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The nexus of security and economic hedging: Vietnam's strategic response to Japan–China infrastructure financing competition

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ABSTRACT

Hedging has been a widely discussed concept in explaining East Asian states' counteracting policies in the face of great power competition. However, the current literature has yet to specify how hedging responds to great power competition in economic statecraft, namely, using economic means to influence other states. This paper examines Vietnam's response to Japan and China's infrastructure financing programs over the past three decades. Through a combination of quantitative and qualitative data, it explains how Vietnam, while following economic pragmatism, does not simply aim to maximize gains from these two powers. Vietnam's decisions embody what we call economic hedging, or a cautious calculation over the linkage between security risks and infrastructure partnership and a tendency to pivot away from infrastructure partners deemed risky, namely, China. It also shows that such caution has intensified in the face of a nationalistic public that has challenged the notion of economic pragmatism, pushed a realist approach to economic relations with China, and bolstered Hanoi to take more action to protect Vietnamese sovereignty from Chinese economic influence. The convergence of these domestic and international trends have driven Hanoi to enhance collaboration with Japan, which it views as an increasingly important strategic partner.

KEYWORDS Economic statecraft; hedging; Vietnam–Japan relations; Vietnam–China relations; foreign aid; infrastructure investment

Introduction

Against the backdrop of U.S.–China geopolitical competition in East Asia, strategic hedging has become a widely discussed concept amongst East Asia-focused international relations (IRs) scholars. While the definition given

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by these scholars varies, hedging generally refers to a grand strategy somewhere between balancing and bandwagoning that helps East Asian states cope with the uncertainty of resurgent great power rivalry. This third path, as many IR scholars observe, incorporates both realist and liberal concepts in various policy arenas (Goh, 2005; Medeiros, 2005; Roy, 2005; Tran & Sato, 2018). In dealing with China's rise, the hedging literature suggests that East Asian states adopt various degrees of military deterrence – mainly through partnerships with the United States – while at the same time maintaining a complex engagement approach with China at political, economic, and strategic levels (Goh, 2005; Kuik, 2008; Le, 2018; Storey, 2011; Tran, Vieira, & Ferreira-Pereira, 2013; Vuving, 2006). These seemingly counteracting policies, the literature suggests, stems from the fact that East Asian states, while preparing to defend against a potential China threat, see opportunities to capitalize on the China boom in helping their own economic development. Such reasoning has been commonplace among scholars and practitioners as China over past decades has courted East Asian states with economic 'carrots' and East Asian states, in general, have responded positively by enmeshing themselves with an ever-growing Chinese economy.

While East Asian states' use of ambiguity and counteracting policies as a grand strategy might be true, less discussed is the linkage between their security and economic policymaking in realizing the hedging strategy or how this strategy plays out on the economic issues. Essentially, the current literature leaves underexplored the following questions: how do East Asian states' security policy inform and influence their economic policy? To what extent do their security interests reinforce their economic interests? At a different level, how do East Asian states respond to great powers' 'economic statecraft' as opposed to more traditional military and political statecraft? And how does their response exemplify the notion of hedging? Great powers use economic inducements to 'purchase' policy support from small states and to maintain their political influence (Baldwin, 1985; Hirschman, 1945; Krasner, 1976; Viner, 1948). The act of economic statecraft becomes central when the great power faces a contender, who intends to and is capable of using similar inducements to move small states away from supporting the former. Facing such rivalry, small states, while desiring to reap economic gains from competing powers, are wary of the security ramifications of these economic 'carrots' and the fact that great powers may turn 'carrots' to 'sticks' when necessary. In this sense, how small states take advantage of such competition must be understood not only through economic pragmatism, but also by bringing security back into the equation, that is, to analyze how East Asian states calculate the risks and rewards of accepting a great power's economic inducements, a behavior this paper calls *economic hedging.*

To clarify and illustrate the concept of economic hedging, this paper examines Vietnam's strategy towards the infrastructure financing competition between Japan and China. For decades, these two Asian powers have competed for political and economic supremacy and leadership over the region. A distinct feature of this competition is their focus on 'economic statecraft,' i.e. doling out economic incentives in exchange for policy support (Pempel, 2013). This competition has recently manifested in the form of infrastructure financing, with China leading the ambitious Belt and Road Initiative to promote infrastructure development in countries across Eurasia. In response, Japan launched its biggest post-recession foreign aid plan to bring 'high-quality' infrastructure to developing Asia. Exemplified by previous rounds of economic statecraft competition, such as China's and Japan's free trade agreements with the Association of Southeast Asian Nations (ASEAN) and the United States' Trans-Pacific Partnership, East Asian states in general took a pragmatic stance as they extended multi-directional relations and obtained economic benefits from all powers. Since its market reforms that began in the mid-1980s and flourished in the early 1990s, Vietnam has joined others in the region in adopting pragmatism and cautiously using a multilateral, liberalism-inspired policy approach to promote economic development. Yet, a return maximizing or multilateral approach does not explain completely how Vietnam has responded to this latest round of competition in infrastructure financing, nor does it explain whether, and to what extent, Vietnam has calculated the risks and returns in deciding whether to accept Japanese or Chinese financing offers, especially given ongoing territorial disputes in the South China Sea. Along these lines, the current literature has yet to answer a fundamental, yet critical question: how do security concerns shape Vietnam's infrastructure policy choices? Answers to this question are essential to understanding how strategic hedging guide small states in responding to economic statecraft competition between great powers.

Beginning with a background of Japan-China infrastructure financing competition, this paper then reviews scholarship on the IRs of East Asia. The current literature on hedging, while outlining East Asian states' grand strategy in foreign policy, has yet to specify the explicit logic of economic hedging and how this logic may influence their decisions in response to Japan and China's infrastructure financing competition. This paper argues that incorporating the concept of economic statecraft into the strategic hedging framework will provide a deeper understanding of East Asian states' hedging behavior in response to the Japan–China competition. Building on both the hedging and economic statecraft literature, we survey the logic of economic hedging, and explain how East Asian states view great powers' economic inducements through a security framework, and when and why they decline or accept such inducements. Using a combination of quantitative and qualitative data, the rest of the paper examines Vietnam's infrastructure collaboration with Japan and China over three periods of time since the 1990s. It then explains how Vietnam, while extending ties with both powers over time, has been cautious about the security ramifications of its infrastructure borrowing choices and how Vietnam's respective relations with Japan and China have shaped those choices. The paper also shows that since the 2010s, Vietnam has adopted more policies to hedge against infrastructure collaboration with China in part because an increasingly nationalistic Vietnamese public has challenged the notion of economic pragmatism, pushed a realist approach to economic relations with China, and bolstered Hanoi to take more action to protect Vietnamese sovereignty from Chinese economic influence. These factors have driven Vietnam to increase infrastructure collaboration with Japan and fostered a growing consensus within Hanoi and Tokyo of the strategic importance of their bilateral relationship.

