

## Vietnam's strategic trajectory

### From internal development to external engagement

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Le Hong Hiep

Vietnam has recently emerged as a key player in Southeast Asia. Strategically located at the heart of the Asia–Pacific region, Vietnam is home to a population of 88 million people and a promising economy that has registered an average annual growth rate of around 7% over the past decade. Since adopting the 'Doi Moi' ('renovation') policy in the late 1980s, Vietnam has also been pursuing an active and constructive foreign policy aimed at diversifying and multilateralising

its external relations. Vietnam's quest for deeper international economic integration and a greater political role has therefore brought the international community an opportunity to engage the once-pariah state in building a peaceful, stable and prosperous regional order.

Meanwhile, China has been emerging as a global superpower. Although its impressive economic development has been praised as



Protesters took to the street in Hanoi for a fifth consecutive Sunday on 3 July 2011 to rally against China's activities in the South China Sea  
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providing the region with a growth engine, China's substantial military build-up and its growing assertiveness in the South China Sea (Biên Đông or East Sea in Vietnamese) have unnerved countries across the region. In response, the US has recently decided to 'pivot' its strategic focus to the Asia–Pacific and make efforts to strengthen its relations with key players in the region. In this connection, due to its strategic location as well as its particular historical relations with China, Vietnam may play a significant role in future regional security architectures, which are likely to be shaped by how regional powers perceive and respond to the rise of the Middle Kingdom. Against this backdrop, the study of Vietnam's strategic thinking and policymaking, especially vis-a-vis major powers, provides valuable clues about how best to engage Vietnam in the management of regional peace and security.

This paper analyses Vietnam's strategic trajectory over the past two decades, with an emphasis on its relations with China and the US, its policies on the South China Sea dispute, and the implications for regional players. The paper provides an overview of the rationales and mechanisms of Vietnam's strategic policymaking. It then goes on to examine Vietnam's relationships with China and the US, and examine the country's position on the South China Sea dispute, in general as well as in relation to growing Chinese assertiveness. Finally the paper discusses the implications of Vietnam's strategic policy for the international community in general and Australia in particular.

### **Vietnam's strategic policymaking: rationales and mechanisms**

Following the reunification of Vietnam in 1975, the Vietnamese Communist Party (VCP) enthusiastically embarked on a new project: transforming the country along the socialist

path. However, as Gabriel Kolko puts it, Vietnam won a war but lost the peace.<sup>1</sup>

Economic failures after 1975 soon caused the people's living standard to deteriorate dramatically. The situation got even worse after Vietnam failed to secure diplomatic normalisation with the US and was forced to engage in two costly wars, one against China in 1979 and the other against the Khmer Rouge from 1979 to 1989. Maintaining war efforts put excessive strains on the already war-torn economy, and a socioeconomic crisis in the mid-1980s caused the perceived legitimacy of the VCP to fall precipitously.

Against that backdrop, the VCP decided to adopt the Doi Moi policy at its sixth national congress in late 1986, with a view to building a socialist-oriented market economy. Under Doi Moi, the VCP has introduced a series of new policies, which includes developing a multisector market-based economy, renovating the economic structure, stabilising the socioeconomic environment, promoting science and technology, and opening up the country's foreign relations.

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The adoption of the Doi Moi policy can be seen as an effort by the VCP to restore its falling legitimacy through economic performance. To promote economic reform, the party had to retune its foreign policy to allow for the country's integration into the global economy. In fact, Doi Moi has been the single most important driver of changes in Vietnam's foreign policy since the late 1980s.<sup>2</sup> Under the policy, Vietnam sought to 'diversify' and 'multilateralise' its foreign relations, especially with major

powers and international institutions. The VCP's aims were obvious: to create a peaceful external environment and facilitate the use of foreign resources, such as capital, markets and technology, for Vietnam's domestic economic reform. To those ends, the seventh national congress of the VCP in June 1991 stated that 'Vietnam wishes to befriend all countries in the world community.' Vietnam officially normalised its relations with China in November 1991 and with the US in July 1995. So far, it has established diplomatic relations with 172 countries and secured membership in most major international and regional institutions.

Doi Moi has also served as an essential basis for Vietnam's strategic vision. The top priority of the country's strategic policy is no longer

restricted to ensuring national security; it's now extended to embrace economic development and international prestige as equally important objectives.

Those changes in Vietnam's foreign policy and strategic outlook have helped mobilise valuable external resources to turn the country into an economic 'rising star'. Its GDP (at official exchange rates) has increased sevenfold since 1985 to US\$103 billion in 2010<sup>3</sup>, bringing Vietnam into the ranks of low middle income countries. The relatively robust economic development over the past two decades has helped to reduce the poverty rate from around 60% in the late 1980s to 10.6% in 2011. Those socioeconomic achievements are undoubtedly the most important basis for the VCP's claim to legitimacy for its rule,



Labourers work at a garment factory south of Hanoi 4 January 2012. Vietnam's export of textiles and garments last year jumped 25% from 2010 to \$14.03 billion, making it the biggest export item of the country. © Reuters/Nguyen Huy Kham/PictureMedia.

especially when the party's traditional sources of legitimacy—such as nationalism and socialist ideals—have paled in importance.

