

Name: Dao Ngoc Thuy Duong

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PRO GRADU THESIS

**The Impacts of the South China Sea Disputes between  
Vietnam and China on the Vietnamese Government's  
Perspectives on Joining the Belt Road Initiative**

Centre for East Asian Studies

Faculty of Social Sciences

University of Turku



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UNIVERSITY OF TURKU

Centre for East Asian Studies/Faculty of Social Sciences

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## ABSTRACT

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The international nexus of security and economic cooperation is a complicated issue especially between countries that are in asymmetric positions like Vietnam and the People Republic of China (China). Living next to a giant neighbor has been creating Vietnam both challenges and opportunities in the past two thousand years since the first independent state form of Vietnam was established. The challenge for Vietnam is how to successfully perform its political maneuvering to get the most benefits from economic cooperation and at the same time not to dampen its ideological independence and sovereignty.

This thesis looks into two aspects acting as two separated, but also mutual-affected case studies, the South China Sea disputes (security) and the Belt Road Initiative (BRI) (economic cooperation). By qualitative analysis, I wanted to give a thought on how a small and weak country (Vietnam) can manage in the challenging situation when putting the economic benefits and the territorial rights (from Vietnam's point of view) on the same scale.

The thesis concludes that Vietnam has faced a greater challenge in joining the BRI and the actual implementation of the BRI in Vietnam has been still very slow. The Vietnamese government is willing to support the BRI as long as they can get benefits from the BRI, while not dampening its political motivation and persistence with their agenda on the South China Sea. Vietnam is therefore hedging its position towards the PRC.

**KEYWORDS:** the South China Sea, Belt Road Initiative, Security, Economic Cooperation

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## *Introduction*

Vietnam has a long history of being colonized by its northern neighbor China. After over 1000 years of being a colony starting under the Han dynasty (202 BCE – 220 CE), Vietnam's first independent state was established in 938 AD by King Ngo Quyen. Since then it has been relentlessly reinforcing and protecting its sovereignty and national identity against China and other colonists.

The territorial conflicts have been an essential issue in the foreign agenda between China and Vietnam. Tensions in territorial claims remain as the painful topic that has never healed despite the massive improvements in Vietnam- China relationship from being rivals to comprehensive partners.

Since the disputes on the land boundary and the Tonkin Gulf were peacefully settled down by demarcation and treaty between the two countries more than twenty years ago, the re-arise of the South China Sea disputes (Paracel and Spratly Islands) have been causing worrying concerns about the security dynamics of South East Asia. Although the two countries have been interacting and cooperating significantly, conflicts on the South China Sea still act as a determinant defining the bilateral economic connection and affect the two states policies toward their each other.

In this thesis, I want to have a thorough look into the influence of the South China Sea disputes on the economic cooperation between China and Vietnam. The bilateral economic cooperation here is from Vietnam's side. At the moment, the way how Vietnam will react to and get access to the Belt Road Initiative (BRI) in the context of the South China Sea territorial disputes remain unsettled. It is against this background that this thesis is written.

## ***Chapter 1: Theoretical Framework: The nexus of Security and Economic cooperation in East Asia and Southeast Asia.***

Despite the fact that East and Southeast Asia have been free of war since 1979, countries in this region are not absolutely secured with peace (Avery & Edward, 2012). In fact, the interstate disputes and conflicts with the use of military force have been continuing in the region. Because of the close alliances between the United States and Japan, South Korea, the Philippines and Vietnam, the conflicts related to the maritime territorial disputes in East and Southeast Asia have the potential of escalation and attract the participation of powerful states. Obviously, maritime territorial disputes render the contemplation of the way in which economics and security in East and South East Asian bond. Economic interest may influence military security relations, and on the other hand, military-security interests also condition the regional economic relations. Economic benefits, which need a peaceful context to develop, may discourage the territorial disputes in the South China Sea and check them from escalating into military conflict. However, is it true that since the economic cost of the war is so high and no one wants war, that states can claim maritime rights without being in fear of escalation into wars?

There are various theoretical perspectives on the relationship between security and international economic relations. This chapter introduces two opposing viewpoints on the relationship between security and international economic relation that are from the liberal and realist schools of international relations theory.

Liberals argue that interstate conflicts and the escalation of disputes are discouraged by the extensive economic interdependence (Stein (1993); Doyle (1997); Mansfield and Pollins (2001)). To support this argument liberals pointed out the mechanism that can be used to explain the political-economic-military relation in East and Southeast Asia. One typical instance that liberals usually utilize is that the cooperative political relations would be fostered when governments' contacts and communications are promoted, as well as when the private actors interactions are enhanced (Doyle (1997); Hirschman (1977); Stein (1993); Viner (1951)). There are a plenty of reasons to prove that the extensive economic interaction in this region has encouraged international contacts although it is unknown if this international contact contributes greatly to political cooperation or not. In addition, liberals

emphasize that international trade and Foreign Direct Investment (FDI) make a significant contribution to wealth and growth. State-owned enterprises, private sectors and individuals enjoy benefits from these gains. When the international trade is open, these actors become more dependent on the foreign markets, thus these economic actors have a certain influence on their governments to undermining military conflict and sustaining economic relations among opponent states. As the famous quote of Montesquieu puts it: "...the natural effect of commerce is to lead to peace. Two nations that trade together become mutually dependent: if one has an interest in buying, the other has an interest in selling; and all unions are based on mutual needs." (quoted in Hirschman (1977), p.80).

However, arguments on the relation between economic cooperation and security by liberals has received a lot of criticism. Firstly, it is observed that a state's security can be adversely impacted by open trade and extensive economic interdependence. Gains from trade are always distributed disproportionately to states and it renders the interstate's conflict (Hirschman (1980); Gilpin (1981)). Albert Hirschman (1980) in his study made a conclusion that political dependence and domination can be fostered by trade relations. He explained that open trade generate efficiency that support military capacity of the states. It also increases the cost of any interruption in the interstate commercial relationships. Trade partners find it troublesome to replace economic exchange. It's also costly to shift from this partner to another partner especially for the one who is weaker and more dependent on ones counterpart in the commercial relations. It is common for states to boost their power by shifting to trade with smaller and poorer partners who badly need commerce and income.

From the viewpoints of realists, Miles Kahler (1995) argued that although economic institution in East and Southeast Asia have fostered interdependence between economies, these institutions have failed in dampening conflicts in the region as liberals argue. At the same time, Benjamin Cohen (1973) argued that the function of economic cooperation on preventing military tension was doubtful. And the fact is that security frictions both in underlying and active forms are happening in East and Southeast Asia. However, Cohen also said that attempts on financial cooperation improvement over the long term may help decrease political hostility. Realists accuse liberals of favoring the impacts of economic cooperation on political-security-military relations, while they do not pay close attention to the counter effect of political-security-military relations on economic relations.

In addition, realists have a long traditional belief that a liberal international economy

and the extensive interdependence may lead a single state to become powerful enough to control the global system (Krasner 1976; Gilpin 1981&1987).

Scholars have been researching on the territorial disputes in East and Southeast Asia to determine the intensity and intractability of economic and security interests there. Zhang (2012) in his survey about the maritime disputes of China, Japan and other neighbors, concluded that the abilities of related parties to restrain their disagreement and to resolve the disputes are various. Zhang linked these variations to the origins of the disputes, the extent that the economic and political relations may be at risk, and the difference between disputes on the land borders and in the sea. Zhang concluded that relevant parties would keep fostering negotiations that would limit the possibility of military conflict and these dialogues should finally lead to settlements. Zhang also added that the bond between economic and security interest is the origin of conflict and also is the incentive for cooperation.

In Asia, the rapid rise of China as an economic power and its extensive trade with neighbor countries has made these nations become more dependent on China. This provides the leverage for China to adversely influence their national securities. The fact that China's increased spending on modernizing military has given rise to speculation on China's influence on the regional security and on the scenario when China replaces the world's sole superpower position held by the United States and becomes dominant in Asia. (Zhang, 2012)

Since the end of the first decade of this century until before the China-U.S trade war erupted, China and the United States had shown the characteristic of countries whose economies became increasingly interdependent (Avery & Edward, 2012). According to liberals, this kind of relationship is beneficial to both countries since it creates the incentives for sustainable cooperation. However, liberals also warn that such interdependence may cause conflict when one party enjoy its benefit on the expenses of the other party. After the global economic crisis eruption in 2008, observers started to pay closer attention to the nexus of economic and security affair as this nexus performed evidently during the crisis, especially when China was the least damaged one. In 2009-2010, scholars started to comment on their observation about China's assertive actions to support its territorial claims in the South China Sea and East China Sea. Analysts explained this apparent change in China's behavior as the decrease in economic power of the United States during the crisis and as the consequences from the war in Iraq and Afghanistan. Beijing's strength was growing more rapidly than calculated (Glaser & Dooley (2009); Glaser& Morris (2009); Swaine (2011); Swaine& Fravel (2011)).

American internal and global power decline paved the way for China to press harder on her regional interests. Whether this argument was objective in describing the change in China's foreign policies or they were simply subjective opinion, the new perception on China's power and the new order was widespread. Those who considered China's rising power worrisome, started their cooperation with China in the ways that were not beneficial to China's security and limited the benefits that China can get from their robust economic relation. That was the reason why Beijing kept firmly repeating their commitment to "peaceful development" (*heping fazhan*) by emphasizing the essential basis of a stable security for its own continuous economic rise and for the common prosperity (Dai, 2010).

China's increasing military power will encourage its leaders to be more aggressive on their foreign policies with neighbors. This articulates concerns on the high possibilities of conflicts with neighbors or with the United States which shows strong interest in Asia Pacific. It is difficult to confirm the speculation that Beijing leverages economic power to exert political pressure on parties who are in a conflict with it. However, in the case of Japan, China halted the export of rare-earth minerals to Japan when the two countries had a diplomatic standoff (2010). These actions raised the broader security concerns about the negative side of China's rapid growing power in Asia. The combination of vast territory, large population with proud nationalism, rapid technological development, quickly growing economy and strong central leadership make China become the significant worrisome source of regional (in)security. Despite the fact that Beijing had by 2010's resolved most of its territorial conflicts and sovereignty disputes, thorny conflicts still remain with its neighbors Japan, Vietnam, India and notably Taiwan. Furthermore, if conflicts ever occur between China and countries in East Asia or Southeast Asia, American involvement is to be expected. Thus, looking into security issues in the region is therefore essential.

## *Chapter 2: Methodology*

This research is about two main concepts: The South China Sea conflicts and the Belt Road Initiative. These two concepts can be analyzed as two case studies and the methodology for each case study is different.

The South China Sea is an old and long time researched topic by both international and Vietnamese researchers. There is a large amount of research and books about the South China Sea and the territorial conflicts between claimants. However, because of the secretive nature of the Vietnamese state it is difficult to get information from the top leaders or elites of the Vietnamese government, therefore the sources I used are mainly from scholars, critics, observers, journalists, etc. The information released from the government official websites or announcements are on the diplomatic surface, most of the announcements carry the same diplomatic content.

I used Qualitative method to examine sources as following: historical texts, researches on the South China Sea disputes; Journals and researches on current situations in the South China Sea. The sources used are mainly in English and Vietnamese. The sources will be diversified in term of scholars and nation of origins.

The BRI is easily defined in terms of geographic area, but not so easily defined in terms of the investment or cooperation content. The reason for this is that the information from the BRI partners is either unmatched, too classified or that kind of information is not released at all. However, from official Vietnamese government documents released in 2015 it can be defined that Vietnam and China cooperation are in five categories: Infrastructure, Commercial zone in the border area, Power plants, Finance, and Policies.

Because Vietnamese government does not really release either the data on projects or investment portfolio under the BRI, this research is based on:

- Official announcements after state visits between Vietnamese and Chinese top leaders
- Information on BRI that are published on news, government websites both from Vietnam and China sides
- Researches by World Bank and Asian Development Bank
- Researches by scholars on this topic

According to Pham (2019), the following projects in Vietnam that are categorized under the BRI: The TCOB (Two Corridors, One Belt). The TCOB was introduced in 2003 by China with the purpose of promoting the bilateral economic cooperation and improving the connectivity between Yunnan, Guangxi with 12 cities and provinces in North Vietnam. TCOB was not implemented until it was combined into the BRI. Based on the announcement on November 2017, it is defined that China and Vietnam had combined the BRI and TCOB (Two Corridors, One Belt). (Le, 2018) Further, based on the BRI memorandums of China and Vietnam, also these following projects are labeled under the BRI: Vinh Tan 1 Power Plant; Intercity Railway Cat Linh-Ha Dong; some transportation projects in North Vietnam; and Projects under AIIB in South Vietnam. (Pham, 2019)

## ***Chapter 3: Historical background of the disputes on the South China Sea between China and Vietnam***

Both China and Vietnam strongly claim for their ownership over the islands in the South China Sea. The territory conflict between China and Vietnam on the islands in the South China Sea started many decades ago and have not come to an end yet . This conflict is a weak point in the diplomatic relation between two countries and it has caused damage to the Sino-Vietnam's mutual trust. On the other hand, Belt Road Initiative (BRI) is a newly promoted economic cooperation plan by President Xi. BRI offers country member the finance for the economic development mainly on transportation and energy projects. As for Vietnam, BRI is a valuable opportunity to boost the domestic economy. However, cautions and concern about the ongoing conflicts in the South China Sea are obstacles for Vietnam to participate more actively and fully in BRI.

