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VIETNAM-CHINA ECONOMIC COOPERATION: AN AMBIVALENT ENGAGEMENT

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ABSTRACT

Southeast Asia holds a significant role in China's Belt and Road Initiative (BRI), particularly in the 21st Century Maritime Silk Road (MSR). Despite the substantial power asymmetry between Southeast Asian nations and China, their responses to the BRI vary, falling into categories such as "the embracers", "the cautious collaborators", and "the sceptics". Vietnam, specifically, has been categorised as "the sceptic" due to the absence of BRI-labelled projects and limited uptake of BRI loans, despite offering diplomatic support to the initiative and joining the Asian Infrastructure Investment Bank (AIIB) as a founding member. This article contends that such a label fails to capture Vietnam's overall economic engagement with China, which can be characterised as "ambivalent engagement". It argues that while Vietnam exhibits passive resistance towards the BRI, it actively engages in trade, investment, project contracting in energy sector, and economic corridor *cooperation with China. This characterisation aligns with Vietnam's established strategy of engaging with China through a combination of "both cooperation and struggle". These diverse patterns of agency can be understood through the lens of elite legitimation and external alternatives. By doing so, this article seeks to enrich Kuik's typology on host-country agency within the context of Southeast Asian states' responses to the BRI and economic collaboration with China, thereby contributing to the literature on the asymmetry-authority framework.*

Keywords: Vietnam, China, Belt and Road Initiative, host-country agency, asymmetry-authority framework

INTRODUCTION

China launched the Belt and Road Initiative (BRI) in 2013, introducing an extensive infrastructure endeavour that includes both the overland Silk Road Economic Belt and the 21st Century Maritime Silk Road (MSR). The primary aim of the BRI is to bolster connectivity across five key dimensions: policy coordination, infrastructure, trade, finance, and people-to-people relations. By June 2023, China had engaged in over 200 BRI-related agreements with over 150 countries and 30 global institutions spanning five continents (Zheng 2023). Southeast Asian nations hold significant importance within the BRI framework due to their close proximity to China and strategic positioning along crucial maritime routes integral to the MSR.

The responses of Southeast Asian states to the BRI can be classified into three categories: "the embracers", "the cautious collaborators", and "the sceptics" (Kuik 2021a: 261). The embracers are nations that have enthusiastically engaged with the BRI, including Brunei (Lawrence 2021), Cambodia (Calabrese and Cao 2021; Chheang 2021), Laos (Kuik 2021b; Kuik and Rosli 2023), Malaysia (Evers et al. 2017; Embong 2018; Rahman 2019; Abdullah and Daud 2020; Kuik 2021c; Ngeow 2021), and Singapore (Chan 2021). The cautious collaborators are countries that have chosen to partner with the BRI gradually and selectively, such as Indonesia (Rahman 2019; Yeremia 2021) and Thailand (Kuik 2021d; Sawasdipakdi 2021). The sceptics are those nations that have maintained a distance from the BRI, including Vietnam (Le 2018; Hoa and Nguyen 2021; Pham and Ba 2021; Vu et al. 2021; Son 2023), the Philippines under Benigno Aquino III (Baviera and Arugay 2021), and Myanmar under Thein Sein (Calabrese and Cao 2021; Jones and Khin 2021). Some of these countries have undergone shifts in their positions under different leaderships (Kuik 2021a).

In the case of Vietnam, the literature on the BRI not only examines Vietnam's attitudes and perceptions, but also delves into its challenges, opportunities, and prospects (Le 2018; Ha 2019; Duong 2020; Pham and Ngo 2020; Son 2023), strategies and implementations (Duong 2020; Abdullah 2021a; Hoa and Nguyen 2021; Vu et al. 2021), and impacts (Abdullah and Daud 2020; Pham and Ba 2021; Vu et al. 2021). However, most of these studies tend to emphasise Vietnam's sceptical stance towards the BRI, potentially overlooking Vietnam's broader economic cooperation with China, which could lead to different conclusions.

Furthermore, none of these studies have attempted to theorise Vietnam's varied patterns of agency in its economic cooperation with China, although Pham and Ba (2021) identified caution and ambivalence as significant patterns of agency in Vietnam's BRI response. This analysis of patterns in economic cooperation is crucial for determining if it aligns with Vietnam's strategy toward China, which incorporates elements of "both collaboration and struggle" (Thayer 2011; Le 2017; Duong 2023). It is equally crucial to explain these patterns of agency, for instance, by utilising the legitimation framework as attempted by Pham and Ba (2021) regarding the BRI and by Dung and Ho (2022) concerning Vietnam's strategy in the US-China strategic rivalry.

From the preceding discussion, two questions arise, namely: (1) What are patterns of agency demonstrated by Vietnam in its economic cooperation with China? and (2) Why has Vietnam shown varying patterns of agency in its economic collaboration with China? In terms of the significance of the study, this article contributes to areas of scholarship such as theorising smaller state-big power interactions, Southeast Asia-China relations, and the agency of host countries.

FRAMEWORK: HOST-COUNTRY AGENCY AND LEGITIMATION

Agency is defined as the ability of individual actors at the unit level to achieve their desired outcomes despite existing power imbalances (Kuik 2021a). In the context of infrastructure cooperation, host-country agency exhibits various patterns namely: (1) "proactive initiation", where a country proposes infrastructure connectivity partnerships; (2) "active involvement", characterised by enthusiastic participation in infrastructure ventures with external powers; (3) "active renegotiation", involving advocacy for amendments to previously agreed-upon terms; and (4) "passive resistance", encompassing actions such as denial, delay, or distancing from initiatives by stronger powers (Kuik 2021d: 221). Kuik contends that host countries often display most, if not all, of these patterns across different times, projects, or key aspects of cooperation.

The authors concur with Kuik that host countries often exhibit various agency patterns, but we further argue that the combination of these patterns gives rise to a new pattern termed "ambivalent engagement". This pattern reflects the complexity of a country's strategy where it proactively initiates and actively participates in certain initiatives while simultaneously resisting cooperation in other areas. The present study will demonstrate that Vietnam is employing ambivalent engagement with China by demonstrating mixed patterns such as proactive initiation, active involvement, and passive resistance. The concept of active renegotiation is scarcely applicable in Vietnam's economic engagement with China, but it is applicable and evident in Malaysia (Abdullah et al. 2020; Kuik 2021c) and Pakistan's BRI engagement with China (Abb 2023).

According to Holmes (2011), rulers seek legitimacy through at least ten different modes, which can be categorised into internal and external types. Internal modes encompass traditional (such as divine right of monarchs), charismatic (emerging from revolutionary change), goal-rational (claiming efficient means to achieve ends), nationalism (patriotism and sovereignty defence), new traditional (returning to charismatic leadership), performance-driven, and legal-rational (rule of law). External or international legitimacy may be attained through formal recognition (by other states or international organisations), informal support (backing from other nations), and external role model (emulating another country's approach) (Le 2012).

