

Comparison of Hedging Strategies between Vietnam and the Philippines amid the U.S.-China Strategic Competition

Qianqian Liu

School of English and International Studies, Beijing Foreign Studies University, Beijing, 100000, China

ABSTRACT

This paper examines and compares the hedging strategies of Vietnam and the Philippines towards both the United States and China. The study is grounded in the context of heightened geopolitical and economic rivalry, where smaller states confront the challenge of navigating the complex dynamics between these two major powers. Hedging, as a strategy to manage uncertainties and risks, is analyzed through a comparative case study approach, focusing on five key components: indirect balancing, dominance denial, economic pragmatism, binding engagement, and limited bandwagoning. The findings indicate that both Vietnam and the Philippines utilize hedging, but with differences. Vietnam's approach is more systematic and comprehensive, involving all five components, whereas the Philippines' strategy is more reactive and less planned, with a stronger tilt towards the U.S. due to shared democratic values and historical ties. The research underscores the nuanced nature of hedging and its implications for middle powers navigating great power rivalries in the Indo-Pacific region.

KEYWORDS

Hedging Strategies; U.S.-China Strategic Competition; Indo-Pacific Region.

1. INTRODUCTION

Relations between China and the United States have taken on a tone of heightened geopolitical and economic competition in recent years. Both nations perceive the other as seeking to expand their sphere of regional, if not worldwide, influence and dominance [1]. Specifically, the competition between the United States and China has been growing more intense across various domains. Despite some shared interests in addressing climate change, terrorism, and other areas, these areas of common ground appear insufficient to offset the growing divergences between the two nations on a wide range of issues, including trade, human rights, military expansion, and rules setting. Therefore, the main features of the current U.S.-China bilateral relationship can be characterized as a combination of competition and confrontation [2].

Swiftly, the U.S.-China strategic competition is becoming a key factor that can determine the prospects for security and stability in the Indo-Pacific region [3]. In 2013, the Belt and Road Initiative (BRI) was announced by President Xi Jinping, marking a turning point in China's foreign policy, from "hiding and biding" to a more proactive policy [4]. Among the BRI initiatives are the economic "Going Out" strategy in the form of major transnational economic corridors in Asia, with eleven such Southeast Asian countries as Vietnam, Indonesia and the Philippines involved. Consequently, the economic power of China, demonstrated through the BRI, presents geo-economic challenges for the United States [3]. In response, the hub-and-spokes alliance network established by Washington in the Indo-Pacific region has accelerated its evolution speed. Based on President Joe Biden's speech at

Quad Leaders' Summit in September, 2021, that "the future of each of our nations – and indeed the world – depends on a free and open Indo-Pacific enduring and flourishing in the decades ahead" [5], the White House published the Indo-Pacific Strategy of the United States, noting that the Indo-Pacific region will be a primary arena where the U.S. will promote a "free and open Indo-Pacific that is more connected, prosperous, secure, and resilient" [6]. The above series of moves, together with the Indo-Pacific Economic Framework for Prosperity (IPEF) as an initiative launched in May, 2022, illustrate America's efforts of exerting and expanding its influence in the Indo-Pacific area as a way of combating China in both economy and security fields.

In the wake of increased tensions between the great powers, smaller states – especially those of Southeast Asia – are now confronted with unprecedented pressure as Washington and Beijing are actively attempting to sway or coerce these states to align themselves with one side while alienating the other [2]. Indeed, the competition between the United States and China for influence has presented both prospects and perils for the nations of Southeast Asia. This motivates Southeast Asian states to maintain a delicate balance between the two great powers as well as to cultivate closer relationships among themselves so as to manage and reap benefits from this U.S.-China rivalry, while also mitigating the negative consequences [7].

To be more specific, most Southeast Asian nations are inclined to search for economic opportunities from China while seeking security from the United States, and such behavior is described by many scholars as hedging. Hedging refers to a range of strategic approaches adopted by states when they encounter uncertainties and prefer to avoid making radical or extreme decisions that could lead to potential risks [8]. In particular, according to Kuik [9], hedging strategies incorporate economic pragmatism, binding engagement, limited bandwagoning, indirect balancing and dominance denial. Overall, hedging provides an alternative besides either balancing or bandwagoning for lesser states amid the capricious power struggle in the world.