Economic hedging as an analytical framework

Japan and China's infrastructure financing as economic statecraft

Foreign aid and other development assistance funds have been a common tool for great powers to reward small states and compete for political influence. In East Asia, such competition is prominent between Japan, the region's largest economy until 2010, and China, the rising superpower. Since the Fukuda Doctrine of 1977 and the pronouncement of 'heart-to-heart' relations with Southeast Asia, Japan has made economic diplomacy the centerpiece of its Asia policy. Japanese foreign aid is known for being infrastructure-oriented and has financed a myriad of projects across the region, from roads and bridges to dams and power plants. In the mid-1990s, Japan became the top foreign aid donor in the world with particular predominance within East Asia in spite of two looming challenges: its slow post-bubble economic recovery and China's rise as the region's new economic powerhouse (Drifte, 1996; Johnstone, 1999).

In the late 1990s and early 2000s, China began to more explicitly challenge Japan as East Asia's predominant lender when it launched two foreign policy campaigns, known as 'Good Neighbor [睦邻]' and 'Going Out [走出去]' that pledged extensive development assistance to neighboring countries (Kurlantzick, 2008; Lum, Morrison, & Vaughn 2008; Shambaugh 2005). Soon, this dual campaign manifested into 'Yuan diplomacy' where Beijing signed foreign aid, export credits, and other types of preferential lending deals with Asian states to reward them for improved bilateral relations while at the same time helping Chinese firms expand abroad (Liao, 2018). China-backed infrastructure projects have since spread across the region, particularly in the Mekong Delta area, and expanded even further in the late 2000s following a series of events, including Beijing's 2008/2009 fiscal stimulus plan in response to the financial crisis, signing of the China-ASEAN Investment Agreement, and launch of the China-ASEAN Investment Cooperation Fund. While cognizant of China's emerging prowess as a lender, Japan's infrastructure contribution to East Asia plummeted throughout the first half of the 2000s because of domestic debt and budget constraints, a sluggish economy after the economic bubble, and policy reforms that aimed to divert aid programs from physical infrastructure to social development programs (Kawai & Takagi, 2004). While the amount of Japanese foreign aid to the region recovered somewhat in the second half of the decade, Japan continued to struggle in maintaining its role as the dominant infrastructure financier under China's shadow (Hughes, 2009; Mochizuki, 2007).

Since the 2010s, along with leadership transitions, changing international power dynamics, and redefining of their respective grand strategies, Japan and China increasingly prioritized geo-economics in their foreign policy with both countries doubling down on infrastructure development assistance as their key economic statecraft tool (Yoshimatsu, 2017b). In 2013, China launched the ambitious Belt and Road Initiative (BRI), including the creation of the Asian Infrastructure Investment Bank (AIIB), to promote infrastructure cooperation throughout Eurasia. Japan, seeking to revitalize its role as the leading Asian donor, touted a $100-billion plan to build 'high-quality' infrastructure in the region. Additionally, both powers also vowed to use their respective initiatives to leverage more private capital for Asia's infrastructure development. Their initiatives were mainly in response to two factors: a massive infrastructure investment gap across Asia, which the Asian Development Bank (ADB) (2009) estimated at $8 trillion through 2020; and the scaling back of western finance following the 2008 financial crisis when major aid donors shifted their priorities away from infrastructure development while at the same time private financiers pulled back from more risky emerging markets (ADB, 2009). In filling this void, infrastructure development assistance became more important than ever for both Japan and China in expanding their regional leadership and influence.

Vietnam's economic hedging: a strategic response

In understanding the effectiveness of Japan and China's infrastructure financing as a tool of economic statecraft, this paper focuses on how East Asian states respond to this competition. Many see such competition a positive trend. With ample empirical and theoretical evidence, development studies have claimed donor competition benefits recipient countries in either gaining resources, bargaining deal terms, or resisting donor demands (Annen & Moers, 2017; Bräutigam & Knack, 2004; Bueno de Mesquita & Smith, 2016; Horning, 2008). As such, East Asian states must maintain a balancing act in accepting offers and extending cooperation with the two powers amid their competition so as to maximize gains from both. Most East Asian IR scholarship echoed this benefit maximization framework, characterizing states as rational actors when it comes to economic policy choices while at the same time addressing an important condition, i.e. possible security conflicts between donor and recipient countries. The current literature deals with this condition through a framework known as strategic hedging (Medeiros, 2005; Roy, 2005; Vuving, 2006), referring to East Asian states using 'a bundle of opposite and deliberately ambiguous policies' (Kuik, 2016, p. 504) to shield themselves from the uncertainty of their relations with great powers and to protect their interests amid great power rivalry. Among those who wrote most extensively on the subject, Kuik (2008) argues that East Asian states hedge to avoid leaning on a specific power and thus prefer a third path between balancing and bandwagoning in responding to great power competition. In the particular case of China, strategic hedging leads East Asian states to adopt a complex engagement approach at political, economic, and strategic levels that resemble both realist and liberal ideas. As Kuik (2008) explains, this hybrid strategy stems from East Asian states, or more specifically, East Asian political elites, adhering to pragmatism in their foreign policy, particularly in the economic realm. These political elites seek to promote economic development through a balanced expansion of economic ties with China and the other great powers. Others elaborate this point through the liberal notion of complex interdependence, pointing to East Asian states' strategy in maintaining peace with China through creating interlocked economic connections (Le, 2018; Thayer, 2011; Tran & Sato, 2018). The fact that China has become the top trading partner and a major investor in the region, coupled with a burgeoning number of economic cooperation agreements signed with China, leads many to stress economic pragmatism in their portrait of East Asian IRs (Goh, 2005; Storey, 2011).

While East Asian states' use of ambiguity and counteracting policies as a grand strategy might be true, the current literature has yet to spell out the linkage between their security and economic policymaking in realizing the hedging strategy or how this strategy plays out on economic issues. It remains unclear how East Asian states' security policy informs their economic policy, to what extent security and economic interests reinforce each other, and more importantly, how they might respond to economic statecraft in the context of great power rivalry. In answering these questions, this paper shows that incorporating literature on economic statecraft into analysis on East Asian IRs can enrich our understanding of how East Asian states pursue strategic hedging on the economic issues. In general, economic statecraft literature suggests that great powers make foreign economic policy not to promote a liberal economic order but to expand their political influence, and they are most likely to achieve this goal through 'asymmetrical dependence' where they control the economy of the smaller state (Baldwin, 1985; Harrison, 1988; Hirschman, 1945; Krasner, 1976). Others have observed that when a great power offers economic inducements, smaller states must reconcile their desired economic ends with the available means to protect their autonomy from political influence of the great power (Blanchard & Ripsman, 1999; Drezner, 1999). A common strategy for small states to avoid asymmetrical dependence in which Kuik and the economic statecraft scholars both agree is to diversify economic relations.