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Because Doi Moi has been advanced as a tool to promote both national wellbeing and regime security, Vietnam's strategic policy under the leadership of the VCP has been subject to conflicting interests, especially where a policy may be favourable for national wellbeing but harmful for regime security, or vice versa. For example, deeper international economic integration and further market liberalisation are likely to bring Vietnam greater prosperity, but they have also alarmed a number of VCP conservatives who see them as threats that might cause the country to deviate from the socialist path or undermine the party's rule. Meanwhile, although the VCP's emphasis on the central role of state-run businesses is criticised by many economists as detrimental to the overall efficiency of the economy, the policy is maintained as a measure to protect the economic foundation of the country's transition to socialism. Such conflicts of interests present a serious problem within the policymaking apparatus of Vietnam. Because policymakers have to take into consideration the dual concerns of national interests and regime security, they end up with fewer policy options—and worse outcomes—than if national interests were the only determinant in decision-making.

The same conflict between national interests and regime security also applies to Vietnam's foreign policymaking. For example, closer relations with the US and Western countries

are likely to bring tangible economic and strategic benefits to Vietnam. It may get better access to Western capital, markets and technologies while enjoying a better position to balance against the growing power of China. However, concerns have been raised among a segment of party officials that Vietnam should beware the 'peaceful evolution' scheme allegedly plotted by the US and Western countries to subvert the VCP regime. 'Peaceful evolution' has been officially considered as one of the four major threats to Vietnam, which also include lagging behind other countries economically, deviation from socialism, and corruption. The fear is further intensified among party ideologists when the US and some Western countries keep insisting that Vietnam must improve its human rights record as a condition for stronger bilateral relations.

On the economic front, despite widespread criticism of Vietnam's bias towards state-run businesses as a hindrance to the country's economic performance, especially in the wake of the de facto bankruptcy of the giant state-owned shipbuilding corporation Vinashin, recent negotiations on the Trans-Pacific Economic Partnership Agreement (TPP) have demonstrated Vietnam's unwavering resistance to US calls for reforms of Vietnam's state-run businesses.<sup>4</sup> These examples show that in promoting Vietnam's foreign relations the VCP remains reluctant to embrace options that might compromise the regime's security.

When a conflict of interests arises, policy is negotiated internally between what some researchers consider as the two competing camps within the Party: conservatives and reformists.<sup>5</sup> Because most of the important decisions are made by the Politburo and the VCP Central Committee under the principle of collective leadership, it's difficult for the public to identify and measure the relative weights of conservatives or reformists in the outcome of any particular policy.

Still, the labels ‘conservative’ and ‘reformist’ may be useful to describe certain segments of high-ranking party officials who favour specific policies. Conservatives tend to put regime security first, and so take a cautious approach to economic liberalisation and favour stronger ties with China rather than with Western countries. Reformists seek further economic liberalisation and stronger relations with Western countries—although ideally at minimum risk to regime security.

The competition between the two camps for the VCP’s policy helm has been happening in all fields, and, although regime security may enjoy a higher priority in most cases, the conservatives are unable to dictate policy in all fields. On the economic front, for example, although there are still reservations about further liberalisation, so far the reformists seem to be in the lead, especially when the VCP is feeling the pressure for further reform in order to maintain the country’s positive economic performance—the vital basis of the party’s legitimacy. Conservatives seem to be more influential when it comes to ideological and internal security matters, and are apparently determined to control possible damage to the regime’s security from further economic liberalisation.

## Vietnam’s strategic policy towards China and the US

One of the most important achievements of Vietnam’s diplomacy in the 1990s was the normalisation of diplomatic relations with China and the US in 1991 and 1995, respectively. Normalisation with China removed the most significant barrier preventing Vietnam from breaking out of its international diplomatic isolation and allowed the improvement of its ties with ASEAN and the US. Subsequently, the overdue normalisation of Vietnam’s relations with the US enabled the country to enjoy normal relations with all major world powers for the

first time since the socialist republic came into being in 1945.

Normalisation also helped expedite Vietnam’s international integration and socialisation, paving the way for the country’s entry into an array of major international political and economic arrangements, such as APEC, the Asia–Europe Meeting, the World Trade Organization, the East Asia Summit, and most recently the TPP negotiations. Nevertheless, Vietnam has found itself facing a renewed challenge: walking the line between China and US to best meet both the country’s national interests and the VCP’s concerns about regime security.

