAN principles of non-use of force or the threat of force, no first use of force, and self-restraint in disputes.³⁹¹ It should also be noted that in spite of its apparent anxiety about the threat posed by China, Vietnam’s defense levels are commensurate with the country’s recent economic development and its enhanced standing on the regional and global stages. Prime Minister Nguyen Tan Dung asserted that “We modernize our armed forces when the economic conditions allow, and that is normal,” and that “Vietnam has a long coast and large maritime zone, which requires protection. Common security cooperation with the Asia-Pacific countries makes it necessary for Vietnam to develop defense capabilities.”³⁹²

Promoting “Defense Diplomacy”: Engaging and Hedging

Facing the mature asymmetry with its northern giant while pursuing its long-term goal of maintaining a peaceful and stable external environment, Vietnam has strengthened “defense diplomacy” as an increasingly important part of its security policy. This tactic involves a combination of engagement and a strong hedging behavior.

In terms of engagement, Vietnam’s enhanced defense interaction with China was intended to help prevent tensions over the SCS from escalating into conflict, to address other sovereignty-related issues, and to avoid any negative impacts of this contentious issue on bilateral political and economic relations. To that end, bilateral senior level military

³⁹⁰ *VnMedia*, 7 June 2011. Available at [<http://vnmedia.vn/NewsDetail.asp?NewsId=227818&CatId=35>].

³⁹¹ Nguyen Vu Tung, “Vietnam’s Security Challenges: Hanoi’s New Approach to National Security and Implications to Defense and Foreign Policies.” Paper presented at the Conflicting Claims to the South China Sea conference, Temple University, PA, USA, 25 March 2010, p. 21.

³⁹² *Vnexpress* newspaper, 8 December 2010.

exchange meetings were held on a regular basis. Even though territorial disputes flared up, Hanoi and Beijing elevated their relationship to a “comprehensive strategic cooperative partnership” in the middle of 2008. In 2009, the two countries signed a package of three agreements on the demarcation of their 1,300-kilometer land boundary, and in 2010 they held four strategic defense talks, including bilateral negotiations on the settlement of the Spratlys and Paracels issues at Deputy Defense Minister level.³⁹³ In addition, during his visit to China, Vietnamese Deputy Defense Minister Nguyen Chi Vinh judiciously praised China’s development, acclaimed its role in regional affairs, and called for China to play a role in regional security. Vinh also expressed Vietnam’s wish and belief that “China would not use power to harm any other country or threaten regional and global peace and stability.”³⁹⁴ Hanoi’s defense diplomacy also helped to maintain a steady warming of bilateral economic relations; trade turnover between the two countries reached US\$19 billion in 2012, making China the single-largest trading partner of Vietnam. It should be noted that unlike the enhanced military-to-military interactions and economic links, reciprocal party-to-party visits have declined significantly since 2009. This suggests that social factors or else the surge in nationalist anti-Chinese sentiments have exerted some pressure on Hanoi’s Party leaders’ position toward Beijing, thus explaining the downplaying of ideological solidarity.

In parallel with enhanced defense interactions with China, Vietnam strengthened its “defense diplomacy” with all the littoral ASEAN states (as well as Thailand) and, in particular, with all other major powers that had a strategic interest in hedging against potential Chinese aggression. With ASEAN, Vietnam elevated defense relations to a new height. Reciprocal visits by high-level military officials took place with greater regularity between Vietnam and Indonesia, the Philippines, Thailand, Malaysia, and Singapore. Bilateral defense cooperation between Vietnam’s Ministry of Defense and that of the other member states has focused on confidence-building measures and coordination to address defense-related issues of common concern, including maritime security.

³⁹³ Ibid.

³⁹⁴ “Vietnam Reiterates ‘3-no’s’ Defence Diplomacy,” *Vietnews*, 26 August 2010. Retrieved from [<http://www.dztimes.net/post/politics/vietnam-reiterates-3-nos-defence-policy.aspx>].

Of particular note is the strengthening of Vietnam's defense interactions with the major security partners of the ASEAN-led ARF: the US, India, Japan, and Russia. High-level military dialogues between Hanoi and Washington were held on a regular basis to enhance cooperation in maritime security and search and rescue operations, as well as to address the legacy of Vietnam War issues and disaster relief. While Washington's support for a multilateral resolution to the SCS was very clear, an increase in visits by US Navy warships to Vietnamese ports contributed to the strong cooperation between both countries. Most notably, in August 2011, the US Military Sealift Command dry cargo/ammunition ship USNS *Richard E. Byrd* visited Cam Ranh Bay. This marked a historic first visit by a US Navy ship to this strategic port since the end of the Vietnam War.³⁹⁵ It is also essential to note that after Russian withdrawal from the bay when a 25-year rent-free agreement ended in 2002, the naval base³⁹⁶ had fallen into disrepair, while infrastructure nearby was upgraded for commercial purposes.³⁹⁷ In late October 2010, however, Prime Minister Nguyen Tan Dung announced at the closure of the EAS in Hanoi that the bay would re-open for port calls by *all* foreign navies for logistics service purposes, that is to say, maintenance and repairs, after a three-year project to upgrade the port's facilities.³⁹⁸ This apparently paved the way for US Navy visit to the bay in August the following year; Washington had already negotiated with Hanoi over visits by its Navy warships. In June 2012, in his visit to Vietnam, Leon E. Panetta paid the first-ever visit to the bay by a US Secretary of Defense, which signaled the latest move on both sides to draw closer military ties.³⁹⁹ The bay might also have proved useful to Washington given a new strategy announced by Panetta at the 11th Shangri-La Dialogue in Singapore on 1 June 2012 that, by

³⁹⁵ Cam Ranh Bay was used as one of the largest in-country US military facilities during the Vietnam War (from 1965 to 1973). It is located in Khanh Hoa Province, some 180 miles (290 km) northeast of Ho Chi Minh City. Geopolitically, the Bay is one of the finest deep-water anchorages in Southeast Asia and provides convenient access to the commercially and strategically vital sea lanes that pass through the SCS (the East Sea or *Biển Đông* of Vietnam).