In contrast, Kuik (2021a) identifies three pathways of legitimation employed by ruling elites to justify, maintain, and enhance their moral authority domestically. These pathways include development-based performance legitimation (ensuring growth and managing nationwide problems), identity-based particularistic legitimation (appeals to nationalism, ethnicity, religion, and personal charisma), and ideology-based procedural legitimation (promoting democratic values and social justice) (Kuik 2021a). Kuik asserts that elite legitimation offers insights into the differing patterns of BRI engagement and host-country agency. Nevertheless, Kuik highlights that the agency of host countries is restricted by the absence of external alternatives. These alternatives, if available, could empower host nations to engage in negotiation and pursue economic hedging strategies.

In this article, Kuik's development-based performance legitimation and identity-based particularistic legitimation are used. The first pathway is selected because the Vietnamese ruling elite relies on leveraging the progress and socio-economic advancements achieved since Đổi Mới to enhance its legitimacy. The second pathway is employed as the ruling elite strengthens its legitimacy by exploiting anti-China sentiment stemming from conflicting claims in the South China Sea and the underperformance of Chinese companies operating in Vietnam. Ideology-based procedural legitimation is omitted from the discussion as it is scarcely applicable to Vietnam's context; its one-party system lacks effective mechanisms for challenging or competing with the Communist Party of Vietnam (CPV). Although there exists inter-elite competition within the CPV, it rarely results in significant changes in top leadership, thereby, maintaining Vietnam's China policy. Furthermore, this study draws upon Kuik's concept of external alternatives to elucidate how Vietnam overcomes limitations on its agency in economic engagement with China.

VIETNAM-CHINA ECONOMIC COOPERATION: PROACTIVE INITIATION AND ACTIVE INVOLVEMENT

Economic Corridor Development

Vietnam and China are actively engaged in initiating and developing economic corridors within the context of both regional and bilateral economic integration frameworks. As part of the Greater Mekong Subregion (GMS) programme initiated in 2002, three economic corridors have been established: the North-South Economic Corridor (NSEC), the East-West Economic Corridor (EWEC), and the Southern Economic Corridor (SEC). Within the NSEC, Vietnam and China are active in developing two sub-corridors: Kunming-Hanoi-Hai Phong (NSEC3), Nanning-Hanoi (NSEC4) and Nanning-Fangchenggang-Mong Cai-Ha Long-Hai Phong (NSEC4). Each economic corridor under the GMS programme targets investments in nine key sectors, including: (1) agriculture; (2) energy; (3) environment; (4) health and human resource development; (5) information and communication technology; (6) tourism; (7) transport; (8) transport and trade facilitation; and (9) urban development. A network of economic corridors was established in 2016 to enhance connectivity between GMS capitals, major economic centres, and key maritime gateways, facilitating cross-border trade and investment (Asian Development Bank 2018).

Moreover, the NSEC-GMS programme includes bilateral components, notably the Two Corridors, One Economic Belt (TCOB) initiative, which was proposed by former Prime Minister Phan Van Khai during his visit to China in 2004 (Duong 2020). These two economic corridors encompass routes linking Kunming-Lao Cai-Hanoi-Hai Phong-Quang Ninh and Nanning-Lang Son-Hanoi-Hai Phong-Quang Ninh, aiming to strengthen economic cooperation between Yunnan and Guangxi with 12 cities and provinces in Northern Vietnam. An economic belt was established to enhance economic cooperation between provinces around the Gulf of Tonkin. Given that the TCOB initiative aligns with the NSEC-GMS economic corridor concept, infrastructure projects supporting the NSEC-GMS programmes also contribute to the TCOB initiative. Numerous projects have been executed to foster collaboration especially in border crossing facilities and special economic zones.

In terms of border crossing facilities, proactive measures have been undertaken by the Vietnamese government to facilitate cross-border trade with China. Recently, both countries upgraded the Longbang (China)-Tra Linh (Vietnam) land port including reopening the Naxi (China)-Na Doong (Vietnam) border crossing. These ports, initially limited to Chinese and Vietnamese personnel, goods, and vehicles, have now been upgraded to international ports for global exchanges. Additionally, the first cross-border smart port project between the two countries began construction in September 2023 at the border port located at the Youyi Pass, also known as the Friendship Pass. This project is expected to double the port's maximum clearance capacity upon its completion in 2024. In addition to opening new ports, China and Vietnam have also promoted transport infrastructure connectivity. A recent example is the operation of a new railway line connecting Dongxing in Guangxi, located at the China-Vietnam border, to China's national railway network (*Global Times* 2023).

In terms of special economic zones, the Vietnamese government is taking proactive steps to develop nine Border Economic Zones (BEZs), with four situated along the Vietnam-China border, namely Lao Cai, Mong Cai, Dong Dang, and Cao Bang. These zones receive a significant portion, accounting for 70% of the total BEZ expenditure for the annual plan and the 2016 to 2020 plan. Investments are directed towards various facilities, including international border gates, industrial parks, financial and administrative centres, as well as urban and rural areas. In the Lao Cai BEZ, the Politburo issued the Lao Cai master plan for 2021–2030, with a vision extending to 2050 (Resolution No. 11-NQ/TW). This plan identifies Lao Cai as a crucial economic trade hub connecting Vietnam, ASEAN countries, and Southwest China. Lao Cai's border gate system plays a vital role in the evolving economic and trade cooperation between Vietnam and China. Currently, the province has two pairs of international border gates, two local border gates, and seven border openings. By 2030, it is anticipated that there will be two additional pairs of international border gates: Muong Khuong, Lao Cai - Jiedao (Yunnan) and Ban Vuoc, Lao Cai - Basha (Yunnan) (Vu and Pham 2024).

Additionally, Vietnam actively collaborates with China to establish Cross-Border Economic Cooperation Zones (CBEZs) in three cross-border centres: Hekou-Lao Cai, Pingxiang-Dong Dang and Dongxing-Mong Cai (Abdullah 2021b). In the Dongxing-Mong Cai CBEZ, Mong Cai city is quickly completing various infrastructure projects to enhance border trade. These projects include an interagency checkpoint station connected to a commercial service area at the Bac Luan II bridge border gate and a laboratory for the China Certification and Inspection Group (CCIC) at the Km3+4 Hai Yen entry point. In 2023, Mong Cai and Dongxing signed seven memoranda and agreements covering areas such as establishing a peaceful border, creating a friendship exchange mechanism between the cities' Party committees, and promoting project implementation and investment by businesses from both sides to facilitate cooperation. They have conducted regular talks, shared information promptly, and coordinated efforts to address issues related to customs clearance and entry-exit via the Mong Cai-Dongxing international border gate pair. Comprehensive cooperation resumed, and they successfully organised the 15th Vietnam-China International Trade and Tourism Fair in Mong Cai in 2023. Additionally, the two cities have enhanced cultural and tourism integration, forming a Vietnam-China border tourism belt through various people-to-people and cultural exchanges (*Vietnamplus* 2024a).