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### *The challenge of balancing great powers is not new to Vietnam.*

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The challenge of balancing great powers is not new to Vietnam. During the Cold War, after the split between China and the Soviet Union, Vietnam had a hard time balancing its relations with the two antagonistic powers. Its failure to do so adequately contributed to the downward spiral of Sino-Vietnamese relations in the 1970s. Tensions reached a climax when China invaded Vietnam in early 1979. Although China initially claimed that it had decided to ‘teach Vietnam a lesson’ because of Vietnam’s earlier military intervention into Cambodia, some analysts argue that Vietnam’s entry into an alliance with the Soviet Union in 1978 was the main reason behind China’s decision to ‘punish’ Vietnam.<sup>6</sup>

The 1979 war was brief but extremely costly for Vietnam, and not only in terms of casualties. Then US National Security Advisor Zbigniew Brzezinski reportedly remarked after his meeting with Deng Xiaoping in early 1979 that ‘China said they will teach Vietnam a lesson. I say it will be an entire curriculum.’<sup>7</sup>

It was a prediction that ended up coming true. Aside from maintaining incessant shelling and other armed harassment as part of a 'phoney war' along the Sino-Vietnamese border in the 1980s<sup>8</sup>, China also pursued a policy of isolating Vietnam diplomatically and providing aid for the Khmer Rouge's efforts to 'bleed Vietnam white'. Vietnam's attempts to break out of its diplomatic isolation and pursue domestic development during the 1980s were also largely unsuccessful due to Chinese obstruction.

Bitter memories of the 1980s are still alive, and Vietnam definitely doesn't want history to repeat itself. Therefore, it considers a peaceful and stable relationship with China one of its top foreign policy priorities. Apart from the goal of maintaining a peaceful regional environment for internal development, there are also other important reasons for Vietnamese policymakers to value the relationship with China.

First, China remains a close ideological ally of Vietnam. Back in the early 1990s, ideological affinity was a major driving force behind the normalisation of bilateral relations<sup>9</sup>, especially when communist regimes in the Soviet Union and Eastern Europe began to collapse, causing a fear of the 'domino effect' among Chinese and Vietnamese leaders. At present, the Chinese Communist Party (CCP) and the VCP are the only two major communist parties in the world that are still in power, and they believe that a degree of mutual support helps to maintain their rule. The two parties have taken specific measures to that end. For example, they've been holding annual conferences to discuss ideological matters and exchange experiences in such vital issues as party building, mass mobilisation and warding off 'peaceful evolution'. The VCP finds the continued rule of the CCP not only an important external source of its own legitimacy but also a buttress for its regime security. Should the CCP fall, the VCP would

face enormous challenges in maintaining its power in Vietnam.

Economic interdependence between the two countries is also growing. China has been Vietnam's biggest trading partner since 2004. Bilateral trade turnover reached US\$27 billion and accounted for 17% of Vietnam's total trade in 2010. Most notably, China has emerged as Vietnam's largest source of imports, shipping almost a quarter of them in 2010. Vietnam is also heavily dependent on China for input materials for some of its major export industries, such as footwear, garments, textiles and furniture.<sup>10</sup> Therefore, despite problems that have caused tension between the two countries, especially Vietnam's perennial trade deficit with China, Vietnam generally considers bilateral economic relations to be mutually beneficial and conducive to peace and cooperation between the two countries.

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Nevertheless, renewed tensions between Vietnam and China currently threaten to roll back progress in bilateral relations over the past two decades. The tensions result from various factors. First, China's unprecedented rise and its substantial military build-up have conjured up Vietnam's historical fear of Chinese expansionism. Due to geographical proximity and power asymmetry, a far more powerful China has been the most serious source of threat for Vietnam throughout its history. Vietnam's current perception of the China threat is further accentuated by the territorial dispute between the two countries in the South China Sea. While unable to afford a hostile relationship with Beijing, neither

will Vietnam sacrifice national sovereignty and territorial integrity in exchange for a 'good' relationship on Beijing's terms. As a result, Vietnam has been reaching out to foreign powers in an attempt to at least deter Chinese aggression in the South China Sea, if not to balance against its broader regional dominance.

Against this backdrop, the US is undoubtedly one of Vietnam's preferred foreign partners. After the two former foes normalised their relations in 1995, bilateral relations progressed quickly, to such a degree that there have been calls from both sides to establish a strategic partnership. Economic ties, in particular, have been deepened to provide a solid foundation for bilateral cooperation. After a bilateral trade agreement came into effect in late 2001, two-way trade increased more than twelve times within just 10 years to reach US\$21.8 billion. The US is currently Vietnam's biggest export market, accounting for about a fifth of Vietnam's annual exports by value. US investment into Vietnam has also increased significantly in recent years, turning the US into Vietnam's seventh largest foreign investor in 2010. Vietnam's decision to enter the TPP negotiations is also an indication of the growing maturity of the US–Vietnam relationship and testifies to Vietnam's willingness to further promote ties with its former enemy, not only for economic benefits but also for strategic reasons.