³⁹⁶ Prior to its 2002 departure, Moscow had used the bay for repairing and expanding facilities, including home-ported warships and submarines.

³⁹⁷ In 2004, Cam Ranh airport was opened. In the middle of 2010, state-owned Vietnam National Shipping Lines announced that US\$40 million would be spent on Ba Ngoi port to treble its handling capacity to 3 million tons of cargo per year.

³⁹⁸ [<http://www.washingtonpost.com/wp-dyn/content/article/2010/11/02/AR2010110200139.html>]

³⁹⁹ See more details in "Defense Secretary Leon Panetta Highlights US Ties to Vietnam During Visit," *The Washington Post*, 4 June 4 2012. Available at [http://www.washingtonpost.com/world/asia_pacific/defense-secretary-leon-panetta-highlights-us-ties-to-vietnam-during-visit/2012/06/03/gJQAOWcLBV_story.html].

2020, 60 percent of US naval forces would be shifted into the Pacific, with 40 percent remaining in the Atlantic, in contrast to the current roughly 50–50 split.⁴⁰⁰

India and Russia also expressed strong interest in visiting the bay, and Japan announced a port call by Maritime Self Defense Force (MSDF) vessels, which are welcomed by Hanoi.⁴⁰¹ Clearly, the reopening of the Cam Ranh Bay naval base to foreign navies signaled Hanoi's growing concern about Beijing's renewed assertiveness in the SCS. Vietnam developed its military ties with Japan to a new level under the auspices of a comprehensive strategic partnership, and Japan expressed its support for Vietnam's position on the SCS, to be resolved through peaceful negotiations and based upon international laws, a position that reflected increasing tensions between Japan and China over Senkaku Island.⁴⁰² Hanoi strengthened defense relations with New Delhi and Moscow by signing bilateral agreements with both India and Russia in 2009 to boost Vietnam's military science, techniques, and technology; to provide more specialized training courses for Vietnamese officers; to secure relevant equipment to maintain and repair its weapons; and to buy weapons in a major arms procurement package. In a visit to Russia by Vietnam's President Truong Tan Sang from 26 to 31 July 2012, Moscow asked Hanoi for permission to establish a naval ship-repair facility in Cam Ranh, but the President reiterated Hanoi's standpoint on "no foreign military bases." Instead, Vietnam hired Russian consultants to direct the construction of new ship-repair facilities in Cam Ranh so as to develop a ship maintenance capacity for foreign naval ships docking at the bay and to assist in the basing of the six submarines that Hanoi expects to take full delivery of in 2014.

In short, Vietnam's enhanced "defense diplomacy" with all countries, particularly with the major powers, was not only of strategic significance in hedging against the threat posed by China in the disputed region but also a diplomatic tactic to avoid a strong reaction from Beijing. The reopening of Cam Ranh Bay, which provided "equal access" to all foreign navies, including China, exemplifies this strategy. Vietnam was careful to assuage Chinese

⁴⁰⁰ [http://www.washingtonpost.com/world/asia_pacific/defense-secretary-leon-panetta-highlights-us-ties-to-vietnam-during-visit/2012/06/03/gJQAOWcLBV_story.html]

⁴⁰¹ Defense Ministry of Japan, "Japan-Vietnam Defense Ministerial Meeting," at [<http://www.mod.go.jp/e/jdf/no20/leaders.html>].

⁴⁰² "PM Supports Closer Ties with Japan," *VietnamNet*, 30 May 2012. Available at [<http://english.vietnamnet.vn/en/politics/22964/pm-supports-stronger-defense-ties-with-japan.html>].

concerns, especially about the presence of US Navy warships in the bay, by repeatedly stressing its “3-no’s” defense policy: No military alignment or alliance with any power, no military bases allowed for any country on Vietnamese territory, and no reliance upon another country to counter a third party.

2.2.2. Relaxing Concerns about the “Peaceful Evolution” Threat

This period marked Vietnam’s relaxed concerns about the “peaceful evolution” threat. Leaders in Hanoi were more concerned about the internal threat, that is, the domestic reactionary elements that had seized upon the SCS issue as a way to challenge the regime. Besides which, Vietnam wanted to engage the US economically after entry into the WTO and was keen for accession to the TPP and to accelerate a new stage of defense relations in the face of China’s increasingly aggressive assertiveness. This new vision can best be understood by examining the political documents of the 2008 Politburo Resolution and the Party Mid-Term Conference held in the middle of 2009, neither of which made any reference to “peaceful evolution.” Rather, they stressed the importance of upholding the nation’s sovereignty and territorial integrity. It should also be noted, however, that this new rapprochement did not mean that Vietnam accepted the idea of US intervention. Indeed, Hanoi was reassured by US accession to the ASEAN TAC as a COC because it bound the US to the principle of “non-intervention.” It was a combination of economic interests, rising concerns about China, US accession to the TAC, and US major engagements in Southeast Asia that led to Vietnam downplaying its anxiety about “peaceful evolution.”