In chapter 3, I will introduce about the Sino-Vietnam conflict on the South China Sea. First I will go through the geographical facts of the South China Sea then I will write about the background of the disputes between China and Vietnam on the South China Sea

### ***3.1 Geographical facts of the South China Sea***

The South China Sea is known as 南海 (Nanhai) in Chinese and Biển Đông (East Sea) in Vietnamese (See photo: The South China Sea). The South China Sea is an area of partially enclosed waters of 3.5 million square kilometers that spread from latitude 3 to 26 north and longitude 100 to 121 east. The South China Sea is bounded by ten countries: Vietnam, the People's Republic of China (PRC or China), the Philippines, Indonesia, Brunei, Malaysia, Singapore, Thailand, Cambodia, and the Republic of China (ROC or Taiwan). The South China Sea is geographically important in the Pacific Ocean in Asia and it determines geo-strategic positions for countries in the region (Vietnamese Foreign Ministry, 2010). The South China Sea possesses a large number of archipelagoes, islands, islets, etc. Some of the most prominent features are the Paracel Islands, the Spratly Islands, the Pratas, the Natuna Islands and the Scarborough Shoal (South China Sea, n.d.). As for archipelagoes in particular, the two largest in the South China Sea are the Paracels and the Spratlys.

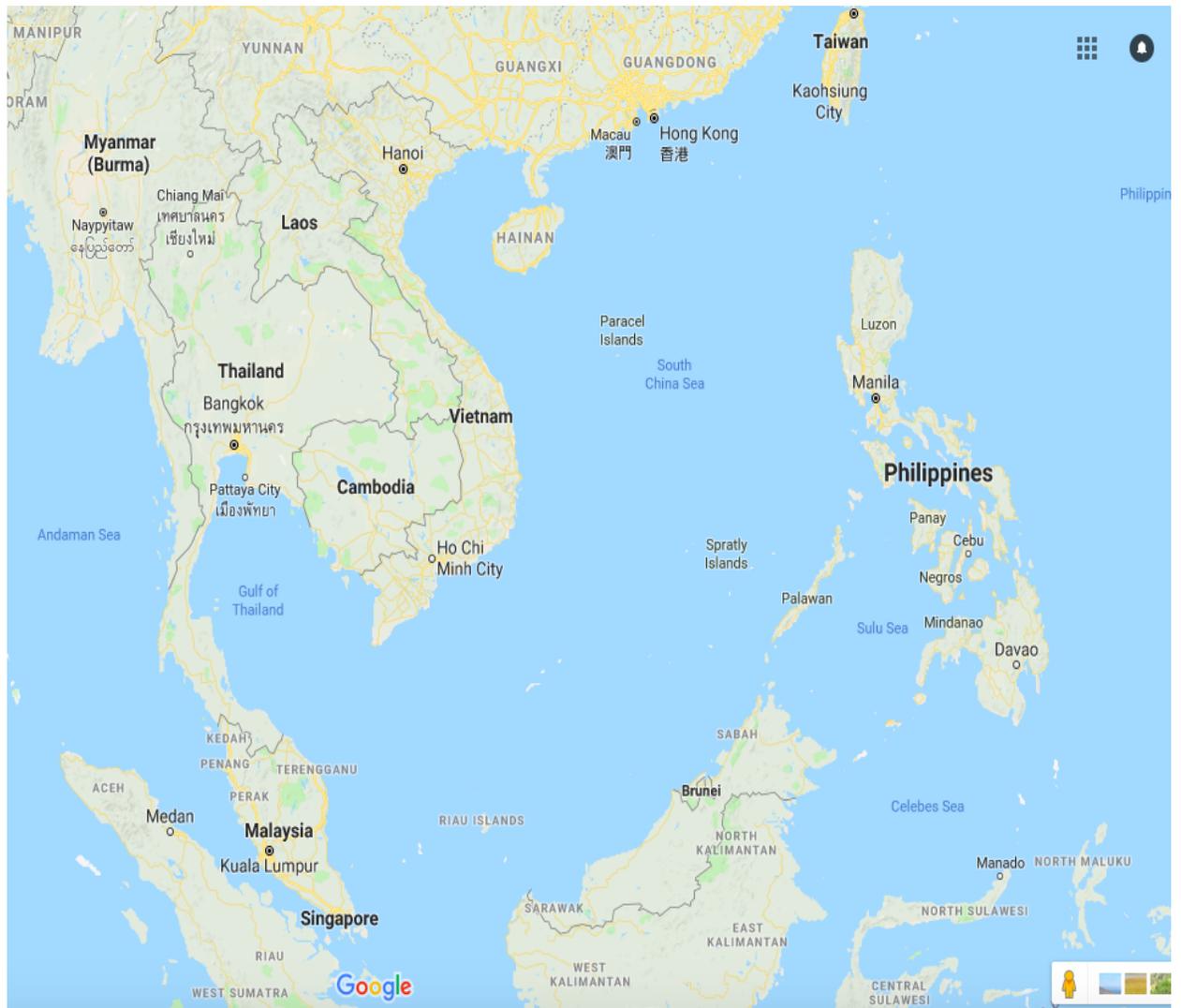


Photo: The South China Sea (also known as Nanhai in Chinese and *Biển Đông* in Vietnamese)

Source: Google Maps

The Paracel Islands which are known as 西沙 (XiSha) in Chinese and Hoàng Sa in Vietnamese are around 330 kilometers away from Hainan Island of China and the same distance from the eastern coastline of Vietnam (See photo: Paracel Islands).

This archipelago spreads over an area of around 15,000 square kilometers on the sea surface with a land area of approximately 7.75 square kilometers (Paracel Islands, n.d.). The Paracel Islands consist of two clusters of islands- i.e. the Amphitrite group and the Crescent group. The Amphitrite group contains six islands which are Woody (this is the largest at 2 km long and 1 kilometer wide); Rocky; Tree island; South Island, Middle Island; North Island and Lincoln (Lincoln is sometimes included in this group). The Crescent group is located 64 kilometers southwest of the Amphitrite. The Crescent group has 7 islands: Patte and Robert are the largest ones; Triton; Duncan; Money, Drummond; and Passu Keah (Hayton, 2014) (Paracel Islands, n.d.). At the present time, the whole Paracel Islands region is occupied and controlled by China while claimed by Vietnam.

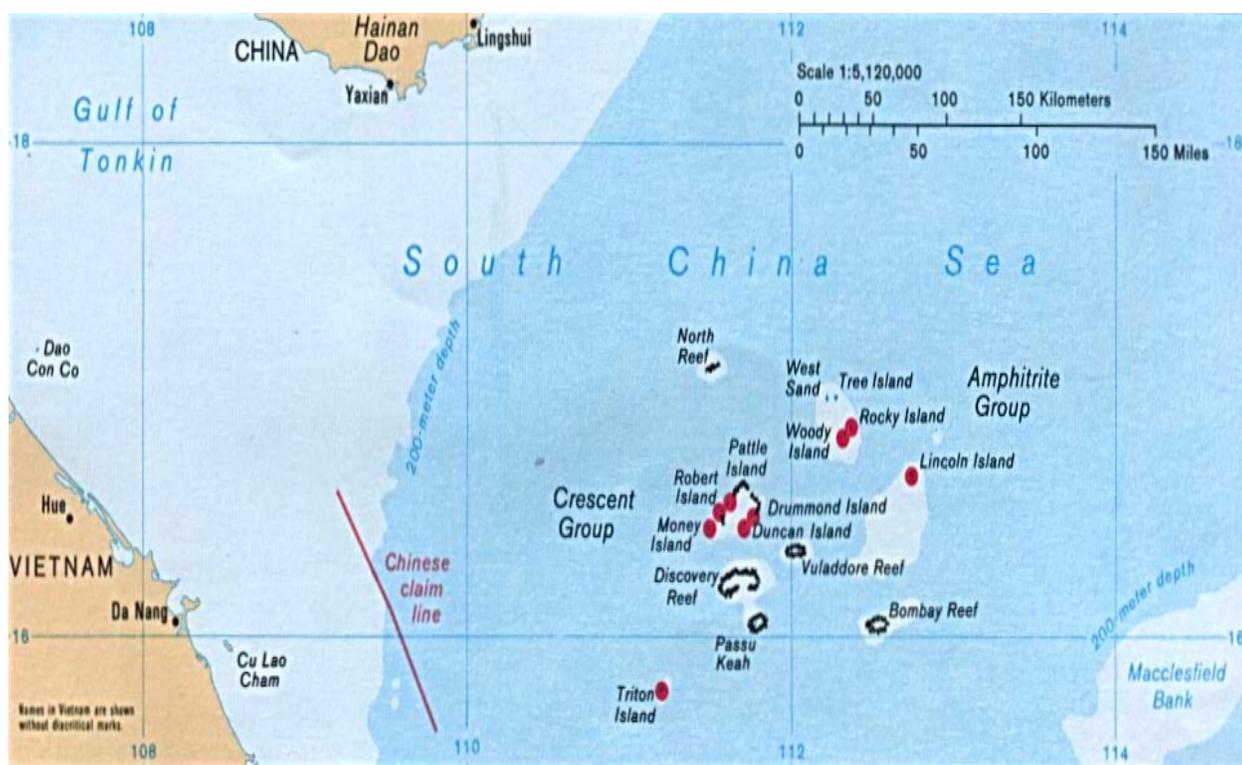
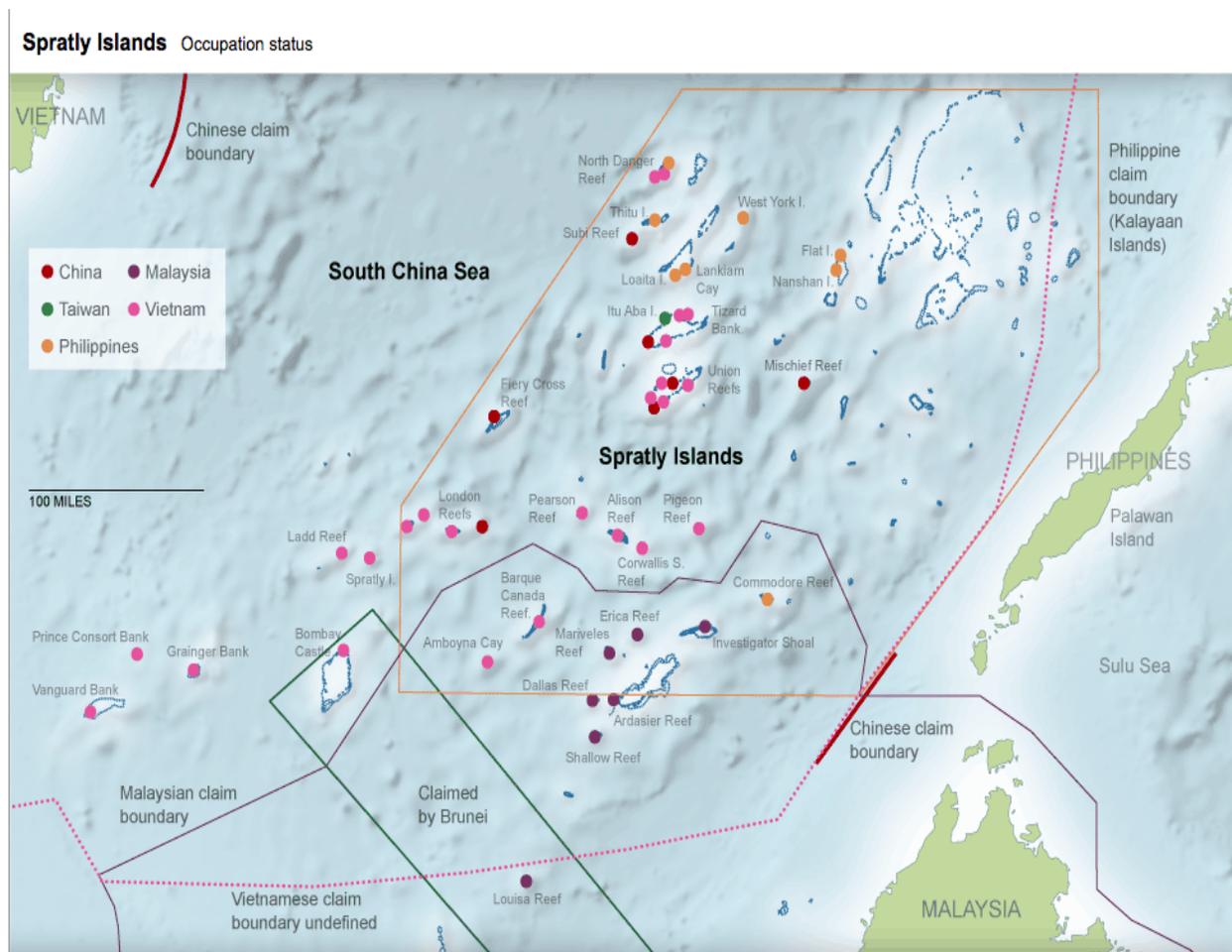


Photo: Paracel Islands (also known as XiSha in Chinese and Hoàng Sa in Vietnamese)

Source: Google Maps

The Spratly archipelago is more complicated. This archipelago is partly occupied by China, Taiwan, Vietnam, the Philippines, Malaysia, and Indonesia but at the same time each of these states claims their own sovereignty over it (See photo: Spratly

Islands' Occupation Status). The Spratly archipelago is also known as 南沙 (Nansha) in Chinese, Trường Sa in Vietnamese, and Kalayaan in Filipino. The Spratly Islands are located approximately 754 kilometers away from the Paracel Islands and extend over an immense area of 409,000 square kilometers. Additionally, the Spratlys comprise a great number of submerged features along with 12 main islands and islets. The major islands are Itu Aba and Spratly Island (also known as Storm Island). Most of the features in the area near the Spratlys do not naturally sustain habitation and economic life and are not qualified for the Exclusive Economic Zone (EEZ) under the United Nations Convention on the Law of the Sea (UNCLOS).