However, the act of diversification also means that small states may pivot away or refrain from accepting certain economic inducements, a behavior we call *economic hedging. Economic hedging* describes a strategy that small states adopt in which they maintain guardrails that protect them from veering toward asymmetrical dependence on certain great powers that pose higher security risks than others. Economic hedging also reflects the nature of economic statecraft, namely small states' recognition that great powers always maintain a willingness and ability to use economic coercion in pursuit of their interests (Drezner, 1999). That said, coercion is mostly used as a last resort since it can often sour relations with the smaller state, giving it further incentive to diversify economic ties and diminishing the great power's influence.

Economic statecraft literature has important implications for this research. In essence, East Asian states that develop economic relations but maintain territorial disputes with China are more prone to adopt economic hedging policies against Chinese inducements than Japanese ones. This hedging tendency will strengthen or weaken, depending on the smaller state's respective relations with the two powers. The smaller state's posturing is also reinforced by the fact that China has a record of using economic sanctions with small countries for political gain (Blackwill & Harris, 2017; Li, 2017; Norris, 2016; Reilly, 2013).[1] Whether these sanctions are effective or not, China should be able to implement them with relative ease in the area of infrastructure financing because these financing deals are mainly delivered via bilateral channels monopolized by the Chinese state rather than multilateral institutions. Importantly, this paper does not argue that East Asian states with security concerns over China would abandon economic pragmatism and reject Chinese financial offers entirely. Rather, it suggests that East Asian states, embracing pragmatism and hedging at the same time, understand the different security ramifications of economic inducements from China and Japan; and if both powers offer similar economic inducements, it becomes easier for East Asian states to take economic hedging actions against China when needed.

Further, both the literature on economic statecraft (Drezner, 1999; Hirschman, 1945; Papayoanou & Kastner, 1999) and hedging (Kuik, 2008; Le, 2018) reminds us that the way in which political elites secure governing legitimacy in the eyes of their constituencies is also important in understanding foreign economic policymaking. For political elites of small states, accepting a great power's economic inducements may boost their home economies and yield political benefits. Yet these benefits can diminish, if not become a liability, when the public perceives economically utilitarian policy choices as threatening national security, sovereignty, or identity, and demands instead a more realist, protectionist policy approach – a perception often perpetuated by the rise of nationalism (Gilpin, 1987; Helleiner, 2002; Mayall, 1990). This suggests that in the face of nationalist-driven public discontent, the costs of accepting such inducements for political elites may outweigh the benefits. Again, this does not suggest that East Asian states decline to maximize economic benefits from their great power relation; rather, it suggests that despite the increased competition of economic inducements between great powers, East Asian states may not fully embrace economic pragmatism in order to accommodate their public's security concerns and to enhance their governing legitimacy.

Vietnam's post-reform foreign policy exemplifies many aspects of economic hedging. Vietnam's reform program, known as *Doi Moi,* was launched on the heels of the country's most desperate time since unification that featured a decade-long economic recession, wars with China, international isolation, and then the fall of the Soviet Union and its subsequent withdrawal of foreign aid to Hanoi. To ensure its political survival, the Communist Party of Vietnam (CPV) vowed that *Doi Moi* would pull the country from the brink of collapse and set it on a path toward economic modernization. Along with its economic reforms, Hanoi also began a foreign policy overhaul that led Vietnam to normalize relations with its neighbors and western countries as well as enter regional/international organizations. The so-called 'multi-directional' foreign policy, as Porter (1993) observes, embodies the notion of pragmatism as Hanoi cautiously embraced economic globalization and open markets to shore up regime stability and boost economic development. Still, throughout the post-reform era, Vietnam's leaders have consistently affirmed that while forging ahead with national development, they would not 'neglect even for a moment the task of defending the fatherland; safeguarding national independence, sovereignty, territorial integrity, and security' (Ninh, 1998, p. 456).

While pragmatism saw post-*Doi Moi* Vietnam reconcile with Japan and China, security imperatives has informed Hanoi's distinct approaches in forming economic relations with these two Asian powers. Vietnam and Japan took tentative steps towards economic cooperation shortly after Vietnam's reunification in 1975 (Shiraishi, 2009). Although these initial steps were stymied after Vietnam's invasion of Cambodia, Tokyo remained one of the few non-communist governments in regular communication with Hanoi. Soon after the launch of *Doi Moi*, Japanese trading companies were among the earliest to resume trade and investment activities in Vietnam despite Washington's embargo. Since establishing diplomatic relations in 1992, scholars and foreign policy experts have often characterized Vietnam-Japan relations as 'worry free' (Do & Dinh, 2018; Khong, 2012). Vietnam is thus less concerned about being asymmetrically dependent on Japan and possess fewer reasons to hedge against Japan's infrastructure financing offers.

On the contrary, Vietnam sees asymmetrical dependence on China as dangerous given their long history of conflict, including the damaging punitive war Beijing launched against Vietnam in 1979. To be clear, as economic growth replaced ideology as the main source of the CPV's legitimacy and China became the region's largest economy, economic pragmatism became a key strategy for Vietnam in dealing with China (Le, 2012). Still, post-*Doi Moi* Vietnam continues to see China as its biggest security threat and must constantly strike a balance between integrating with and maintaining independence from the Chinese economy (Vuving, 2006). As Butterfield (1996, p. 18) writes, Vietnam desires to 'seek and receive help from China, but also to resist undue Chinese influence or domination'; this desire led Vietnam to adopt a China policy known as 'struggling and competition' (Thayer, 2011). The 'struggling' strategy refers not only to Vietnam's continuing military preparation against China, but also wariness over the security implications of unguarded economic ties. This was best illustrated by former Deputy Foreign Minister Dinh Nho Liem in his statement given amid the dispute over the Spratly Island in 1994 'we should not give up Vietnam's sovereignty and sacred territory for the sake of improving relations, economic interests, and friendship' (Ninh, 1998, p. 457). This balancing strategy also reflects the post-*Doi Moi* Vietnamese society, where nationalism continued to percolate through the political elites' decision-making and to inspire an anti-Chinese sentiment so persistent that Womack (2004, pp. 359–363) characterizes as 'paranoia.' As Womack also observes, such 'paranoia' would remain no matter how much Vietnam adopts economic cooperation with China given the power asymmetry and ongoing territorial disputes between them. Yet, this nationalist sentiment should not be portrayed simply as a policy restriction because the Vietnamese state, like other authoritarian ones, is relatively autonomous in policymaking and has rather effective policy tools to control public opinions, or even utilize them to bolster the 'struggling' strategy against China (Bui, 2017).[2] But as the following sections show, the task of controlling a nationalist public becomes delicate, if not difficult, when public anti-Chinese sentiment intensifies. Regardless, on the whole, Vietnam is more likely to hedge against Chinese infrastructure financing offers along with the crests and troughs of their bilateral relations. As such, differences between Vietnam's economic hedging policies towards China and Japan challenge the notion of Vietnam as a pure economically pragmatic actor through exploiting these two powers' infrastructure financing competition. The following sections use a mix of qualitative and quantitative data to illustrate the effect of security consideration on Vietnam's infrastructure financial decisions between Japan and China and the evolution of its economic hedging behavior over the past three decades.

