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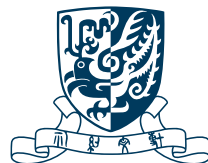
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## **SPECIAL FEATURE**

Fighting Corruption in China:  
Trajectory, Dynamics, and Impact

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# The China Review

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## *Dancing Between Beijing and Taipei: Vietnam in the Shadow of the Belt and Road Initiative*

Chiung-Chiu Huang and Nguyen Cong Tung

### *Abstract*

China's Belt and Road Initiative (BRI) has brought opportunities to its neighboring countries in terms of foreign investment and economic development, while at the same time arousing suspicion in the region regarding Beijing's intentions. This article analyzes Vietnam's responses to Beijing's BRI, with a special focus on the psychological mechanism leading to Hanoi's subtle confrontation of China and mild resistance of the BRI project. The concept of peace efficacy, which is initiated by the theory of the Balance of Relationships (BoR), is proposed in this article to explain the abovementioned case. Meanwhile, Hanoi's manipulation of two-handed strategies and seeking a balance between Beijing and Taipei are the other focuses of this article. Vietnam's deeds, once again, reveal its relational confrontation of China. This article further investigates how Vietnam has sophisticatedly redefined and categorized the BRI and utilized Taipei's New Southbound Policy (NSP) to suit its own interests; through unofficially strengthening its ties with Taipei, Hanoi is able to ease the pressure arising from Beijing's assertive policy, display its autonomy and prove its equal, independent status in the international arena.

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Among China's neighbors, Vietnam is the one with the most contradictory attitude towards Beijing and its "Belt and Road Initiative" (BRI). The official relationship between Vietnam and China has been a turbulent one; the damaged bilateral relationship was restored in 1991,<sup>1</sup> and the socialist brotherhood once again became a popular rhetoric, adopted by both sides.<sup>2</sup> However, the peaceful restoration of the bilateral relationship has seemed to fail to compensate for the lack of mutual trust, and the South China Sea territorial disputes intensify this situation. The potentially grand economic benefits brought by China's BRI have not managed to lessen Hanoi's suspicion of Beijing's intentions. Understanding how a relatively weaker neighboring state like Vietnam responds and reacts to China's grand project is crucial for further evaluating the impacts of BRI, both regionally and globally.

Vietnam's attitude towards the BRI has been ambiguous. In May 2017, Vietnam sent the late president, Tran Dai Quang, to attend the first BRI summit in Beijing. President Quang arrived in Beijing far in advance of the other foreign leaders. As well as reflecting Hanoi's superficial enthusiasm regarding the summit,<sup>3</sup> Quang's early arrival also aimed to stabilize the damaged bilateral relations between Vietnam and China. During this period, a joint communiqué, reclaiming the close ties between the two communist parties, was issued. In addition, several memoranda of inter-state cooperation were published, alongside Vietnam's promise to comply with the "One China Policy," which should have prevented Hanoi from further developing ties with Taiwan.<sup>4</sup>

Meanwhile, the turbulent contention over the South China Sea is challenging the bilateral relationship between Vietnam and China. Hanoi clings tightly to its territorial claim to Paracel and the Spratly Islands. Although it has not formed military alliances with any other great powers, the Vietnamese media have constantly filed complaints to the international media about China's aggressive behavior regarding the South China Sea, alongside the public statements of many Vietnamese political elites.<sup>5</sup> This made the Vietnamese leader's enthusiastic participation in the BRI summit in Beijing an interesting yet controversial move.

On the other hand, Vietnam's reaffirmation of its official attitude towards the One China Policy at the 2017 BRI summit was symbolic, while at the same time contradictory, considering that Taiwan has been one of Vietnam's most important foreign investors and a close bilateral relationship has existed between the two countries since the late 1980s. It is thought that Vietnam wishes Taiwan to maintain its role as a buffer in

resisting China's expanding influence in East Asia. Furthermore, since Taiwan is one of the South China Sea sovereign rights claimants, Vietnam is unwilling to see Taipei side with Beijing. The ambiguous attitude of Vietnam regarding Beijing's request for a One China Policy became even more apparent when Taipei began to promote the New Southbound Policy (NSP) in 2016. Hanoi's response to Taipei's NSP was also relatively enthusiastic and engaged.

The main theme of this article is to analyze how Vietnam has perceived and responded to China's BRI project, while at the same time maintain a close connection with Taiwan's NSP design. We argue that Vietnam's relations and economic ties with Taiwan have strengthened Hanoi's efforts to confront China and ward off Chinese influence. Vietnam's relations with the Taiwan and China, to a certain degree reflect the situation of many Asia Pacific states, which promote autonomy and defiance against domination by great powers, while at the same time needing to maintain stable relationships with their stronger counterparts. Such a mentality is not necessarily instrumental. Rather, it is a relational consideration which is rational but does not prioritize immediate and apparent material interests. We propose that, in contrast to the majority of International Relations (IR) theories, which regard a weaker actor's response as the result of domination in an asymmetrical structure, the theory of the Balance of Relationships (BoR) provides a more precise and suitable analytical angle for depicting Vietnam's logic in confronting its communist big brother and dancing between Beijing and Taipei.

