The Belt and Road Initiative (BRI): Opportunities and Risks from Vietnamese Perspective

Long Duc Bao NGUYEN¹, Tracy Trang LY², Doan Cong TRAN³, Ai Van TRAN⁴, An Quoc LE⁵, Alan HUDSON⁶

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Abstract

The goal of this research is to look at the Belt and Road Initiative’s (BRI) goals, principles, and priorities, as well as criticisms and concerns. Another goal is to determine the Vietnamese government’s best response to the BRI. Finally, the study looks at the Vietnamese viewpoint. Document review is used in conjunction with PESTELED analysis and EIU country risk model technique in this study. The study is focused on in-depth interviews with 38 top government leaders, researchers, and scholars by adopting the Delphi technique to determine major factors of risks and opportunities as well as obtain a clearer view on the Vietnamese perspective of the BRI. The main conclusion is that Vietnam’s participation in the BRI could result in a variety of benefits and risks, including economic development, connectivity and integration, development finance, cooperation, coordination, trade facilitation, and people-to-people communication, as well as diplomatic and political risks, financial risks, environmental challenges, and job creation. Another conclusion is suggested that careful and case-by-case negotiation with China is needed for Vietnam to exploit the future benefits of BRI. There is a need to set up the strategy to mitigate the risk impacts, reduce the risk level, avoid risk, at last turn the risk into opportunities.

Keywords: Belt and Road Initiative, PESTELED, Country Risk Model

JEL Classification Code: F5, H77, J18, O19, R11

1. Introduction

Motivated by the old Silk Road, China’s “Belt and Road Initiative” is a massive economic connectivity strategy that stimulates collaboration among countries and regions, not just in economic terms but also in social and cultural terms. The project has been dubbed “China’s most astonishing foreign policy” and “the most important foreign policy” by President Xi Jinping to date. He will be able to identify a proactive international policy through this program, liberating himself from former leader Deng Xiaoping’s foreign policy of “hiding and waiting for opportunities” and “avoiding becoming the pioneer.”

The “Belt and Road Initiative” launched by Xi in 2013, aims to connect nearly 70 economies through road networks, railways, bridges, fuel lines, and ports. This “Initiative” is 12 times larger than the Marshall Plan launched by the United States after World War II to rebuild Western Europe and requires the real involvement of all countries concerned.
According to Beijing’s statement, the “Belt and Road Initiative’s” development model is to encourage economic development in developing nations that participate in the initiative by prioritizing infrastructure development in other countries, so that China and these countries benefit jointly. The outside world, on the other hand, is continually expressing suspicions, primarily about the “Belt and Road Initiative” as a railway delivering Chinese commodities and labour to other nations, but with very few benefits to the countries involved (Graceffo, 2017; Hayy et al., 2021).

Being a tier in the Belt with an important economic and geopolitical role, a part of this route in the Southeast Asia region will pass through Jakarta, Kuala Lumpur, back to Hanoi, and then connect to the regions of China, with the destination being Shanghai Port, Vietnam is at a critical juncture to decide its participation in the Initiative. To date, there have been 18 projects of BRI installed in 7 areas of Vietnam including cross-border economic zone, Renminbi (RMB) usage in border trade, train linkage, railway linkage, bank, loans, and power plant which raises a great deal of criticism and concerns. Whether Vietnam should participate in the Initiative and how it should participate in the Initiative are questions discussed widely among the Vietnamese Government and scholars.

As a result, this study dissects and examines the Belt and Road Initiative from the perspective of Vietnam to assess if the benefits of participation in the Initiative exceed the hazards. The study began with a review of related studies on the Belt and Road Initiative to determine the main benefits and drawbacks that a country must consider before participating in the initiative, followed by 38 in-depth interviews with top Vietnamese government leaders, institutions, and organizations, as well as Vietnamese scholars, conducted using the Delphi technique.