Three phases of Vietnam's economic hedging

The 1990s: economic hedging against China

The 1990s saw Vietnam began its opening to the world. During this period Vietnam became heavily dependent on Japan for its infrastructure development. The withdrawal of Soviet aid made solving its fiscal crisis a top priority for the CPV leadership and Japan became a prime target of opportunity in achieving this goal (Hiebert & Friedland, 1992). Soon after withdrawing from Cambodia, Hanoi settled debt problems from the pre-unification time with Tokyo, which in turn became the first government from the developed world to resume a full-scale foreign aid program with Vietnam.[3] Japan also helped Vietnam attract and coordinate with other donors through its stewardship role in the Consultation Meetings between Vietnam, and the World Bank (WB) and the ADB. Immediately after the Vietnam–Japan rapprochement, Japan became the dominant donor to Vietnam. This dynamic lasted throughout the 1990s, with Japanese aid accounting for approximately 40% of Vietnam's overall foreign aid income, of which the majority went to infrastructure development (Nguyen & Nguyen, 2010).

Tokyo's dominant position created some anxiety within Hanoi about becoming too dependent on Japan as Vietnam's primary donor. Much of this anxiety manifested itself in Vietnam's complaints about slow disbursement of Japanese aid and subsequent delay of infrastructure plans, the rising interest rates of Japanese foreign aid loans, price tags of Japan International Cooperation Agency (JICA) funded projects, and the required use of expensive Japanese contractors (Hirata, 1998; International Development Center of Japan, 2002). Still, what made Hanoi more anxious was Japan's sluggish post-bubble economic recovery and an anticipated reduction in Japanese foreign aid income. While Japan expanded its aid to financial-crisis hit Southeast Asian states in the late 1990s, this expansion also put additional fiscal strains on an already weak Japanese economy, creating uncertainty amongst countries dependent on Japanese aid income.

To prevent shocks from a potential contraction in Japan's foreign aid, Hanoi in the late 1990s began actively seeking new lenders and diversifying infrastructure financiers (Ohno, 2004). Hanoi targeted mainly western donors in this endeavor; its approach to Beijing as a new lender was modest at best. The lack of action was partly because Beijing's Good Neighbor and Going Out campaign just started, but more importantly it stemmed from Hanoi's commitment to economic hedging in its relations with Beijing. During the 1990s, Hanoi's main focus in its bilateral relations with China was on settling border disputes rather than economic engagement. As Le (2017, pp. 65–86) observes, it was not until Hanoi resolved some of its long-standing border conflicts that it decided to expand economic cooperation with China. For infrastructure development in particular, Hanoi's approach to cooperation with Beijing was minimal and incremental. The two sides started with negotiations that focused on trade barrier elimination, which then led to dozens of bilateral agreements facilitating investment, taxation, exports, and labor services (Le, 2017). Along with these agreements, they also signed preferential loan deals, although these were primarily for symbolic purposes and insignificant in dollar terms (Figure 1). Another indicator of Hanoi's economic hedging was the fact that in the mid-1990s when Beijing introduced the Good Neighbor policy, other Mekong Delta countries responded positively and immediately sought to work with Beijing on their domestic development plans. Vietnam, on the other hand, waited until its relations with China further stabilized before engaging in closer economic cooperation (Copper, 2016).

The 2000s: less hedging and more pragmatism

Since the 2000s, Vietnam began to more actively pursue economic pragmatism through diversification of its foreign infrastructure partners, including a China that was increasingly vying to be Asia's new infrastructure lender. Two factors contributed to this change. In 2000, the Japanese foreign aid budget plummeted and fell continuously to about two-thirds of late 1990s levels. Declining Japanese aid revenue, coupled with Hanoi's own budget problems, led to a dangerous drop in Vietnam's infrastructure investment, which at the worst point experienced negative growth (Nguyen & Dapice,

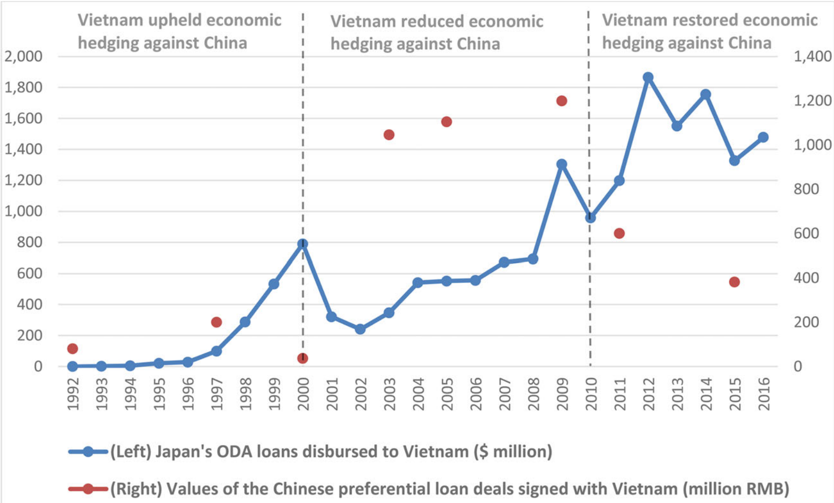

Figure 1. Japan and China's infrastructure financing competition and Vietnam's response over three time periods (1992–2016). Sources: Japan Ministry of Foreign Affairs (1993–2017); Vietnam Ministry of Finance (2016).