By JOE BURGESS

Sources: U.S. Department of State, Office of the Geographer; GEBCO

Photo: Vietnam and China's territorial claims on the South China Sea

Source: The New York Times

France annexed the Spratly islands from 1933 to 1939. Thereafter, Japan occupied

them during the World War II. However, in 1951 Japan renounced its territory rights over the islands but did not indicate which country would be the heir. Therefore, the ROC, the PRC, the Republic of Vietnam (ROV), and afterwards the Philippines, all claimed themselves as the owners. From 1947 -1949 the ROC established a garrison in Itu Aba, which is maintained until now. Since UNCLOS came into effect in 1982 and created the concept of 200 nautical miles (370 kilometers) EEZ, the Spratly Islands became more desirable for all parties (Kenneth Pletcher, n.d.). Nowadays, all features in the Spratlys are occupied by 5 countries, which are: the PRC, Vietnam, the ROC, Malaysia and the Philippines. Up to 2016, the status of occupation in the Spratly Islands was as follows:

Vietnam occupies 21 features: (Southwest Cay (Vietnamese: Song Tu Tay), South Reef (Da Nam), Petley Reef (Nui Thi or Da Thi), Sand Cay (Son Ca), Namyit Island (Nam Yet), Discovery Great Reef (Da Lon), Sin Cowe Island (Sinh Ton), Collins Reef (Co Lin), Lansdowne Reef (Len Dao), Sin Cowe East Island (Sinh Ton Dong), Ladd Reef (Da Lat), Spratly Island (Truong Sa or Truong Sa Lon), West Reef (Da Tay), Central Reef (Truong Sa Dong), East Reef (Da Dong), Pearson Reef (Phan Vinh), Allison Reef (Toc Tan), Cornwallis South Reef (Nui Le), Pigeon or Tennent Reef (Tien Nu), Barque Canada Reef (Thuyen Chai), and Amboyna Cay (An Bang)).

China occupies 7 features: (Six features in the Spratlys since 1988 (Subi Reef (Chinese: 渚碧礁 Zhubi Jiao, Gaven Reef (南薰礁 Nanxun Jiao), Hughes Reef (东门礁 Dongmen Jiao, Johnson South Reef (赤瓜礁 Chigua Jiao), Fiery Cross Reef (永暑礁 Yongshu Jiao), Cuarteron Reef (华阳礁 Huayang Jiao), and Mischief Reef since 1995). While the Philippines occupies 9; and Malaysia 5; and finally, the ROC occupies only 1; (Alexander L.Vuving, 2016). (See photo: Vietnam and China's territorial claims on the South China Sea)

The South China Sea is the main route for maritime transportation connecting the Pacific and the Indian Oceans, Europe and Asia, and the Middle East and Asia. This is the second most bustling maritime transportation route in the world. The South China Sea has contributed significantly to the world's economic growth as a large portion of commercial merchant ships passes through these waters. The Energy Information Administration estimated in 2013 that one-third of world's oil and half of the world's natural gas were transported through the Straits of Malacca in the South China Sea heading to China, Japan, Taiwan and South Korea. Japan and South Korea are heavily relying on the South China Sea for their energy supply transportation. For Japan, to keep the lights on, they require four million barrels of

oil daily and 400.000 cubic meters of natural gas to be delivered through the South China Sea (Hayton, 2014). All East and Southeast Asian countries are vulnerable to any energy disruptions in the supply. In 2008, 85 percent of China's energy consumption came from oil from which half was imported, and 85 percent of this imported oil was carried through the South China Sea. In other words, 36% percent of China's energy supply crossed the South China Sea. In addition, the South China Sea contains a large number of natural resources ranging from undiscovered oil fields to hydrocarbon fields and rich fishing grounds (South China Sea, n.d.) (Hayton, 2014).

The South China Sea has played a significant role in Vietnam's national defense in the past and present. Vietnam has a long coastline of 3260 kilometers from North to South and owns around 3000 islands including Paracel and Spratly islands (2). Vietnam has 63 provinces in which 28 provinces have coastline (Vietnamese Foreign Ministry, 2010).

### ***3.2 Timeline of main historical events related to China and Vietnam in the South China Sea since 1974 until now (2019)***

The harmonious relationship between China and North Vietnam (Democratic Republic of Vietnam -DRV) lasted in the late 60s and early 70s as DRV got supported by China in the civil war against South Vietnam (Republic of Vietnam-RVN). This harmony faded and ended in a chain of incidents that happened in 1974. Starting with China forcefully expelling RVN from Crescent Group (island) in the Paracel Islands that they occupy still to this day; the mass expulsion of the Hoa Vietnamese ethnic group by the unified Vietnamese state after 1975; and the borderland and the Tokin Gulf tensions in late 70's which made the strained bilateral relations reach a climax when the Sino-Vietnamese border war occurred in 1979. This Sino-Vietnam war was the landmark for the official break-up in China-Vietnam relations.

On the 19<sup>th</sup> of January 1974: Chinese troops took over the Crescent group in the Paracel Islands from the South Vietnamese. China occupied the whole Paracel archipelago and still holds it to this day. As mentioned above, the Paracel archipelago has two groups of islands: Amphitrite and Crescent. In the time of 1974, the Amphitrite group was controlled by PRC and the Crescent group was occupied by ROV. In the same period, the relationship between China and North Vietnam became sour. Chinese spokes personnel reinforced China's sovereignty claim over the whole the Paracel islands to the international public, but no one in Saigon acknowledged it. The Chinese had been preparing the takeover of the Crescent

Group by sending hundreds of soldiers there gradually since mid-December of 1973. The South Vietnam did not know what was really happening in the Paracel Islands until early January of 1974. On 14 January 1974, the clashes occurred and continued for one week until the South Vietnamese troops were badly defeated and arrested. The Crescent group fell to Chinese occupation and the PRC formally annexed the whole Paracel Islands until today, while Vietnam still strongly claims her sovereignty over it. The event of 1974, when China took over the Crescent group by force, awoke the South Vietnam government. They rushed to strengthen their troops in the Spratly Islands by sending 120 troops to the five occupied islands. On the other hand, North Vietnam had been publicly keeping silent about the battle in the Paracels. The differences in political ideology with China rendered Hanoi closer to the USSR, this made the PRC concerned to be encircled by Moscow and Vietnam. From Beijing's perspective, whoever controls the Paracel islands and the waters around them posed a threat to China. This reason motivated China to ignite this battle and to take control over the whole the Paracel archipelago. (Hayton, 2014)

Until January 1988 the Vietnamese government had been securing with what they possessed in the Spratlys since they had occupied islands that were worth occupying. They controlled every feature that were not submersed at high tide. However, the Vietnamese underestimated the Chinese naval forces and were content with their advantages on Spratlys. In the early February 1988, a Chinese naval force arrived on Fiery Cross, which was regarded as dangerous and valueless by the SRV. Only in 9 days the Chinese built up 8000 square meters of dry land on this reef. On 18 February the Chinese took a further step to Cuarteron Reef which was the only feature that was not occupied by the Vietnamese of London reefs. On 14 March 1988, Vietnamese successfully occupied Collins and Landowne which they have been occupying to this today. The disaster happened on Johnson Reef (Chigua in Chinese and Da Gac Ma in Vietnamese) which is less than 2 kilometers north of the Collins Reef. What exactly happened on the Johnson Reef is controversial even today, but the end result was the death of 64 Vietnamese soldiers and a Chinese victory over the Johnson Reef conflict. By 8 April 1988 China had succeeded in occupying Fiery Cross, Cuarteron, Johnson, Kennan, Subi Reef and Gaven Reef in Spratly Islands (Hayton, 2014). One may ask what is the motivation of China with these moves. At that time, they were not sure whether they could get oil, fish or to be able to build bases there or not. It was a certainty however that China was successful in preventing other countries from consolidating their position in the Spratly Islands. It should be noted that between the years of 1975 to 1995, Vietnam was internationally isolated and only country that confronted the territory disputes on the South China Sea against China. After this period, China's expansion on the South China Sea had encroached into the waters claimed by other countries in Southeast Asia.

The year 1986 was a historic time for Vietnam as it adopted the economic reform in the 6<sup>th</sup> Congress of the Communist Party. Since then Vietnam has developed the desire for rapprochement with China. This decision was made in the context that Vietnam was in

isolation internationally and domestically the economy was stagnant. On the 23<sup>rd</sup> of October 1991, the Paris Peace agreement for Cambodia was signed which removed tensions between China and Vietnam. The two countries declared the normalization of the bilateral relation on the 5<sup>th</sup> of November 1991 at a summit in Beijing.

A number of events relevant to the South China Sea dispute took place in 2009 – 2010. In 2009 China submitted the so called 9 dash-line map to United Nations and then released the passport bearing the 9 dash-line map which indicates the whole South China Sea as Chinese territory. In May 2009 Malaysia and Vietnam submitted a joint request to the United Nation Commission on the Limits of Continental Shelf to expand their continental shelves to two hundred nautical miles from their coastlines in accordance to UNCLOS. On the 23<sup>rd</sup> of July 2010 U.S. Secretary of State Hillary Clinton reaffirmed the U.S.'s neutral stance on sovereignty in the South China Sea, but she stated that the U.S. was interested in the “open access to Asia’s maritime commons” or in other words the freedom of navigation on the waters in accordance to the international law (The South China Sea, 2011).

In May 2011 the survey ship Binh Minh 02, which belong to Petro Vietnam and CGG Veritas, was working in Block 148, 120 kilometers east of the port Nha Trang of Vietnam. On 26 May 2011, three China Marine Surveillance (CMS) ships, numbers 12, 17 and 84, approached from the horizon and then closed in on Binh Minh 02. Although Binh Minh 02 was guarded by a pair of fishing trawlers, the entire 17.000 meter cable trailing behind Binh Minh 02 was not protected. CMS ship 84 purposely cut across the cable. It was fortunate for the Vietnamese that the multi-million dollar Binh Minh 02 was equipped with emergency floats that brought the cable to the surface for recovery. The damage was repaired and the Binh Minh 02 was sent back to the sea one week later, accompanied by eight escorts. (Vụ tàu Bình Minh 02 bị cắt cáp gây bức xúc, 2011)

Two weeks later after this incident, another clash happened between Vietnamese and Chinese ships. This time the Veritas Viking 02 which was partly owned by Petro Vietnam and Talisman-a Canadian Company. While the Veritas Viking 2 was working in Block 136-03 in the most southeast of Vietnam claimed EEZ, it was attacked by an vessel from China’s Fisheries Law Enforcement Command (FLEC). A group of Chinese sailing boats came into the survey area and remained there although Vietnamese warned them to leave. On the following day, Viking was encircled by two FLEC ships, the 3030 and the 301, Viking’s streamers were sailed across by Chinese trawler number 62226 this caused the trawler to snag its net and was dragged backwards. The FLEC rushed to help the trawler and cut open the streamer, this act was explained by Chinese as self-preservation. (Trung Quốc phá cáp tàu thăm dò của Việt Nam, 2011)

In the first half of 2011 three incidents occurred on the South China Sea, in which two incidents were related to Vietnamese provoked outcries and criticism on China’s bullying around the South China Sea. After 2011, three more incidents happened. Binh Minh 02’s

cables were cut for a second time in late November 2012 near the Paracel Islands. Two other similar incidents happened in the Malaysian EEZ off Borneo on 21 August 2012 and on 19 January 2013 (Trung Quốc lại làm đứt cáp tàu Bình Minh 02, 2012). Moreover, on the 25<sup>th</sup> of September 2012 China launched its first aircraft carrier- Liaoning which was stated to protect China's national sovereignty. (China's first aircraft carrier enters service, 2012)

In 2014: China started land reclamation and island building. China said that these actions' purpose is for the improvement of the conditions for the inhabitants living and working on these islands. (Tiezzi, 2014) Later, China would argue that the expansion on land reclamation and island building were for the benefits of the international community as bases for "maritime search and rescue, disaster prevention and mitigation, marine science and research, meteorological observation, navigation safety and environmental protection and especially satisfying the need of necessary military defense" (Lye& Ha, 2018)

In May to July 2014 China also deployed its oil rig HaiYang ShiYou 981 owned by the China National Petroleum Cooperation for 75 days in the waters off Triton island (in the Paracel Islands) which Vietnam claims as its own. (Trung Quốc đặt giàn khoan trái phép trên Biển Đông, 2015)

In 2016 the presence of China in the South China Sea was noticeably enhanced. In January 2016, an Airbus of China Southern Airline landed on the runway on Fiery Cross Reef in Spratly Islands. On the 14<sup>th</sup> of February 2016 China deployed surface-to-air missiles on Woody Island, the largest feature in the Paracel Islands. This action was argued by China as a right for defending its sovereignty (Beijing places missile launchers on disputed South China Sea islands, n.d.). A Chinese navy patrol plane evacuated three sick workers from Fiery Cross Reef in April 2016. Three months later, in July 2016, China Southern airline landed on Mischief Reef and Subi Reef in Spratly Islands.

On the 12<sup>th</sup> July 2016, the Philippines were ruled in favor in its case against China by the Permanent Court of Arbitration. The tribunal ruled that China's 9 dash-line declaration was not based on any legal basis. In addition, the court ruled that none of the land features occupied by China in the Spratly archipelago were qualified to generate 200 nautical mile EEZ in accordance with UNCLOS. The court also said that China seriously violated the Philippines's maritime sovereignty and violated obligations of preserving and protecting the maritime environment under UNCLOS (Erickson, 2016) (Arbitration on the South China Sea: Rulings from Hague, n.d.)