The purpose of the in-depth interview was to reaffirm the conclusions of the literature review as well as to elaborate on the Vietnamese perspective on the Belt and Road Initiative. Finally, PESTELED analysis and risk analysis were used to determine the BRI’s primary dangers and opportunities. To find out the outcomes, the Economist Intelligence Unit (EIU) Methodology was used in conjunction with the Country Risk Model and the Operational Risk Model to construct a framework of structure and measurement between quantitative and qualitative aspects. The study’s main materials include a wide range of publicly available papers, including central bank disclosures, national statistics sources, and publications issued by international organizations.

Consisting of four sections, this paper demonstrates that in terms of economic development and connectivity, Vietnam may achieve tangible benefits. Therefore, on comparing the opportunities and risks, the participation of Vietnam should be based on firm negotiation.

2. BRI Objectives, Principles, and Priorities

China’s intention is apparent right now, as indicated by an annual influx of almost USD 150 billion into related projects in 68 nations participating in this massive endeavor. According to (Gong, 2017), nations involved in the “Belt and Road Initiative” cover around 65 percent of the world’s population, one-third of global GDP, and one-fourth of global commodities and services. Many of them are in severe need of finance and jobs, which China’s financial strength is projected to partially meet.

China has made it clear that the “Belt and Road Initiative” is open to all countries and aims to improve infrastructure along the route while also helping local people. The Chinese government also stated that “never force any country to participate in the Belt and Road Initiative if the country is too cynical and anxious,” and that this initiative is highly pragmatic and economically oriented, similar to those that have been implemented successfully in Africa and Latin America.

BRI countries will focus on building six economic corridors, including the new Europe – Asia Bridge, China – Mongolia – Russia Economic Corridor, China – West Asia Economic Corridor, China – Indochina Peninsula Economic Corridor, China – Pakistan Economic Corridor, and Bangladesh – China – India – Myanmar Corridor.

The project is planned to connect China with emerging markets with great growth potential, in addition to the large number of nations covered (Gong, 2017). On March 28, 2015, at the Boao Forum for Asia, Chinese leaders predicted that if the BRI was fully operational, the value of commerce between China and other countries might reach USD 2.5 trillion in a decade (Casarini, 2016). In terms of commerce, investment, and infrastructure development, this project is expected to have a substantial impact on the regional economic structure.

This project, according to China, is focused on achieving basic objectives. First and foremost, the program is meant to promote Asian regional collaboration. The 21st Century Silk Road could provide assistance for sub-sectors, build and improve Asian supply chains, industries, and values, and promote European-Asian collaboration to a higher level by connecting Central Asia, South Asia, Southeast Asia, and West Asia. Second, the Belt and Road Initiative aims to promote a wide range of economic, cultural, and people-to-people contacts. Finally, the “Belt and Road Initiative” wants to benefit local people through its cooperation. According to the National Development and Reform Committee of China, the center of this initiative includes understanding each other’s policies, connecting infrastructure, smoothing trade flows, facilitating currency conversion, and the exchange of people (Gong, 2019).
With these objectives, the BRI seems to have very clear principles and priorities. The “Belt and Road Initiative” is portrayed as a great project with many striking features: purely economic and commercial motivations with no political or military implications; no leading country; China is the initiator and desires to implement greater responsibility; no deadline; no unification, no tax coalition, no processing zone; no exclusion of existing bilateral and multilateral relations; mutual benefits and win-win principle (Himaz, 2021).

China expects that the project will promote exchanges and link development strategies of countries along the roads; exploit the potential in the regional market; promote investment and consumption; create jobs, promote cultural exchanges and mutual understanding among nations. At the same time, mutual trust between people of countries and general welfare could be improved (Wong, 2017).

China will propose discussions, promote cooperation, lower transaction and information costs for partners, and provide financial and trade opportunities during the implementation of the Initiative. With its European–Asian integration efforts, China hopes to foster consensual cooperation (Kireeva et al., 2019). The “Belt and Road Initiative” calls for foreign efforts to be coordinated, commercial facilities to be standardized and linked, free trade zones and other trade facilitation policies to be implemented, financial integration to promote the yuan, and cultural and educational programs to be implemented in all Asian countries (Wong, 2017).