2009). More importantly, following delimitation of maritime boundaries in the Gulf of Tonkin, the Vietnam–China Joint Statement of Comprehensive Cooperation, and the China-ASEAN Declaration of Conduct of Parties in the South China Sea, Vietnam began to perceive Chinese infrastructure capital as less of a security risk. In 2003, Hanoi and Beijing signed their first major loan agreement followed by a second major agreement in 2005 (Figure 1). Hanoi was interested in Chinese loans which, while their interest rates were not as concessional as Japanese foreign aid loans, had no political strings attached and were cost-competitive because of the use of Chinese contractors (Le, 2017, pp. 65–86). Hanoi also enacted the Tendering Law to utilize more Chinese loans and contractors for its infrastructure development (Nguyen & Dapice, 2009). Vietnam–China bilateral relations continued to improve in 2008 when Hanoi and Beijing completed the demarcation of their land border and signed a Comprehensive Strategic Partnership. Alongside these political agreements, they also signed their largest loan deal – 1.2 billion Renminbi – that covered various projects, particularly in the thermal power sector, which was previously dominated by Japanese contractors (Table 1). With these deals, Vietnam by the end of the 2000s became a top customer for Chinese infrastructure contractors and exports of machinery and equipment in East Asia (Le 2017, pp. 65–86). Additionally, Vietnam joined other ASEAN countries at ASEAN-China summits in supporting the China-ASEAN Investment Cooperation Fund.

Table 1. China-financed infrastructure projects in Vietnam (2000–2016).

Year of announcement	China-financed projects	Chinese contribution ($ million)	Project status
2000	Ha Bac fertilizer and chemical factory	21.5	Operating
2002	Cao Ngan thermal power plant	85.5	Operating
2003	Northern Railway lines information signals	64	Unknown
2003	Lintong alumina plant	40.5	Operating
2004	Ca Mau fertilizer plant	250	Operating
2004	Dung Quat shipbuilding industry	99.8	Unknown
2005	Cat Linh-Ha Dong metro Line	419	Expected to operate in 2020
2005	Ha Bac fertilizer and chemical factory	32	Operating
2006	Cam Pha thermal power plant	225	Operating
2006	Trains from Vinh to Ho Chi Minh City	61	Unknown
2006	Joint thermal power project with Vietnam National Coal and Mineral Industries Group	147	Operating
2007	Tan Rai bauxite mining (Central Highland)	460	Operating
2009	Uong Bi Thermal Power Company	178.5	Operating
2010	Vinh Tan 2 thermal power plant	300	Operating
2010	Thang Long power plant	516	Operating
2012	Vinh Tan 1 power plant	1600	Financed through investment; operating
2011	Thanh Hoa steel plant	46	Unknown
2011	An Khanh thermal power plant	143	Operating
2011	Cheap Housing Project	1500	Unknown
2013	Highway Ha Noi – Lang Son	300	Jointly financed through ADB; expected to operate in 2019
2013	Vinh Tan 3 power plant	550	Jointed financed with a Japanese firm; expected to operate in 2019
2014	Hai Duong thermal power plant	280	Jointly financed with a Malaysian firm; expected to operate in 2019
2017	Long Thanh airport	1,500	Jointly financed with a local firm; contract not finalized

Sources: Chen (2017), Aid Data (2017), and Vu (2018).

In addition to improved bilateral relations, Hanoi also increased infrastructure collaboration with China because the amount of Chinese capital borrowed at this period was not enough for Hanoi to sense a dangerous degree of asymmetrical dependence. According to the Vietnam Ministry of Finance (2016), Chinese debt accounted for 0.67% of the country's government-backed external debt by the end of 2007. Other local sources collected for this paper (Table 1) also point to a similar conclusion that China's financial contribution to Vietnam's infrastructure development prior to the 2008 financial crisis was marginal. Nonetheless, throughout this period Hanoi still deployed subtle ways to reduce risks incurred from accepting Chinese loans. For example, Vietnam set up multiple tiers of joint committees on economic cooperation comprised of officials ranging from top party and vice-ministers to the heads of bordering provinces from both countries. These committees, as Le (2017, pp. 73–75) explains, were important for Vietnam to monitor cooperation with their Chinese counterparts and manage cooperative projects in the pipeline. In this sense, the committees were Hanoi's attempt to guard against and mitigate potential Chinese economic coercion. Hanoi also adapted a slow pace in negotiating key projects like the Central Highlands mining plant and the Hanoi Metro (Cat Linh line), which began in the mid and early 2000s but did not settle on contract terms until the end of the decade when Vietnam's economic growth began to slow. Hanoi also kept announcements of these contracts low-key to avoid a nationalist-inspired public opposition. Yet, such opposition eventually surfaced in 2009 as perceived social and environmental issues related to the Central Highlands mining project sparked protests at a scale rarely seen in Vietnam. Unsurprisingly, the protesters quickly pivoted from social and environmental issues to adopt rhetoric that reflected latent anti-Chinese sentiment and fear of Beijing's growing economic leverage.[4] However, given Vietnam's economic fragility at the time, Hanoi pressed ahead with the project while pledging to fulfill environmental requirements and restrict the use of Chinese migrant labor.

At the same time, although the early 2000s decline in Japanese foreign aid forced Vietnam to diversify its infrastructure partners, Hanoi had not taken actions to break with Japan. Rather, throughout the decade Hanoi diligently worked to regain Japanese development assistance while also expanding strategic relations with Tokyo. In 2004, Hanoi and Tokyo announced the joint statement toward a Higher Sphere of Enduring Partnership. Shortly after Prime Minister Shinzo Abe – known for his hawkish foreign policy and ambitions to position Japan's economic diplomacy as a rival to China's Good Neighbor policy – took office, Hanoi and Tokyo advanced bilateral relations with a joint statement towards the Strategic Partnership for Peace and Prosperity in Asia, which was eventually finalized in 2009. The same year, Hanoi proclaimed its support for the newly-built Japan–Mekong Partnership and became the first government in the Mekong Delta region to host a summit under this framework. At each of these events, Hanoi lobbied Tokyo to contribute to more and bigger infrastructure projects (see Table 2) in Vietnam.[5] While their infrastructure collaboration was not always smooth, deeper Vietnam–Japan relations were

Table 2. Major JICA-funded infrastructure projects in Vietnam (1994–2016).*Japan's ODA loans to Vietnam were denominated by Japanese Yens. The US dollars–Yens exchange rates from 1994 to 1996 fluctuated between 76.9 and 117.**The list here includes only JICA projects in transportation and power sectors. It does not include JICA projects in other categories or other infrastructure projects funded by Japan's private sector.