## **1. The Balance of Relationships and Vietnam's Peace Efficacy in its Relations with China**

Faced with China's increasing political and economic power, Vietnam is certainly more vulnerable to the potential impact of Beijing's BRI project. Such vulnerability arises from the fact that Vietnam is the relatively weaker party in the asymmetric bilateral relationship with China.<sup>6</sup> Brantly Womack's theoretical framework of asymmetric relationships illustrates how a hypo-power's foreign policy-making is shaped within a bilateral relationship with a stronger power. Recognizing the realist assumption of power, which is defined as the capability of states and the key criteria determining states' national interests, Womack further indicates that the diverse perspectives in a bilateral relationship will eventually guide the strong and the weak to apply different logic in their pursuit of national interests.<sup>7</sup>

According to Womack, the weaker party tends to be more sensitive and anxious due to the disparity of power in the bilateral relationship. The weaker party's anxiety is also caused by a need to secure its autonomy and reduce its exposure to the great power's influence. Meanwhile, stabilizing the *status quo* and maximizing its national interests through continuing to practice diplomatic rituals in the asymmetric bilateral relationship are crucial undertakings for the weaker party.<sup>8</sup> Womack admits that the asymmetric relationship can retrograde from maturity easily—the most obvious example of this being the retrogradation of Vietnamese-Sino relations after the South China Sea sovereign disputes intensified.<sup>9</sup> Concerning the weaker party's failure to maintain a balance between its autonomy and enjoying a stable relationship with the greater power, the psychological mechanism that drives the weaker state to defy and resist the stronger one remains unexplored.

The weaker state's confrontation of a great power, under the realist logic, is irrational in most circumstances, unless the former's survival is severely threatened. If confrontation is inevitable, the suggested strategy, creating and maintaining a balance of power, is often adopted by the weaker side bandwagoning with another great power. Such a realist assumption negates the weaker side's wish to maintain its independence and autonomy. In reality, instead of adhering to a pure balancing and/or bandwagoning strategy, many states adopt the so-called hedging policy and shift their strategic positions frequently to maintain their flexibility. A hedging policy has been defined as "a set of strategies" that contain aspects of both power rejection and power acceptance. The materialization of these aspects includes the strategies of engagement, limited bandwagoning, and indirect balancing. Although hedging appears to be a more sophisticated strategy, it does not provide profound explanations, especially an illustrative description of the actor's psychological condition, of the "change" in a weaker state's attitude and gestures within an asymmetric bilateral relationship,<sup>10</sup> nor of the weaker state's confrontation of the stronger one, especially in a context when no apparent material interests are involved and no obvious threats to survival and security are detected.

It is never rare that a weaker state adopts confrontation to manage the bilateral relationship with the stronger counterpart, yet the theory of hedging mostly focuses on analyzing small states' either bandwagoning or deterring the great powers, instead of explaining the mentality of confrontation.<sup>11</sup> Confronting the great power in an asymmetric bilateral

relationship indicates the weaker side's resistance of the former's power projection. This type of confrontation is rarely the result of instrumental calculation. It rather arises from a concern about relational security. Relational security does not depend on the possession of power. It is a "felt security."<sup>12</sup> The pursuit of relational security is based on the mentality of treating the long-term stability of bilateral relationship as a priority within the national interests. To reach this goal, states need to practice self-restraint in their bilateral relationships with other actors, be they a great power or a weaker state. For the sake of maintaining relational stability, a state would rather sacrifice the immediate, apparent gains, which is also a display of self-restraint. A famous example is China's yielding of more than 80% of disputed lands to Burma in 1960 in exchange for stronger mutual trust and a more stable bilateral relationship.<sup>13</sup>

The pursuit of relational security and practice of self-restraint are the core concepts of the theory of BoR, which assumes that, when disputes occur and the stability of bilateral relationships is threatened, the state will evaluate the situation and search for the means to resume or recreate the relational stability. Compromises will be made if the state perceives that the threatened bilateral relationship is repairable by it actively conducting self-restraint (and hoping that the other side will do likewise). In contrast, if the state perceives that the relationship has become corrupted and irrevocable, it will opt to revoke its self-restraint and punish the other party to the bilateral relationship. This punishment is designed to show its resentment against the other party for the latter's failure to fulfil its expected role and corresponding responsibilities.<sup>14</sup> There is much empirical evidence in the sphere of international politics of states applying compromise or punishment for relational purposes. However, in the case of asymmetric bilateral relationships, not every weaker state is capable of administering punishment. Only when the weaker state possesses (or feels that it possesses) *peace efficacy*, which is a psychological mechanism, can it determine to engage in confrontation as the means of punishing the stronger power.

In the process of confrontation and resistance, while attributing the failure of the relationship to the stronger party, the weaker one actually expects concessions by the former. When doing so, the weaker party must demonstrate confidence in its own ability to control the situation and restore the stability of the bilateral relationship, so that it can continue with the confrontation and resistance. The sense of confidence

about controlling the stability and creating or maintaining peaceful social relations is peace efficacy. Peace efficacy is the psychological status driving the weaker party in an asymmetric relationship to defy its stronger counterpart. When engaging in confrontation, the weaker party must feel certain that its stronger counterpart's reprisal, if any, will not cause too much harm. The premise of such confidence arises from the weaker state's unilateral judgment that the stronger party also values relational security highly. Meanwhile, the confrontation adopted by the weaker side is not predominantly designed to maximize its material interests. It is a psychological need to display and protect its autonomy and independence under the context of a power discrepancy, while at the same time sending out the signal to the stronger party for protesting against the intrusion of the weaker party's relational security.<sup>15</sup> Confrontation brings the weaker side abundant feelings of self-determination and domination, which are crucial for maintaining the stability of the asymmetric relationship.