3. Criticism and Concerns

The apparent benefits to China from these projects include the export of excess heavy-industry capacity, particularly cement and steel, antiquated technologies, and manual labour. This will assist China in making money to support Xi Jinping’s economic reform agenda as well as earn a global reputation. Implementation of the BRI also allows China to compete with the United States, which is now preoccupied with domestic issues. Some analysts believe that the geopolitical aim of resurrecting the ancient power in the international arena and making China “great” once more is possible (Indeo, 2018).

However, this project faces a number of criticisms on a global scale. Many have claimed that this is a Marshall Plan in the Chinese form. Chinese leaders, on the other hand, denied this connection, stating that China is attempting to connect Asia and Europe rather than divide them and that the country is focused on economic expansion rather than political power. Chinese academics, such as Professor Shi Ze of the China International Studies Institute, have defended the initiative against Western criticism, claiming that China has adhered to three principles: no interference in another country’s internal affairs; no concern for so-called “global influence” or dominance achieved through the BRI (Crompton & Wu, 2005).

Others question the project’s ability to succeed, citing its ambitious goals and scope. According to Syed Munir Khasru of the Nikkei Asian Review, the Silk Road Foundation and the Asian Infrastructure Investment Bank (AIIB), both of which have a total capital of around USD 240 billion, are the two largest financial institutions financing the BRI (Syed, 2017). Other analysts, on the other hand, predict that the real financial cost of fully implementing the “Belt and Road Initiative” over the next 15 years will be around USD 6 trillion. Hence, it is unlikely that China alone could accomplish this monumental goal and therefore it is imperative for China to attract Western private investors. Whereas investors perceived infrastructure projects under the “Belt and Road Initiative” risky as they are often located in economically and politically unstable areas with prolonged project duration (Syed, 2017).

Most involved nations have expressed their responses to the initiative, both openly and implicitly. For participating countries, benefits of the BRI are yet to be seen but the risk of becoming a landfill of outdated technologies, losing jobs in the homeland, or becoming debtors and a series of other consequences are foreseeable. Moreover, several “targeted” countries of the “Belt and Road Initiative” project are having territorial issues as well as other disputes with China. Some other countries are allies of the United States and do not want to be affiliated with China’s influence. Many European economies are concerned that if they participate in the scheme, their markets will be flooded with Chinese goods (Skala-Kuhmann, 2019). Russia is anxious about losing Central Asian influence (due to Chinese penetration). However, because of its current financial limitations and the fact that it is vulnerable to Western sanctions as a result of the conflict in Ukraine, Russia is essentially compromising with China’s proposal. The presence of Western leaders at the “Belt and Road Initiative” High-Level Forum in Beijing in May 2017 was insignificant, and US President Trump did not attend. Merkel, the German Chancellor, personally denied the invitation.

Only one G7 country’s representative, Italian Prime Minister Paolo Gentiloni, attended the gathering; however, after Gentiloni’s resignation, the validity of the Italian perspective should be reconsidered. Germany’s Economy Minister indicated that until China provides guarantees on free trade, environmental protection, and working standards, Germany and the other EU countries will not sign a joint trade declaration at the “Belt and Road Initiative Forum” (BRI Forum).

India sat out the BRI forum entirely, signaling that the government opposes the plan on its own, regardless of what
Russia and the United States, two of India’s main partners, have to say. At the same time, other nations who sent representatives to the BRI summit, such as Japan, Vietnam, and Myanmar, have expressed reservations about Beijing’s initiative and objectives (Kamdar, 2019).

These countries’ lukewarm reception to the BRI can be attributed to national security concerns, economic risks, and sovereignty violations. By joining the BRI, the countries participating may find themselves in a similar situation to Sri Lanka, which is experiencing a debt issue in relation to China. India, on the other hand, has attempted to counter China’s unilateral infrastructure effort by involving countries such as Japan in multilateral initiatives.