In addition to BEZs and CBEZs, Vietnam has facilitated the establishment of three China-owned industrial parks within its territory. The first, known as the Long Jiang Industrial Park or "China Overseas Economic Trade Cooperation Park", was established in Tien Giang province in 2007 by the Chinese company Tien Giang Investment Management Limited. By the end of 2022, the park housed 52 enterprises with a total investment amounting to USD1.8 billion (*Zhejiang China* 2023). The second industrial park is the Yun Zhong Industrial Park located in Bac Giang province, founded by the Chinese company Fuhua Co. Ltd. in 2013. The park currently has 30 factories operated by 13 companies, with an additional 50 factories under construction as part of its fifth and sixth phase of the development plan.

The third industrial park is the Shenzhen-Hai Phong Trade and Economic Cooperation Park, owned by the Chinese government, specifically the Shenzhen City government. The park is home to 32 enterprises and has generated an output value of USD1.09 billion to date (*Shenzhen Daily* 2021).

According to Nguyen Binh Giang, industrial parks supported by China have demonstrated significant effectiveness in attracting Chinese investment, particularly in sectors like electronics, textiles, footwear, and paper manufacturing. Their strategic locations play a pivotal role in their appeal to investors. However, the situation differs for BEZs and CBEZs, where the effectiveness in attracting investment has been limited. Only a few factories have been established in these zones, with almost none in the Cao Bang zone. Nguyen suggests that this is mainly due to their remote locations from Vietnam's industrial clusters, making them less attractive to businesses in the manufacturing sector. Additionally, the scarcity of skilled workers in these remote regions further diminishes their appeal to investors. Without support from the Chinese government, there is a risk that Chinese businesses may refrain from investing in these zones, indicating Vietnam's dependence on Chinese investments (Abdullah 2021b).

However, despite the significance of industrial parks in attracting foreign investment, there are cases where Chinese investors opt not to invest in industrial parks, particularly in South Vietnam. Instead, they prefer to invest outside industrial parks to maximise their profits. Do Tien Sam and Van Hong Thi Ha observe that Chinese investors choose to acquire land for investment outside industrial parks to evade stringent technological and environmental requirements, as well as regulations governing operations within industrial parks. Additionally, they aim to establish a work environment more aligned with their preferences. Furthermore, some Chinese investors who do invest in industrial parks tend to sell their projects to other companies after obtaining approval from local Vietnamese authorities. This frequent practice complicates the management of Chinese projects in Vietnam (Abdullah 2021b).

In summary, Vietnam and China demonstrate proactive engagement in initiating and advancing economic corridors both regionally and bilaterally, especially focusing on border crossings and special economic zones. Notably, in special economic zones situated in border areas with China, Vietnam heavily depends on China for the development of facilities, infrastructure, and the influx of Chinese businesses, thereby, limiting its autonomy.

Trade

Trade serves as the cornerstone and reflects the active involvement in economic cooperation between Vietnam and China. Since 2004, China has stood as Vietnam's primary trading partner, while Vietnam has held the position of China's largest trading partner in Southeast Asia for numerous years. Demonstrated in Figure 1, bilateral trade between Vietnam and China has surged from USD2.94 billion in 2000 to USD175.57 billion in 2022, marking a remarkable sixty-fold increase. Over the period from 2001 to 2022, China's imports to Vietnam, consistently outpacing Vietnam's exports to China, escalated from USD1.61 billion to USD117.87 billion, while Vietnam's exports to China rose from USD1.42 billion to USD57.7 billion. Notably, Vietnam's exports to China experienced substantial growth in 2017 and 2018, attributed to the full implementation of the ASEAN-China Free Trade Area (ACFTA) between ASEAN-4 countries (Cambodia, Laos, Myanmar, and Vietnam) and China in 2015. Conversely, China's imports to Vietnam surged notably in 2021 and 2022, reflecting economic recovery from the COVID-19 pandemic. In terms of trade balance, Vietnam witnessed an escalating trade deficit with China, soaring from USD0.19 billion to USD60.16 billion from 2001 to 2022, indicating Vietnam's continuous dependency on Chinese import.

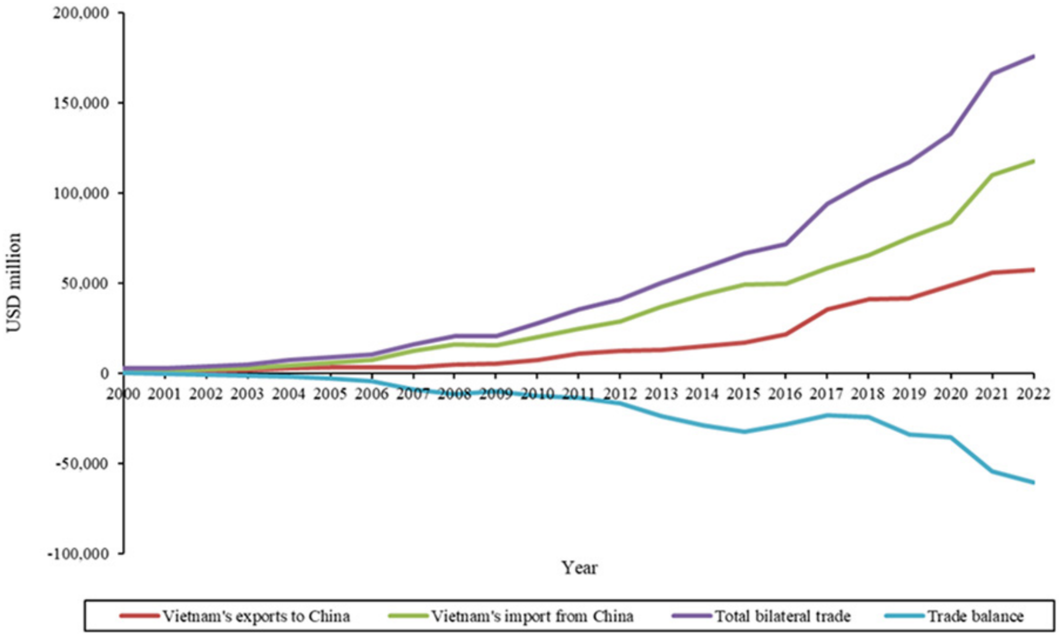

Figure 1: Vietnam's trade in goods with China, 2000–2022.

Source: General Statistics Office of Vietnam (2022).

Regarding trade structure, Vietnam has successfully diversified its export products and bolstered exports of higher value-added items to China. According to the General Department of Vietnam Customs, in 2011, Vietnam's top exports to China were predominantly primary commodities and food products, including rubber (17.4%), crude oil (9.7%), computers, electrical products, spare parts, and components thereof (9.5%), coal (9.2%), and manioc and manioc products (7.7%). However, by 2022, Vietnam's top exports to China were dominated by manufactured goods, such as telephones, mobile phones, and parts thereof (28.1%), computers, electrical products, spare parts, and components thereof (20.5%), still image, video cameras, and parts thereof (6.6%), machinery, equipment, tools, and instruments (6.4%), and rubber (4.1%) (General Department of Vietnam Customs 2023).