2.3 Promoting National Standing

The enhancement of Vietnam’s national standing was pursued for a long time through the avenues of integration and an active engagement in and ideational facilitation for ASEAN and ASEAN-centered multilateral institutions, as described in Politburo Resolution No. 12: “proactive, active, and responsible participation in the ASEAN integration process and developing relations with Asia-Pacific countries to a new height [with a view to] enhancing national standing in the regional and international community.”⁴⁰³ As such, Vietnam’s stronger commitments to economic integration, even in the face of the global crisis,

⁴⁰³ Politburo Resolution No. 12/2007NQ-BCT, p. 5.

contributed to improving its national stature. Notably, as ASEAN Chair in 2010, Vietnam successfully held seventeen meetings, if the related gatherings and dialogues are included. Vietnam demonstrated its proactive, dynamic, and responsible role in multilateral security dialogues, namely, the ARF, the Shangri-La Dialogue, the ASEAN Defense Ministers' Meeting (ADMM), and the ADMM+. Vietnam's role was greatly appreciated by the region's countries. US Defense Secretary Robert Gates said that "the first ADMM+ was a great success, achieved the designed objectives, and most significantly, satisfied the expectations of all parties."⁴⁰⁴ Indonesia's Defense Minister, Purnomo Yusgiantoro, praised Vietnam's role as ASEAN Chair in 2010 for successfully organizing AMM, ADMM, and other ASEAN-related meetings.⁴⁰⁵ Regarding the ADMM+ and the ARF, Yusgiantoro stated that "all Vietnam's agenda initiatives were highly appreciated and approved. Indonesia believes that one of the successful factors to these agendas is the consulting work of Vietnam's Ministry of Defense. We are proud of and thankful for these efforts."⁴⁰⁶ Japanese Defense Minister Kitazawa also appreciated Vietnam's efforts as the chair country in the establishment of ADMM+ and expressed his expectation that this framework would play a core role in security cooperation in the region.⁴⁰⁷ In addition, as a non-permanent member of the United National Security Council for the period 2008–2009, Vietnam was in a position to address global issues.

The building of national standing provided useful leverage for Vietnam to gather regional and international support for its security goals, especially for its position in the SCS. In the case of the creation of ADMM+, initially China floated the idea of an ADMM Plus Three (the ten ASEAN members and China, Japan, and South Korea) as a way of excluding US participation. However, at the ADMM in April 2010 in Hanoi, Vietnam took the lead to create the ADMM+8 as a way of drawing the US (and Russia) into regional security affairs, including the SCS issue. Hanoi's proposal was also to address its concern that the ADMM+3 would be likely to undermine ASEAN's centrality vis-à-vis China. Vietnam also called on ASEAN and the dialogue partners at the Sixth EAS in Hanoi to integrate the US

⁴⁰⁴ Pham Trung Dung, "Strengthening Defense Diplomacy Activities, Contributing to Constructing and Protecting the Fatherland," *Defense Relations Review*, 13, Quarter I, 2011, p. 12.

⁴⁰⁵ [<http://english.vov.vn/Politics/Indonesia-praises-Vietnams-role-in-ASEAN/233849.vov>]

⁴⁰⁶ Cited in Pham Trung Dung, pp. 12–13.

⁴⁰⁷ Defense Ministry of Japan, "Japan-Vietnam Defense Ministerial Meeting." Retrieved from [<http://www.mod.go.jp/e/jdf/no20/leaders.html>].

and Russia, which paved the way for the two powers' membership of the EAS in 2011. The 17th ARF was another case in point. The fact that it was Vietnam that brought the SCS issue to the forum for the first time made it doubly clear that the ARF was not just a "talking shop," particularly once Vietnam had convinced ARF participants to keep this contentious issue on the agenda. This was not just for the sake of its position on the issue, but also helped improve its standing in regional affairs. In addition, the responses of the region's states to China's actions in the SCS and their endorsement of a multilateral approach at the ARF paved the way for other multilateral regional security dialogues, such as the Shangri-La and the ADMM+, to bring up the SCS issues in a way that favored Vietnam.

3. Summary

Since late 2007, the economic and politico-security context in the East Asian Asia-Pacific has undergone major changes. Economically, the contagion of the global financial turbulence and recession created difficulties for Southeast Asia's trade and investment activities. However, the crisis also provided incentives for ASEAN and its major partners to hasten the establishment of FTAs, along with new regional economic initiatives, to enhance East Asian integration. On the politico-security front, China's unprecedented assertiveness in the SCS, in parallel with its non-transparency in its military spending, renewed the "China threat" theory. However, the US "return to Asia," particularly under its shifting strategic focus on East Asia, added a new wind to cementing its regional economic and politico-security cooperation with the region's states while contributing to a deepening of Sino-US rivalry and geopolitical and strategic competition, particularly in Southeast Asia. Other major powers in the region, especially Japan and India, geared themselves toward heavy engagement with ASEAN and the individual member states economically, politically, and militarily; China's growing regional power expansion and their shared concerns about sovereignty disputes with China were catalysts for their enhanced cooperation. In such a changing regional politico-security context, ASEAN developed multilateral regional institutions, notably the ADMM+, the EAS, the ARF, and the Shangri-La Dialogue, which incorporate all the major powers in the Asia-Pacific to enhance confidence-building measures and defense diplomacy, as well as to strengthen the effectiveness of conflict

management and practical cooperation on regional security. These movements also demonstrated ASEAN's strong determination to exercise a focal role in East Asian regionalism.

Domestically, Vietnam's robust economic growth since 2001 created essential conditions for its thorough economic integration, but like other Southeast Asia countries, Vietnam was faced with the negative spillover effects of the crisis on its trade and investment. In security terms, the economic growth of the 2001–2007 period helped improve socio-political stability, thus contributing to securing the regime. However, China's renewed assertiveness in the SCS led to some social disorder as a consequence of the surge in anti-Chinese nationalism. Domestic reactionary elements and overseas Vietnamese opposed to the Party seized on the opportunity provided by the SCS disputes to put pressure on the party-state and to maneuver for the democratization and dismantling of the regime. Set against this background, the well-established diplomatic stance of the country, along with the new regional context, which offered new opportunities, created favorable conditions for Vietnam's further integration.