In December 2016, Asia Maritime Transparency Initiative released the image to show that China had installed defense capabilities with large anti-aircraft guns and close-in weapons system, totally 14 outposts in South China Sea (Lye & Ha, 2018). In this year, Chinese defense ministry spokesperson emphasized that it was necessary for China to construct

military facilities on islands in the South China Sea and asserted China's rights to declare an Air Defense Identification Zone in the South China Sea (Foreign Ministry Spokesperson Lu Kang's Remarks on Issues Relating to China's Construction Activities on the Nansha Islands and Reefs, 2016).

In addition to the militarization of the disputed waters, in July 2017 and March 2018, China threatened to use force if Petro Vietnam kept allowing Repsol -a Spanish oil firm under the contract of oil drilling with Vietnam - to continue their drilling project Red Dragon in two offshore blocks which is in Vietnam's 200 nautical mile EEZ and also overlapped with the waters in China's nine-dash line. The result was that Repsol halted their project and Vietnam had to seek compensation for Repsol.(Hayton, 2014)

April 2018: China conducted massive military exercises near Hainan Island. In May 2018, China landed its H-6K long-range strategic bomber on Woody Island (Paracles). Also in this month, China also implemented its anti-ship cruise missiles and surface-to-air missiles on their three artificial islands in Spratlys (Mischief, Fiery and Subi reefs) (Storey, 2018).

In April 2018, PetroVietnam admitted that the tensions in the South China Sea between China and Vietnam badly affected its production and exploration in offshore waters (Petro Vietnam: căng thẳng trên biển đông sẽ ảnh hưởng đến hoạt động dầu khí, 2018). However, everything appeared calm in terms of diplomacy between China and Vietnam. In the state visit to Hanoi in April 2018, Chinese Foreign Minister Wang Yi and his counterpart Pham Binh Minh reiterated the two countries' commitment to peacefully resolve disputes on the South China Sea and proactively increase cooperation (Trong Thanh, 2018).

## ***Chapter 4: How has Vietnam responded to China's actions in the South China sea ?***

The South China Sea plays an important role in the defense strategy and economies of many countries in East Asia and South East Asian. In 2009 China submitted its 9-dash-line map to claim its territorial right to 90% of the South China Sea. Since then until today, China has been assertive in this water area by building artificial islands and deploying military bases there. Vietnam is one of the most active countries who has taken reaction against China's actions on the South China Sea. The Vietnamese' responses are various. This chapter will analyze how the Vietnamese respond to China's actions on the South China Sea.

### ***4. 1 Vietnamese public's reaction to China's actions in the South China sea since 2009***

The anti-China sentiment has been always strong among the Vietnamese because of a long history of being colonized by China for one thousand years. In modern day history, Vietnam was divided into two rival states until its unification in 1975 as it is today. The Vietnam-China diplomatic relations have had ups and downs throughout times. Since 2009 until now, China has become active in claiming their territorial rights in the South China sea. The chain of events described above: China releasing the new passport with the U-shape line map (2009); cutting Binh Minh 02's cable twice (2014 & 2015,) and placing the Haiyang Shiyou 981 in the disputed waters (2014), provoked street protests in Ho Chi Minh City and Hanoi. The crowds with banners in Vietnamese and English said "The Paracel and Spratly islands belong to Vietnam" or the big X drawn over the U-shaped line. The crowds chanted and demanded the Vietnamese government to do more to protect the country's territorial rights.

It can be observed from these protests that they were not only a confrontation against China, but also a challenge to the Vietnamese Communist Party. From the Party's perspective, these protests could become riots and probably threaten the Party's legitimacy. Therefore, the government suppressed the freedom of expression of public rather than risked the domestic and international stability. Although the Vietnamese government made massive efforts to suppress the media in news coverage on the South China Sea to prevent "injecting anti-China sentiment" into public, still the anti-China sentiment seemed to grow.

The reaction of the Vietnamese Communist Party can be explained by the idea that their legitimacy today was built up partly from China's help with ideological inspiration, rockets and rice during almost all of the twentieth century. It is argued that it is this political debt to Beijing explained for the Vietnamese Communist Party's appeals the anti-China sentiment among Vietnamese public. If the Vietnamese developed an anti-China sentiment, this

would also mean that they would object the ruling party, the Vietnamese Communist party. By street demonstration, the protestors can show their patriotism and at the same time question the legitimacy of the Vietnamese Communist Party which gain their power partly thanks to Chinese support in the past and currently the two parties still have strong ideological comradeship.

Another explanation for the reaction of the Vietnamese Government can be that they tried to maintain the internal and international stability of the environment for economic cooperation development, and therefore tried to prevent any riots which could ruin the image of Vietnam as a reliable place for foreign investment. This argument came from the angle of economic benefits that could be destroyed in a hostile environment.

In my opinion, the reaction of the Vietnamese Government to the public anger in this event could be explained by observing their calculations on both political legitimacy and the economic benefits. It was interesting to see how the Vietnamese government's attitude toward China has fluctuated according to the quality of their bilateral relation. The following example can be seen as a testimony to this argument about a decade after the incident of 1979 border war when relations between China and Vietnam went from bad to worse. The Vietnamese government made a propaganda campaign on the image of Le Dinh Chinh, an 18-year-old hero who sacrificed his life in the clash with China on Johnson Reef in 1988. Right after the incident a few months later, the Vietnamese state published a eulogizing book on his heroic life and his patriotic sacrifice. His name was used to name a street, a school and children were encouraged to emulate his example. However, when the relationship became normalized in 1990, the story of Le Dinh Chinh became ignored and blurred, and gradually it became the embarrassment for Hanoi. When his death was mentioned later, the information on the nationality of his killers were clearly omitted. Media were asked to not mention the word "China" in the coverage on him (Hayton, 2014)

## ***4.2 The Responses of the Vietnamese government on China's actions on the South China Sea***

Vietnam so far has been the dedicated claimant on the South China Sea and has been proactively responding to China's aggressive actions in the South China Sea. Vietnam has been using measures that were not regarded as high profile, but significantly from the perspectives of a small state in fighting for its territorial integrity and national sovereignty. Vietnam so far has been using different measures in opposing China actions on the South China Sea. According to Lye and Ha (2018) Vietnamese government basically have four ways of responses to China's action in the South China sea: (1) Verbal and diplomatic protests; (2) "Internationalization" and "smart" public messaging; (3) Threat of legal action; (4) Deepening defense relationship with other countries.

## Verbal and Diplomatic protests

This method has been utilized first and foremost in all diplomatic situations related to China's actions in the South China Sea since 2009. The content of the message from the Vietnamese spokesperson generally contain three points: Firmly state on the legal ground and historical evidence to the territorial rights on Hoang Sa (Paracel Islands) and Truong Sa (Spratly Islands); strongly denounce China's aggressive and illegal actions in Hoang Sa and Truong Sa, these word phases are: "Seriously violates Vietnam's sovereignty; increases tension and instability; not conducive to the maintenance of peace, stability and cooperation in the East Sea"; etc.... Furthermore, they usually include a call for China to withdraw their military from East Sea and comply to the DOC.

On 8th May 2018, Ministry of Foreign Affairs Spokesperson Le Thi Thu Hang, in response to foreign media on China's illegal deployment of missiles on Spratly archipelagos (Truong Sa), stated that: "Once again, Viet Nam has sufficient legal grounds and historical evidence to affirm its sovereignty over Hoang Sa and Truong Sa archipelagos in accordance with international law. Viet Nam is deeply concerned about the news and holds that all militarized activities, including the installation of missiles on Truong Sa archipelago, seriously violate Viet Nam's sovereignty over the islands, run against Agreement on basic principles guiding the settlement of sea-related issues between Viet Nam and China and Declaration on the Conduct of the Parties in the East Sea (DOC) between ASEAN and China. The move has increased tension and instability in the region and is not beneficial to efforts of nations in negotiating a Code of Conduct in the East Sea. Viet Nam requests that China, as a major power in the region and the world, show responsibility in the maintenance of peace and stability in the East Sea, stop militarization and withdraw military equipment illegally deployed on structures under Viet Nam's sovereignty, respect Viet Nam's sovereignty over Hoang Sa and Truong Sa archipelagos and strictly abide by the Agreement on basic principles guiding the settlement of sea-related issues between Viet Nam and China as well as the DOC" (Ministry of Foreign Affairs (MOFA), 2018)

Just two weeks later, in response to questions from foreign media about China's exercise bomber aircraft in Paracel archipelago, MOFA spokesperson Le Thi Thu Hang stated: "Viet Nam has full legal grounds and historical evidence to affirm its sovereignty over Hoang Sa and Truong Sa archipelagos in accordance with international law. China's deployment of bomber aircrafts conducting take-off and landing drills in Hoang Sa seriously violates Viet Nam's sovereignty over the islands, runs counter to the Agreement on basic principles guiding the settlement of maritime issues between Viet Nam – China, violates the Declaration on the Conduct of Parties in the East Sea (DOC), hampers the negotiation between ASEAN and China on a Code of Conduct in the East Sea (COC), increases tension and instability in the region, and is not conducive to the maintenance of peace, stability and cooperation in the East Sea. Viet Nam requests that China put an end to the aforementioned activities immediately, stop militarization, respect Viet Nam's

sovereignty over Hoang Sa, observe the Agreement on basic principles guiding the settlement of maritime issues between Viet Nam – China, the Declaration on the Conduct of Parties in the East Sea (DOC), and facilitate a favorable environment for the maintenance of peace, stability and cooperation in the region." (MOFA, 2018)(Vietnamnews, 2018)

## (2) Internationalize the disputes

In fact, in 2009 in response to China's submission of the nine dash-line map to the United Nations, Vietnam, among other claimants as Malaysia, and the Philippines, submitted the counter-claims against China's claim. Moreover, this event was internationalized when the former US secretary of state Hillary Clinton stated that the United States had a "national interest in freedom of navigation, open access to Asia's maritime commons, and respect for international in the South China Sea". Vietnam had appealed China as the aggressive claimant in the South China Sea to the international community and media. In the oil-rig standoff 2014, Vietnam voiced its opposing to China's act and reaffirm its sovereignty over the Paracel Islands by submitting documents to the United Nations. At the same time, prior to the opening of the 24<sup>th</sup> ASEAN Summit in May 2014, Vietnam along with other ASEAN Foreign Ministers issued separated statements on the development in the South China Sea. Furthermore, Vietnam invited foreign reporters to express Vietnam's opposition on China illegal action over the oil rig and also to attract international attention (Lye and Ha, 2018).

## (3) Threaten to use legal action

Vietnam has threatened to use legal action against China. On the occasion to visit Manila in 2014, Vietnam former Prime Minister Nguyen Tan Dung stated that "Vietnam is considering various defense options, including legal actions in accordance with international law" to protect its claim in the South China Sea. ("Francisco and Mogato, 2014). Afterwards, on the sideline of the Shangri-La Dialogue 2014<sup>1</sup>, Vietnam's Defense Minister Phung Quang Thanh said that on one hand Vietnam was seeking to resolve the oil rig crisis bilaterally with China, but on the other hand Vietnam was prepared to take other solution including taking China to international court. As the Philippines set the example of resolving the disputes by taking international course against China, thus Vietnam's threat of using legal actions may concern China. As China kept emphasizing on two countries should not internalize the maritime disputes and resolve it bilaterally. (Chua, 2014 )

Western media reported about Vietnam's readiness for taking legal actions. In the interview with Bloomberg, Vietnam Former Prime Minister Nguyen Tan Dung said Vietnam has

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<sup>1</sup> The Shangri-La Dialogue is an annual security forum hold by an independent think tank-the International Institute for Strategic Studies. The attendees are defense ministers, head of ministries of 28 Asia-Pacific states (Wikipedia)

prepared “all evidence and legal dossiers. What we are considering is the appropriate timing”. The New York Time reported in November 2017 that as earlier in 2009 a team of researchers lead by historian Tran Duc Anh Son had collected necessary documents and maps to support Vietnam’s legal claim in South China Sea (Lye and Le, 2018). Although as far as scholars and commentators observed, the Vietnamese authorities were not willing to submit a case against China. However, a legal solution was a potential way that Vietnam could seek to rely on if China forced Vietnam to do so. Vietnam’s responses depend on China’s activities and actions, if Vietnam is pushed harshly, there is no choice, but opting for a legal court as part of international law.

#### (4) Deepening defense relationship with other countries

Vietnam has been deepening the relationship and partnership with foreign powers like the United States, India, Australia and Japan in order to reinforce its defense capacity. Especially, Vietnam has been making efforts in strengthening the defense tie with the United States. This was marked with the state visit to United State in July 2015 by Nguyen Phu Trong- Genneral Secretary of Vietnam. Not long after this, in May 2016, former president Barack Obama paid a reciprocal visit to Vietnam. On this trip, President Obama approved on lifting of lethal arms embargo against Vietnam. In October 2016, the first ever time since the end of the Vietnam War, two American warships USS Frank Cable and USS John S. McCain docked at Cam Ranh International port. In March 2018, US aircraft USS Carl Vinson arrived to Da Nang for the first time as an American aircraft docking in Vietnam since 1975. Also in March 2018, six USA patrol boats were delivered to Vietnamese coast joining with another six patrol boats and a high endurance cutter which were provided for Vietnam in the previous year.

On the 16<sup>th</sup> and 17<sup>th</sup> of October in 2018, the U.S. Defense Minister James Mattis paid his second visit to Vietnam. According to scholars, this act showed Washington’s special attention to decrease China’s influence in Southeast Asia by strengthening the relationships with countries in the region. Mattis’ first visit Vietnam on January was followed by the Navy Aircraft carrier USS Carl Vinson stopping by Da Nang, this event was the first time a military ship of USA stopped by Vietnam since the end of the Vietnam War. It is said that this gesture was to show Beijing that USA has been making efforts to warm up the relationship with regional partners in the context of China militarizing the South China Sea (U.S.Embassy & Consulate in Vietnam, 2018) (Nguoilaodong, 2018).