In contrast to exports, top imports from China to Vietnam consist mainly of manufactured goods with higher added value. In 2011, the leading imports from China to Vietnam included machinery, equipment, tools, and instruments (21.1%), fabrics (11.4%), computers, electrical products, spare parts, and components thereof (9.6%), telephones, mobile phones, and parts thereof (7.1%), and iron and steel (6.1%). By 2022, the top imports from China remained largely unchanged, except for minor shifts in product rankings. Imports continued to be dominated by machinery, equipment, tools, and instruments (20.5%), computers, electrical products, spare parts, and components thereof (20.3%), fabrics (7.7%), telephones, mobile phones, and parts thereof (6.8%), and iron and steel (4.2%) (General Department of Vietnam Customs 2023).

While the data indicate that Vietnam has expanded its export range to China, it is evident that Vietnam primarily exports low value-added products to China, while China's exports to Vietnam consist of higher value-added goods, contributing to a significant trade deficit. Secondly, although Vietnam's manufacturing exports to China are on the rise, overall manufactured goods face a bilateral disadvantage or lack comparative advantage in China, except for specific products like chemical goods and machinery. Conversely, primary commodities, food items, and agricultural raw materials hold comparative advantages in China (Abdullah 2021a). Thirdly, there is a growing reliance on Chinese inputs for Vietnam's domestic exports compared to other foreign sources like Korea, Japan, the US, and Taiwan, indicating Vietnam's limited import diversification strategy. Fourthly, the increased bilateral trade with China is accompanied by a rise in transnational organised crimes such as drug trafficking, wildlife trade, timber smuggling, and the circulation of counterfeit goods (UNODC 2019). Lastly, the influx of low-quality Chinese consumer goods into the Vietnamese market has exacerbated negative perceptions among the Vietnamese toward China (Le 2017).

In summary, trade represents Vietnam's most significant economic engagement with China, posing challenges such as low value-added exports, a persistent trade deficit, comparative disadvantages in manufacturing exports, increasing transnational organised crime, and the presence of low-quality Chinese consumer goods in the Vietnamese market. These challenges underscore Vietnam's trade dependence on China.

Investment

In terms of investment, China has continuously ranked among the top five investors in Vietnam for numerous years. In 2022, China held the fourth position, following Singapore, South Korea, and Japan. As depicted in Figure 2, Chinese Foreign Direct Investment (FDI) in Vietnam has steadily increased from USD61.6 million in 2001 to USD744.1 million in 2015. There was a significant spike in Chinese FDI in 2013, attributed to an investment in the construction of the Vinh Tan 1 thermal power plant valued at USD2.11 billion. Beginning in 2016, there was a surge in Chinese FDI, rising from USD2.14 billion to USD2.62 billion in 2022. This initial surge was influenced by the BRI launched by China in 2013, but the sharp increase in Chinese FDI in 2019 was due to the trade war initiated by the Trump administration in 2018. The trade war prompted Chinese firms to relocate their production to other countries, including Vietnam, to circumvent US.

According to the Ministry of Planning and Investment (MPI), Chinese FDI in Vietnam has undergone significant changes in recent years, spanning various sectors beyond traditional areas such as restaurants, hotels, and consumer goods. Chinese investors have expanded into sectors including electricity, electronics, tire production, textiles, and footwear, thereby, contributing significantly to the development of the country's supporting industries. A notable example occurred in October 2023, when the northern province of Quang Ninh granted an investment registration certificate to the Jinko Solar Hai Ha Vietnam photovoltaic cell project, valued at USD1.5 billion. Chinese supporting industry companies are increasingly establishing themselves in Vietnam, rapidly establishing large-scale production chains for components and parts to export to Europe and North America (Vietnam News Agency 2023).

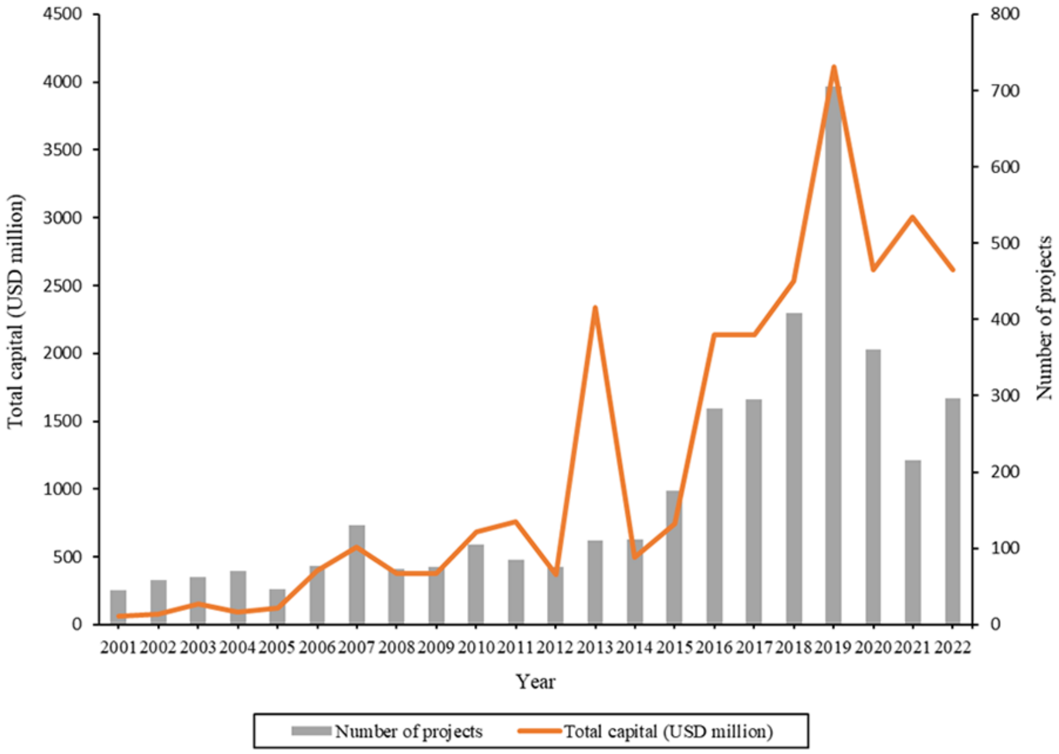

Figure 2: China's total new registered capital and number of projects in Vietnam, 2001–2022.

Source: General Statistics Office of Vietnam (2023).