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Along with growing economic ties, developments in political relations between the two nations have also surprised many

observers. Over the past decade, they've exchanged many high-ranking visits. President George W Bush visited Vietnam in 2006, while Washington received President Nguyen Minh Triet in 2007 and Prime Ministers Phan Van Khai and Nguyen Tan Dung in 2005 and 2008, respectively. Military ties, although remaining modest, have also strengthened. China's rise and its growing assertiveness in the South China Sea dispute are undoubtedly major factors behind Vietnam's attempts to forge a closer relationship with the US—a task that seems to have been facilitated by the US strategic 'pivot' to the Asia–Pacific region. Recently, State Secretary Hillary Clinton even stated that the US wishes to work with Vietnam to promote bilateral relations to the level of a 'strategic partnership'.<sup>11</sup>

The rapprochement between the two former enemies is impressive, but there are obstacles that they still have to overcome to move their relationship forward. The most visible and challenging hurdle is perhaps the differences in the two countries' political systems and their perceptions of certain values, especially democracy and human rights. While a segment of VCP officials still harbours suspicions about US intentions in improving relations with Vietnam and consider the US as the principal perpetrator of a 'peaceful evolution' scheme against the VCP regime, the US also considers Vietnam to be a country of poor human rights conditions. Some US politicians have indicated that further development of bilateral relations will be conditional on improvements in Vietnam's human rights record.

The US position on the issue results not only from its traditional policy of promoting democracy and human rights worldwide, but also from the pressure of the Vietnamese-American lobby. Many among the 1.7 million Americans of Vietnamese origin fled Vietnam after 1975 and maintain a hostile attitude to the VCP regime. They

have conducted campaigns pressuring the US Government to restrict relations with Vietnam as a measure to force Vietnam into political liberalisation and democratisation. Under that pressure, the US has taken a number of actions, including an annual review of the human rights situation in Vietnam and interventions with Vietnamese authorities to get a number of political dissidents released from detention. In addition, the US used to list Vietnam as a 'country of particular concern' over religious freedom. A bill that seeks to link US aid with Vietnam's human rights record has been passed by the House of Representative several times but has never got through the Senate.

Nevertheless, with the rise of China and the recent US decision to shift its strategic focus to the Asia–Pacific region, the issue of human rights is likely to become less significant as a hurdle to further improvements in long-term bilateral relations. History shows that for strategic reasons the US has been willing to foster close relationships with certain countries despite their domestic politics, including human rights conditions. The US used to be an ally of Saddam Hussein's Iraq and Hosni Mubarak's Egypt, and managed a strategic rapprochement with China to counter the Soviet threat in the 1970s. Therefore, if the US decides that China's rise is a threat to its interests and should be contained, it will probably ignore Vietnam's domestic politics in pursuit of a closer strategic relationship.

In such circumstances, there's yet another question that matters: how far would Vietnam be willing to venture in the relationship? The most likely answer is 'not very far'. After all, a stronger US–Vietnam relationship would most likely put unwanted strain on Vietnam's relations with China, especially if Sino-US relations worsened due to strategic competition, and it's not in Vietnam's interest to go through the painful experiences

of the 1970s and 1980s once again. Although things have changed over the past three decades and Vietnam is now in a much better position to resist pressure from China should bilateral relations get worse, its geographical proximity and the enduring power asymmetry between Vietnam and China would still cause Vietnam to think twice before making any move that might destabilise its relations with its giant northern neighbour. Moreover, as a small country, Vietnam doesn't want to be entangled in another great-power game, especially since Sino-US relations might deteriorate over the longer term due to strategic competition.<sup>12</sup> Conventional wisdom has it that the antagonists will seek a way out through compromises when conflicts become deadlocked. In such situations, the great powers could well bargain on the backs of their small allies. The 1954 Geneva Conference and the 1972 Shanghai Communiqué are two cases in point, in which Vietnam was betrayed by its own great-power allies.

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Therefore, Vietnam's best policy is to maintain a balance between China and the US. With such a strategic principle in mind, while Vietnam continues promoting its relationship with the US as a measure to deter China's aggressive behaviours, it would refrain from pushing the relationship too far at the expense of China. The only scenario in which Vietnam might possibly cross the limit and *temporarily* tilt towards the US is when China takes aggressive actions against Vietnam, such as invading Vietnamese-held islands and features in the Spratlys. For the time being, Vietnam will continue to pursue a policy of walking the line between China and the US. It will consider its relationship with the two great powers as part of its overall



strategy of ‘diversifying and multilateralising’ its foreign relations for the sake of domestic development.