Scholars said that Vietnam foreign and defense policy is maneuvering between the USA and China, but in these recent years Vietnam tends to fall toward the USA. It is also said that in Southeast Asia, other than Singapore, Vietnam is a naturally strategic partner to the United States (Asiantimes, 2019). On 30 of May 2018 Vietnam was invited for the first time to join the military exercise RIMPAC held by the American Navy forces. This was the first time Vietnam was invited to the biggest naval military exercise. In the same time USA

withdrew the invitation to China to this every two-year military exercise. This was protest to China's militarization in disputed waters in South China Sea (Star&Stripes, 2018).

Vietnam has been upgrading its partnership with Australia twice since 2015. In April 2018, two Australian warships (HMAS Canberra and HMAS Newcastle) arrived in Ho Chi Minh City for the first time in 17 years (Vietnamnet, 2019). Like the USA, Australia stated that they had a right for freedom of navigation and overflight through international waters in the South China Sea.

At the same time, Vietnam has stepped up defense ties and exchanges with Japan. In February 2015, as promised in 2014, Japan delivered six patrol boats to Vietnam. In April 2016 for the first time since World War II, two Japanese warships docked at Cam Ranh International Port. Vietnam and Japan carried joint exercises on search and rescue in February 2016 and joint exercise on curbing illegal fishing in June 2017 in the South China Sea. Recently in May 2018, both countries issued a joint statement which underlined the importance of non-militarization and called for parties to not take unilateral actions that could stir the peace and complicate tensions in the South China Sea. (Lye & Ha, 2018)

Vietnam has also upgraded its tie with India to a comprehensive strategic partnership in September 2016. Before this, after the oil rig standoff, Vietnam was pledged with four patrol vessels by India Prime Minister. In the state visit to Vietnam, Indian Prime Minister Modi extended the defense credit to Vietnam up to 500 million USD. In addition, India promised to train Vietnamese pilots to operate Sukhoi 30 fighter jets in December 2016 (Prashanth, 2016).

### ***4. 3 Vietnamese government's policies and perspectives on the South China Sea on the diplomatic surface***

According to the foreign ministry of Vietnam <sup>2</sup>, it was estimated that the situation in the South China Sea would become more challenging. The Communist Party of Vietnam would continue:

- Maintaining the peaceful foreign policies to take the best advantages in building and developing the country.
  - Apply to the UNCLOS and DOC in resolving the disputes on South China Sea.
  - Be persistent on these issues as they are sensitive and complex.
  - Be determined in protecting sovereignty and taking use of benefits from waters.
- Following guidance of UNCLOS Vietnam is continuing exploration, and other activities on its territorial waters. Vietnam is willing to cooperate with China and

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<sup>2</sup> This is generalized from the speeches of the foreign department speaker published on the socialist republic of Vietnam, online newspapers of the government: [www.baochinhphu.vn](http://www.baochinhphu.vn)

other countries in South China Sea for activities such as rescue, geological research, environment protection, anti-piracy, etc.

- Vietnam's persistent and thorough policies are to significantly protect and enhance the comprehensive cooperation as well as the friendship with neighbors. Vietnam is stick on deploying peaceful negotiation in solving disputes in the South China Sea.

Speaking of international law on the South China sea, Vietnamese government recognized two set of laws that are: the United Nations Convention on the Law of the Sea 1982 (UNCLOS) and the Declaration on the Conduct of Parties in the South China Sea 2002 (DOC).

At the 11<sup>th</sup> meeting of the Steering Committee for Vietnam - China Cooperation in September 2018, the two sides agreed to follow the common understanding of leaders of the two countries and two parties as well as the "Agreement on basic principles governing the settlement of issues at sea between Vietnam and China". Two sides also agreed to manage the differences concerning sea issues, to refrain from actions that may complicate the situation and broaden the dispute, and to maintain peace and stability in the East Sea. Previously in an interview, Prime Minister Nguyen Xuan Phuc also stressed that " Vietnam does not pursue a military buildup, but Vietnam pursues protecting our sovereignty, firstly with peaceful measure, diplomatic measures and even justice measures." (The Diplomat, 2016)

Vietnam supports cooperation between countries, including maritime cooperation. Vietnam has undertaken bilateral and multilateral cooperation with others, including China in various fields such as scientific research, environmental protection, crime prevention, economic cooperation, etc. It is Vietnam's view that maritime cooperation is to conform with the regimes and provisions of the UN Convention on the Law of the Sea 1982, in compliance with rights and interests of Vietnam as well as in respect of interests of other concerned parties." (MOAF, 2018)

In my opinion, the Vietnamese government has been a masterful player in the South China Sea game with China considering Vietnam capacities on military power, the size of the economy, the current geo-political situation. The Vietnamese Government has taken use all available resources at a low cost to react against China's escalating actions in the South China Sea. Clearly the Vietnamese government does not want a actual war or a cold war with China because they know it is harmful and causing damage more to Vietnam side. Therefore the Vietnamese government has been focus on using diplomatic method and publicly denounced China's actions in the international forums. On the other hand Vietnam has strengthened its relationships with other powerful countries in order to get good support when needed. In additions, Vietnam also increase its own national self defense ability. These methods have been combined to secure Vietnam a better position in the "fight" with China. Until now there has not been actual war or major military clash between China and

Vietnam in the South China Sea. However Vietnam has been prepared itself for a scenario of a unwanted war or military force use if the conflict cannot be solved by diplomatic method. Or in a situation that China would ever provoke military force use in the South China Sea, Vietnam will be ready to react.

## ***Chapter 5: Introduction to China's Belt Road Initiative***

The first idea of the BRI was mentioned by President Xi Jinping in his speech on 7/7/2013 in Kazakhstan: "...in order to make the economic ties closer, mutual cooperation deeper and space of development broader between the Eurasian countries, we can innovate the mode of cooperation and jointly build the "Silk Road Economic Belt" step by step to gradually form overall regional cooperation..." (Ministry of Foreign Affairs of People's Republic of China, 2013). The Belt Road Initiative (Yidai-Yilu) was first announced by President Xi Jinping in his state visit to Central Asia on September 2013 when he introduced the Silk Road Economic Belt which is to link Chinese less developed Northwest provinces with Eurasia and Europe. One month later on October 2013 on his state visit to Indonesia, Xi announced the 21st Century Maritime Silk Road (MSR) initiative which is proposed to enhance the maritime connectivity with Eurasia and the Mediterranean Sea by the network of ports and railways. The Belt Road Initiative (BRI) has been arguably regarded as the biggest economic construction plan of the modern history. With this plan Xi called for the connectivity between China and the rest of the world by building an intercontinental infrastructure system. As the name of the initiative implies, this grand project consists of two parts: the Belt and the Road (See photo: One Belt One Road map). The Belt will be a system of rail routes, highways, oil and gas pipelines and other infrastructure projects, which will expand from Xi'an in the Central of China through Central Asian and Russia to Europe. The Road-the Maritime Silk Road (MSR) consists of a system of ports, coastal infrastructure from Chinese coastal cities on the east side reaching South East Asia, South Asia, the Gulf, East Africa and the Mediterranean, shaping a curve line ending at Piraeus (Greece), Venice (Italy) and Rotterdam (Netherlands) in Europe and Mombasa (Kenya) in Africa (Shiam Saran, 2015). The ambitious plan is known as Xi's signature initiative. Along with the rise of Xi as the "core leader", this initiative is clearly the grand project in "Chinese Dream" (*Zhongguo meng*) of the new Chinese leadership.

On March 2015, the concrete plan of the BRI was released by China's National Development and Reform Commission. The BRI along with six economic corridors (the China-Mongolia-Russia Economic Corridor, the New Eurasia Land Bridge, the China-Central Asia-West Asia Economic Corridor, the China-Indochina Peninsula Economic Corridor, the China-Pakistan Economic Corridor, and the Bangladesh-China-India-Myanmar Economic Corridor) aims at connecting the continents of Asia, Europe, and Africa.

To fund for projects labeled in the BRI, the Silk Road Fund and the Asian Infrastructure Investment Bank (AIIB) were founded with the initial capital of 40 billion and 100 billion USD respectively. China Export Import Bank are also in-cooperated to fund for projects. As of January 2017, nine projects under the BRI had been approved and disbursed with a total fund of 1.7 billion USD (Weiss, 2017). With the BRI, China can achieve many goals which include establishing China's global power along with reinforcing the legitimacy of

the Communist Party; developing the less developed areas in the Chinese hinterland provinces; as well as resolving the over productivity and overcapacity of domestic labor by exporting them to partners in the BRI (Silk Road bottom-up: Regional Perspectives on Belt and Road Initiative, 2017)

The main content of the BRI was written in the document by National Development and Reform Commission (NDRC), Ministry of Finance (MOF) and Ministry of Commerce (MOFCOM) released on 28/3/2015 with the permission of the State Council of China. The document stated five fields that the BRI want to enhance and boost:

Policy coordination

Priority on infrastructure and facilities' connections

Increase cooperation on trade and investment

Financial integration

Enhance people-to-people bonds

The BRI is an ambitious initiative of China with multiple aims. This initiative was written in one chapter (chapter 51) in the 13th Five-Year Plan for Economic and Social Development of the People's Republic of China (2016-2020). In the 19<sup>th</sup> National Congress of the Communist Party of China in October 2017, an amendment, with Xi Jinping ideology and Belt Road Initiative, was added into the Party charter.

In the first phase, the BRI was mentioned as the initiative to connect infrastructure between Asia, Africa and Europe but in the official announcements in recent years this initiative has expanded its operation to the North Pole and Latin America and Caribbean (LAC) region. Until September 2018, 105 countries in Asia, Africa, Europe, Latin America and South Pacific region have signed 123 cooperation documents under the BRI and 29 international organizations signed 26 such documents. Vietnam is one of them.

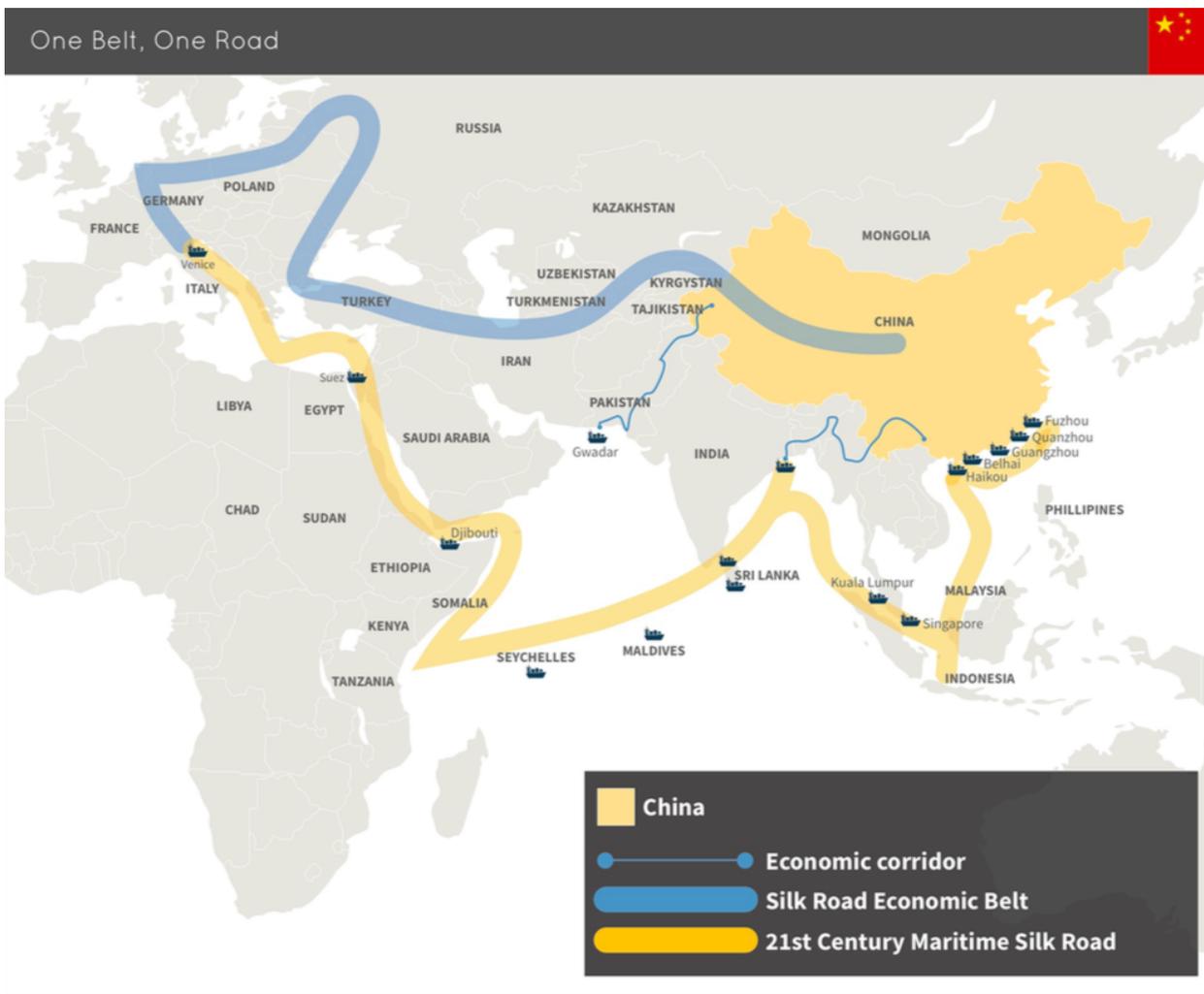


Photo: One Belt One Road map  
Source: Lowy Institute

## ***Chapter 6: The position of ASEAN in BRI and the implementation of BRI in ASEAN in the past 5 years (2014-2019)***

Southeast Asia is an important geo-strategic area to China throughout the history in term of economy development, security defense and diplomacy policy. Southeast Asia is the place where the large population of ethnic Chinese reside. At the same time, the South China Sea in Southeast Asia currently is the only gateway for China to the Indian Ocean. It can be seen that Southeast Asia is a significant regional hub in the BRI both on the sea and in the hinterland. ASEAN is the beginning point of the Maritime Silk Road (MSR) which aims at building the huge connection network of the infrastructure systems on the sea. The MSR will help to tie ASEAN more closely with China, while playing an important role in making China less dependent on the South China Sea as its only gateway for oil and fuel transportation. In fact, 85 percent of Chinese imported energy are transported across the South China Sea through Malacca Strait, which is called as the choking point of China in the South China sea (Hayton, 2014).