In terms of major Chinese FDIs involving projects valued at USD100 million and above, the structure differs from the overall Chinese FDI landscape in Vietnam. According to the China Global Investment Tracker (2024), from 2011 to 2023, large Chinese projects in Vietnam were primarily concentrated in the energy sector, with investments totalling USD5.29 billion across ten projects. This was followed by investments in transportation (USD1.63 billion across eight projects), textiles (USD840 million across four projects), technology (USD790 million across four projects), logistics (USD750 million across one project), consumer goods (USD670 million across three projects), metals (USD260 million across two projects), and agriculture (USD179 million across one project).

The increased presence of Chinese investment in Vietnam has resulted in various consequences, notably an uptick in pollution. This is primarily due to Chinese investments focusing on industries like textiles, footwear, fibre, energy, and mining, which have a higher potential for environmental impact (Marston 2012; Le 2017; Ha 2019). Additionally, the surge in Chinese investments has sparked competition between Chinese and Vietnamese firms for market share, particularly following Vietnam's adoption of the

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and amid escalating trade and technological tensions between the US and China. Lastly, the intensified rivalry among Vietnamese provinces to attract Chinese FDI has led to unequal levels of prosperity and development among regions, and exacerbating pollution concerns as provincial governments often relax environmental regulations, which are frequently vague and open to interpretation.

In summary, investment stands as the second most crucial economic engagement between Vietnam and China, following trade. Chinese FDI in Vietnam is increasing due to its efforts to diversify markets which created opportunities for Chinese businesses, and because of the ongoing trade and tech conflict between the US and China. The influx of Chinese FDI has brought several challenges to Vietnam including pollution, competition between Chinese and Vietnamese companies for market share, and rivalry among provinces.

Loan and Project Contracting

Chinese loans in Vietnam are comparatively less significant when weighed against trade and investment, yet they hold notable importance in the advancement of Vietnam's energy sector. AidData reveals that Chinese official financial flows to Vietnam totalled USD28.95 billion from 2000 to 2021. The majority of these financial flows were in the form of Other Official Flows (OOF), which do not meet Official Development Assistance (ODA) criteria. Specifically, OOF amounted to USD23.77 billion, comprising USD23.45 billion in loans and USD23.75 million in grants. Only a small portion was classified as ODA, totalling USD2.52 billion, including USD126.5 million in grants and USD2.39 billion in development loans. This indicates that Vietnam has primarily received substantial commercial loans rather than concessional loans and grants.

In terms of ODA allocations, a significant portion of flows was directed to the transport and storage sector (USD1.65 billion across seven projects), followed by industry, mining, and construction (USD399.04 million across seventeen projects), energy (USD376.13 million across four projects), health (USD36.81 million across nineteen projects), government and civil society (USD21.99 million across eight projects), action relating to debt (USD15.02 million across one project), education (USD12.94 million across seven projects), communications (USD1.23 million across one project), and emergency response (USD77 thousand across four projects). In terms of

OOF allocations, a substantial portion of flows was directed to the energy sector (USD11.46 billion across thirty-eight projects), followed by industry, mining, and construction (USD781.32 million across nine projects), banking and financial services (USD450.71 million across twelve projects), transport (USD375.5 million across one project), unspecified sector (USD245.98 million across one project), and business and other services (USD233.04 million across seven projects) (Custer et al. 2023).

In terms of project contracting, Chinese contractors have secured significant Engineering, Procurement, and Construction (EPC) contracts valued at USD100 million and above in Vietnam from 2005 to 2023, particularly in the energy sector, totalling USD14.52 billion. This was followed by contracts in the metals sector (USD4.58 billion), transport (USD2.49 billion), chemicals (USD1.33 billion), and real estate (USD600 million). Among the Chinese contractors, those who secured the largest EPC contracts include MCC, with contracts valued at USD2.63 billion across two projects, followed by China Energy Engineering (USD2.58 billion across three contracts), Huadian (USD2.3 billion across two contracts), Minmetals (USD1.96 billion across seven contracts), Dongfang Electric (USD1.73 billion across two contracts), China Communications Construction (USD1.63 billion across five contracts), China National Chemical Engineering, Dongfang Electric, and China Energy Engineering (USD1.3 billion across one contract), and Power Construction Corp. (PowerChina) (USD1.14 billion across five contracts) (China Global Investment Tracker 2024).

The involvement of Chinese EPC contractors in Vietnam has resulted in several notable impacts. Firstly, Chinese-led projects often face issues such as delays, subpar quality, and cost overruns. Secondly, Vietnam experiences a persistent large trade deficit with China due to loan conditions favouring the use of Chinese contractors, services, machinery, and equipment, alongside the cost-saving strategies employed by Chinese contractors. Thirdly, there is a noticeable increase in the presence of Chinese workers in Vietnam, who typically receive better wages and working conditions compared to local labourers, thereby reducing employment opportunities for locals, particularly in the construction sector (Le 2013, 2017; Abdullah and Daud 2020). In summary, although Vietnam does not heavily rely on Chinese loans for development, it is significantly dependent on Chinese EPC contractors, especially in the energy sector, which has created several challenges for the country.

VIETNAM-CHINA ECONOMIC COOPERATION: PASSIVE RESISTANCE

Vietnam has extended diplomatic support to the BRI through participation in high-level joint statements, attendance at Belt and Road Forums, and its role as a founding member of the Asian Infrastructure Investment Bank (AIIB). However, the country has not hosted any flagship BRI projects. The official statements of Vietnamese leaders on the BRI are relatively clear, but in reality, the implementation of policies on connectivity and infrastructure projects within the BRI framework between the two countries has not been robust (Duong 2020). Despite latest statements from the Chinese Ambassador to Hanoi, Xiong Bo, in November 2021, indicating the inclusion of large Vietnamese projects in the BRI, Hanoi has not officially announced any projects under the initiative. In the transport infrastructure cooperation, the only project that received BRI loans was the Cat Linh-Ha Dong elevated metro rail line in Hanoi which was not even designated as part of the BRI. According to Vietnamese Prime Minister Pham Minh Chinh, cooperation results in this area have failed to meet both sides' potential, strengths, and aspirations (*Vietnamplus* 2024b).

Vietnam's cautious stance toward the BRI is evident in the lengthy negotiations for a Memorandum of Understanding (MOU) to promote the BRI alongside Vietnam's proposed TCOB initiative. The two-year negotiation period suggests underlying disagreements between both countries regarding prioritised contents for the initiatives (Le 2018). The emphasis on connectivity between these initiatives indicates that TCOB is distinct from the BRI, reflecting Vietnam's reluctance to align TCOB with the BRI. The persistent division between the two initiatives endures in the latest joint statement during President Xi Jinping's visit to Vietnam in December 2023, indicating Vietnam's resolve to preserve its autonomy.