Peace efficacy is one of the three psychological mechanisms of BoR efficacy. Compared with the other two,<sup>16</sup> it is the mechanism that is most frequently observed in Vietnam's management of its asymmetric relationship with China, and Hanoi's peace efficacy was structured based on its historical experiences as China's neighbor. By 1991, Vietnam and China had engaged in more than a decade of mutual confrontation and skirmishes. These experiences had enriched the Vietnamese elites' courage and skills related to defying and resisting China. After 1991, the soured bilateral relationship steadily recovered and began to flourish, being promoted into a strategic partnership in 2008 and a comprehensive strategic partnership in 2013.

Through the abovementioned official agreements, China has become one of Vietnam's three comprehensive strategic partners, alongside Russia and India. Economically, China has emerged as Vietnam's largest trading partner since 2004, accounting for 20–25% of Vietnam's total foreign trade. Meanwhile, the Chinese Communist Party (CCP) is undoubtedly a crucial ideological ally and role model for the Vietnamese Communist Party (VCP). There exist multiple exchange channels, spanning from party, state, national defense system to multilateral mechanisms, between the two countries for managing and advancing the bilateral relationship. Both sides have identified their relationship with the slogans: "Sixteen Golden Words" of "long-term stability, future orientation, friendly neighborliness, comprehensive cooperation," (長期穩定、面向未來、睦鄰友好、



全面合作 *changqi wending, mianxiang weilai, mulin youhao, quanmian hezuo*) as well as “Four-Good Spirits,” which entails being good neighbors, good friends, good comrades and good partners.<sup>17</sup> The multiple exchange channels and positive relationship have helped to create a solid foundation of confidence and peace efficacy in Vietnam with regard to managing its imbalanced, asymmetric relationship with China.

However, the intensifying sovereign disputes in the South China Sea and increasing assertiveness of China’s attitudes and behavior have alarmed Vietnam. Meanwhile, the competition between China and the U.S. has intensified since 2018. Vietnam, like other Southeast Asian states, thus faces the challenges and risks associated with siding with either great power. Washington has continually offered an olive branch to Hanoi and proposed the strengthening of the bilateral relationship between Vietnam and the U.S. This has given Vietnam greater bargaining power in its negotiations with China, albeit Vietnamese policy makers remain relatively cautious about responding to Washington’s requests.<sup>18</sup> Its ability to oscillate between the rival great powers also increases Vietnam’s peace efficacy to confront Beijing and empowers it to gain greater leverage to manage its asymmetric bilateral relationship with China.

Under the psychological mechanism of peace efficacy, Vietnam was able to vocalize its own position and preserve its autonomy over its regional and global affairs. The BRI is one of the cases where Vietnam is displaying its confidence regarding controlling the peace and stability of the bilateral relationship. Vietnam’s management of the pressure arising from the launch of the BRI has involved the competition of both sides in the process of agenda setting. Being the hypo-power in an asymmetric bilateral relationship, Vietnam is capable of adopting a strategy of confrontation and resistance that forces the stronger power to step back and accept negotiation.<sup>19</sup> Vietnam did not reject China’s invitation to join the BRI, yet its reaction to Beijing’s grand project was not one of full acceptance either. Currently, Hanoi is continuing to search for a balance between gaining the benefits from participating in the BRI and alleviating the China’s expanding economic and political influence.

Under the mentality of peace efficacy, which empowers Vietnam to confront China, Hanoi’s resistance, like that of other weaker parties in an asymmetric relationship, can be drastic, but not necessarily so. Confrontation can be subtle and rational, depending on how the weaker party designs its strategy. Vietnam, while being highly aware of the risk posed by the BRI, has constantly searched for and grasped the opportunities

offered by other regional economic projects, such as Taiwan's NSP, to overcome the controversies related to dealing with China. In addition, maintaining a semi-official relationship with Taiwan, in fact, constitutes a drastic defiance of Beijing, for such act infringes the "One China Policy" emphasized by Chinese officials. Nevertheless, the sense of controlling the situation and possessing autonomy, albeit merely a unilateral judgment, remains so attractive that Hanoi's confrontation of China becomes an acceptable, workable strategy.

## **2. Vietnam's Responses to Beijing's Belt and Road Initiative: Subtle Confrontation as the Main Strategy**

In general, Vietnamese scholars and people have more doubts than confidence regarding China's BRI design, while at the same time the Vietnamese government continues to participate in China's grand project. Such phenomena are common in the majority of the countries joining the BRI. Nevertheless, Hanoi's response has been ambivalent and passive in nature. The deep roots of Hanoi's reluctance might be a lack of mutual trust, and the shared political system and communist ideology fail to promote further confidence-building within the asymmetric bilateral relationship. Part of Vietnam's domestic public opinion has even applied the "China threat" narrative to the BRI and warned the government about Beijing's intentions in Southeast Asia.<sup>20</sup> As Womack pointed out, as the weaker party in the asymmetric relationship, Vietnam's foreign policy is mainly about China and all of its top leaders are China experts. Moreover, Vietnam's domestic political environment tends to politicize issues related to China.<sup>21</sup> Hence, Hanoi's participation in the BRI is a more serious issue compared with joining other international integration projects.