The primary strategic outreach of India-Japan infrastructure initiatives in this direction goes from Asia-Pacific to Africa. Along the Thailand-Myanmar border, Japan is expected to join India in expanding Iran’s Chabahar port, Sri Lanka’s Trincomalee port, and the Dawei port. The goal of the meeting is to fight Chinese plans for BRI’s international connection, which have enraged countries like India and Japan (Chaudhury, 2017).

Both Japan and the US have declined to join the Asian Infrastructure Investment Bank (AIIB). In response to China’s moves, Japan has also committed (in 2015) to spend USD 110 billion on infrastructure projects in Asia over the next five years to win influence among those countries.

Vietnamese President Tran Dai Quang gave a formal response to the plan in a speech at the summit in May 2017, in which he advocated for the BRI, as well as measures to improve economic and regional connectivity, and recommended many principles for its implementation. To be more specific, Vietnam and China’s BRI collaboration “must ensure sustainability, effectiveness, and inclusiveness, and be based on the principles of consensus, equality, voluntariness, transparency, openness, mutual respect and benefits, and compliance with the UN Charter and international law.”

Vietnamese scholars and officials are, however, remain skeptical about various aspects of the initiative. According to Nguyen Xuan Cuong, head of the China Research Institute at the Vietnam Academy of Social Sciences, “Trust is a very important issue as the public still does not fully understand the cooperation between Vietnam and China in the Belt and Road Initiative (BRI)”. He also mentioned that the project might generate concerns about people’s confidence because of its course via the South China Sea. Because the South China Sea, also known as the East Sea in Vietnam, is an important part of the country’s security and symbolizes sovereignty, the issues that have lately erupted between Vietnam and China in these seas should be resolved. Other countries’ criticism of the BRI concept, on the other hand, may originate from a fear of being indebted to China.

Another government top leader is also concerned that: “BRI would be the great project and benefit to many countries if Beijing talks and does the same thing”.

4. Vietnamese Perspective

Given Vietnam’s geographic location and existing relationship with China, the country is at a key juncture in terms of reacting to the Initiative as an active participant. There have been a variety of viewpoints on the Initiative and its implications for Vietnam (Nguyen et al., 2020). The Vietnamese government applauds the Initiative for its excellent effects on connection, education, and cultural exchange. However, the way Vietnam approaches or engage in the Initiative will be considered carefully as underlining risks have not been fully projected. Furthermore, researchers in Vietnam have given direct opinions on the program, both in terms of benefits and drawbacks. In addition, the risks, and opportunities that Vietnam may have to face when participating in the BRI will be explored through PESTELED and Risks Analysis.

5. Opportunities versus Risks

Security – border – naval challenge, Corruption, Financial risks, Taking resources & Exporting low-quality items, and Immigration are among the highlighted dangers. It is necessary to develop a strategy to minimize risk consequences, lower risk levels, prevent risk, and, finally, turn risk into opportunity.

6. PESTELED Analysis

PESTELED analysis was utilized to provide a holistic perspective on BRI under the scope of this study. Political, Economic, Social, Technological, Environmental, Legal, Ethical, and Demographic aspects are all taken into account in this research. The PESTELED study allows for the detection of external forces that may have an impact on a country’s development plan. Furthermore, the influence of such elements can be evaluated. Each of the factors should be explained in a holistic viewpoint via the elements/characteristics that are selected on the next phase overall evaluation, based on the literature review stated in the preceding sections.

7. Vietnam Risk Analysis

BRI’s opportunities are unavoidably accompanied by risks. The country’s danger could be caused by a variety of factors, including political, sociocultural, economic, and subjective factors. A more precise framework for evaluating
Country risk for Vietnam in the case of BRI participation could include 10 risks as follows (Table 1): Infrastructure, Security, Political stability, Government effectiveness, Legal and regulatory, Macroeconomic, Foreign trade and payment, Finance, Tax policy, and Labour market. These subjects were qualitatively and quantitatively analyzed in detail using the following guidelines.