Vietnam's choice to distance itself from the BRI goes beyond mere labelling and separation of initiatives; it also pertains to the alignment of BRI loans with the recommendations laid out by the MPI in its report to the Prime Minister. This report addresses the attraction, management, and utilisation of ODA and other preferential loans from 2018 to 2020 with a vision until 2025. The ministry advocates for cautiousness in accessing ODA funding and preferential loans from China, urging Vietnam to establish criteria for selecting projects requiring foreign loans based on international practices and standards, with a provision for future project lists. It suggests limiting ODA and preferential loans to 30%–50% of total project investments, prioritising preferential loans for initiatives directly enhancing economic growth, sustainable development, and smart production (Minh 2018).

Notably, the ministry emphasises viewing ODA as a temporary means for accessing advanced technologies and knowledge, urging Vietnam to seek alternative avenues for this purpose. Furthermore, the report underscores the importance of a long-term strategic approach that does not rely on ODA, emphasising the need for Vietnam to focus on developing a domestic capital market, accessing foreign capital markets, and elevating the quality of domestic human resources to international standards (Minh 2018).

The ministry's recommendation echoes the decision of Quang Ninh province to turn down Chinese loans totalling USD300 million for the Van Don-Mong Cai highway construction in 2016. Instead, the province chose to pursue a public-private partnership (PPP) model, with 70% of the funding coming from domestic investors and the remainder from the provincial government. Nguyen Duc Long, Chairman of the Quang Ninh Provincial Committee, cited four reasons for rejecting the Chinese loans: (1) inadequate loan amount compared to the estimated project cost of USD800 million; (2) unfavourable loan conditions; (3) the urgency to complete the project within a specified timeline; and (4) the confidence in Vietnamese investors' capacity to manage the project independently (*Vietnamnet* 2016; Do 2021).

Additionally, the government cancelled international bidding for a North-South expressway project in 2019, citing national security and defence concerns, though this decision was likely influenced by the overwhelming dominance of Chinese firms in the initial bidding process. The decision was reached due to the higher likelihood of Chinese contractors securing bids. This is because they typically present significantly lower prices compared to other competitors, facilitated by subsidies from the Chinese government. Moreover, they express interest in tendering for smaller-scale projects often overlooked by engineering contractors from Vietnam and elsewhere (Le 2017). Vietnam's passive resistance to China is further evidenced by its decision to exclude Huawei from involvement in developing 5G telecommunications infrastructure, citing concerns about threats from Chinese intelligence agencies. Instead, Vietnam is striving to develop its own 5G model (Viet and Huy 2023).

The development of the BRI in Vietnam is encapsulated by Hoa and Nguyen (2021), who highlight differing perspectives on the BRI held by leaders of both countries. They argue that while China underscores the new opportunities and shared benefits stemming from the BRI, Vietnam prioritises tangible benefits and links bilateral cooperation with sovereignty and territorial integrity. China's strategy for promoting the BRI in Vietnam follows a roadmap of providing high-level guidance and facilitation, signing cooperation frameworks, and advancing project development. Within this framework, China actively proposes cooperation plans with specific projects, while Vietnam cautiously welcomes the initiative under certain conditions.

While Hoa and Nguyen (2021) highlighted a sceptical outlook on BRI cooperation in Vietnam, the recent trend of transport infrastructure collaboration with China shows a positive trajectory. Vietnamese Prime Minister Pham Minh Chinh has recently called for the rapid implementation of three railway lines connecting Vietnam with China: Lao Cai-Hanoi-Hai Phong, Lang Son-Hanoi, and Mong Cai-Ha Long-Hai Phong. He emphasised the need to advance metro projects in Hanoi and Ho Chi Minh City, encouraging Chinese businesses to invest through PPPs.

Chinh also urged relevant authorities to promote the expansion of air routes between the two countries, increase the frequency of high-demand flights, introduce more policies to boost Vietnam-China tourism, and accelerate the implementation of road projects. He highlighted Vietnam's need for China's support in terms of preferential loans, advanced technology, especially for green transport, green transformation, human resource training, and smart governance (*Vietnamplus* 2024b). During a previous visit, both countries also committed to accelerating the connection and construction of border infrastructure, including building a road bridge over the Red River in the Bat Xat (Vietnam)-Ba Sa (China) border area (*Vietnamplus* 2023). This trend indicates that although Vietnam has been cautious and hesitant to fully engage with the BRI, it demonstrates a clear intention to enhance its transport infrastructure cooperation with China. However, the actual implementation and progress of these initiatives remain to be seen.

FACTORS DRIVING AND LIMITING AMBIVALENT ENGAGEMENT

The preceding discussions have illuminated Vietnam's adoption of various approaches to economic cooperation with China. Vietnam has demonstrated proactive initiation and active participation in trade, investment, and the development of economic corridors, particularly TCOB and special economic zones such as BEZs, CBEZs, and China-owned industrial parks. Chinese EPC contractors also play a dominant role, especially in Vietnam's energy sector, while Chinese loans, once significant, are less appealing to Vietnam in recent times. However, concerning engagement with the BRI, Vietnam has taken a stance of passive resistance. It has refrained from applying for BRI loans and rejected the categorisation of certain projects as part of the BRI. This somewhat contradictory approach to economic cooperation can be characterised as "ambivalent engagement", wherein Vietnam combines proactive initiation and active involvement in some areas of cooperation with passive resistance in others.

Ruling Elite Legitimation

Vietnam's proactive initiation and active involvement in its economic engagement with China can be understood through the lens of the ruling elite legitimation framework. In Vietnam's one-party political system, development has served as a crucial source of legitimation for the Vietnam Communist Party (VCP) (Gainsborough 2007; Thayer 2010, 2017; Le 2012; Do 2021; Dung and Ho 2022). Since the introduction of Đổi Mới (renovation) in 1986, VCP has switched its sources of legitimation from nationalism and socialist ideals to performance legitimation (Le 2012). Economic reforms, coupled with beneficial global trends, have helped propel Vietnam from being one of the world's poorest nations to a middle-income economy in one generation. Vietnam has achieved an average gross domestic product (GDP) growth rate of 6.45% between 1986 to 2022, while its GDP per capita increased 3.6 times, reaching almost USD3,700 between 2002 and 2022. Vietnam has also made great strides in reducing poverty rates from 14.0% in 2010 to 3.8% in 2020 (World Bank 2024). This socioeconomic achievement resulting from Đổi Mới policies has helped to sustain and strengthen VCP's rule over the country.

Central to Vietnam's socioeconomic advancement has been its strategic partnership and economic cooperation with China. As discussed above, China is Vietnam's biggest trading partner and main import market, and inputs from China has been crucial in Vietnam's domestic export compared to other foreign sources. Additionally, China serves as a significant market for Vietnam's manufactured goods and food products, and ranks among the top five investors in Vietnam, highlighting the depth of their economic engagement. This robust economic cooperation with China has not only facilitated Vietnam's socioeconomic development but has also indirectly bolstered the legitimacy of the VCP through performance-based legitimation. By delivering tangible economic benefits and fostering growth and prosperity, the VCP has been able to garner support and strengthen its rule over the country. Consequently, Vietnam's proactive initiation and active involvement in trade, investment, project contracting in energy sector and economic corridor cooperation with China can be seen as a strategic pathway to sustaining and enhancing its socioeconomic development, thereby, reinforcing the legitimacy of the VCP's rule.