Years of approval and construction	Project names	JICA approved loan (million yen)
1994–6	National Highway No. 5 Improvement Project	18,722
1994–7	National Highway No. 1 Bridge Rehabilitation Project	35,853
1994–9	Phu My Thermal Power Plant	61,932
1994–2000	Hai Phong Port Rehabilitation	17,262
1995–9	Pha Lai Thermal Power Plant	72,096
1995–8	Ham Tuan – Da Mi Hydropower Project	51,611
1998–2000	National Highway No. 10 Improvement Project	30,461
1998–2000	National Highway No. 18 Improvement	23,451
1999–2000	Da Nang Port Improvement	10,690
1999–2004	Dai Ninh Hydropower Project	33,172
1999–2007	O Mon Thermal Power Plant And Mekong Delta Transmission Network	80,094
2002	Tan Son Nhat International Airport Terminal Construction	22,768
2000–10	Saigon East-West Highway	55,088
2005–10	New National Highway No. 3 and Regional Road Network Construction Project Section Hanoi – Thai Nguyen	28,953
2005–7	Ninh Binh II Thermal Power Plant Construction	33,854
2005	Cai Mep - Thi Vai International Port Construction	36,364
2007–11	Nghi Son Thermal Power Plant Construction	91,125
2008–10	Power Transmission And Distribution Network Development Project	10,906
2009–16	Thai Binh Thermal Power Plant and Transmission Lines Construction	121,984
2010–13	Noi Bai International Airport to Nhat Tan Bridge Connecting Road Construction	18,083
2010–13	Noi Bai International Airport Terminal 2 Construction	59,253
2011–16	Lach Huyen Port Infrastructure Construction	148,688
2013	Second Transport Sector Loan for National Road Network Improvement	24,771
2014	Da Nhim Hydropower Plant Expansion	7,517
2011–16	Lach Huyen Port Infrastructure Construction	148,688
2015	Second Power Transmission and Distribution Network Development	29,786

Sources: JICA loan ODA project data (2018).

effective in mitigating many issues. For example, Japan suspended its aid to Vietnam in 2008 and slashed the 2009 aid budget over Hanoi's slow response to a bribery scandal involving JICA contractors. Yet, the suspension was quickly reversed and after the two countries cemented their Strategic Partnership in 2009, an anti-corruption joint committee was created, which led to additional Japanese foreign aid flowing to Hanoi. Closer ties also reinvigorated Japan's foreign aid and infrastructure financing in Vietnam, which after its decline in 2000 rebounded in 2004 (see Figure 1).

The rebound in Vietnam was in contrast to the rest of East Asia during that year where Japanese foreign aid further declined. In the second half of the 2000s, Japan's foreign aid to Vietnam recovered significantly and in 2009 Vietnam became the top recipient of Japanese aid with Hanoi launching dozens of JICA backed megaprojects in various infrastructure sectors. In addition, Figure 1 shows that the rise of Japanese foreign aid loans to Vietnam during the 2000s coincided with the signing of Vietnam-China preferential loan agreements. In this sense, Vietnam took a pragmatic stance amid increasing Japan-China competition and was able to gain an increasing amount of infrastructure capital from both sides.

Nevertheless, challenges remained in Vietnam's infrastructure development as Hanoi continued to see uncertainties in its Japanese foreign aid income, and more importantly, Vietnam's crisis-hit economy struggled to find sufficient infrastructure capital. Given these circumstances, at the end of the 2000s Hanoi was more than ever in need of Chinese capital for its infrastructure development.

The 2010s: on a tightrope between economic pragmatism and hedging

Since the 2010s, Vietnam faced new challenges that not only tested its relations with China but also made Hanoi aware of its rising dependence on Chinese infrastructure capital and the importance to hedge against it. The shift was distinct as it also corresponded with the rise of anti-China nationalism and a growing perception within the Vietnamese public that their country was becoming overly reliant on the Chinese economy. This shift started with China's growing assertiveness in the South China Sea (SCS) as demonstrated in Beijing's efforts to limit discussion of the SCS dispute at the 2010 ASEAN Regional Forum in Hanoi. This was followed a year later by an incident where a Chinese ship cut the survey cables of a PetroVietnam vessel operating within China's nine-dashed line, but well south of the Chinese claimed Paracel Islands. This incident sparked weeks of public protests in Vietnam. Hanoi in turn publicly condemned Beijing and vigorously asserted its intention to defend the country's territorial integrity. Nonetheless, Hanoi faced a pressing issue at home, namely, a potential economic meltdown catalyzed by the near-bankruptcy of Vinashin, one of Vietnam's largest state-owned enterprises. Additionally, in 2011 Vietnam launched a new socio-economic development plan that required capital for a range of megaprojects to ensure continued economic growth. Considering the economic reality, Hanoi deprioritized and defused tension with Beijing through a series of high-level visits, which also corresponded with the signing of another preferential loan deal. Noticeably, the value of this agreement was far below those signed during the previous decade (Figure 1) even though Vietnam's new development plan required a larger sum of capital.

This subtle hedging move did not quell anxiety amongst the Vietnamese public over the potential for Chinese economic coercion, as incidents in the South China Sea frequently made it into the tightly controlled Vietnamese media, including the 2012 Scarborough Shoal standoff between China and the Philippines that contributed to a freeze on Philippine banana exports to China. More importantly, Vietnamese anxiety reflected their increasingly asymmetrical dependence on China in light of the sudden growth of China-backed infrastructure projects from the late 2000s to the early 2010s. After the cable-cutting incident, Hanoi commenced construction of several China-backed large-scale thermal power projects. In turn, Vietnam's imports from China– mostly machinery and equipment – rose to new heights in 2011–13, worsening Vietnam's trade deficit with its northern neighbor. Fears of security threats – both real and imagined – brought by Chinese trade and infrastructure financing were widespread during this period (VnExpress, 2012). Some of these fears stemmed from a hacking war that erupted following the 2011 cable cutting incident in which Chinese hackers launched a ferocious attack on Vietnamese websites, causing speculation of possible 'back doors' embedded in Chinese-made equipment installed in Vietnamese public infrastructure (Dat Viet News, 2014). In an attempt to suppress rising anti-Chinese sentiment, Hanoi stopped disclosing its bilateral government-backed debt to China and tightened censorship controls over material discussing China or Vietnam–China relations (Radio Free Asia, 2018).

Perceptions of a China threat amongst Vietnamese citizens peaked again in 2014 when a Chinese state-owned oil company moved an oil platform into an area south of the Paracel Islands that Vietnam claims as part of its exclusive economic zone (EEZ). The event, known as HD 981 incident, plunged Vietnam–China relations to their worst level since rapprochement and sparked violent riots across Vietnam. During the month-long standoff, Chinese lenders froze lines of credit to several projects in Vietnam for unspecified reasons, leaving a number of them in limbo or delayed, while at the same time Chinese hackers resumed attacks on Vietnamese websites (Bowring, 2014; Vietnam Net, 2016a. Perceived Chinese coercion during the standoff provoked a strong negative response in Vietnam. This time many political elites, along with the public, began to vocally oppose Chinese-built infrastructure for reasons ranging from national security concerns and poor quality to low positive spillover effects for the Vietnamese economy because of strict 'Chinese content' requirements (Doi Song Va Phap Luat, 2014). Criticism also extended to the Vietnamese government for allowing Beijing to flood Vietnam with Chinese-made products (NDH, 2016). But this criticism also indicates an emerging stance among the political elites, as illustrated by a rare report issued by the Vietnam Ministry of Planning and Investment (2014), titled *Vietnam's dependence of China*, highlighting China's dominance in the thermal power sector and recommending to diversify away from Chinese investment in the wake of the oil-rig standoff.