While hedging is widely adopted by many Southeast Asian countries, one of the most crucial questions has arisen: Do hedging states in the same geographic region develop similar strategies when caught in the same great power competition? From the point of view of Edström and Westberg [10], the answer is yes, which means middle powers within similar regional security complexes (RSC) often exhibit comparable defense strategies, and the same holds true in reverse. Yet, when zoomed in on Southeast Asia, it can be found that the specific hedging strategies of Southeast Asian governments vary noticeably, as demonstrated by Jürgen Haacke [11].

To further illustrate this point, comparative study and case study are employed in this paper to identify differences and investigate causes. Specifically, Vietnam and the Philippines are chosen for the analysis of varied approaches to hedging. The justifications for this choice are stated: firstly, by dint of their geographical extent and demographic scale, the Philippines and Vietnam can be qualified as Southeast Asian middle powers hedging between the United States and China; additionally, they have comparable territorial features, with coastlines stretching along the South China Sea and overlapping territorial claims in the region; furthermore, both the Philippines and Vietnam have sizable populations, granting them a certain degree of influence and capabilities within the region. These shared characteristics make the examination of their hedging behaviors relevant and comparable, as they navigate similar geopolitical realities and regional dynamics.

In general, this paper seeks to examine and analyze the distinctive hedging strategies adopted by lesser powers in the Indo-Pacific region amidst the strategic competition between the United States and China, while exploring the underlying factors contributing to these differences. Thus, two research questions are proposed: (1) What are the differences between Vietnam's and the Philippines' hedging strategies amid U.S.-China rivalry? (2) What are the causes behind these differences?

Addressing the research questions, this paper argues that the differences between the hedging strategies of both nations lie in the different nature and effectiveness of hedging, which are manifested

in their relative positions in the U.S.-China rivalry. The causes behind abound, including ideological and historical ones.

The remainder of the paper unfolds as follows. In the second part, the literature review will discuss first the overall strategies deployed by less powerful countries amid great powers competition, especially from the realist perspective, and secondly explore the existing studies comparing hedging strategies among different countries. The literature review is followed by the theoretical framework as well as its application in the paper. Then, the analysis section is divided into two parts, analyzing Vietnam's and the Philippines' hedging behaviors towards both China and the United States respectively, the results of which are further compared and condensed in the final discussion and conclusion.

2. LITERATURE REVIEW

Reviewing academic discussion on the strategies of less powerful countries amid the great powers competition and existing literature that compares those strategies allows for the development of a systematic and applicable theoretical framework as well as an in-depth comparative analysis of the two nations' hedging behaviors.

2.1. Strategies of Lesser Powers Amid the Great Powers Competition

The intensifying competition between the United States and China raises an important question for countries caught in between: How will they navigate the increasingly fierce rivalry among major powers? Scholars in the field of international relations, since the 1970s, have primarily focused on the outsized role played by great powers in shaping global affairs, as structural realism gained prominence in the field [12]. Yet, many states in the international system are not great powers and lack substantial resources and power, they are more inclined to explore alternative approaches that enable them to participate in global affairs in various ways.

Neorealists examine the diverse approaches of less powerful states towards a rising power through three key concepts: balancing, bandwagoning, and hedging. The decision on which approach to adopt is contingent upon each state's calculation of its national interests and the perceived benefits and drawbacks of aligning with or opposing a great power.

2.1.1. Balancing and Bandwagoning

The origin of balancing strategy can be traced back to the "balance of power" paradigm, which is defined by Walt [13] as a "formal and informal relationship of security cooperation, which assumes some level of commitment and exchange of benefits." When confronted with the emergence of a rising power, the balance of power theory suggests that a strategy of balance should be employed. This can take the form of internal balancing, achieved through the strengthening of military capabilities, or external balancing, realized through the formation of alliances with other states. Likewise, balancing strategy can also be categorized into hard balancing and soft balancing. Hard balancing focuses on military measures as a means of countering a perceived threat, while soft balancing entails employing non-military approaches such as economic, political, and diplomatic means to address the same threat [12].