Vietnam's passive resistance towards the BRI can be attributed to the VCP's identity-based particularistic legitimation. Negative experiences with Chinese FDI or contracted projects have contributed to the public's unfavourable perception of China in Vietnam. As discussed, Chinese firms have a notorious track record marked by delays, lack of transparency, cost overruns, environmental damage, poor construction quality, and high maintenance costs. The negative consequences of bauxite mining in the Central Highlands sparked the first broadly based protest in 2009 involving prominent intellectuals, scientists, VCP cadres, as well as Catholic activists and Buddhist monks. Similarly, broad public opposition emerged in 2018 when the government proposed a bill allowing foreign businesses to lease land in Vietnam for up to 99 years, with Chinese firms expected to be the primary beneficiaries (Dung and Ho 2022). These protests reflect widespread concerns about Chinese influence and economic activities in Vietnam, driving the VCP's cautious approach and its resistance towards the BRI.

The public's negative perception of China in Vietnam is also fuelled by China's repeated intrusions into Vietnam's Exclusive Economic Zone (EEZ) in the South China Sea. A significant crisis occurred between early May and mid-July 2014 when China deployed the mega-oil drilling rig Hai Yang Shi You 981 (HD 981) in Vietnam's EEZ, accompanied by a large fleet of over 100 ships. This was followed by another incident in early July to October 2019, when China sent the survey ship Haiyang Dizhi 8 (HD8) to conduct seismic surveys within 200 nautical miles of Vietnam's waters. Concurrently, a Chinese Coast Guard (CCG) vessel, Haijing 35111, harassed the Japanese rig Hakuryu-5, chartered by a Vietnamese joint venture with Russia's Rosneft. China also dispatched its 12,000-tonne CCG vessel Haijing 3901 and a fleet of forty ships to escort HD8. In May 2023, China again deployed the survey ship Xiang Yang Hong 10, along with CCG ships and fishing vessels, into Vietnam's waters. The "struggles" between Vietnam and China encompass not only the South China Sea dispute but also the control over the Mekong River's water resources, strategic competition for dominance among major powers in the region, and concerns related to Laos and Cambodia (Duong 2023).

These repeated intrusions by China into Vietnam's EEZ have sparked anti-China sentiments and protests, and in the case of the HD 981 incident, even led to violence (Thayer 2017). This negative sentiment is reflected in The State of Southeast Asia 2023 Survey Report, where 86.2% of Vietnamese respondents expressed concerns about China's growing regional economic influence on Vietnam, and 93.0% worried about its growing regional and strategic influence. The distrust towards China is further evidenced by the survey, with 80% of Vietnamese respondents expressing a preference to align with the US, the highest among ASEAN nationals, if ASEAN were forced to choose between the two strategic rivals. Reasons cited for this distrust include concerns that China's economic and military power could threaten Vietnam's interests and sovereignty, with 65.4% of respondents expressing this view, while 21.5% do not consider China a reliable partner (Seah et al. 2023).

Riding on anti-China sentiments and nationalism, the VCP has adopted a strategy to overplay China's perceived threat through several responses. Firstly, Vietnam has vocalised and diplomatically protested against China's encroachments on its sovereignty. Secondly, Vietnam has appealed to the international community and media, portraying China as the aggressor and Vietnam as the oppressed party. Thirdly, Vietnam has threatened legal action against China. Fourthly, Vietnam has enhanced its external defence relations with foreign powers such as the US, Australia, Japan, and India. According to Fook and Hop (2018), Vietnam's responses have shown effectiveness at various levels, including its appeal to the international community and media, as well as its threat to bring the dispute before the Arbitration Tribunal. Vietnam's overplay of China threat, heavy and open emphasis to check on China while not implementing full alignment with the US can be characterised as "heavy hedging" (Kuik 2016: 169).

The discussions above highlight that China's assertiveness in the South China Sea, followed by anti-China sentiments and public backlash, have led the VCP to distance itself from the BRI. This factor has exacerbated the trust deficit between the two countries, which, according to Duong (2020, 2023) is a key obstacle to the development of their relations. Compounded by Vietnam's weakened position in the South China Sea relative to China due to security vulnerabilities and economic dependency, this factor has contributed to the gradual divergence of the two countries' worldviews, making them "ideological bedfellows, strange dreamers" (Do 2021: 162). However, as noted by Le (2012), the VCP has been cautious in using nationalism to bolster its legitimacy, ensuring it does not excessively damage relations with

China. This sets limits on the adoption of passive resistance. Ultimately, the VCP recognises that a deteriorating relationship with China could negatively impact Vietnam's economic development and, consequently, the CPV's performance-based legitimacy.

External Alternatives

Vietnam's passive resistance can also be understood in light of the availability of external alternatives to finance socioeconomic and infrastructure projects. This enables Vietnam to hedge against China in development financing, thereby lessening its economic reliance on China and maintaining its autonomy. Figure 3 illustrates that from 2012 to 2022, Japan emerged as the largest donor to Vietnam, contributing USD12.41 billion, followed by the World Bank (USD10.19 billion), the Asian Development Bank (USD3.6 billion), Germany (USD2.23 billion), France (USD2.1 billion), South Korea (USD1.98 billion), the US (USD1.41 billion), and Australia (USD923 million). The data shows that Vietnam has been relying on international financial institutions and ODA partners especially Japan to finance its development.