While the top Vietnamese leaders have displayed enthusiasm regarding the BRI and claimed to be willing to participate in President Xi Jinping's grand project,<sup>22</sup> several current government officials and Vietnamese scholars express ongoing concerns about the underlying implications of the BRI and its potential impact on Vietnam. In fact, ever since Vietnam became one of the founding nations of the Asian Infrastructure Investment Bank (AIIB) agreement in 2015, there has been no significant progress in terms of promoting the new, BRI-related projects between Vietnam and China. Due to this reason and the concerns about other factors (especially the South China Sea disputes), the domestic criticism

of the BRI in Vietnam remains so fierce that Vietnam's gesture of embracing this project seems hesitant and even reluctant.

In the eyes of the Vietnamese public, the top Vietnamese leaders' enthusiastic support of the BRI was merely lip-service.<sup>23</sup> By 2017, no further details of any concrete plan under the framework of the BRI had been provided or discussed. Vietnam joined the AIIB in 2015, yet it is said that Vietnam was still observing China's subsequent actions and evaluating the implications of the BRI. Vietnam and China eventually signed a Memorandum of Understanding (MOU) when Xi Jinping paid an official visit to Vietnam in 2017 (to attend the APEC summit in Da Nang). This MOU was intended to bridge the existing "Two Corridors, One Ring (TCOR)" framework with the BRI.<sup>24</sup>

The TCOR framework was proposed by Vietnam in May 2004, and was designed to bring "Kunming of China, Lao Cai, Hanoi, Haiphong and Quang Ninh" and 'Nanning of China, Lang Son, Hanoi, Haiphong and Quang Ninh', the two economic corridors and the Beibu Gulf economic circle together."<sup>25</sup> Beijing has actively responded to Vietnam's proposal, but the progress of implanting the TCOR framework has been very slow. Before Xi's visit in 2017, almost no construction project was officially labeled as falling under the TCOR framework in Vietnam. Meanwhile, the idea of connecting TCOR and BRI has been proposed many times. Thus, the agreement reached through the 2017 MOU seemed to mark crucial progress. However, the way in which Hanoi and Beijing connect and combine the TCOR and BRI was not in fact based on new sub-project proposals. Instead, the merging of the TCOR and BRI is more like a "new bottle of old wine," which means that the combination of the two frameworks has not added anything new but merely accredits the new, merged BRI project in Vietnam with existing projects (not necessarily under the name of the original TCOR).

Connecting the TCOR with the BRI is a perspicacious move, for this Vietnam-initiated project symbolically shows Vietnam's dominant status as the host who invited China to cooperate. If the TCOR is successfully executed under the BRI framework, this achievement is more the outcome of a project initiated by Vietnam than a regional framework that is genuinely dominated by China. Thus, Vietnam can secure its autonomy and national pride through adopting this "new bottle of old wine" strategy.

The example of TCOR marked Hanoi's strategy of subtle confrontation with China's BRI project. The "new bottle of old wine" tactic has been repeated in other cases, one of which is the Cat Linh-Ha Dong metro line

project in Hanoi.<sup>26</sup> The contestation between Vietnamese officials and the public, regarding Vietnam's participation in China's BRI, drove Hanoi to adopt the abovementioned strategy. By so doing, clearly no apparent material interest can be gained from China's BRI. Nevertheless, compared with directly rejecting the BRI and risking further degeneration of the bilateral relationship, Vietnam's renaming of existing inter-state cooperation projects as sub-projects of the BRI represents a milder approach to resistance. Hence, China's face is preserved and the Sino-Vietnamese relationship secured. In addition, since no further agreement has been signed under the BRI framework, the Vietnamese government can pacify the domestic dissension and avoid intensifying the contestation.

On the other hand, in addition to the inefficiency and vagueness of this Chinese grand project, the concern about being too dependent on China's financial support also led to Vietnam displaying an increasing suspicious and negative attitude towards the BRI. Vietnam can certainly enjoy economic benefits through joining the BRI; the funding of AIIB would improve Vietnam's infrastructure and upgrade its ability to attract foreign investments. However, receiving loans from the Chinese Official Development Assistance (ODA) means that Vietnam faces the risk of falling into China's debt trap. This risk has been frequently mentioned by the Vietnamese media while reporting the lessons learned from certain African and South Asian countries that received Chinese loans. Given that half of Vietnam's public debt is in the form of foreign loans,<sup>27</sup> continuing to receive ODA loans from China is believed to be a dangerous strategy for Vietnam.<sup>28</sup>

In response to the domestic concern about the potential danger of accepting China's ODA, once again, Hanoi adopted a strategy of subtle confrontation against China. The Vietnamese authorities started to encourage private enterprises to practice self-borrowing and self-repayment without a governmental guarantee through the AIIB.<sup>29</sup> In this way, Hanoi avoids accepting loans through governmental channels and prevents the further increase of the national debt, while at the same time remaining active in the AIIB initiated by China. Meanwhile, Vietnam's resistance against China and the BRI escalated when an official document was released. This document publicly criticized the loans and equipment provided by China and the Chinese contractors for "slow progress, poor quality and cost overruns."<sup>30</sup> It is noteworthy that this is the very first time that a Vietnamese governmental institute has publicly criticized Chinese ODA and investment.