Hanoi and Beijing eventually resumed bilateral dialogues and their committee of economic cooperation, along with many stalled China-backed projects. Nonetheless, the oil-rig incident was a turning point in which Hanoi decisively pivoted to a position of economic hedging and began making decisions on infrastructure development plans with a renewed focus on their security implications. After the HD-981 incident, Hanoi made a surprise move by awarding Japan a major thermal power project that was long under negotiations with China. Hanoi later awarded more thermal power projects to contractors from Japan, amongst other countries. In one rare public rebuke broadcast on state-owned television news, Vietnamese Transport Minister Dinh La Thang threatened to breach a contract with a Chinese company building the Hanoi Metro Line 2 A over funding and construction delays, as well as a deadly incident that occurred during its construction (Tuoi Tre News, 2014). Thang also urged the use of Japanese companies to redesign Hanoi's entire urban rail system, a proposal that was eventually approved. It is noteworthy that all this happened at a time when Chinese President Xi Jinping made frequent trips to neighboring countries and showered them with pledged infrastructure funds in hopes of expanding Chinese business abroad and building a coalition for his BRI plan. For both its market potential and geographic location, Vietnam was important to President Xi. For the first time in a decade, Xi made a state visit to Vietnam in 2015 and in expressing Beijing's goodwill, announced another loan deal that included additional funding for the Hanoi Metro Line 2 A. Yet, the deal suffered considerable pushback in Vietnam, with the National Assembly vowing to investigate it for increasing the country's security threat (Voice of America News, 2015). As a result, much of the pledged loans and investment never materialized. In one high-profile rejection of Chinese capital, Vietnam declined Chinese financing for the Van Don–Mong Cai highway, which would have connected Ha Long Bay with the Chinese border and for many Vietnamese had security implications (Tuoi Tre News, 2016).[6] On the multilateral front, Vietnam joined other Southeast Asian leaders in endorsing the BRI and joined the AIIB as a founding member. Nevertheless, Hanoi has not sought AIIB funding nor promoted BRI-prioritized projects given the common perception amongst Vietnamese of the BRI 'doing more harm than good to Vietnam' (BBC News, 2017).

Obviously, economic pragmatism remains critical for Vietnam's development plans and Hanoi cannot be completely independent of Chinese economic influence, especially given Beijing's increasing foreign aid budget and Chinese contractors' cost competitiveness. Yet, facing mounting anti-China sentiment, Hanoi, while closely monitoring the related movement, decided to take more actions to pivot away from Chinese infrastructure capital, at least on the surface. This change can be seen in light of the recent Chinese-financed projects that were developed mostly under a joint venture/share acquisition structure in order to minimize Vietnam's indebtedness to China. As one Vietnamese policy consultant (Interview with an anonymous policy consultant from Vietnam, 2018, July 15, Washington, DC) explained, 'this [financing approach] was in part because the Vietnamese government had limited room under its self-imposed foreign debt ceiling … but it also makes it harder [for the public] to sense the scale of Chinese capital in Vietnam's infrastructure development.' Hanoi also adopted new laws in 2014 on construction and environmental protection, which were aimed at breaking the dominance of low-cost and low-quality Chinese contractors in the thermal power sector. To be sure, some of these measures were protectionist in nature or were taken to improve Vietnam's own capacity in infrastructure development in general. However, according to the policy consultant, it was increased desire within the Vietnamese leadership to steer away from China that hastened adoption of these policies. Such a desire also coincided with a growing consensus in Hanoi that the use of Chinese preferential loans and contractors was not as cost-effective as expected when considering costs in maintenance, environmental safeguards, and other indirect costs. In this sense, the pivoting back to economic hedging against China reflected the change at both the society and state levels.

It is also important to note that Hanoi was able to take more economic hedging actions against China because of increased access to Japanese infrastructure financing, which went hand in hand with the deepening of strategic relations between the two countries. After returning to power in 2012, Prime Minister Abe's call for a strategy-focused foreign policy and stronger foreign aid programs under the fiscal stimulus plan dubbed 'Abenomics,' relations with Vietnam became a top priority for Tokyo (Kato, 2016). Additionally, many Japanese investors at this time sought to move their assets out of China for political and economic reasons, including violent anti-Japanese protests amid territorial disputes over the Diaoyutai/Senkaku Islands, making Vietnam increasingly popular among Japanese investors (Iida, 2015). Hanoi, on the other hand, was also keen in seeking Japanese investments while deepening strategic ties with Tokyo as a part of its 'soft military balancing' strategy against China (Paul 2005). After the HD-981 incident and unveiling of the Japan's Partnership for Quality Infrastructure initiative, Hanoi and Tokyo elevated their relations into an extensive strategic partnership. Since then, infrastructure development has become a linchpin of their cooperation (Dang & Nguyen, 2009). As Hiroshi

Fukuda, Japan's ambassador to Vietnam stated, 'Japan recognized the growing voice within Hanoi to be more independent of China and desired to deepen its ties to Hanoi through infrastructure cooperation' (Wright & Obe, 2015). Efforts in forging these infrastructure ties were also telling on the part of Hanoi. As mentioned previously, Hanoi began directing major thermal power contracts from China to Japan. Hanoi also lobbied Tokyo to maintain the preferential terms of ODA loans for Vietnam despite its graduation to 'middle-income' status.[7] In addition, Hanoi took extra steps in improving its ODA governance, particularly regarding corruption, as illustrated by its speedy handling of the Vietnam Railway bribery case (Thanh Nien News, 2015). Hanoi also actively approached *keidanren* (Japan Business Federation) to form 'public–private partnerships' and invest in Vietnam's infrastructure projects (Vietnam News, 2017). The consolidated economic-security nexus in Vietnam-Japan relations was also important in heightening political will from both sides to overcome fiscal or business challenges in their collaboration, as illustrated by the high-profile North-South high-speed rail project that was recently revived by Hanoi and Tokyo.[8]