Hanoi took into account the new external environment and domestic context to evolve its strategic objectives through leverage of its ASEAN membership. Economically, Vietnam actively sought ASEAN membership to enhance its efforts to get access to the FTAs and CEPAs, multilaterally and bilaterally. Trade interactions with and investment flows from ASEAN and its major partners were robust by the time of the global crisis; despite the government's financial and trade-investment solution packages, the 2008–09 crisis affected exports and investment inflows before they picked up again from 2010. Trade and investment data suggest that in spite of the crisis, the pace of Vietnam's ASEAN membership-based economic integration remained robust. Between 2008 and 2009, Vietnam's trade turnover with ASEAN and the ASEAN's major partners accounted for over 80% of the country's total trade turnover, while FDI from these partners constituted 78%. From 2010 to 2012, trade turnover rose to nearly 84%, while FDI-related capital increased to 86%.⁴⁰⁸ The data underline the fact that Vietnam made the best possible use of

⁴⁰⁸ Compiled using data from the Vietnam Trade Promotion Agency, VIETTRADE (from 2008 to 2012).

the new phase of ASEAN-centered economic integration initiatives and the entry into force of FTAs, as well as the CEP agreements between ASEAN and ASEAN's major partners.

On the defense-security front, Vietnam increased military modernization, especially of its naval power, and developed its military defense with all the major powers and ASEAN littoral states to serve its Maritime Strategy Toward 2020 program. However, the "China factor" loomed large behind Vietnam's beefing up of its military capabilities and the new stage in military relations. To address China's potential aggression, Vietnam pursued three combinations of four strategies to cope with its aggressive neighbor. The first involved multilateralizing the issue through leverage of ASEAN and the ASEAN-centric multilateral regional security institutions in the hope of reaching an ASEAN-China regional COC to enmesh China. The DOC guideline implementation (especially the ASEAN-China JWG and Senior Officials Meeting) toward the conclusion of a COC and the building of a united ASEAN political front were important steps that Hanoi had pursued to secure a multilateral approach to peaceful resolution in accordance with international laws and regional norms. In particular, the ARF, ADMM+, and the Shangri-La Dialogue were crucial forms of leverage in multilateralizing and internationalizing the issue. Hanoi successfully used ASEAN's rotating chairmanship in 2010 to realize this endeavor, especially through the 17th ARF and the inaugural ADMM+ forum.

The second approach Vietnam adopted was to develop its own independent defense capabilities to a new height so as to deter China from using force. This focused on the three core forces—navy, joint naval-air command, and coastal defense missile forces. Russia was the principal exporter of major sophisticated arms packages to Vietnam, in particular six submarines. An additional motive for Hanoi's military modernization was the need to contribute to defense and security cooperation in the region at a level commensurate with its recent economic development and national standing on the regional stage.

The third approach involved the strengthening of "defense diplomacy." This primarily meant engaging China while simultaneously adopting stronger hedging behavior. Thus, on the one hand, Vietnam sought to enhance defense interactions with China so as to avoid an open armed conflict given the asymmetric power relations and to prevent any negative impact from the SCS issue on bilateral politico-economic relations. On the other hand,

Vietnam sought to enhance its defensive hedge against the potential threat posed by China by engaging in defense diplomacy with all other major powers, principally the US, Japan, India, and Russia, and all the ASEAN littoral states, notably by reopening Cam Ranh Bay to port calls by foreign navies.

With regard to “peaceful evolution,” the 2008–2012 period saw Vietnam’s concerns about this threat decrease. Reasons for this change in attitude were Vietnam’s increased enthusiasm for economic interactions with the US in light of its WTO membership and TPP negotiations, US entry into the TAC and its new engagements in Southeast Asia, and Vietnam’s anxiety about China’s potential aggression in the SCS.

In order to build its national standing, Vietnam played an active and dynamic role in ASEAN and in East Asian integration through its strong commitment to economic integration, to active engagement in regional affairs, and to ideational facilitation for regional development, especially as the ASEAN Chair in 2010. Enhanced national standing provided useful leverage in mobilizing regional and international support, particularly for Vietnam’s position in the SCS and for ASEAN’s centrality.

To conclude, over the years 2007–2012, Vietnam’s economic motive was important, but the security motive was even more so because it was the SCS issue that generated both external and internal threats: externally, China’s potential aggression caused acute concern about national sovereignty, and internally, the surge in nationalist anti-China sentiment became the biggest challenge to the regime’s security. Of the four approaches toward China that Vietnam pursued to address this “double dilemma,” the strong defensive hedge and self-help were the most salient; enmeshment (particularly efforts to multilateralize the SCS issue) came next, followed by engagement (party-state reciprocal visits declined significantly because of the rise in anti-China nationalism, which also meant that ideological solidarity became less important).

CHAPTER SIX

CONCLUSION

Examining Vietnam's ASEAN membership has helped, primarily, to paint an overall picture of Vietnam's foreign policy since the 1986 *Doi Moi* Reform. It has provided crucial evidence that Vietnam's decision in the late 1980s to join ASEAN was the best strategic choice for its long-term goal of integration and development. This was because ASEAN's economic links with powerful and technologically advanced economies such as Japan, the Asian NICs, the US, and the EU provided useful leverage for Vietnam to integrate into both regional and international economies. On the diplomatic front, ASEAN-based multilateralism served as a crucial way for Vietnam to pursue its diversified and multidirectional foreign policy. In security, ASEAN-centered multilateral security institutions were shaped by Vietnam's multilateral defense diplomacy and served as major instruments for Vietnam to enhance its efforts to develop bilateral defense interactions with ASEAN and ASEAN's security partners.