Drawing from EIU methodology, multiple measurements among quantitative versus qualitative factors to find out the risk of Vietnam. Table 2 illustrates risk categories and their corresponding components.

According to EIU methodology, the probability of risk occurrence and risk impact is designed as follows (Table 3).

In Table 3, the colours on the impact probability matrix represent the urgency of risk response planning and determine reporting levels.

On a scale of 0 to 100, each of the ten categories was rated, with 0 indicating extremely low risk and 100 indicating very high danger. We looked at a variety of indications for each of these parameters, and ten of them were rated on a scale of 0 to 100, with 0 suggesting extremely little risk and 100 indicating very high danger. Each of the 66 indicators in the primary criterion is rated on a scale of 0 (very low risk) to 4 (very high risk). In the standard scores, each indicator is given the same weight within its category, and the overall assessment is a simple average of the 10 categories’ values.

The majority of indicators were qualitative due to the forward-looking nature of risk categories. However, approximately half of the indicators’ responses may be extrapolated from national and international statistical sources. Analysts were carefully advised on each indication so that they could examine the scoring for other countries correctly administered by the in-depth interview under the supervision of government authorities, to further improve qualitative judgments and assure comparability. The Delphi Technique was employed in this study to identify risk factor elements (Figure 1). The interview was open to a total of 38 participants. Governmental entities and departments, research institutes, and professional organizations were all participating in the investigation.

Table 1: Overall Evaluation

<table>
<thead>
<tr>
<th>Security Risk</th>
<th>Political Stability Risk</th>
<th>Government Effectiveness Risk</th>
<th>Legal &amp; Regulatory Risk</th>
<th>Macroeconomic Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armed conflict</td>
<td>Social unrest</td>
<td>Policy formulation</td>
<td>Fairness of judicial process</td>
<td>Exchange-rate volatility</td>
</tr>
<tr>
<td>Sea</td>
<td>Orderly transfers</td>
<td>Quality of bureaucracy</td>
<td>Enforceability of contracts</td>
<td>Recession risk</td>
</tr>
<tr>
<td>Border</td>
<td>Opposition stance</td>
<td>Excessive bureaucracy/ red tape</td>
<td>The speediness of the judicial process</td>
<td>Price instability</td>
</tr>
<tr>
<td>Terrorism</td>
<td>Prospects and challenges on China’s BRI: a risk assessment report</td>
<td>Vested interests/ cronyism</td>
<td>Discrimination against foreign companies</td>
<td>Crowding out</td>
</tr>
<tr>
<td>Violent demonstrations</td>
<td>Excessive executive authority</td>
<td>Corruption</td>
<td>Confiscation/ expropriation</td>
<td>Interest-rate volatility</td>
</tr>
<tr>
<td>Hostility to foreigners/ private property</td>
<td>International tensions</td>
<td>Accountability of public officials</td>
<td>Unfair competitive practices</td>
<td></td>
</tr>
<tr>
<td>Violent crime</td>
<td>Human rights</td>
<td>Protection of intellectual property rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organized crime</td>
<td></td>
<td>Protection of private property</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kidnapping/extortion</td>
<td></td>
<td>The integrity of accounting practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Price controls</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A quantitative analysis consists of evaluating the magnitude of the risk category identified above. The above-mentioned experts were asked to score the risk on two dimensions probability and impact. Table 4 demonstrates the key findings:

With the above-mentioned impacts and rating, we can draw the graph as follow (Figure 2).

Within the ten risk factors analyzed:

Security, political stability, and legal and regulatory considerations were all classed as Very High-risk categories. Infrastructure, government efficacy, macroeconomics, and the labour market are the four high-risk factors. These findings urge the creation of a risk response plan to deal with potential political and economic roadblocks that may occur as a result of BRI participation.