In the meanwhile, with the MSR, ASEAN's connectivity becomes greater than before thanks to the transit routes which connect ASEAN seaports with the Mediterranean Sea, the Indian Ocean and the East China Sea. To build up the MSR, China has been investing in the countries which have less developed seaports, such as Cambodia and Myanmar. At the same time, China also has invested in countries that have more developed seaports, such as Thailand and Malaysia. In ASEAN, China's investments in transportation has increased, at the present there are at least 6 seaports projects, 7 railway projects and 2-3 highway projects and more than 10 power projects under construction in the region (Pham, 2019, p. 101).

China has been the long-term partner with ASEAN in terms of economic cooperation and security defense. Foreign Direct Investment (FDI) from China to ASEAN had increased from 600 millions USD in 2003 to 11.3 billions USD in 2017. It was forecasted that this number will be 185 billion USD in 2030. From 2013 to 2017, Malaysia, Indonesia, Singapore, Laos, Cambodia, Myanmar were the countries that received the highest volumes from Chinese FDI (ASEAN Investment Report 2018- Foreign Direct Investment and the Digital Economy In ASEAN, 2018). ASEAN is also the place for China to internationalize the Chinese Yuan, which makes China less dependent on the U.S dollars. In 2017, the import-export between China and ASEAN was 514.8 billion USD which was increased by 13.8 percent. Since 2009 China has been the largest trade partner of ASEAN. Meanwhile, ASEAN also has been the third largest trade partner of China for seven years in a row (CGTN, 2018).

There are many different estimations on the demand for infrastructure of ASEAN, however according to the estimation of Asian Development Bank (ADB) (2017), in the next 5 years South East Asia will need about 160 billion USD to invest in the infrastructure, internal connection, and regional connections. As of 2017, ASEAN countries have 55 billion USD from their own funds, thus there is a gap of 100 billion USD for both public and private sectors. Financial institutions of China as AIIB, ASEAN-China Cooperation Fund (ACCF), or multilateral development bank (MDB), the Export-Import Bank of China (CHEXIM), etc. will allow ASEAN to access greater funds (ADB, 2017).

Since 2014 until 2019, six out of ten biggest projects in the BRI targeted ASEAN (Pham, 2019, p 239). China has heavily invested in South East Asia with many transportation and infrastructure projects. China has been investing in the seaport network in Myanmar, Thailand, Malaysia, Indonesia, and Cambodia. The seaport projects under BRI in ASEAN are Kuantan, Klang (Malaysia), Tanjung Sauh (Batam, Indonesia), Sihanoukville, Koh Kong (Cambodia), Kyakpyu (Myanmar). The railway projects includes Preah-Kaoh Kong (Cambodia), high-speed railway Jakarta- Bandung (Indonesia), Vientiane- Boten (Laos), ECRL (Malaysia), Gemas-Johor Bahru (Malaysia), Dali- Thuy Le (Myanmar), Kyaukpyu-Kunming (Myanmar), Bangkok-Nong Khai (Thailand). Road infrastructure projects include: Highway 55 (Cambodia), Highway 58 (Cambodia), Highway Sihanoukville-Phnom Penh (Cambodia), Highway Manado-Bitung (Indonesia). Other power plant projects are in Laos, Myanmar and Malaysia. Through the BRI, China has been making effort to export its technology standards. Standard competition in the field of high-speed railway construction is a good example. China and Japan have competed in applying their railway standards in South East Asia. So far, China have had the right to invest in railway projects in Thailand, Laos, Indonesia, Cambodia, and Vietnam. China also achieved positive result in exporting high-speed railway construction standards to Laos and Indonesia (The Straits Times, 2019). High-speed railway under Chinese standard may become the general standard of ASEAN if countries in the BRI take the Chinese standard as their national standard. At some time in the future China may dominate the high-speed railway construction market and defeat their competitor Japan.

Although the ASEAN countries are interested in the benefits from economic cooperation with China, there has been a wide spectrum of interest as well as perception among ASEAN about it. Some ASEAN members are skeptical and have misgivings about the rise of China as an economy superpower and its expansion in the South China Sea, while others are extremely supportive for BRI. Some are outright distrustful (Ghiasi, Fei & Saalman, 2018).

For Indonesia, President Jokowi announced that his country was on the way to develop into a powerful maritime country in the meanwhile China has been building the MSR, therefore Indonesia warmly welcome to BRI as a head start in making them become a maritime state (Leo Suryadinata, 2014). This largest Muslim country in ASEAN wanted to increase their

international power and play the role as the intermediate partner in the South China Sea territory conflict, therefore the BRI is the opportunity for Indonesia to realize their ambition.

In Cambodia, the influence of China is especially strong. The Royal Family Sihanouk and PhnomPenh has been relying on China's support for a long time. Cambodia is one of the countries who strongly and warmly welcomed the BRI. This attitude of Cambodia can be understood by observing its economic and social situation and the influence of Chinese on this country's development. Cambodia is among the poorest and least developing countries in the world although Cambodia has been enjoying the average yearly 7.5% growth rate and the *per capita* income increased almost three times in 2015 (from 417 USD in 2004 to 1215 USD) (Worldbank, 2019). Cambodia is among the Southeast Asian countries which is seriously in need of infrastructure and investment. Major economic sectors like agriculture, tourism and textile industry are the backbone of Cambodia export product. By joining the BRI the need for investment and infrastructure can be resolved. Therefore, Cambodia is one of the most eager countries for BRI, and it was among the first ones who showed strong support and commitment to the BRI and also a cofounder of the BRI. On October 2016 President Xi paid his state visit to Cambodia and signed 31 contracts including granting the new 237 million favor-rated bank loan package and erasing an 89 million USD loan (The Cambodia Daily, 2016; China Daily, 2016). Cambodia is very close to China and the dominance of China in Cambodia is obvious. At the same time, the infrastructures in Cambodia also allow China to strengthen the network of deep seaport connections. Under the BRI, China has invested in building two deep sea ports in Sihanoukville and Koh Kong. These two seaports are the top development plans of China in Cambodia. In exchange for 9.5 billion USD invested in these projects, China gets the right to control one fourth of the long coastline of Cambodia. These two projects will become the important deep water seaports and international ports of Cambodia in the future.

On the contrary to Cambodia, Vietnam expresses its caution and concerns about China's BRI due to the traditional political distrust and China's military deployment in the disputed waters in the South China Sea discussed above. Malaysia and Thailand belong to the middle spectrum of attitude. China and forty other countries and territories had signed the Memorandum of Understanding (MOU) on the BRI by October 2017 (Pham, 2017, p. 103). Towards the BRI, these countries are making efforts balance their tight economic cooperation with China, while still maintaining their political ideology, territorial sovereignty and economic independence (Ghiasi, Fei & Saalman, 2018).

Malaysia, the Philippines and Thailand were the first receivers of investments from BRI. Under Najib Razak administration, Malaysia was among the first to grasp the BRI. During the Malaysian president's state visit to China in November 2016, the two parties signed fourteen MOUs with the value of 143.6 billion ringgit (35.9 billion USD). On another state visit to China, Najib Razak signed another 30 billion ringgit MOU (Wan Saiful & Wan Jan,

2017). In BRI forum in Beijing on May 2017, Najib expressed his support for the BRI and said that these cooperations were interesting and beneficial to business and creating jobs (Chok Suat Ling, 2017). However, the turnabout in Malaysian politics with the coming back of Mahathir as the president in 2018 threatened the stable future of the BRI in Malaysia. At the present time, these countries seem to be wary of the investment waves and is seeking for protection from the negative impacts of these Chinese investment. There has been a growing awareness of the risks and unexpected consequences from economic over-dependence on China, which in the future scenarios can become over-dependence on China in term of politic and strategic leverage.

The Philippines under President Aquino administration the BRI cooperation was delayed due to the conflicts on the South China Sea. Since President Rodrigo Duterte took his office in 2016. He warmed up the relationship with China and softened the tensions in the South China Sea between China and the Philippines in return for the promise of 24 billions USD of investment, loan, credit pledge from President Xi Jinping (Pia Ranada, 2016). A few months after the Hague tribunal ruled the result in favor for Manila in its file against China on the South China Sea, Duterte made a profound about-turn in the Filipino foreign policies to separate from its traditional ally (United State) and tow toward China. Duterte is accused by his opposition of making geopolitical concession in the South China Sea in return for Chinese capital (Chandran, 2018).

The BRI may contribute to the prosperity of ASEAN countries, however its impact on the regional stability is inevitable. The BRI has not been viewed merely as an economic cooperation, but also as China's leverage to expand its strategic and political influence. For China, in many decades Malacca strait has been regarded as its choking point in the South China Sea because this country has been depending on this strait for its imported oil transportation from Persian Gulf across the Indian Ocean (Zha, 2018). It is implied that the BRI also aims at getting approval from countries in South East Asia and lessening the territory tension between them and China. It is worth noting that in the term from 2013-2015 when China firstly proposed the BRI was also the period when China was increasing activities in the South China Sea which included putting oil rig HD981 in Vietnam's claimed waters or built up the artificial islands in Spratly Islands (Pham, 2017, p.44). China has been taking use of the card of "building the regional community" to leverage its economic, military and political power over its partners. It is not difficult to support this argument when looking at what China has been doing so far to extend its economic and strategic access all across Asia and Eurasia (Arase, 2015).

ASEAN is the vital geopolitical knot between China and the USA in the South China Sea. The emergence of the BRI in Southeast Asia, of which complicated geo-politics has become more important to the rest of the world, has stirred the political stability of this region. In the game of the BRI, ASEAN are not only offered opportunity, but also encounter challenge on the other hand. One of the challenges for this "mild" political and

fragile state-building region is that the bond between nations in ASEAN may be broken and these countries will be attracted to poles where superpowers dominate. Southeast Asia is the area where superpower countries like the U.S, Japan, India are competing to gain the influence. Southeast Asia on the other hand has to balance its relationship with two superpowers China and the USA. The Intra-ASEAN disunity keeps growing. ASEAN does not have any country that is symmetrically powerful with China, or that has serious impact on China. ASEAN also has many country members that have territory conflicts with China. ASEAN countries express their concerns over the regional security which is directly relevant to territorial disputes on the South China Sea between China and 4 members of ASEAN (Vietnam, the Philippines, Brunei and Indonesia). The cohesion and unity of ASEAN as a political and economic institution is also a problem when it comes to the issue with China. China is rising as the powerful nation and it is replacing the US prominence in Asia. Although the BRI has a short history, this initiative has sparked the rivalry from other major powers which share the anxiety toward Beijing's growing influence. The United States is among of these major powers which in 2018 introduced for the first time in the ASEAN ministerial level conference about its investment package of \$113 millions (Reuters, 2018). This packaged is announced to cover areas of technology, energy and infrastructure. In addition, The United States also promised a fund of \$300 millions for security in Southeast Asia (Xue, 2019). The rivalry between China and USA is defining the future of Asia in general. Taking either the side of Beijing or Washington is the obvious and hot-debated issue among the South East Asian countries. Some countries are shifting toward China and away from the traditional America-led international order.

China emphasizes its role in ASEAN by offers like the BRI to deploy geo-economic and geo-strategic influence on this region. The attraction from the Chinese economy makes the network of businesses moving around it, which encourages the economic development and investment cooperation. This mechanism causes difficulty for small and weak countries in balancing the influence of China. In addition, the influence of China makes the bond among nations in South East Asia weaker. Chinese initiative may cause internal conflicts within countries or between nations in ASEAN. China is not experienced in multi-lateral relationships and prefers the bilateral way of dealing with each country in ASEAN, thus the unity of ASEAN has been divided. Since 2012 until now it seemed that ASEAN became divided when managing their perspectives and became passive in issue related to other members of the association.

China always suggests and asks countries to take loans for infrastructure that go beyond their need and financial abilities. This is beneficial to China since (1) China can export their capital with high interest compared to investing in other channels, (2) export Chinese technology, (3) export Chinese labor, (4) create the markets for the domestic enterprises, (5) cause political influence to debtor countries, and (6) look for strategic benefits (Pham, 2019, p363).