However, these indications do not tell us the whole story. There were three underlying mutually reinforcing motives that informed the thinking of the Vietnamese leaders' underlying strategy toward ASEAN: (1) to step up economic development and industrialization through ASEAN-based regional and international economic integration to catch up with other countries in the region and to secure the regime's legitimacy (development goal); (2) to restrain Chinese assertiveness in the SCS by multilateralizing the issue and pursuing a united ASEAN diplomatic front, and through the "defense diplomacy" that ASEAN membership offered, while also hedging against the threat posed by the US-led "peaceful evolution" to the regime's security and survival by ensuring the continuation of ASEAN's "non-intervention" principle (security goal); and (3) to build diplomatic standing as well as political influence on the regional and global stages through ASEAN and ASEAN-centered multilateral institutions ("national standing" goal), while also using it as a way of mobilizing external support for the development and security goals.

Vietnam's pursuit of its strategic objectives through ASEAN revolved around its value in foreign policy leverage. Economically, ASEAN's links with outsiders provided useful

leverage for Vietnam to accelerate trade ties with and attract FDI flows from ASEAN's major partners. The targets for such leverage changed over time: Between the end of the Cambodian conflict and 1995, the leverage was focused on Japan and the Asian NICs. Between 1995 and 2001, it was expanded to include the US, the EU, and, to a lesser extent, China, besides Japan and the Asian NICs. From 2001 to 2012, it was expanded to include all the above-mentioned partners and Australia, New Zealand, and India. In terms of both exports and FDI, these major partners of ASEAN played the leading role in Vietnam's export-led growth model and industrialization. ASEAN was thus a "bridge" rather than a destination; indeed, Vietnam suffered a regular trade deficit with ASEAN member countries, except for Singapore. Nonetheless, they were important to Vietnam's supply chain because a steady rise in Vietnam's imported raw materials, machinery, and intermediate goods from ASEAN was crucial for Vietnam's finished goods to export to ASEAN's major partners. Moreover, the AFTA was instrumental in accelerating the pace of Vietnam's trade liberalization in pursuit of regional and international economic integration and, in particular, accession to the WTO.

In security terms, ASEAN's norms and principles, and particularly the ASEAN-centered multilateral regional institutions, provided crucial leverage for Vietnam in addressing external threat perceptions. Regarding China's assertiveness in the SCS, the norms of confidence-building and the principles of "peaceful settlement of disputes" and "non-use or threat of force" contained in the ASEAN TAC were instrumental for Vietnam. In addition, a united diplomatic front alongside other ASEAN involved parties in the SCS was instrumental for Vietnam in enhancing its bargaining position vis-à-vis China. In particular, ASEAN-centered multilateral institutions, especially the ARF, provided a useful fulcrum for Vietnam to multilateralize the issue (in pursuit of a COC as an instrument to enmesh China) and to get fast-track access to the development of defense relations with the ARF's major security partners to hedge against the threat posed by its neighbor. At the same time, ASEAN-centered security institutions and political-economic cooperative frameworks and arrangements were instrumental in enhancing Hanoi's efforts to engage China. The evolution of Vietnam's China policy in the SCS from the end of the Cold War to 2012 proceeded as follows: the period from the 1990s to 2000 was dominated by the pursuit of engagement (complemented by ideological solidarity) and nascent enmeshment, while the

pursuit of a nascent defensive hedge was subordinate; the period from 2001 to 2007 was dominated by a defensive hedge and enmeshment, while engagement (complemented by ideological solidarity) was only slightly less important; the period from late 2007 to 2012 was dominated by the pursuit of a strong defensive hedge, with enmeshment of secondary importance and engagement/ideological solidarity the least important, in spite of the increased economic ties and defense interactions between the countries. Vietnam pursued neither a power-balancing nor a bandwagoning approach toward China.

In terms of the US-led “peaceful evolution” threat, ASEAN’s founding “non-intervention” principle and the preponderance of ASEAN’s developmentalist authoritarian regimes had strategic appeal to Vietnam in hedging against the threat posed by US enthusiasm for human rights and democracy as a way of intervening in internal matters to democratize the state and dismantle the authoritarian Vietnamese communist regime. Retention of ASEAN’s “non-intervention” principle has been Vietnam’s consistent position, as most clearly shown in the wake of the East Asian crisis. In addition, ASEAN-centered multilateral institutions and the ASEAN TAC were instrumental for Hanoi in engaging and enmeshing Washington.

A shift in Vietnam’s perceptions of the US and China should be mentioned here: Between 1986 and 1991, Vietnam’s viewed the threats posed by China and the US as equally important. Between 1995 and prior to the East Asian crisis, however, concerns about the “China threat” were more pertinent than those about the US threat; between the wake of the crisis and 2001, things changed, and the US threat became more pertinent than that posed by China. Between 2001 and 2007, the perception was that the threat posed by China was more important because of China’s growing regional power and because of Vietnam’s enthusiasm for economic cooperation with the US and engagement with it as part of its strategy of hedging against China. Between late 2007 and 2012, the China threat remained the most important, leading Vietnam to downplay the importance of the threat of “peaceful evolution” in order to pursue a stronger defensive hedge against China by engaging the US; at the same time, US entry into the ASEAN TAC reassured Vietnam because it meant US compliance with the “non-intervention” principle contained in the TAC.

With regard to building national standing, intra-ASEAN and ASEAN-led multilateral arrangements provided massive channels through which Vietnam could exert its diplomatic and political influence. The leverage of ASEAN membership helped build Vietnam's national standing following *Doi Moi*: between 1986 and 1995, Vietnam broke free from isolation; between 1995 and 2001, it became an active member of ASEAN and an ideational facilitator of East Asian integration; between 2001 and 2007, it was an active and dynamic contributor to ASEAN community-building and East Asian regionalism; and between 2007 and 2012, it emerged as a strategic player in shaping the regional architecture. The building of Vietnam's national standing helped, in particular, in obtaining international support for Vietnam's membership of economic institutions and in meeting Hanoi's security goal, but also in acquiring bargaining chips vis-à-vis the major powers, especially China and the US.