Meanwhile, the possibility of receiving low quality construction and obsolete technology from China also outraged many Vietnamese scholars and experts, concerned that Vietnam might become a dumping ground for Chinese waste if it fully accepts the BRI.<sup>31</sup> The majority of Vietnamese people have seen that Chinese investments are often set at very low bids and are cheaper at the beginning. However, once they win the bid, the costs continue to escalate for all kinds of reasons. The notorious example of the Cat Linh-Ha Dong metro line in Hanoi reflected the Vietnamese public's perceptions about Chinese investments. The execution of this metro line project eventually forced Vietnam to borrow an extra \$250 million from China. Even worse, the first trial did not occur until 2018, which was five years later than originally planned. After 10 years of construction with numerous setbacks and delays, the Cat Linh-Ha Dong metro line ultimately began commercial operation in November 2021.<sup>32</sup> Furthermore, Chinese contractors and technical personnel, to a great extent, are perceived by the Vietnamese public as untrustworthy. The public's resentment and dissatisfaction regarding Chinese investment further intensified the anti-China sentiment in Vietnamese society, leading to the issuance of the 2018 Special Economic Zones (SEZs) law and political demonstrations by the masses.<sup>33</sup> These factors all contribute to Hanoi's continuing resistance against further integration with China's BRI. In fact, the subtle confrontation has been a crucial means for Vietnam to reduce the anxiety about losing autonomy and dignity.

The final crucial factor contributing to the intensified anti-China sentiment and Vietnam's consistent hesitancy about the BRI is the South China Sea sovereign rights disputes. Although several internal voices have supported the idea of Vietnamese leaders forming closer links with Beijing and seeking a breakthrough in the South China Sea disputes,<sup>34</sup> the tendency is to assume that China intends to utilize the BRI as a tool for expanding its influence in the South China Sea. This has become the main concern of Vietnamese leaders and scholars. In October 2017, a meeting was held in Hanoi to discuss the potential opportunities and challenges associated with the BRI. During this meeting, certain Vietnamese participants argued that China might successfully encourage the United Nations Educational, Scientific and Cultural Organization (UNESCO) to recognize the Silk Road as a world heritage site. It probably means that China could follow the same path and reaffirm the historical presence of China as proof of its sovereign rights over the South China Sea.<sup>35</sup> If Vietnam actively embraces the BRI, this might be

taken as a signal to UNESCO of Vietnam's support for the historical presence of China in the South China Sea. Moreover, the BRI might lure the Southeast Asian countries, further divide the Association of Southeast Asian Nations (ASEAN) and obstruct Vietnam's efforts to publicize the South China Sea disputes on the regional forums.<sup>36</sup> In addition, China is said to have built nuclear power plants on its border with Vietnam, and it seems likely that China will deploy a floating nuclear power plant on the South China Sea. The BRI could increase the possibility of such a plant being built and deployed, thereby threatening Vietnam's security.<sup>37</sup> The abovementioned worries undoubtedly strengthened Vietnam's resolution to adopt an attitude of confrontation and resist China's BRI project.

Overall, Vietnam's evaluation of the BRI tends to be more negative than positive. Materializing the BRI, if Vietnam wishes so, will probably generate economic benefits that will help Vietnam to improve its infrastructure and development. However, the unpleasant experience of receiving Chinese investment and the poor quality of construction overseen by Chinese enterprises have greatly deterred the Vietnamese authorities and public from embracing the BRI wholeheartedly. In addition, Beijing's attitude and behavior in managing the South China Sea disputes remain assertive and aggressive. Although there is no evidence that Beijing is using the BRI to expand its power and influence in the South China Sea, being the weaker player in the asymmetric bilateral relationship, Vietnam's rational thinking pushes it to exercise extreme caution and prepare for the worst-case scenario.

Vietnam does not intend to respond to China's call to join the BRI actively. Nevertheless, given that the majority of the ASEAN members have participated in the BRI, Hanoi does not wish to be marginalized either. Being the most promising emerging middle power in Southeast Asia,<sup>38</sup> Vietnam is confident that China would not easily allow their bilateral relationship to turn sour again. Also, the gradually intensifying competition between Washington and Beijing since 2018 has provided more leverage for Vietnam in bargaining with Beijing. This has endowed Hanoi with the peace efficacy which empowers it to adopt a strategy of subtle confrontation in managing the BRI. All of the tactics adopted to display confrontation and resistance are intended to demonstrate Vietnam's independence and autonomy in the asymmetric bilateral relationship, while at the same time signaling Hanoi's dissatisfaction and dissent against China's behaviors and intentions in the region. While subtle confrontation remains Vietnam's major strategy with regard to the BRI, a

stronger stance has been adopted by Hanoi to show its resolve to confront Beijing: Vietnam's maintenance of a relationship with Taiwan.

### **3. Vietnam's "Between Beijing and Taipei" Game and Bilateral Relationship with Taiwan**

In addition to adopting an ambivalent attitude towards Beijing's BRI project, Vietnam also tries to maintain positive relations with other regional actors. Such a strategy benefits Hanoi by allowing it to retain its independence and increase its leverage with regard to confronting and managing its asymmetrical relationship with China. Among all the regional actors that are crucial to Vietnam's China policy, Taiwan is the most interesting case. First of all, Taiwanese investment in Vietnam provides important economic shelter and has played a crucial role in Vietnam's economic development since the late 1980s. As of the end of 2021, Taiwan was ranked the fourth most important foreign investor in Vietnam, with 2,845 ongoing investment projects and an accumulated investment capital of US\$35.327 billion to date, after South Korea, Japan, and Singapore.<sup>39</sup> More importantly, the semi-political tie with Taiwan and continuing positive friendship between the two hypo-powers have evidenced the peace efficacy which Vietnam is capable of manipulating. The result is a stronger form of confrontation against China, especially after the South China Sea disputes intensified since 2012.