In recent years, the resistance to projects backed by China have been growing in ASEAN. In the second half of 2018, only USD 3.9 billion for 12 signed projects were settled, this was a decline of 33 percent which was worth USD 22 billion in 12 earlier months. In the second half of 2018 Indonesia, Malaysia, Philippines and Singapore received only a quarter of value compared to the value in 2017. Vietnam and Thailand had no projects signed in second half of 2018 (Zheng, 2019). According to the research of Vietnam Institute for Economic and Policy Research (VEPR), the overseas projects under BRI have been postponed or canceled mainly because of four following reasons:

The concerns about environmental issues

Concerns about social issues

Lack of transparency and high corruption in Chinese cooperation

The rise of Chinese military power and the intensity of territory conflicts between China and its neighbors prompt governments doubtful and cautious on the possibility that the infrastructure projects will be used as political leverage (Pham, 2019). This makes sense when looking into the actual situations in countries with the BRI in South East Asia. Countries that used to be regarded as “close” to China have announced to cancel or postpone BRI projects. The new concept of “debt trap policy” has recently been debated. This concept indicates that China tricks countries into huge projects, which create heavy debt burdens that are beyond their ability to pay back and these debtor countries become dependent on China and obey China’s arrangement.

A research on 95 grand projects invested by China with a total of 52 billion USD from 1984-2008 and 806 infrastructure projects invested by developed countries showed that: (1) expenses of China invested projects are 30.6 percent higher than the original planned expenses, (2) 55 percent of Chinese projects are not economically efficient in their life cycle, (3) 17 percent of projects that have profit have it lower than expected (Ansar, Flyvbjerg, Budzier & Lumn, 2016). This research implies that huge investment in grand infrastructure projects seem to be beneficial to China only since China has enough capacities that are qualified for grand projects (China has their own capital and does not need to get debt from other creditors). This research emphasizes that taking loans for huge infrastructure projects is not a good path for poorer countries.

The BRI projects in South East Asia have faced barriers which come from political and financial concerns. In term of finance, projects in BRI with a loan from China are usually with a very high interest. In 2018 in his election campaign, Mahathir (Prime Minister of Malaysia) said about the scenario of losing the country if being in huge debt with China: “China comes with a lots of money and say that you can borrow from them, but you have to think how to pay them back. Some countries just look at the projects and do not care about how to pay them back, in this way they lose their country piece by piece. We, Malaysia do not want this happen” (Hookway & Ngui, 2018). In mid-January 2019, Mahathir Mohamad announced to cancel the East Coast Rail Link (ECRL) project with the contractor China

Communications Construction Co Ltd (CCCC) and agreed to compensate for this. Malaysia said that they are not able to pay for the high cost of the loan interest for the ECRL. The ECRL was the second largest project under the BRI in terms of cost. Not long before, Mahathir also announced the cancelation of the natural gas pipeline project backed by China in Sabah in the East of Malaysia (Reuters, 2019; Tuoi Tre, 2019).

Signature projects in connectivity such as railways projects in Indonesia and Thailand have been either delayed or renegotiated. Projects in Malaysia and Cambodia have faced skepticism about the geo-strategic and economic interests from host countries. The BRI is called a debt-trap, where host countries become the victims of miscalculation and are trapped by Chinese manipulation. The most significant example is the Hambantota Port in Sri Lanka. A 80 percent stake of the port was leased to the Chinese company China Merchants Port Holdings for 99 years according to the swap agreement signed by the end of 2017 (South China Morning Post, 2017). If the debtor cannot manage to make loan payment on schedule, debt forgiveness swap agreement is a consequence solution that what was done in Hambantota Port's case.

The majority of countries participating in the BRI are more vulnerable and weaker than China. It is highly possible that they are unable to pay back their loans to China and would use other methods such as political support or lease swap agreement in return for debt forgiveness. Therefore, the BRI is not only about economic benefit, but China leverages the BRI to realize its ambitious goal of becoming the global leader by using economic power to gain political or geo-strategic influence. China has been handling its ties with Southeast Asia by seeking to dominate individual states and divide ASEAN. It is absolutely clear that the South China Sea disputes is the high-profile issue refraining ASEAN countries from participating in the BRI.

One of the characteristics of Chinese investors is that they aim at countries that are in geo-strategic positions, and those that they can develop geo-strategic knots with. In his speech in May 2017, President Xi mentioned that security development is the most important issue, and is the key to the solution for the regional security. This meant that the top leaders want to attach the security to the economic development- this was later written in the White Paper 2016 and Asia-pacific Security Cooperation White Paper 2017 (Huotari, Gaspers, Eder, Legarda & Mokry, 2017). In this way, when assessing projects proposed by China, the security benefits should not be separated from economic values. Although many BRI projects seems to be not economically beneficial (financially risky, or with a low probability of payback), they are still in progress, because these projects are in countries that are either rich in natural resources, or geo-geographically strategic on (1) military; (2) supply chain; (3) vital in controlling some other countries. (Pham, 2019, p88).

For example, in Southeast Asia Myanmar and Cambodia falls into categories 2 and 3. In Myanmar, China had built a gas pipeline from Kyaukpyu. This construction has used only one third of its capacity since its opening day in 2013. Another project is the oil pipeline

from Myanmar to Kunming, which did not move its first oil until 2017. These two costly projects cost Myanmar 2.5 billion USD. However, for China this project is very important, since it secures China an additional fuel supply route so that they are not completely dependent on the Malacca strait. China surpassed Japan as the country with the second highest oil consumption volume. In 2016 China imported 7.6 million oil barrels per day. With this oil consumption growth and the growth of population, it was forecasted that in 2022 China will need 9.4 million barrels per day, and in 2030 the number will be 4.5 billion per day. According to the calculation of International Energy Agency (IEA) and Organization for Economic Cooperation and Development (OECD), in 2035 fuel consumption of China will be double that of the USA, three times the EU's and 2.5 times India's (International Energy Agency, 2013). For China, the Malacca strait is a very important both geo-politically and geo-strategically. 82 percent of China's imported oil from Africa and Middle East are transported through the Malacca strait. According to a calculation of the US Department of Defense, the gas pipeline in Myanmar can replace 11 percent of imported fuel that are transported to China through the Malacca strait. In case that the Malacca strait is closed, the BRI projects in Central Asia, Russia, Myanmar help China self-supply 15-18 percent of oil and 78 percent of gas out of the volume imported through Malacca strait (Department of Defense, 2019)

## ***Chapter 7: The reality of the BRI implementation in Vietnam and the impact of the BRI on the security policies of Vietnam***

Previous chapter give us a general view on how BRI is implemented in Southeast Asia as well as the reaction of Southeast Asian governments to BRI projects in their countries. In this chapter I will discuss the reality of BRI implementation in Vietnam from the Vietnamese government point of view both on the diplomatic surface and in the actual reality of projects named under BRI in Vietnam.

### ***7. 1 The diplomatic reaction of Vietnamese government to the BRI***

In terms of connectivity via sea route, Vietnam is the bridge from China to Central Asia as Vietnam has a long coastline and a system of seaports. Without the participation of Vietnam, the BRI, especially the MSR will lose important connections between Southern China to Central Asia. In term of infrastructure, Vietnam possess better network of logistics and facilities compared to Laos, Cambodia and Myanmar. The availability of these networks helps reducing the expenses of building new facilities in the MSR. Besides, in term of geopolitics, Vietnam has participated in multilateral co-operations with many countries by signing 16 Free Trade Agreements (FTA) with the EU, Japan and India. This implies that Vietnam has the good geopolitical position in Southeast Asia. If Vietnam joins the BRI actively and enthusiastically, Vietnam can be an example for countries which, despite of the tension on territorial disputes with China, still welcome and is a member of the BRI. China needs the participation of countries like Vietnam to set example for other partners to join the BRI (Pham, 2017, p. 283). Joining the BRI is the chance for Vietnam to take advantage of investment sources and trade with China and with other countries in the BRI. Without Vietnam, China will still promote the BRI in Southeast Asia, but with much higher expenses. Vietnam should know exactly its position, strengths and weaknesses so that it can be active and selective in joining the BRI.

On the side of Vietnam, this country is currently in need of investment sources for infrastructure and transportation development. Therefore, the BRI is a good option for Vietnam to consider about when searching for a financial channel. As a part in the MSR, Vietnam has the opportunity to take advantage of the investments from the BRI to develop infrastructure, roads, railways, ports, power stations etc., however this also hints that the presence of China in Vietnam will be increasing. Vietnam sees the BRI as opportunity as well as a challenge. Vietnam can benefit from joining the MSR in terms of building transportation networks to connect northern Vietnam and southern Chinese provinces such

as Yunnan and Guangxi (Nguyen, 2017). Apart from transportation and infrastructure development, energy infrastructure is another key element in the agenda which diversifies the investment portfolio in the MSR. With the USA's withdrawal from the TPP (Trans-Pacific Partnership), Vietnam finds itself less attractive for Foreign Direct Investment (FDI) flows. Thus joining the MSR helps Vietnam solve the problem of lacking funds. In this context, Chinese aid, investment and loans under the BRI seem to be a good option for Vietnam in reaching its development targets. In addition, by joining the BRI, Vietnam and China's regional connectivity is enhanced in terms of physical connection as well as personnel and cultural exchange.

Vietnam is one of the founder members of the AIIB (Asian Infrastructure Investment Bank) and joined it in the beginning phase of this institution. On 24 October 2014 Vietnam was one of 20 Asian countries to sign the MOU for the establishment of AIIB. Vietnam's participation on AIIB at this time implied that Vietnam has created the opportunity for itself to join building an international financial institution which would enhance the position of Vietnam in the international public. However, at the time of 2014, signing the MOU of the AIIB establishment did not mean that Vietnam showed its support or willingness to join the BRI. It was understandable, as 2014 was a tough year for the diplomacy of China and Vietnam because of the HD-981 crisis. One year later in November 2015, during Mr. President Xi's state visit to Vietnam, two countries mentioned for the first time about Vietnam joining the BRI. Afterwards, in the official announcement it was said that "...two countries strengthen the bilateral strategic connection and reinforce the cooperation on TCOB and BRI..." (Tuoitre, 2015). Again, on the state visit to China of Prime Minister Nguyen Xuan Phuc in September 2016, two parties repeated the content of "...improve the investment and strategic connection between two countries, promote researches and projects under TCOB and BRI..." (DucTuan, 2016).

Further, in the BRI forum in Beijing in May 2017, the late President Tran Dai Quang said that Vietnam warmly welcomes the projects to connect and develop the economy in the region in general and the signature BRI of President Xi in specific with the idea of "peacefully cooperate for a win-win benefit" (Nhan Dan, 2017). On January 2017 General Secretary Nguyen Phu Trong paid a state visit to China and the two parties repeated discussing their agreement on the BRI. In May 2017 Vietnam showed its support and willingness to join the BRI by attending the Belt and Road Forum for International Cooperation (BRFIC) in Beijing. Vietnam remarked its support and willingness to join the BRI by signing the MOU of combining the TCOB and the BRI in Hanoi in November 2017 when President Xi visited Vietnam for the second time. Showing the diplomatic support for the BRI is the signal that Vietnam is in active position to react to the BRI, Vietnam regards the bilateral cooperation is the important basis for the two countries. However, Vietnam's joining the BRI with caution and concerns is explainable due to the traditional political distrust. It can be seen by the fact that it was not until President Xi paid his second state visits to Vietnam within three years (November 2015 and November 2017) that two

counties signed the MOU where they agreed to combine the TCOB into the BRI.

On the sideline of the 12th Asia Europe meeting summit in Brussel Belgium on 18 October 2018, Vietnam and China reached the consensus of cooperation which aims at encouraging the firmer friendship and the stronger communication, which will cement the public support for their relation. Chinese Prime Minister Li Keqiang reinforced Vietnam to bear in mind the big picture, while handling the maritime issue and safeguard the peace and stability in the South China Sea. 2018 was the landmark of ten years anniversary of comprehensive strategic partnership between China and Vietnam. Li said two countries are in position of a win-win, China will sustain the tight cooperation with Vietnam. From Vietnam side, Prime Minister Nguyen Xuan Phuc said that Vietnam would work with China to keep peace and stability in the South China Sea as well as further support the development of bilateral ties (Xinhua, 2018).

All in all, one can argue that Vietnam's attitude to the BRI has the following characteristic:

- Vietnam has turned to be more active by agreements on the economic cooperation which is the mainstream in China-Vietnam relations.
- When joining the BRI, Vietnam concerns were related to political trust. This was proved by the fact that it was not until President Xi paid his second visit to Vietnam within 3 years that two countries reached a MOU on combining the TCOB and the BRI.
- Vietnam's attitude towards the BRI was calculated based on concerns about strategy and security rather than economic need.
- Other than the opinion of the top leaders of Vietnam have been officially published, opinions about the BRI from the elite group have been very rare. This implies that it seems to be that the government's attitude towards the BRI has been reserved and thoroughly calculated.

## ***7. 2 The actual implementation of the BRI in Vietnam***

It has been 6 years since the BRI was announced for the first time, and 4 years since Vietnam confirmed its support for the BRI by signing the MOU in November 2017 in Hanoi. Based on the content of cooperation of Vietnam and China on the BRI in the document in 2015, the field of cooperation are various: Infrastructure (highway; sea port; high-speed railway); Commercial Cooperation (Special Economic Zones); Finance (AIIB); and Policy connection. However, the negotiation and development of the projects have been very slow and not efficient. For example, the intercity railway Cat Linh-Ha Dong was started in 2008, but still it is not in use. Prime Minister Nguyen Xuan Phuc's intention on getting loans from AIIB in 2017 was also postponed. None of the loans have been disbursed. Most of the cooperation are in negotiation and commitment signing steps.