The period 1986–2012 witnessed episodic shifts in Vietnam's economic and security motives. Vietnam's pursuit of ASEAN membership between late 1980s and 1995 was driven primarily by the need for economic development, although breaking free from international isolation (a diplomatic/political motive) was the first and most immediate task to pave the way for economic development. The security motive was subordinated to economic and diplomatic motives between 1986 and 1991, but immediately after the Cambodian conflict, which laid a stepping stone for Vietnam to break out of international isolation, China's increased assertiveness between 1992 and 1995 in the SCS made Vietnam's security motive almost equally as important as its economic motive. From 1995 to the first half of 1997, the economic motive was the most important; while the security motive was subordinate (concerns about China in the SCS were more salient than those about "peaceful evolution"). However, in the wake of the East Asian crisis, the security motive became the highest priority (safeguarding the regime's security against "peaceful evolution" was far more salient than the threat from China in the SCS), although the building of national standing was also important. Between 2001 and 2007, the economic motive dominated, and the security motive took a back seat (and within the security motive, concerns about China in the SCS became far more salient than those about "peaceful evolution"). Between 2007 and 2012, the economic motive was strong, but the security motive was more important because the SCS issue caused both external and internal

threats: externally, China's potential aggression caused the most acute concerns about national sovereignty in the SCS, and internally, the surge in nationalist anti-Chinese sentiment posed a challenge to the regime's security.

Prospects

In the coming years, Vietnam could seize more opportunities to step up the realization of its strategic goals because of the established economic cooperation networks and because ASEAN may continue to remain central to East Asian Asia-Pacific integration.

Economic development and industrialization have been, and will probably always be, the highest priority for Vietnam as its centrality to the "catch-up" strategy with regional countries and to the regime's legitimation. In this respect, ASEAN membership should continue to provide an increasingly vital channel for Vietnam to improve economic ties with ASEAN and the organization's major partners, particularly Japan, the US, the EU, the Asian NICs, and China, as well as India and Australia-New Zealand. Equally important, investment inflows from ASEAN and its major partners should continue to rise concomitantly with trade ties, given such the network of connections and Vietnam's political and economic stability, low labor costs, recent legal framework reforms, and the government's investment support services. This would not just create a vital growth engine for the country, but also push domestic industrialization toward the levels targeted by 2020. However, there remain weaknesses that need to be addressed, otherwise Vietnam could face stiff competition with ASEAN countries and China in both trade and investment. In the first place, though the party-state has taken crucial steps toward structural reforms since the beginning of the new century, Vietnam's economic openness has been far slower than that of other countries in the region because of its concern about the political costs of rapid openness and about the undermining the state's role in managing economic activities. Because of the level of economic integration, sluggish openness would be detrimental to trade promotion and attracting FDI. The facts show that Vietnam has successfully leveraged the FDI sector to help its exports and development of industry, as well as in drastically transforming the economic structure in favor of the industrial, construction, manufacturing, processing, and service sectors. There is thus an urgent need for Vietnam to speed up economic openness and structural reforms to enhance economic competitiveness

and reap the opportunities offered by ASEAN-oriented East Asian economic integration. Recommended policy measures would include deeper integration into the regional and global capitalist economies that ASEAN membership offers; the creation of a favorable and transparent investment climate for domestic firms and FIEs; human capital development to enhance labor-intensive manufacturing sectors; creation of a healthy competitive and regulatory environment among economic sectors; and acceleration of infrastructure development. Moreover, further reforms of administrative mechanisms need to be made urgently, in line with the development of the government's investment support services and monitoring measures, so as to increase awareness of, and incentives for, business and investment opportunities in the country. At the same time, the restructuring of the SOEs needs to be implemented as quickly as possible to enhance operational effectiveness and competitiveness. As of 2012, there were only twelve multi-sectoral State Business Groups and some 100 state holding-subsidiary corporations (transformed from large SOEs and State General Corporations); the SOEs have long tended to cause a trade deficit, primarily because of their heavy dependency on imported inputs and operational ineffectiveness. This deficiency is a direct result of a general lack of local supporting industries or lack of competitive products offered by labor-intensive manufacturing sectors. In addition, there remains a lack of any comprehensive application of technology and sciences or enhancement of managerial skills. Besides, the private sector and non-state-owned groups have faced difficulties in mobilizing capital and in getting access to information about investment and markets. These factors have, in turn, led to a heavy dependence on imports for a majority of export-led foreign firms in the country because only 25% inputs of FIEs' total input value is obtained from domestic manufacturers. For these reasons, there should be urgent measures to enhance the operational effectiveness of local firms so as to boost effective investments and strong production output, not only for domestic demand-led growth but also for manufacturing sectors, to increase their competitiveness and promote a stronger connection with FIEs.

Regarding China, since 2001, Vietnam has faced a mounting trade imbalance because there has been a surge in imports of Chinese raw materials and machinery to serve Vietnam's imports, and in essential goods to serve domestic consumption. Vietnam has had no need to worry about its heavy dependency on China economically, however, because Vietnam has