The Vietnamese-Taiwanese bilateral relationship proved turbulent during the Cold War era. Due to the One China Policy and different political ideologies, the semi-official relationship between Taiwan and Vietnam (the Socialist Republic of Vietnam, SRV) did not begin until 1992. The two sides eventually signed an agreement that established an Economic and Cultural Office in each other's capital city. Since 1992, the bilateral relationship has remained stable and positive. In fact, Taiwan had been connected with Vietnam since the French colonial era. In 1954, Taiwan built official diplomatic ties with the South Vietnamese government (the Republic of Vietnam).<sup>40</sup> After the Communist Party of Vietnam (CPV) won the war against the United States and reunified the country in 1975, the bilateral relationship between Taipei and Saigon automatically ended. At that time, Taipei denied the legitimacy of the communist Vietnam, and thus diplomatic relations were not established and all contacts between the two sides were banned. In addition, following the reunification of Vietnam in 1975, there was a series of anti-ethnic



Chinese movements in Vietnam, and many ethnic Chinese from Southern Vietnam fled overseas. A large proportion of this Chinese diaspora fled to Taiwan, which further obstructed the potential for rebuilding a relationship between the two nations.

Vietnam and Taiwan suspended most levels of interactions and did not revive their relationship until the late 1980s. Eventually, the end of the Cold War, the rise of China, and changes within the domestic societies of both Vietnam and Taiwan drove the two nations to readjust and redesign their respective foreign policy. In 1986, the Sixth National Congress of the CPV announced the “*Doi Moi*” policy, which heralded a new era of Vietnamese foreign policy. “*Doi Moi*” means reform and opening up to the outside world. This policy led Vietnam to shift to a market-based economy, promote science and technology, renovate its economic structure, and create a stable, friendly external environment for economic development. In 1988, the Vietnamese government further announced the Resolution on the “Tasks and Foreign Policy in the New Situation,” a policy intended to nurture the “diversifying and multilateralizing” of Vietnam’s foreign relations.<sup>41</sup> The decision to open up to the outside world and adopt a more pragmatic approach towards development made it possible to restore the bilateral relationship between Vietnam and Taiwan.

At the same time, the government of Taiwan (run by the Nationalist Party at that time) announced the termination of Martial Law in 1987, which indicated a new stage of democratization in Taiwan and the need to readjust its foreign policy-making. “Pragmatic Diplomacy” became the main theme of Taiwan’s foreign policy. Under such a theme, stabilizing its relationship with mainland China and improving its unofficial relationships with non-ally countries have been the major goals of Taiwan since 1988. Strengthening the relationship with Vietnam and other Southeast Asian countries from time to time has become the major goal of Taiwan’s foreign policy.<sup>42</sup> The multiple launches of the “Southbound Policy” provide strong evidence of Taiwan’s manipulation of pragmatic diplomacy in Southeast Asia, and Vietnam was one of the most crucial destinations for Taiwan’s “Southbound Policy” in the 1990s.

In fact, Taiwanese businesspeople targeted Vietnam and actively built economic ties far earlier than the political authorities. The semi-official relationship between the two governments was not restored until 1992. However, Taiwanese businesspeople indirectly paved the way to Vietnam since the late 1970s.<sup>43</sup> Although the environment and related regulations



for foreign investment in Vietnam were unstable in the 1980s and early 1990s, Taiwanese businesspeople were still able to initiate business there, mainly due to the similar social cultures and customs.<sup>44</sup> In addition, the Southbound Policy, launched in 1990, encouraged Taiwanese companies to increase their investment in Southeast Asia, especially Vietnam. Taipei was seriously concerned about the threat posed by mainland China and wished to reduce Taiwan's economic dependence on the Chinese market. Therefore, after lifting the trade sanctions on Vietnam in 1986, Taipei further promoted an official policy to push Taiwanese investment southwards, instead of being westward-bound.<sup>45</sup>

Taipei might have lifted the trade sanctions on Vietnam for unilateral reasons, yet the Vietnamese government also welcomed the fact that the Taiwanese authorities encouraged businesspeople to invest in Vietnam. However, Taipei's strategic plan, represented by the Southbound Policy, ended in failure. The goal of the government, which was Taiwanese foreign investment and aid "Going to Vietnam," still failed to remove Taiwan's overreliance on the Chinese markets.<sup>46</sup> During the period when the Southbound Policy was being executed, the Taiwanese government even provided three loans to help Vietnam attract further Taiwanese investment and companies.<sup>47</sup>

Nevertheless, throughout the Southbound Policy, Taiwanese investment in Southeast Asia increased from 22.2% to 27.1% of total outward investment, while at the same time investment in China increased from 36% to 44%.<sup>48</sup> Even though the authorities in Taipei failed in their political goal of launching the Southbound Policy, this policy and the initiation of economic cooperation between the two nations still helped to build a solid foundation for further interactions and strengthened the bilateral relationship.