Like in many other countries, one characteristic of undergoing the BRI projects in Vietnam is that projects are rebranded. Meaning that these projects had been started before 2013-2014, but nowadays they are renamed under the BRI. The typical projects of this kind are the railway Cat Linh-Ha Dong; projects in the TCOB and the Vinh Tan electric power plant. Because Vietnam rarely publishes their government's opinion or official information about the BRI and do not announce the list of projects under it, this research's information about the BRI projects in Vietnam is mainly based on the following documents:

- The general state announcement of two countries
- Information on BRI projects in Vietnam that are in news of Vietnam and China
- Researches of WB, ADB, AIIB
- The official announcement on November 2017 that confirmed China's and Vietnam's combined two projects TCOB and BRI together.
- Based on the Yidaiyilu website of China, it can be defined that the following projects of Vietnam are under BRI: Vinh Tan 1 electricity power plant (2013-2017); Intercity Railway Cat Linh-Ha Dong (2008-now); Some projects on transportation infrastructure in the northern area; some projects in southern area that were planned to get loans from AIIB; Cooperation projects of SBV and AIIB.

### ***7.3 Concerns and cautions of the Vietnamese government on BRI***

When Vietnam participates in the BRI either for diplomatic gesture or in an enthusiastic way, Vietnam will face traditional and non-traditional security challenges.

#### **7.3.1 Traditional security challenges**

So far, the announcement of the Vietnamese government on the BRI emphasizes the active role of Vietnam in joining this initiative and connecting the BRI with the TCOB that Vietnam proposed in 2004. However, government's official announcement on the BRI rarely has appeared on media. This has implied that the Vietnamese government is cautious about and carefully responsive to the influence of BRI. The concerns on security issues have been mainly raised by scholars rather than the government.

In one paper in the Communist magazine - the Press Office of the Communist Party, Mr. Tran Viet Thai said that in terms of economy and security, ASEAN has two worries about the BRI. Firstly, all counties in ASEAN are worried about the imbalance in the relation with China as China's economy and power has become stronger very fast since 1990. Secondly, the MRS will not be in harmony with the MPAC (Master Plan on ASEAN Connectivity) and will hamper the center role of ASEAN in Southeast Asia. Territorial conflicts and fierce actions of China on the South China Sea render many ASEAN

countries demotivated to join the BRI (Tran Viet Thai, 2017). In a few comments from the Vietnamese Defense Ministry, they also showed concerns that ASEAN would become over-dependent on the Chinese economy and had to shape their ideology in the ways that are supportive for Chinese diplomacy in the regional and international arena. In addition, many in the ASEAN also worry about the general geo-political picture due to the fact that China has been increasing their army capacity and the naval power. Finally, the role of ASEAN will become subordinate and the unity of ASEAN will be jeopardized by the BRI (Le & Bui, 2017).

Despite of the benefits that Vietnam could gain from joining the BRI, what concerns Vietnam most is the over dependency of its economy on China and the national security when joining the BRI. Increasing dependency on China can be seen by the increased presence of Chinese investors in Vietnam. Chinese investors bring along Chinese technology, materials and labor. In addition, the influx of goods and services from China can risk with Vietnam trade deficit. Moreover, loans from China can make the public debt even worse. The more serious concern is the national security. The MSR is regarded as a signal of Chinese hegemony which is related to Chinese claim on the South China Sea. Territorial disputes on the South China Sea is a sensitive and strongly emotional topic to the Vietnamese. According to a research by Pew Research center, up to 60 percent of Vietnamese people consider territorial disputes with China a serious threat to national security and independence (Nguyen, 2017). As discussed above, in 2014, crowds gathered on streets in big cities of Vietnam to protest China setting up the oil rig Haiyou 981 in the claimed waters by Vietnam in South China Sea.

Vietnam has proved to be the most skeptical country in South East Asia about the BRI. Vietnam has approved strict investment conditions and regulation to the BRI projects for the sake of its economic self-reliance (Ghiasi, Fei & Saalman, 2018). In addition, the skepticism on the Chinese BRI also came from the bad reputation of Chinese investments in Vietnam previously. Vietnam's first project labeled under the BRI is the light railway Cat Linh Ha Dong which was under the construction by China Railway Sixth Group. A part of this railway project is financed by the BRI with a sum of 650 million USD. This project is an important landmark under the framework of the BRI (Liyang, 2017). This undergoing project has revealed a number of mistakes and wrongdoings which have negatively impacted Vietnamese perception on the quality of Chinese oversea investments. This is contrary to the situation of the similar intra-city railway project by Japanese investor, namely the Ben Thanh Metro in Ho Chi Minh city, which has received praise and positive attitude from public.

According to Pham in his book (2019), there are 2 traditional security main concerns that are (1) How is the BRI related to the South China Sea when the conflicts are not resolved and influenced the benefit of Vietnam, and (2) that the attraction of the BRI to Cambodia and Laos may weaken the strength of their relationship to Vietnam in terms of defense

security.

### **7.3.2 Non-traditional securities challenge**

Non-traditional security concerns can be fuel security and economic security which can raise the threat to the legitimate status of the ruling party. In addition, in Vietnam, there is another kind of security challenge that the government has to face – the anti-China sentiment. Anti-China sentiment among the Vietnamese public is another factor that makes Vietnam-China relation tough. This sentiment is toxic, and can be an obstacle to the Politburo. Controlling the reaction of the public to China is meaningful to the Vietnamese government. If the anti-China sentiment of the public is strong, it is disadvantageous for the Vietnamese government in balancing its relationship with China and with other stronger countries, because the social and political stability will be threatened. Therefore, the BRI is a challenge when the government has to seek the solution to control public reactions to ensure a stable, cooperative and trustful policy environment which is the primary condition for long-term bilateral relation.

The anti-China waves of demonstrations in 2014-2015 indicated an important change in the way the government managed this issue. When China put the oil rig HD 981 in the EZZ of Vietnam, groups of people poured into the streets in big cities of Vietnam to show their angers and anti-China sentiments. These activities soon became violent destroying foreign enterprise assets. This situation created the Vietnamese government two tough challenges: (1) When the essential benefit (the territory) is threatened, what government should do to perform their responsibility as the national leader? (2) How would the government do to calm down the public in order not to create negative results? The announcements from the Press Office of the Government, intellectual elites and scholars showed their new roles in controlling the situation.

According to Nhung Bui (2016), in the anti-China crisis, despite using strong words against China, Vietnamese top leaders also tried to avoid using nationalism as a motive. Instead, media transformed the anger of the public and the anti-China sentiment into a new positive way of supporting the government. Three characteristics of the way government used to solve the HD-981 crisis were: (1) That it was difficult for the government to choose any soft solution for this territorial threatening crisis. (2) That the government tried not to abuse the nationalist spirit, since it could have caused uncontrolled situation, so the government transformed the national spirit into public support. (3) That under the circumstances, the government took the priority of solving conflict with China by diplomacy and in peaceful way. Managing foreign policy on China was an important point in the public press strategy of the government (Bui. Trang Nhung, 2016). After the HD-981 crisis the government has changed their way of managing issues with China by seeking cooperation to solve the conflict. This is showed by the increase in the state visits of two countries' top leaders and

the growth in the bilateral cooperation.

## ***Conclusions: The influence of the conflicts on the South China Sea between Vietnam and China on Vietnam's joining the BRI***

According to Kuik (2018), three factors that can be used to define the influence of the BRI on the Southeast Asian countries: economic benefits; political ideology and security issue; and the ability to sanction/ punish. These factors can be used to analyze the situation for Vietnam too.

China has offered Vietnam to finance projects that allow Vietnam to get funds and support from China. Investment in infrastructure will boost the Vietnamese economy and attract overseas investment into Vietnam. However, the investment in infrastructure requires a huge amount of capital. Since Vietnam became the country with average income, the low interest loan sources have been reduced. In addition, the public debt is high, balancing the funds for internal investment is not easy. China's cooperation offers to bring along the economic benefits that the Vietnamese government is interested in. However, the issue about the political ideology and foreign policy with China is another side of the coin for the Vietnamese government to consider. Managing the relation with China in a stable trajectory, increasing the trust and exploiting the benefits will hinder the potential bilateral conflicts. The Vietnamese government are looking for lessening the risk of threat to national territory correctly and maintaining the political stability.

The Philippines is a good example for a country that hedges relations with China. These two countries had a territorial conflict, but they can find a way to balance it by economic cooperation. Tight economic cooperation will open ways for communication channels to settle down the political conflict in a peaceful way. For Vietnam, the demand for the investments in infrastructure which encourage economic development is high. However, the funds from government and private entities are not enough and limited. Therefore, the BRI is a golden chance for Vietnam, as the BRI offers generous funds to diverse receivers (not only state-owned but private entities as well).

It can be observed from media and government's diplomatic gestures that Vietnamese officials are very quiet about their misgivings on the BRI. While it usually gives diplomatic support to the BRI, for example Vietnam became the member of the Asian Infrastructure Investment Bank (AIIB) in 2015, Vietnam generally has reacted to the BRI with caution and taken careful calculations. The evidence was that it took Vietnam two years to sign the Memorandum of Understanding (MOU) with China on the BRI. This reservation from the Vietnamese government can be interpreted as the result from the profound distrust between the two countries and the rising anti-China sentiment in Vietnamese public ignited from the 2014 oil rig crisis. Although Vietnamese government diplomatically proposed the BRI

which was a necessary step in diplomatic operations. The story is far different from the point of view of the implementation of the BRI in Vietnam. Former President Tran Dai Quang emphasized the principles of mutual respect, equality, consensus and compliance with the international law compliance and the UN charter. This implied the fact that Vietnam is concerned about the political, economic and strategic implications of the BRI which can be transcended into 'excessive dependence' on China and harm Vietnam's territorial and maritime claim in South China Sea (Le, 2018).

The ongoing disputes on the South China Sea undeniably determine Vietnam's perception of the BRI. Not mentioning the historical grievances and distrust between the two countries, the conflict of interest between Vietnam and China basically comes from the fact that China has been increasing its presence and asserting its territory claim over 90 percent of the South China Sea which include the Paracel and Spratly Islands that Vietnam has been actively claiming as her own territory. As China and other claimants in the South China Sea have failed in resolving territorial disputes by diplomatic methods, this has led to massive distrust and self-protection by arms build-up in Southeast Asia. Vietnam has been one of the most active in pushing back China's activities in the South China Sea when China put the oil rig Haiyang Shiyu 981 in 2014 in the disputed waters and setting up the nuclear-capable bomber H-6K in 2018. Vietnam has upgraded its military budget by 127 percent to \$5 billion in 2017 compared to \$2.2 billion in 2006 (Zachary & Nguyen, 2016). In 2017 Vietnam became the world's 11<sup>th</sup> biggest weapon recipient (Ghiasi, Fei & Saalman, 2018). In addition, Vietnam has been upgrading security cooperation with major countries such as the USA, Japan and India. Vietnam has strongly denounced the activities of China in the South China Sea and regarded them as provocation for tension and damaging the regional stability especially in the context where the ASEAN countries are working on the Code of Conduct in the South China Sea.

If the disputes and tension become greater and more serious, Vietnam will be even more sensitive to political and strategic implications of the BRI. In contrast, in a better situation when tensions and disputes can be solved peacefully and maintained calm and parties can achieve the consensus on maritime disputes for example the signing of the COC, Vietnam will be more willing to join the BRI. To sum up, it is not doubtful that the BRI will face greater challenge in Vietnam than it does in other Southeast Asian countries. Although BRI implementation is slow in Vietnam, Hanoi still goes on supporting it by diplomatic gestures. It is beneficial for Vietnam if it succeeds in maneuvering for taking advantage of the BRI to build up infrastructure, while not dampening its political motivation and staying persistent to its agenda on the South China Sea issues (Le, 2018). Vietnam is on the cusp of a dilemma between the political implications of the MSR (Maritime Silk Road) and its current demand for the expansion of its infrastructure. What Vietnam is facing now is not the question of joining the BRI, but how Vietnam is able to alleviate the risks related to higher engagement with China in the economy, and also how to maximize the benefits from Chinese loans and aid. The situation threatens the legitimacy of the Vietnamese Communist

Party if it chooses to ally with the Chinese Communist Party.

Beijing has been utilizing many methods to expand influence in Hanoi and force Hanoi to fall within China's orbit. Hanoi is in different position from many other countries in the region, and the influence of China on Hanoi faces many obstacles. China and Vietnam both have the Communist parties, which allows China to use the card of socialism to tie Vietnam and China into a strong ideological bond. In the Vietnamese Politburo, there are always the endless controversial arguments on "to which extent to oppose China" and "to which extent to compromise". According to Thayer (2019), Beijing has been interfering in choosing members of the Vietnamese Politburo and always preventing potential candidates who are regarded as anti-China from being chosen into Vietnamese Politburo (VOA, 2019)

China is a powerful country, so for Vietnam it is better to have good diplomatic relationship and cooperation with China rather than criticizing and becoming its enemy. If you hurt China, China will hurt you more badly. The way Vietnam chooses to behave in the relationship with China is important, since the two countries share borders. Vietnam is a small country with a population equivalent to the one of a medium size province of China, so what benefits Vietnam can gain from being enemy of China and how can Vietnam impose influence on the giant neighbor like China? The current Vietnamese Communist Party leaders show their willingness of making a good diplomatic relationship and cooperation with China. Vietnamese leaders want to have investments from China and make a commitment to join the BRI. However, Hanoi does not want bilateral relationship with China only but multi-lateral relationship with all powerful countries.

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## *Abbreviation List*

AIIB: Asian Infrastructure Investment bank  
ASEAN: Association of Southeast Asian Nations  
BRI: Belt Road Initiative  
CCCC: China Communications Construction Co  
ECRL: East Coast Rail Link  
EEZ: Special Economic Zone  
FDI: Foreign Direct Investment  
MOF: Ministry of Finance  
MOFCOM: Ministry of Commerce  
MOU (Memorandum of Understanding)  
MPAC: Master Plan on ASEAN Connectivity  
MSR: Maritime Silk Road  
NDRC: National Development and Reform Commission  
TPP: Trans-Pacific Partnership  
OECD: Organization for Economic Co-operation and Development