strong and deep economic ties to a wide range of partners. In this regard, there could be a continued rise in Vietnam's manufactured exports to China alongside a drop in Chinese imported essential goods, especially foods. Since 2012, as Sino-Vietnamese maritime disputes have become more intense, there has been a tendency for the Vietnamese to boycott imported Chinese goods, not just because of the surge of anti-Chinese feeling but also because of the flooding of "poisonous" Chinese goods into Vietnamese markets in what the Vietnamese have referred to as an "economic war" waged by China. Since early 2013, the government has also announced a policy orientation to limit Chinese imports and exert tight control over illegally imported Chinese goods to balance trade with China. Vietnam may take this new move forward because this will not just help address pressures generated by anti-Chinese nationalism but may also avoid Beijing's deployment of Vietnam's overwhelming economic dependence on it as a tool to put pressure on Hanoi over the SCS issue. Simultaneously, Vietnam may make use of China's growing assertiveness in territorial claims with other regional states to accelerate economic ties with them. The possibility is there. With Japan, for instance, mounting Sino-Japanese tensions over the Diaoyu/Senkaku Island in 2012, which was marked by massive anti-Japanese riots and demonstrations in which Japanese firms in China were attacked, led Japan to move its investment and production bases out of China and into Southeast Asia. Not surprisingly, in 2012, of the newly registered FDI flow, worth more US\$16 billion to Vietnam, Japan accounted for almost US\$5.3 billion, more than 30% of the total. This indicates that Vietnam could continue to find trade and investment opportunities if the "China threat" becomes an investment risk for some regional countries.

From a security perspective, China's increasing assertiveness in the SCS has been the cause of the most acute concerns for Vietnam since 2007. Vietnam's changing posture toward China suggests that Hanoi will continue to pursue its defensive hedging behavior to new heights as China's assertiveness in the SCS and its growing regional power make it Vietnam's biggest threat. In this regard, Vietnam will likely move closer to the US and to its allies, principally Japan and the Philippines, which have faced a "common problem" with China. It is no surprise that other ASEAN states, such as Indonesia, Malaysia, Singapore, Thailand, and the Philippines, are also pursuing this strategy because their neighboring giant has exerted its growing regional power, based on its formidable

economic strength, growing military might, and regional influence, despite the economic gains offered by the emergence of China as an economic powerhouse. As Takashi Shiraishi (2012) observes, “The states in its [China’s] vicinity certainly want to gain from its economic rise, but as soon as they feel threatened by China, they align themselves with the USA and its allies.”⁴⁰⁹ In the case of Vietnam, there may be an “alignment” with the US, but this new rapprochement very much depends on China’s policy adjustments. If China is increasingly aggressive in the SCS, anti-Chinese nationalist sentiments in Vietnam will increase, and Vietnam may lean toward the US as the most likely candidate to provide a counterweight to China. However, this scenario is unlikely because there remain a number of limitations on Hanoi. In the first place, it would be detrimental to Vietnam’s long-standing diversified and multidirectional foreign policy and its “three-no’s” defense diplomacy. Such an alignment would thus jeopardize its diplomatic identity and any “non-intervention” principle. Second, Vietnam has been quite circumspect about the possibility of a fierce reaction from China should it move closer to the US militarily. This underlines the fact that Vietnam’s military ties with the US remain at a far lower level than those with Russia, India, ASEAN, and Japan. Vietnam’s strategic interests in the US have been focused on economic development and drawing on US support for its strategy of engaging and enmeshing China, rather than making obvious moves aimed at containing China. Third, Vietnam remains wary of “peaceful evolution.” Forming an alignment would mean allowing some limited space for US military access to Vietnam’s territory. Vietnamese leaders are unlikely to accept this option not just because of the legacy of the Vietnam War but also because of Hanoi’s concerns that it would offer a good avenue for Washington to force political change, supporting internal dissidents who are in favor of democracy, human rights, and political pluralism. Vietnam is also suspicious of Washington’s commitments to a US-led security umbrella. Very recent journals from Vietnamese sources indicate that Hanoi has not warmed to the US commitment to the Philippines, which has been confronted by China’s aggression over the Scarborough Shoal and Thomas Reef. Washington’s response has not been sufficient to secure its traditional ally’s sovereignty. There is a general perception among the Vietnamese that Washington has many other major

⁴⁰⁹ Takashi Shiraishi, “The Rise of China and Its Implications for East Asia,” in Peter J. Katzenstein (Ed.), *Sinicization and the Rise of China: Civilizational Processes beyond East and West*. London and New York: Routledge, 2012, p. 129.

strategic interests to look after and that developments in Sino-US relations may be at the expense of smaller states like Vietnam; the hegemonic powers could sacrifice their interests in smaller states in exchange for greater strategic interests between themselves. For these reasons, there should be increased enhancement of Vietnam's defense relations with the US as part of its soft-balancing strategy vis-à-vis China, but at a level that accommodates all the above-mentioned calculations. Vietnam has established strategic partnerships with all members of the United Nations Security Council except the US. Thus, it is rational for Vietnam to follow suit with the US in the face of a China threat. Washington has shown its enthusiasm for this partnership with Vietnam, as stated by Secretary of State Hillary Clinton during her visit to Hanoi alongside the 2010 ARF. To achieve this goal, however, Vietnam will have to deal with the human rights issue, which remains a barrier to a US-Vietnam strategic partnership. At the same time, Hanoi needs to make stronger efforts to keep the US actively engaged in the ASEAN-centered multilateral institutions in support of Vietnam's position regarding a collective and constructive resolution to the SCS, thereby indirectly protecting itself against potential Chinese aggression and to deter its neighbor from using force.

Besides the US, it is more likely that Vietnam will continue to enhance its military ties with the ASEAN's major security dialogue partners, principally Russia, Japan, and India. These three powers are of great significance to securing Vietnam's interests in the SCS because Russia has been a main arms supplier, a traditional friend, and an important power in securing maritime safety, while both Japan and India are involved in territorial claim disputes with China and concerned about their neighbor's growing regional power expansion. Most recently, Hanoi has drawn the EU closer into defense relations, mainly through defense interactions with and low-key arms procurement from France, Italy, the UK, Spain, and the Netherlands. Defense cooperation with Australia and South Korea has also picked up in recent years after the establishment in 2009 of strategic partnership relations with these two powers, who have played an active role in regional security cooperation, including maritime security. At the same time, Vietnam has to forge closer defense interactions and cooperation with the ASEAN littoral states, such as the Philippines, Indonesia, Singapore, and Malaysia (as well as Thailand), that have shared concerns with Vietnam about China's growing regional power and potential maritime rivalry. In parallel

with actively engaging with the major and middle powers, Vietnam should attempt to enhance its engagement with China, economically and militarily at both bilateral and multilateral levels to manage and codify bilateral relations, although there might be a continued downturn in party-to-party interactions because of increasingly nationalist anti-Chinese sentiments, which put pressure on the Party leaders' stance on ideological solidarity with Beijing.