Infrastructure Factor, which is classified as a high-risk factor, refers to the risks associated with overbudget and overdue projects involving Chinese investors. The railway project between Cat Linh and Ha Dong in Hanoi is a good example of this. The project, which stretches 13 kilometers and connects Cat Linh Street in Hanoi’s downtown to Yen Nghia bus station in Ha Dong district, was scheduled to be completed between November 2008 and November 2013, with a total investment of more than $552 million (including government funding combined with Chinese ODA loans). The project did not begin until October 2011 as a result of repeated cost modifications that increased the overall investment to about USD 868 million (more than VND 18,000 billion). The railway just reached the testing stage in September 2018 due to the lack of completed depots.
and stations. Despite this, there are a number of noteworthy changes that have been mentioned by some respondents. Dr. Tran Viet Thai, a researcher from the Diplomatic Academy of Vietnam – Ministry of Foreign Affairs (MOFA), and other 28 respondents, for example, agreed that connectivity of port facilities, retail and distribution networks, telephone and information technology networks, and road, power, and rail networks are all important. Macroeconomic risk had a moderate impact, resulting in a score of 45. Exchange-rate volatility, recession risk, and price instability are all risks

Table 4: Risk Category and Impact Rate

<table>
<thead>
<tr>
<th>No.</th>
<th>Risk</th>
<th>Type Risk</th>
<th>Opportunity</th>
<th>Impact Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Infrastructure</td>
<td>Overprice projects, overtime projects</td>
<td>Connectivity: Port facilities, Retail and distribution network, Telephone &amp; IT network, Road - Power - Rail network</td>
<td>50</td>
</tr>
<tr>
<td>2</td>
<td>Security</td>
<td>Naval under name of the guard for ship, Violent demonstrations</td>
<td></td>
<td>89</td>
</tr>
<tr>
<td>3</td>
<td>Political stability</td>
<td>War, Prospects, and challenges on China’s BRI with risk assessment report from US, Japan, India, Vietnam…</td>
<td></td>
<td>82</td>
</tr>
<tr>
<td>4</td>
<td>Government effectiveness</td>
<td>Corruption, Policy formulation</td>
<td></td>
<td>57</td>
</tr>
<tr>
<td>5</td>
<td>Legal and regulatory</td>
<td>Unfair competitive practices, Price controls, Discrimination between Chinese companies and others, Enforceability of contracts</td>
<td></td>
<td>70</td>
</tr>
<tr>
<td>6</td>
<td>Macroeconomic</td>
<td>Exchange-rate volatility, Recession risk, Price instability</td>
<td>Trade connectivity</td>
<td>45</td>
</tr>
<tr>
<td>7</td>
<td>Foreign trade and payment</td>
<td>Trade embargo risk, Financial crisis, Discriminatory tariffs</td>
<td>Trade connectivity</td>
<td>43</td>
</tr>
<tr>
<td>8</td>
<td>Financial</td>
<td>Access to local markets, Marketable debt</td>
<td>Trade connectivity</td>
<td>29</td>
</tr>
<tr>
<td>9</td>
<td>Tax policy</td>
<td>Level of corporate taxation</td>
<td>Trade connectivity</td>
<td>25</td>
</tr>
<tr>
<td>10</td>
<td>Labour market</td>
<td>Unskill Chinese move to Chinese overseas projects, Meritocratic remuneration, Labour strikes</td>
<td>People-to-people exchange, Talent rotation</td>
<td>50</td>
</tr>
</tbody>
</table>
in this category. Similarly, the aspect of Foreign trade and payment, which has an impact rate of 43, shares the similar possibility of Trade connection while also indicating the risks of Marketable debt and Access to local markets. The two factors have already been defined by Vietnam’s trade stance with China and the Chinese currency’s developing, sector-specific, and state-supported role in the Vietnamese economy.