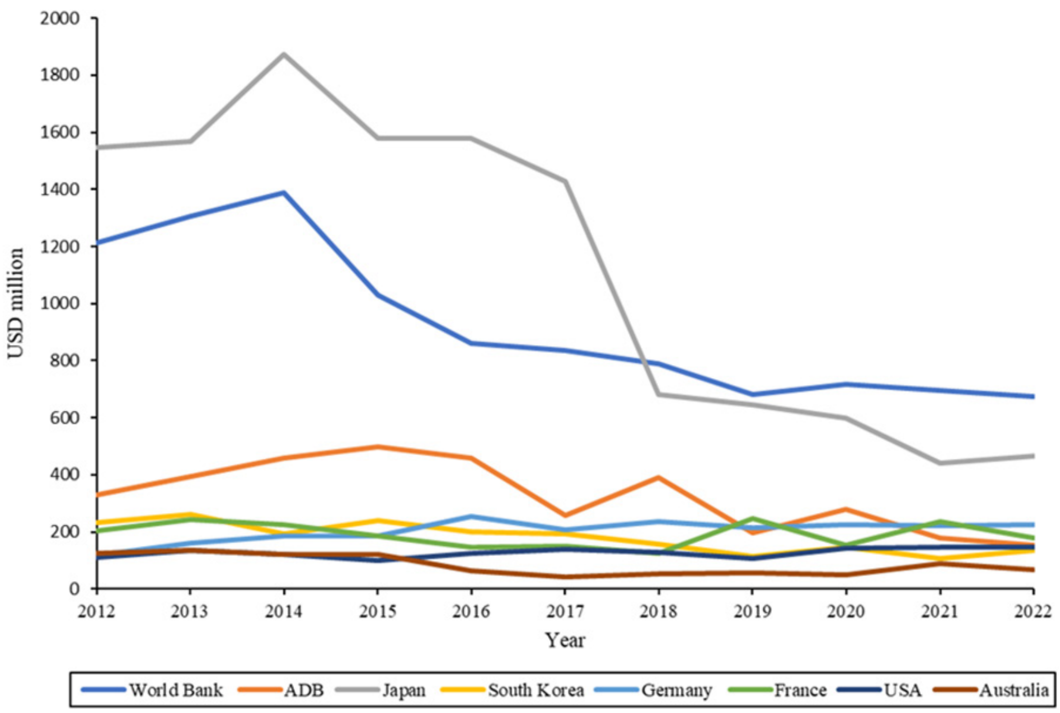

Figure 3: Gross ODA disbursement by main donors to Vietnam, 2012–2022.
Source: OECD Data Explorer (2022).

Between 2002 and 2022, Japan contributed USD20 billion in donations to Vietnam, whereas China's official financial flows to Vietnam amounted to USD29 billion from 2000 to 2021. The notable contrast between the two donors lies in the nature of their loans: Japanese loans are concessional, whereas Chinese loans tend to be primarily commercial. This significant difference in interest rates is a key factor in Vietnam's preference for Japanese and Organisation for Economic Co-operation and Development (OECD) donors over Chinese assistance (Le 2017; Abdullah and Daud 2020).

As the primary ODA partner, Japan is involved in 60 ongoing projects in Vietnam, which include 23 loans, 33 technical collaborations, and four grants. Table 1 indicates that Japanese loans are allocated diversely, with a predominant focus on supporting water improvement, water management, wastewater treatment, and irrigation (nine projects). Following this, Japanese loans also contribute to road constructions (four projects), as well as individual projects in areas such as thermal power plant and transmission lines construction, urban railway construction, port construction, and others. This distribution stands in contrast to Chinese loans, which have primarily been directed towards financing the energy sector. In short, the support from these international financial institutions and ODA partners, particularly Japan, has empowered Vietnam to exercise passive resistance in its BRI engagements with China. However, as shown by Figure 3, this advantage is dwindling as loans from these sources have become more costly since Vietnam attained middle-income country status in 2011.

Table 1: Ongoing projects financed by Japanese loans

Province	Projects
Hai Phong City	1. Lach Huyen port infrastructure construction (port) 2. Lach Huyen port infrastructure construction (road and bridge)
Nghe An	1. North Nghe irrigation system upgrading
Thua Thien Hue	1. Hue City Water Environment Improvement Project
Binh Duong	1. Southern Binh Duong province water environment improvement (Phase 2)
Dong Nai	1. Dong Nai province water infrastructure construction 2. Bien Hoa City Drainage and Wastewater Treatment Systems Project, Stage 1
Can Tho City	1. Can Tho University Improvement Project
Ben Tre	1. Ben Tre Water Management Project
Quang Ninh	1. Ha Long City Water Environment Improvement Project (E/S) 2. Ha Long City Drainage and Wastewater Treatment Project

(*continued on next page*)

Table 1: (*continued*)

Province	Projects
Thai Binh	1. Thai Binh Thermal Power Plant and Transmission Lines Construction Project
Ha Noi City	1. Hanoi City Ring Road No. 3 Construction Project (Mai Dich-South Thang Long Section) 2. Project for Disaster and Climate Change Countermeasures Using Earth Observation Satellite (II) 3. Hoa Lac science and technology city development 4. Hanoi City Yen Xa sewerage system
Ho Chi Minh City	1. Ho Chi Minh City Urban Railway Construction Project [Ben Thanh-Suoi Tien Section (Line 1)] 2. Second Ho Chi Minh City Water Environment Improvement Project (IV) 3. Cho Ray Vietnam-Japan Friendship Hospital Development Project
Some provinces	1. North-South expressway construction (Da Nang-Quang Ngai) 2. North-South Expressway Construction Project (Ben Luc-Long Thanh Section) 3. Protection Forests Restoration and Sustainable Management Project
Nationwide	1. Maritime Security and Safety Capacity Improvement Project

Source: Japan International Cooperation Agency (JICA) (2024).

CONCLUSION

This study presents two primary outcomes based on the two research inquiries. Firstly, Vietnam's broader economic interaction with China can be characterised as ambivalent engagement. On one side, Vietnam exhibits passive resistance towards the BRI, with no projects labelled under the BRI in Vietnam and minimal adoption of BRI loans. Despite this stance, Vietnam expresses support for the BRI and other Chinese endeavours and institutions. Conversely, Vietnam demonstrates proactive initiation and active involvement in economic corridors development, trade, investment and project contracting in energy sector with China. However, Chinese loans in Vietnam are losing appeal. These patterns of engagement led to various issues and challenges for Vietnam, which in part contributed to its passive resistance towards the BRI.

Secondly, this ambivalent engagement can be elucidated through the lens of the ruling elite legitimisation framework and external alternatives. Vietnam's proactive initiation and active involvement stems from the ruling elite's reliance on the legitimacy garnered from the progress and socio-economic advancements resulting from its economic cooperation with China. Conversely, Vietnam's passive resistance is a consequence of the ruling elite's reinforcement of its legitimacy by leveraging anti-China sentiment arising from conflicting claims in the South China Sea and the subpar performance of Chinese companies operating in Vietnam. The significance of both performance and particularistic pathways of legitimation to the CPV has led to ambivalent engagement. Furthermore, this passive resistance can be attributed to the presence of external alternatives. Vietnam is capable of distancing itself from the BRI to preserve its autonomy due to support from its ODA partners, such as Japan, the World Bank, Asian Development Bank and other Western nations. In contrast, countries lacking external alternatives are unable to adopt passive resistance towards the BRI, thereby, constraining their agency vis-à-vis China.

This article contributes theoretically by expanding Kuik's typology on patterns of agency by introducing ambivalent engagement. It demonstrates that ambivalent engagement accurately reflects Vietnam's overall economic collaboration with China. In fact, it supports Vietnam's established strategy of engaging with China through a combination of "both cooperation and struggle". Moreover, it illustrates the ability of weaker countries to wield significant agency amidst asymmetric power dynamics. The article also supports Kuik's assertion regarding the importance of external alternatives in expanding the limit of host-country agency, allowing countries to pursue diversification, as seen in Vietnam's engagement with various ODA partners. Future studies should investigate whether ambivalent engagement is evident in other countries with significant power asymmetry with China. Overall, this article enriches the host-country agency framework and the asymmetry-authority framework within the context of Southeast Asian countries' responses to the BRI and economic cooperations with China.

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