Another strategic option for coping with China will be the development of Vietnam's self-help or self-resilience capabilities. One of the central tenets of Vietnam's strategies, given its increasing threat perception of China, is the boosting of national strength and resilience. In this respect, Vietnam should primarily focus on economic development as an important instrument in enhancing nationalistic sentiment so as to better protect the country's independence and sovereignty and to maintain national unity. Vietnam also needs to continue the pursuit of major arms procurement packages to enhance its naval defense capabilities in order to deter China from using force or to prepare for its possible eventuality.

The final option—enmeshment—would probably be the most practical approach for Vietnam in coping with its neighboring giant, for a number of reasons. In the first place, the ASEAN-centric multilateral political and security institutions, alongside an ASEAN-China FTA and other sub-regional arrangements, will play an increasingly crucial role in constraining China within a wide-ranging web of economic, diplomatic, political, and security cooperation. Such high levels of interdependence between ASEAN and China would raise the costs significantly for China should it continue to act so aggressively in the SCS or confront ASEAN. Second, ASEAN has skillfully engaged all the major powers over a long period to increase their incentives to strengthen interdependence and their sense of having a stake in the region's security and stability. China's position and image would be seriously damaged were it to challenge regional security through its aggression in the SCS. China would also have much to lose in diplomatic, political, and economic terms with ASEAN's major partners and ASEAN as a whole because they will not sit by and watch China act unilaterally; it would have implications for regional security and stability, as well as their legitimate interest in freedom of navigation. Assuming that Beijing sees the logic of

this situation, then enmeshment will help Vietnam very much to restrain China from potential aggression. Third, it is most important that Vietnam continues to make full use of wide-ranging support from ASEAN and non-ASEAN state alike to pursue an ASEAN-China regional COC on the SCS as a legally binding mechanism to enmesh China. The participating security partners of the ASEAN-led ARF, especially the US, Japan, India, Australia, and South Korea, have demonstrated their support for Vietnam's position and are likely to continue to do so. ASEAN states have worked actively toward the COC and will continue to work toward greater cohesion within the organization in pursuit of the COC, given their common interest in freedom of navigation.⁴¹⁰ Most recently, to restore ASEAN unity and cohesion after the 2012 diplomatic scandal at the Cambodia-chaired AMM, at the ASEAN Summit meeting and related gatherings in Brunei in April and May 2013, ASEAN stressed the importance of concluding the COC to manage potential flashpoints in the SCS.⁴¹¹ Brunei, which used to pursue a neutral position on the issue, has now come to play a more active role. On another occasion, Indonesia floated the idea of an "Indo-Pacific Treaty of Friendship and Cooperation," in which the "management" of territorial disputes and dealing with rival claims in the SCS was one of the key areas.⁴¹² This new movement is a clear indication of ASEAN states' increasing concern about potential maritime rivalries, particularly those posed by China in recent times. Hanoi should make its strong efforts to build greater ASEAN cohesion and solidarity vis-à-vis China, with a view to producing a COC.

What future role, then, is there for Vietnam in the Asia-Pacific?

Vietnam is today widely recognized as an emerging middle-sized power in Southeast Asia and the wider Asia-Pacific region, not just because of its economic performance, but also because of the high profile of its positive contributions to regional development, especially on the occasions when it has chaired ASEAN. Vietnam also has a proven diplomatic track record of active contributions to regional security through ASEAN-centered institutions (as

⁴¹⁰ Author's interview with former ASEAN Secretary General Dr. Surin Pitsuwan, GRIPS (Tokyo, Japan), dated 17 April 2013.

⁴¹¹ See more details in [<http://www.bt.com.bn/news-national/2013/04/12/asean-pursue-talks-over-sea-row>].

⁴¹² See more details in [<http://thediplomat.com/the-editor/2013/05/17/an-indo-pacific-treaty-an-idea-whose-time-has-come/>].

initiator of the ADMM+ and the expanded EAS) and through its recent non-permanent member status on the UNSC, where it was in a position to address global issues.

These factors will continue to further enhance Vietnam's role as an important strategic player in the Asia-Pacific. In the first place, Vietnam's unique geopolitical importance makes it attractive to all the major powers because it lies alongside China—Asia's fastest-growing major power—and it is situated in the heart of Southeast Asia. Second, Vietnam is a littoral state on the SCS through which vital SLOCs pass. For these reasons, Vietnam will be of increasing strategic importance as the distribution of power in the Asia-Pacific is transformed by the major powers' growing geopolitical and strategic competition. Third, for the past five years, Vietnam has been modernizing its armed forces at a drastic pace. Regardless of its strategy to deter China and protect its sovereignty in the SCS, once Vietnam fully absorbs the new guided missile frigates and Kilo-class submarines into its armed forces, the country will be a position to contribute more positively to regional maritime security in partnership with the Asia-Pacific's major powers. Most recently, Vietnam sent its defense forces to join a UN Peacekeeping Force for the first time. Fourth, Vietnam is the most prominent and influential member of the CLMV group and has exerted increasing influence in the integration of ASEAN. This status will have strategic appeal to states worldwide, especially to the major powers seeking a foothold in Southeast Asia, who may see the benefit of doing so with Vietnam's support.

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