On the other hand, since 1992, Vietnam's interactions with Taiwan mainly focus on economic cooperation, cultural exchange, educational cooperation, the import of Vietnamese labor to Taiwan, and the cross-national marriage.<sup>49</sup> It is apparent that these facets are mainly the "softer" and apolitical sides of the bilateral relationship. The major reason was the "China factor." While Vietnam and Taiwan reactivated their bilateral interactions in early 1990s, Vietnam was at the same time normalizing relationship with China (the two countries officially restored the bilateral relationship in 1991). Due to historical and political reasons, stabilizing the relationship with China is always the priority for Vietnam's foreign policy.<sup>50</sup>

Nevertheless, Vietnam has made every effort to maintain a balance between the two sides of the Taiwan Strait. In 1997, the CPV even established the Committee for Taiwan Affairs. This institute is directly affiliated with the Prime Minister's Office, and is an inter-departmental committee designed to enable the Vietnamese government to manage the affairs of a single nation (i.e. Taiwan), which is quite rare in both Vietnam and Southeast Asia.<sup>51</sup> The Committee for Taiwan Affairs of Vietnam does show how much the CPV has valued the relationship with Taiwan, yet the function of the committee is mainly to increase the economic cooperation between the two nations. There remain obvious restrictions in terms of upgrading the bilateral relationship to a more official level. From time to time, the Vietnamese leaders made public announcements that Vietnam respects and follows the "One China Policy," and it agrees that Taiwan is an inseparable part of China.<sup>52</sup> The former Vietnamese President Tran Dai Quang's re-declaring Vietnam's respecting China's stance on Taiwan issue when attending the first Belt and Road Summit in May 2017 was one of the examples.

Even though Hanoi kept declaring its stance of following Beijing's One China Policy, it has never given up managing the relationship with Taipei. Except continuing the economic cooperation and accepting Taiwan's investments and aids, Vietnam also pays great concerns to Taipei's attitude towards the South China Sea sovereign disputes. Both Vietnam and Taiwan are claimants involving in the disputes. In fact, Taiwan's claim of the "U-shape line" (or 11-dash line) and China's claim of 9-dash line completely overlap. Nevertheless, due to the sovereign disputes between the two sides of the Taiwan Strait, Taipei has never publicly sided with or supported Beijing's actions in the South China Sea. Hanoi would definitely not wish to see Taiwan and China unite their stances and cooperate in the South China Sea issue, and the Vietnamese political elites have not been hesitant to hint their Taiwanese counterparts about such expectations. This fact further pushes Vietnam to continue strengthening its relationship with Taiwan, regardless this action negates the One China Policy and is essentially a more apparent confrontation against China. Supporting Taiwan's New Southbound Policy is one of the tactics.

#### **4. Vietnam's Balancing between Taiwan's NSP and China's BRI**

In 2016, the newly-elected regime in Taiwan launched the new guideline on foreign policy: the New Southbound Policy. This grand project aims

to enhance Taiwan's connections with the South and Southeast Asian countries, and eventually the policy reaches out to the Southern globe through increasing interactions with New Zealand and Australia. The NSP differentiates itself from the old version by adopting a new approach, which focuses more on people to people connections than the conventional inter-state relations. It strengthens Taiwan's advantage of soft power and provides apolitical services and products to the Southeast Asian countries in exchange for building more connections at the societal level. In other words, the NSP suspends the urge to make the Southeast Asian states interact with Taiwan at the official level and publicly balance China's influence. Instead, Taipei's goal is to attract people in the target societies and look for more substantial but still non-official relations with these countries.<sup>53</sup>

Vietnam was listed as the third most major new southbound trading partner of Taiwan among the ASEAN members in 2018 (after Singapore and Malaysia).<sup>54</sup> Taipei's new grand strategy fits perfectly with Hanoi's needs. In July 2016, Vu Xuan Hong, the chair of the communist party and government-run Vietnam Union of Friendship Organizations (VUFO), greeted the newly appointed Ambassador/Representative of the Taipei Economic and Cultural Office (TECO) in Vietnam, Richard Shih. Vu Xuan Hong's visit showed that there will be more cooperation between the two countries through the connection between the VUFO and TECO.<sup>55</sup> This has raised the level of interaction between Taipei and Hanoi to a more official degree, since both organizations are pillared by the central governments of both sides. Nevertheless, most of the cooperation still focuses on non-controversial projects, so the services and products provided by Taipei remain apolitical, such as higher education, cultural and academic exchange, technology sharing and transfer, etc. Meanwhile, Taiwanese investment continues and even widens its scope. Vietnam welcomes Taiwan's NSP under the premise that its relations with Beijing remains under Hanoi's control. Both Taipei and Hanoi make it clear that the NSP is not competing with China's BRI,<sup>56</sup> albeit Vietnam more actively accept the materialization of multiple new sub-projects under the NSP.

For Vietnam, Taiwan's role has been crucial yet controversial in its management of the relationship with China. Although the asymmetric power structure has meant that China has always outweighed the other state actors in Vietnam's foreign policy-making, the desire and need of autonomy still drives Vietnam to confront China and try it best to

enlarge its network. Engaging Taiwan could satisfy Hanoi's needs for autonomy and economic benefits. More importantly, participating in Taipei's NSP could potentially get on Beijing's nerves and increase Hanoi's bargaining chips. Second, Vietnam's "*Doi Moi*" policy, launched in the late 1980s, duplicated the Chinese communist party's path. Yet, in the early 2000s, the CPV leaders sensed that China's economic reforms had backfired seriously.<sup>57</sup> The price of the Chinese economic reform might be too high for a smaller state like Vietnam to bear. Therefore, in recent years, the Vietnamese policy-makers have turned to other developed small and medium states and planned to learn from their experiences, so Taiwan provides a potential model that Vietnam could adopt.<sup>58</sup> Third, Taiwan's NSP promises to provide training designed to enhance the talent quality of personnel in certain Southeast Asian countries. Vietnam will to a great extent benefit from this project,<sup>59</sup> and increase its capability to maintain autonomy and independence when managing the pressure imposed by China's BRI.