With these changes, Vietnam has become increasingly reliant on Japan for its infrastructure development but yet, it is relatively at ease of being asymmetrically dependent on Japan as compared to China. Since 2011, the annual average of Japanese ODA disbursement to Vietnam has more than doubled from the 2000s, reaching an all-time high of $3.3billion in 2014. The key contributor to these soaring numbers was the rise of big-ticket projects (see Table 2) in both the transportation and power sectors (Yoshimatsu, 2017a). In 2017, Japanese conglomerates moved ahead with several BOT megaprojects, making Japan Vietnam's top foreign investor, accounting for one fourth of its total foreign direct investment (FDI) that year (Tomiyama, 2017). In addition, since the 'Quality Infrastructure' initiative launched, the Japan-dominated ADB has doubled down on infrastructure lending to Vietnam (Fischler, 2017). From 2011 to 2016, Vietnam owed a total of $36.6 billion in government-backed external debt, within which $10.73 and $6.66 billion were owed respectively to Japan and the ADB.[9] In 2016, Japan's foreign aid to Vietnam accounted for approximately 40 percent of its overall foreign aid income, similar to the level in 1999. While the amount of Vietnam's government-backed Chinese debt is classified as state secrets and unavailable to researchers, we estimate it, based on projects confirmed by multiple Vietnamese and international sources, to be in the range of $2–4 billion (see Table 1). In terms of FDI, in 2017 China – excluding Hong Kong – was Vietnam's fourth largest investor (mainly in infrastructure-related sectors), yet Chinese FDI in Vietnam was still only about one fifth of Japanese investment. Other studies (Stallings & Kim, 2017) also confirm that Japan's infrastructure financing contribution to Vietnam is far greater than China's. This discrepancy was not a surprise in light of the fact that Japan's favorability rating amongst Vietnamese is amongst the highest in East Asia (Pew Research Center, 2014).

Still, pragmatic Hanoi is cognizant of its reliance on Tokyo and the need to diversify its sources of infrastructure financing. In recent years, Vietnam has actively courted governments and business actors of other countries, particularly South Korea, to take part in Vietnam's infrastructure development. As Former Deputy Prime Minister and Trade Minister Vu Khoan explained, the key is to seek as many partners as possible so that the Vietnamese economy is integrated with other economies and vice versa. The state of interdependence helps interlock interests of many parties and protect Vietnam from being subject to interruption (Do, 2014, p. 7).

Conclusions

This paper has both theoretical and empirical implications for research on IRs. Most studies on this subject reflect the current state of IR scholarship, i.e. security studies and international political economy have become distinct fields that hold separate assumptions – namely, realism and liberalism – in explaining how states behave in different policy arenas. Yet, as Mastanduno (1998) notes, while economic and security issues are highly connected, the relationship between them has been a 'neglected area of study' in IR scholarship. We argue in this paper that this neglect also affects the scholarship on strategic hedging. While hedging literature recognizes the merits of both realism and liberalism and the fact that East Asian states live in security as well as economic worlds, it emphasizes the need for those states to adopt a mixed strategy in the face of a rising China. In response, this paper aims to further enmesh these two issue areas and bring security back in foreign economic policy analysis. The case study of how Vietnam has responded to Japanese and Chinese lending offers over the past three decades has shown that security and economics are intertwined in Hanoi's policymaking process and the Vietnamese state does not make decisions simply to maximizing economic gains. Rather, its decisions are a complex risk-return calculation based on an assessment of the security relations with both powers, and in the case of China, Hanoi's desire to reduce its sensitivity and vulnerability to Chinese economic influence. In this sense, in conceptualizing East Asian states' strategic hedging on economic issues, one needs to address return maximization as much as risk minimization vis-à-vis their relations with the great power. While this paper does not intend to refute market and other practical factors in East Asian states' infrastructure financing decisions, it sheds light on how such decisions are made in the broader, state-level policy context.

It is true that economic pragmatism has worked for post-*Doi Moi* Vietnam, which has not only achieved impressive economic and infrastructure development but also sent the country on a path to becoming East Asia's next economic tiger. According to a recent study (Yap & Nguyen, 2017), Vietnam remains the largest infrastructure investor in the region in terms of the infrastructure spending-to-GDP ratio – only second to China – and therefore, to carry out this development plan, it is unlikely that Vietnam would make a full-fledged hedging move against infrastructure collaboration with China. However, as this paper shows, the Vietnamese government must respond to a society that, driven by ongoing territorial issues as well as zeal of nationalism, is increasingly questioning the normative and substantial value of economic pragmatism, which in the public's view, has eroded their country's autonomy and made it more vulnerable to security threats from its longstanding rival. In this sense, the extent of economic hedging on the part of East Asian states may reflect their domestic political climate and the political elites' balancing act between achieving economic and security goals. In the case of Vietnam, the task of maintaining such a balance becomes increasingly delicate in light of strong anti-Chinese sentiment within the Vietnamese society, demonstrated vividly by massive protests last year that forced Hanoi to delay opening of special economic zones that were seen to widen market access particularly for Chinese investors. In other words, Vietnam's domestic political climate is an important factor that Hanoi pivots back to a more realist approach to its infrastructure investment decisions in order to ensure its political legitimacy. While its relations with China will consistently face these domestic headwinds, it is clear that Hanoi will continue to make all efforts in forging its relations with Tokyo, both at the strategic and infrastructure levels. After all, friendships are most enduring when they share a common foe.

Notes

1. It should be noted that China, unlike western countries, wields economic sanctions like a scalpel- they are small scale and targeted at a specific influencer. For more discussion, see Poh (2017).
2. For more discussions on the effect of nationalism on authoritarian regimes' foreign policy, see Chen (2014).
3. Sweden was the only western country maintaining the donor-recipient relation with Vietnam after the Cambodia issue.
4. Vietnamese revolutionary war hero General Vo Nguyen Giap further catalyzed this deep-seated suspicion of China when he opposed the project in a public letter. For the translation of the letter, see Bauxite Vietnam (2009).
5. For the transcripts of these meetings, see the website of Ministry of Foreign Affairs of Japan, "Japan–Viet Nam Relations." Last update on May 31, 2018.
6. Vietnam eventually decided to finance the construction on its own. For more information, see Vietnam Net (2016b).

7. Since 2014, multilateral donors began to phase out ODA loans to Vietnam given its graduation from the group of the 'lowest income' countries, a practice that Japan has not followed. See Customs News (2018).
8. The JICA-funded project was proposed in 2009 but shot down by Vietnam's National Assembly a year later for its estimated cost of $56 billion, which was near half of Vietnam's gross domestic product (GDP) at the time. For more discussion, see Steinglass (2010) and Onishi (2019).
9. During this period, Vietnam's largest foreign debtor was the World Bank, accounting for $12.2 billion.

   See Vietnam Net (2017).

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