## The South China Sea dispute in Vietnam’s strategic policy

The South China Sea dispute is currently the biggest security challenge for Vietnam and a major defining factor of Vietnam’s strategic policy. It’s hard to overstate the strategic importance of the South China Sea, as well as the Paracel and Spratly islands, to Vietnam’s national security. Stretching along a narrow territory with a coastline of 3260 kilometres, Vietnam is highly vulnerable to seaborne attacks, and the threat would be far more serious for Vietnam if it lost control of the two archipelagos.

Moreover, the South China Sea plays an essential role in Vietnam’s economic development. For example, the revenue of its national oil and gas corporation, PetroVietnam, accounted for 24% of Vietnam’s GDP in 2010.<sup>13</sup> Most of PetroVietnam’s revenue was generated from its operation in the South China Sea. The maritime economic benefits are, of course, not restricted to oil and gas. There are also, among other things, fishery, tourism, maritime transportation and port services in the equation. To promote the marine economy, the VCP Central Committee passed a resolution in January 2007 on ‘Vietnam’s Maritime Strategy Toward the Year 2020’. According to an implementation roadmap issued by the government soon afterwards, Vietnam expects that by 2020 the marine economy could account for 53%–55% of GDP and 55%–60% of exports.<sup>14</sup>

However, Vietnam’s national security as well as its ambition to develop its marine economy may face serious setbacks if the South China Sea dispute persists. With China’s economic rise and military build-up over the

past three decades, Vietnam not only stands a thinner chance of recovering the Paracel Islands, which it lost to China in 1974, but also finds its positions in the Spratly Islands more vulnerable to a Chinese invasion than ever before.<sup>15</sup>

China has long obstructed Vietnam’s economic activities in the South China Sea. Apart from seizing hundreds of Vietnamese fishing boats every year, China has also pressured Western oil and gas corporations to cancel their operations in Vietnam’s exclusive economic zone (EEZ).<sup>16</sup> In an infamous event in May 2011, a Chinese marine surveillance vessel even harassed and then deliberately cut the cables of a PetroVietnam surveying ship deep within Vietnam’s EEZ. The incident fuelled a wave of international criticism of China’s growing assertiveness in the South China Sea and in favour of Vietnam, and further alarmed Vietnamese policymakers.

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Vietnam’s official position is that the South China Sea dispute should be solved peacefully through negotiation between the parties in accordance with international law, especially the 1982 United Nations Convention on the Law of the Sea. Despite China’s lack of interest in external legal arbitration, Vietnam has been collecting evidence and consolidating its legal dossiers on the two archipelagos to prepare for the possibility of the dispute being settled in an international tribunal. Vietnam has also been proactive in using all suitable international institutions, especially ASEAN, to gather international support and soft-balance against the overwhelming power

of China in the South China Sea. A case in point is the 2002 Declaration on the Conduct of Parties in the South China Sea, which originated from a joint proposal by Vietnam and the Philippines.

Given the wide power gap between Vietnam and China and China's growing aggressiveness in asserting its claims, Vietnam has also been resorting to other measures to at least deter Chinese aggression in the area. First, it's been speeding up its military modernisation, with a focus on the navy. Since the mid-1990s, Vietnam has been upgrading its naval capabilities through the acquisition of modern Svetlyak class fast attack craft, Gephard class frigates, six Kilo class submarines (to be delivered from 2014),

Bastion land-based anti-ship cruise missiles, and extended range artillery munitions. Vietnam's naval modernisation has been buttressed by not only arms imports but also the development of its own defence industry through co-production and technology transfers. It's reportedly been building Sigma class corvettes (in cooperation with the Netherlands) and patrol boats modelled on the Svetlyak offshore patrol vessel.<sup>17</sup>

However, Vietnam's investment in its naval capabilities is still very modest compared with that of China, its main rival in the South China Sea. In 2011, while China's official military budget was \$91.5 billion, Vietnam was reported to allocate only \$2.6 billion to defence (about 2.5% of its GDP). Therefore,



Vietnamese border guards watch the US Seventh Fleet's USS *Blue Ridge* entering Tien Sa port as Vietnam welcomes the port call of three US naval ships in Danang on 23 April 2012. © AFP/HOANG DINH Nam via AAP.

although Vietnamese leaders have officially stated that Vietnam will be self-reliant and never seek to enlist foreign assistance in solving its disputes with other countries, it's actually made efforts to reach out to foreign powers, both directly and indirectly, to compensate for its considerable weakness vis-a-vis China.

Vietnam's 'defence diplomacy' has been stepped up in recent years as a measure to promote military cooperation with partners of interest. It now maintains bilateral defence relations with 65 countries, and it's also an active participant in major regional security and defence forums, including the ASEAN Defence Ministers Meeting Plus, the ASEAN Regional Forum and the Shangri-La Dialogue.