Nevertheless, Taiwan's investment in Vietnam is not always as beneficial as expected. The Formosa Plastics Group's Steel Plant is a Taiwanese company and one of the most crucial foreign direct investments (FDI) in Vietnam. However, in October 2018, a Vietnamese official publicly stated that the Formosa Company has been the biggest failure in Vietnam's history of FDI. This Taiwanese Steel Plant was caught causing serious environmental pollutions in Ha Tinh Province in 2016. The Formosa Company was penalized and paid \$500 million in compensation.<sup>60</sup> After the Formosa Company was found to be polluting Vietnam's waters and oceans, public opinion became fierce. The Vietnamese authority paid extra attention to the Formosa Company's amending of its sewage disposal treatment. However, the Vietnamese government's attitude in dealing with the Formosa case remains ambivalent. One critical phenomenon is that most Vietnamese people often incorrectly assume that the Formosa Company is a Chinese enterprise. Hence, the public anger targeting Formosa is perceived as fighting against Chinese FDI in Vietnam. This is because, in many official statements and media reports, the term "Taiwan" rarely appears. Instead, the phrase "Chinese contractor" is often mentioned after criticizing the problems caused by the Formosa Company.<sup>61</sup> As a result, it seems that the antagonism against Taiwan in Vietnamese society is minimized, even though the increasing anti-China sentiment continues to impede Vietnam's further cooperation with China and strengthen its resistance against Beijing's BRI project.

Vietnam's balancing strategy between Beijing and Taipei is based on its concern of relational security. Through adjusting its strategies to both sides quickly and sophisticatedly according to the available conditions, Vietnam was able to *dance* deftly in both bilateral relationships. Such relational confrontation was manipulated successfully due to the fact that Vietnam has never officially recognized Taiwan's independent status. Hanoi kept echoing Beijing's One China Policy whenever necessary, be it a genuine gesture or not, and this has to a great extent minimized the risk of provoking China and violating the stability of the asymmetric relations.

## 5. Conclusion

Despite the enthusiastic claim of supporting the BRI and the One China Policy, the Vietnamese policy makers' deeds are quite inconsistent with their words. We treat such phenomena as Vietnam's confrontation against China. In the asymmetric bilateral relationship, the weaker side's confronting the stronger one is not mainly for the sake of material interests, albeit the consideration of immediate and concrete benefits is crucial in the weaker actor's strategic planning. The confrontation carried out by the weak, viewed from the theoretical perspective of the theory of BoR, is more for relational reasons than the material ones. In Vietnam's case, confronting China through resisting to fully embracing the BRI and maintaining positive and close tie with Taiwan is a crucial way to prove Hanoi's autonomy and independence.

The weaker party's adopting confrontation as the major strategy in an asymmetric relationship requires it to control peace efficacy. Only when the weaker state owns the confidence that its relationship with the stronger one would not be severely damaged that the former will adopt confrontation as a means to force the latter to readjust its attitude and deeds in the bilateral relationship. Hence, the BoR theory can best explain the weak side's psychological mechanism when adopting confrontation as the means. Vietnam's confronting China is to balance the latter's growing assertiveness in the region and South China Sea dispute. Meanwhile, Vietnam's efforts to remain in a relatively advantageous position in the agenda setting process for participating in China's BRI allow it to maintain autonomy within the asymmetric power structure. Combing the TCOR with the BRI, i.e. the "new bottle with old wine" strategy, is a relatively subtle way of confrontation against China's

increasing influence. By doing so, Hanoi ensured the bilateral relationship with Beijing is well maintained, regardless no concrete progress or further economic benefits was gained in the merging of the two projects.

One thing which is worthy of noticing is that: Vietnam does not intend to ally with the Western force. Instead, it maintains balanced relationships with all other regional actors and looks for expanding the scope of international cooperation with the regional institutions and other hypo-powers. This way the relational security Vietnam has controlled will not be diminished or intervened by other great powers.

The Vietnam-Taiwan relations are critical for Vietnam's managing of its relationship with China. Nevertheless, the Taiwanese investment in Vietnam and Taipei's launch of the NSP since 2016 have further contributed to Vietnam's social and economic developments. The continuing positive relationship with Taipei and active response to the NSP also indirectly increase Hanoi's bargaining capability in the competition of agenda setting facing China's BRI. More importantly, engaging with Taiwan to a great extent shows Vietnam's autonomy under the asymmetric power structure. Considering the controversial status of Taiwan, we treated Hanoi's maintaining close bilateral relationship with Taipei as a stronger phase of confrontation against China.

In sum, Vietnam's dancing between Beijing and Taipei is relational confrontation for it to resist the influence imposed by the disparity of power in the asymmetric relationships. Vietnam is not the only state to adopt such strategy in the region. However, being the communist regime which shares so much in common with China, Vietnam's responses to the BRI and the Taiwan issue negate the assumptions of many mainstreams IR theory. This article suggests that the logic the Vietnamese policy makers have applied to design their strategies and determine to confront their communist big brother has to be investigated and understood through the relational perspective. Otherwise, it will be oversimplified to attribute Vietnam's responses towards the BRI and One China Policy to the mere revenge towards Beijing's actions in the South China Sea. This will possibly result in neglecting the complicated yet sophisticated psychological mechanism which drives the weak to confront and challenge the strong.

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