To be more exact, Vietnam has surpassed Malaysia as China’s most important trading partner in Southeast Asia. According to reports, bilateral commerce between Vietnam and China reached over US$66 billion in the first half of 2018, resulting in a monthly flow of more than US$10 billion, which is a new high. The importance of Chinese currency, on the other hand, is also emphasized. Other currencies, such as the US dollar, the Japanese yen, the euro, and the Renminbi (RMB), have been accepted for payment at the Vietnam-China border areas from October 2018. In August 2018, the Vietnamese central bank, along with commercial banks and duty-free products trading groups, legally legalized the payment of Chinese RMB in the Vietnam-China border gate economic zone. This creates a framework for payment and foreign exchange activity, as well as facilitating cooperation and cross-border trade between four cross-border economic cooperation zones: Lao Cai – Honghe (Lao Cai province), Tra Linh – Longbang (Cao Bang province), Dong Dang – Pingxiang (Lang Son province), and Mong Cai – Dongxing (Mong Cai province) (Quang Ninh province).

Finance and tax policy factors have an impact rate of 29 and 25, respectively, indicating modest risk. Dr. Tran Duc Anh of the Ministry of Finance’s Department of Investment, on the other hand, noted the link between risks of access to local markets, marketable debt, and corporate taxation levels. Furthermore, according to Dr. Pham Sy Thanh of the Vietnam Institute for Economic and Policy Research (VEPR) – VEPR Chinese Economic Studies Program, people-to-people interchange, and talent rotation are predictable advantages in the area of the labour market (VCES).

8. Opportunities

Through our analysis, three main opportunities for Vietnam could be highlighted as part of BRI participation.

The first opportunity, economic development, has always been a critical component of any economic endeavor and has been accomplished on its own merits based on national interests. Vietnam has aggressively proposed bilateral economic cooperation with China in numerous initiatives such as “two corridors, one belt” before the “Belt and Road Initiative” was presented. At the same time, Vietnam is also actively working with ASEAN countries to implement regional cooperation frameworks with Japan and China such as the Greater Mekong Subregion (GMS) Cooperation, One Axis, Two Wings Cooperation, and Mekong - Lan Thuong Cooperation. The positive response to the “Belt and Road Initiative”, expressed by the signing of the memorandum of understanding on the cooperation under the framework of this initiative, reflects the active choice of Vietnam. However, whether Vietnam participates in the initiative is likely to be contingent on carefully considered principles and priorities.

In terms of benefits, Vietnam could have access to infrastructure development and transport, affording opportunities for integration, trade, and investment with countries in Southeast Asia, expediting potential tourism development between Vietnam and China, as well as maintaining the advantage of being a bridge for commercial and trading between different regions in Asia. The second opportunity, connectivity, and integration stem from one of the primary aims of BRI, which is the promotion of intercontinental and multi-dimensional connectivity of participating countries. To be specific, it is expected that BRI projects could coordinate development strategies along the belt, exploit untapped markets and workforce in BRI areas and facilitate cultural cross-border interactions. In addition, the location of Vietnam in BRI also aligns with that of the “One Axis, Two Wings” cooperation. Of which, Vietnam lies on the left wing which is devoted to the promotion of agriculture, trade, and investment, with other participants from Laos, Cambodia, Myanmar, Thailand, along with Guangxi, Yunnan province of China. This suggests that Vietnam could greatly benefit from connectivity and integration.

Borrowing from the Asian Infrastructure Investment Bank could help Vietnam address parts of shortfalls in funding for transportation and energy infrastructure projects. According to calculations by the Asian Development Bank (ADB) in 2012, each year Vietnam needs about USD 10.4 billion invested in infrastructure, of which 53% is for new construction. The need for funding for transport infrastructure projects overseen by the Ministry of Transport is expected to be around USD 40–45 billion between 2016 and 2020. At the same time, the state budget and state-originated funds – such as government bonds and ODA – can only satisfy around 28% of financial need, while the state budget can only fulfill 7% of the demand if calculated using the rules for public investment planning for the period 2016–2020. In the context that loans from the World Bank (WB) and ADB can fulfill only a part of Vietnam’s investment needs, the AIIB could contribute significantly to this need.