Among various international partners, Vietnam seems to place much emphasis on its nascent but promising military ties with the US. At this stage, Vietnam mainly aims to build trust and mutual respect with the former foe, but in the long term it wants more than that from the relationship. It's even indicated its desire to acquire US weapons and military equipment, although its human rights record is still seen as a sticking point in Washington.<sup>18</sup> US naval cooperation with Vietnam remains modest, and is generally restricted to port calls by US warships. However, Vietnam's strategic decision to turn its Cam Ranh port into a service centre open to ships of all flags will provide an opportunity for the two navies to promote cooperation, as well as a legitimate excuse for US naval ships to be present in Vietnamese waters. In a less direct measure to engage the US in the South China Sea dispute, Vietnam has unofficially welcomed the US presence in the region as a key to regional stability and possibly as a check upon the rise of China.<sup>19</sup>

Vietnam also seeks US moral and diplomatic support in the dispute. While China was surprised and angered, Vietnam considered

it a diplomatic victory for the country when US Secretary of State Hillary Clinton stated at the 17th ASEAN Regional Forum, held in Hanoi, that the US had a national interest in freedom of navigation, the maintenance of peace and stability and respect for international law in the South China Sea.

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Because a stronger relationship with the US may put unwanted strains on its relations with China, Vietnam has at the same time sought to strengthen its relations with regional middle powers, such as Japan, India, South Korea and Australia. Beijing tends to be less sensitive to changes in Vietnam's relationships with middle powers than it is about relations with the US.

Vietnam can also gain significant benefits from developing such relations. For example, Australia, India and Japan have all voiced their support for freedom of navigation and the peaceful resolution of disputes in the South China Sea, thereby indirectly repudiating China's sweeping claims. And while the US may be unwilling to approve arms sales to Vietnam, Hanoi is said to be approaching India for Brahmos supersonic cruise missiles. Australia has also been providing training programs for Vietnamese military staff. Under the policy of promoting relations with regional middle powers, Vietnam has entered into 'strategic partnerships' with Japan, South Korea, and India, while its relationship with Australia has been upgraded to a 'comprehensive partnership' since 2009.

However, although Vietnam is keen to take advantage of ASEAN as a group to advance its interests, especially vis-a-vis China, and seems to emphasise the 'middle power approach' in its current foreign policy, it tends to neglect those middle powers within ASEAN. For example, while Vietnam has established 'strategic' or 'comprehensive' partnerships with nine countries,<sup>20</sup> not one of those nations is in ASEAN. Vietnam's relations with Indonesia, the most suitable partner it could apply this approach to, are quite underdeveloped.<sup>21</sup> This could be explained by the fact that because ASEAN places much emphasis on the group's consensus and solidarity, any attempt by Vietnam to forge a 'special bilateral relationship' with any of the ASEAN member states, especially the strong ones, might result in distrust among the group's members. Perhaps the only exception is Vietnam's 'special relationship' with Laos, which has been shaped for the most part by geographical and historical conditions.

### Implications for the international community and Australia

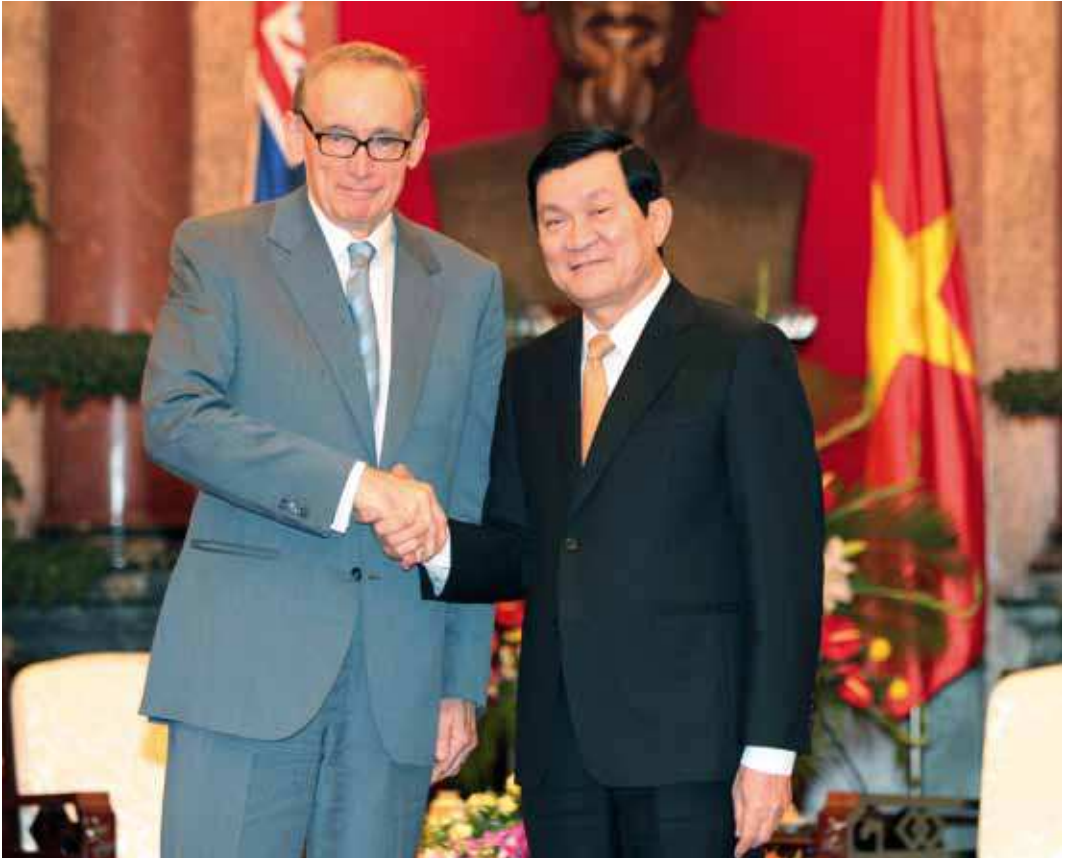
Over the past 25 years, Vietnam has undergone tremendous changes. In the 1980s, it was still perceived as a security threat to the region, while its economic failures and stagnant domestic situation posed a major threat to the internal stability of the country itself. Fast forward two decades, and Vietnam is now relatively open, has a rapidly growing economy and is a constructive player in world politics. Successful economic reform along with a more open foreign policy under Doi Moi has undoubtedly been the most important driver of change in Vietnam so far. Economic success not only earns Vietnam respect worldwide but also gives the VCP an otherwise challenged political legitimacy to maintain its rule over the country.

Therefore, the top priority for Vietnam as well as the VCP leadership now is to maintain

a peaceful and stable regional environment conducive to the nation's domestic socioeconomic development. Vietnam's strategic policy is being formulated along this principal guideline.

Vietnam's rise out of the ashes of war and underdevelopment has been widely acknowledged as a significant contribution to regional peace, security and prosperity. Its further economic transformation and international integration should therefore be encouraged and supported by the international community, especially countries in the Asia-Pacific region:

- First, Vietnam's continued success will lay the groundwork for it to contribute to regional peace and security. Its constructive participation in international and regional institutions and its plan to join peacekeeping operations within the UN framework are two cases in point.
- Second, with the rise of China as a potential challenger to regional order and stability, an independent, open and stronger Vietnam will be a more favourable option for regional strategists than a weak, inward-looking and China-dependent Vietnam.
- Finally, the economic growth and international integration of Vietnam will both contribute to regional prosperity and encourage the transformation of Vietnam into a more open and democratic society in the long term. In this connection, although Vietnam's human rights record is still being criticised by some countries, it would be unwise to let the issue alienate Vietnam and discourage the country from further international integration. After all, through international integration and socialisation, Vietnam may well adapt itself and adopt universal values, norms and standards along the way.



Australian Foreign Minister Bob Carr (L) and Vietnamese President Truong Tan Sang (R) shake hands at the Presidential Palace in Hanoi, Vietnam, 28 March 2012. Carr is on an official visit to Vietnam. © EPA/LUONG THAI LINH via Corbis.

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Vietnam's strategic trajectory also has important implications for Australia. As a middle power seeking to enhance its role in the Asia–Pacific, Australia could find Vietnam a valuable partner. Vietnam considers Australia's greater international role and its participation in regional institutions to be beneficial for regional peace and stability. For example, Vietnam's support contributed significantly to Australia's successful bid for membership in the East Asia Summit. As a key player in ASEAN, Vietnam can also provide Australia with a useful source of support

and a channel for information and policy coordination within ASEAN-led arrangements. And, given China's rise and Vietnam's strategic location, Australia should take Vietnam into consideration for future regional security configurations.

In the same vein, Vietnam highly values the relationship with Australia as a key pillar in its strategic and foreign policy. As noted in this paper, it's attached great importance to the development of its relations with regional middle powers, especially against the backdrop of China's rise and increasing tensions in the South China Sea. Australia's interests apparently converge with Vietnam's, judging by Canberra's recent agreement to rotate 2,500 US marines through Darwin. Some Australian analysts point out that the move is to reassure Australians that the

ANZUS Treaty is still relevant and has life into the 21st century. However, in the eyes of many Vietnamese strategists, that move also indicates that Australia might be able to play a significant role in constraining China's ambitions in the region.