9. Risks

9.1. Diplomatic and Political Risks

China’s “soft power” is exemplified through the “One Belt, One Road” plan. The program aims to build “One Axis,
Two Wings’, combining the Silk Road Economic Belt with the 21st Century Maritime Silk Road and shifting economic strength and connection to other nations to rotate the axis toward China for commodities, services, and commerce circulation. Beijing has a great advantage in expanding its soft power over countries in the region by combining the plan of taking over the entire route both on land and at sea with the strategy of invasion of the East Sea.

The most significant danger that Vietnam faces as a result of its participation in the Initiative is the issue of public debt in the form of ODA loans. Because Vietnam is in severe need of funding to develop its infrastructure, its involvement could put the country at risk of insolvency and bankruptcy. As a result, under the currently suggested structure of economic cooperation, the benefits and drawbacks of involvement should be carefully weighed. Dr. Pham Sy Thanh, the Lead Researcher at the Chinese Study Program, emphasizes this point further.

“When deciding on the type of infrastructure needed for national development and international linkages, investment costs and economic efficiency are always top objectives. Especially in light of the growing national debt burden. According to the World Bank’s report on Vietnam’s economic position in 2016, the country’s public debt reached USD 117 billion at the end of 2015, more than double its 2011 level. Government debt accounts for 50.3 percent of GDP, which is more than the National Assembly’s 50 percent threshold. The World Bank also predicts that by 2018, Vietnam’s state debt will be 64.9 percent of GDP, according to this research. The government would face further restraints if the public debt was to rise. With almost 50% of government debt, the bigger the debt, the higher the budget deficit, and the higher the fiscal deficit, especially because fiscal deficits, including off-budget funds, amounted to 6% of GDP in 2015. Because 50 percent of Vietnam’s national debt is foreign debt, if it becomes a crisis, it may lead to external pressures.”

Furthermore, because Chinese loans may be easier to obtain than those from other multilateral banks and financial institutions, Vietnam must exercise extreme caution, particularly in the context of China’s lending activities, which may involve more “lobbying” than strict environmental and human safety requirements.

9.2. Employment and Environmental Challenges

The large amount of Chinese labour used in China’s main projects in Vietnam creates a slew of managerial issues as well as cultural clashes. We discovered that roughly 70% of “Belt and Road Initiative” projects conducted around the world will fall into the hands of Chinese corporations and that these Chinese companies will typically bring their labour from China to work on these projects. As a result, the issue of Chinese labour will be a significant obstacle that must not be disregarded.

10. Conclusion and Recommendation

From 2013 until now is a short period within the time frame of this “giant” project. And it’s still early to conclude whether or not the project is successful. But if it succeeds, the initiative will certainly bring tremendous economic benefits to China, helping the country expands the market for its goods and technology. On the domestic front, China hopes to boost the economy of poor regions like Xinjiang, thereby limiting instability, violence, terrorism, and separatism.

Vietnam will need to be well prepared for both risks and opportunities if it is to participate in the Initiative. Greater access to financing for the development of transportation and energy infrastructure, as well as the prospective exploitation of investments that link countries and build regional integration, are all possibilities (Tran et al., 2020). Participation in this project can also help to enhance tourism development between China and Vietnam. In the medium term, however, Vietnam should remain wary of all Chinese partnership offers. Proposals for establishing a cross-border economic zone or a one-stop customs arrangement, in particular. Cross-border economic zones are challenging to establish, especially given China’s lack of expertise with this approach. In the meanwhile, Vietnam is not the most significant target in China’s attempt to maintain its position in the region and the world in terms of geopolitics, geo-economics, or strategic geography.

In light of the benefits and drawbacks of the Belt and Road Initiative for Vietnam, we recommend that Vietnam participate actively in the Initiative to reap the benefits of connectivity, cultural and educational exchange, and economic development aid. However, Vietnam’s participation would be carefully negotiated and based on ASEAN’s economic and diplomatic cooperation plan with China. The cautious dialogue might begin with a case-by-case analysis of cooperation in which Vietnam finds itself to be a good fit.

References