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Stronger ties with Australia would bring Vietnam not only strategic benefits. In 2010, bilateral trade between the two countries reached US\$4.1 billion, and Australia is now Vietnam's fifth largest export market. Australia is also a major aid donor to Vietnam, providing the country with \$137.9 million in official development assistance during the 2011–12 financial year.<sup>22</sup>

Despite recent achievements, there are still many things the two countries can do to further strengthen their comprehensive partnership for mutual benefit:

- In the political field, close policy consultations between the two countries should continue. They should also provide support for each other's efforts in international institutions, including bids for membership in UN bodies.
- In the security field, they should deepen their defence and security cooperation through such measures as intensifying strategic study and intelligence exchange, promoting humanitarian aid and disaster relief, and exchanging experience in peacekeeping and maritime security.
- On the economic front, there's still enormous room for the two countries to increase their bilateral trade. The TPP negotiations, which are expected to be concluded this year, may give Vietnam and Australia a valuable opportunity to further step up their economic ties and consolidate the economic foundation of their relationship.<sup>23</sup>

## Conclusion

Vietnam's successful economic transformation under the Doi Moi policy has helped redefine the way the country is perceived worldwide. Vietnam used to be an adjective for a war, but now it's better known as a dynamic economy, a peaceful country and an increasingly important player in regional politics.

Positive socioeconomic development since the late 1980s has undoubtedly been the most important source of the VCP's political legitimacy and thus a major factor in maintaining its hold on power. Sustaining development to buttress the party's rule remains the top priority of the Vietnamese leadership, so the country's strategic policy is directed at maintaining a peaceful and stable international environment conducive to its domestic development. Vietnam's strategic policy also aims to defend its national sovereignty and territorial integrity, especially in the South China Sea, and to promote the country's international prestige.

One of Vietnam's toughest foreign relations challenges is to maintain a balance between China and the US. Both are important to Vietnam, albeit in different ways, and Vietnam can't sacrifice the relationship with one at the expense of the other. However, Vietnam may find walking the line between

the two great powers increasingly difficult, given the dubious consequences of China's rise and its growing assertiveness in the South China Sea. Therefore, while Vietnam strives to maintain a peaceful and stable relationship with China, it also seeks to forge closer ties with the US, not only for economic benefits but also as a measure to deter Chinese aggression. Nevertheless, in most cases, Vietnam isn't eager to push the relationship with the US so far that its relationship with China turns hostile. The only situation in which Vietnam might temporarily lean towards the US is when China forcefully asserts its claims in the South China Sea.

The South China Sea dispute continues to present Vietnam with its greatest security challenge. Although it can't afford a hostile relationship with Beijing, it won't surrender its territorial integrity for a submissive peace. Therefore, Vietnam has been stressing the policy of self-reliance and investing in the modernisation of its military to develop a deterrent capability against China in the South China Sea. However, facing a far more powerful neighbour, it's also been resorting to other measures, including soft-balancing against China through international institutions and strengthening its relations with foreign partners. Although Vietnam places emphasis on developing its ties with the US, a stronger relationship with the superpower is likely to cause unwanted collateral damage to Vietnam's relations with China. Therefore, in addition to developing ties with the US to a reasonable level to deter growing Chinese assertiveness, Vietnam also pays great attention to strengthening its ties with other countries, especially regional middle powers such as Japan, India, South Korea and Australia.

Over the past three decades, the rise of Vietnam out of military conflict and economic underdevelopment through international integration has contributed significantly to regional peace, security and prosperity. The country's economic development and external engagement should be supported and encouraged by the international community, including Australia.

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*Both Vietnam and Australia have various convergent interests in promoting their bilateral relationship, ranging from mutual economic benefits and cooperation in international institutions to strategic considerations to address regional security concerns.*

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Both Vietnam and Australia have various convergent interests in promoting their bilateral relationship, ranging from mutual economic benefits and cooperation in international institutions to strategic considerations to address regional security concerns. New initiatives and mechanisms, such as the Australia–Vietnam Joint Foreign Affairs Defence Strategic Dialogue, which was held for the first time in February 2012, should be worked out and promoted as vehicles to move the bilateral strategic relationship forward in the long-term interests of both countries.

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## Acronyms and abbreviations

APEC	Asia–Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CCP	Chinese Communist Party
EEZ	exclusive economic zone
GDP	gross domestic product
TPP	Trans-Pacific Economic Partnership Agreement
UN	United Nations
VCP	Vietnamese Communist Party

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## About the author

**Le Hong Hiep** is a lecturer in the Faculty of International Relations, Vietnam National University, Ho Chi Minh City, and a PhD candidate in Politics at the University of New South Wales, Australian Defence Force Academy, Canberra. Before joining the VNU, he had a stint working for the Ministry of Foreign Affairs of Vietnam from 2004 to 2006. His articles and analyses have been published on *The Diplomat*, *East Asia Forum*, BBC and Vietnamnet.

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