On the other hand, bandwagoning refers to lesser states strategically gravitating towards or aligning with the dominant viewpoints and stances taken by one preeminent power, so as to bask in its favour and shield themselves from potential disadvantages arising from an obstructive approach. Small states, cognizant of their limited resources and influence within the international system, are more likely to adopt a strategy of bandwagoning rather than balancing when dealing with powerful countries. This approach aims to align and cooperate with dominant powers in order to attain certain advantages and benefits [14].

In general, among the various strategies available, balancing and bandwagoning are often the prevailing choices among lesser powers. Precisely, the likelihood of adopting a balancing strategy to manage relations with major powers increases as a country's state power grows stronger; conversely, as a country's state power weakens, the propensity to employ bandwagoning in handling relations with great powers becomes more pronounced [2]. Nevertheless, both fall short of explaining the complex behaviors of middle states that opt for neither pure balancing nor outright bandwagoning. Instead, they pursue a middle path – hedging.

2.1.2. Hedging

According to Kuik [15], the security risks and economic advantages associated with great powers lead smaller states to adopt a hedging strategy as a precautionary measure. Hedging serves as a strategic response employed by smaller states to navigate a power struggle. This approach aims to prevent severe conflicts that could harm national interests while simultaneously mitigating potential security threats from rival powers. As a result, hedging has been identified by scholars [9, 16–18] as the preferred strategy utilized by smaller states in such circumstances. Particularly, a hedging policy can be identified by three key criteria. Firstly, it involves an effort to reduce reliance on and counter the influence of a rising power. Secondly, it entails a combination of two contrasting elements: cooperating and competing with the rising power at the same time. Lastly, it includes a willingness to diversify relationships with other major powers, seeking to establish broader and varied alliances and partnerships [15].

2.2. Comparative Studies of Hedging Strategies

Existing literature on comparative studies of hedging strategies can be basically divided into three categories. One type of research uses quantitative methods to examine different countries' hedging behaviors. To exemplify, Kou et al. [2] capitalize on several databases to explore the relationship between the strength of state power and the choice of strategies states have adopted in their political and economic interactions with the United States and China to prove that there is a large variation in hedging strategies among states falling in the middle of the spectrum of state power. On the other hand, Gerstl [1] conducts a qualitative study to examine both similarities and differences of hedging strategies of three Southeast Asian countries and one international organization towards a rising China. Furthermore, some case studies narrow down the criteria for comparison, as illustrated by the study that focuses on Cambodia's and Vietnam's hedging in the specific times of Obama's "pivot to Asia" policy [19] and the research that particularly taps into Southeast Asian countries' hedging response to the BRI [20].

Based on the existing theories and empirical studies, the paper is dedicated to making some humble contributions by a comprehensive comparative case study of hedging strategies that targets Vietnam and the Philippines towards China and the U.S. respectively.

3. THEORETICAL FRAMEWORK

The concept of hedging finds its roots in the realm of financial theory. It is originally a risk-management theory that aims for a portfolio where the advantages ideally surpass the risks. Subsequently, the International Relations (IR) field effectively inherits and applies the essence of risk contingency and return maximization. In this regard, as a hedger, a country implements a range of policies to address general risks and uncertainties, rather than specific and clearly defined threats. The differentiation between risks and threats is what distinguishes hedging from balancing and bandwagoning strategies, as the latter two primarily address specific threats rather than general risks [21].

Along the way are scholars defining hedging. The leading theorist is Evelyn Goh [16], and early contributions were made by Evan Medeiros [17] and Denny Roy [22]. Based on their observations,

they highlight that those countries such as Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam have not yet engaged in collective counterbalancing with the US against China nor have they bandwagoned with China as it rises. Goh [16] considers hedging as “a middle position that forestalls or avoids having to choose one side (or the straightforward policy stance) at the obvious expense of another.” Likewise, Cheng-Chwee Kuik [9] later notes: “hedging is a strategy that works for the best and prepares for the worst.” Therefore, hedging can be fundamentally defined as “a behavior in which a country seeks to offset risks by pursuing multiple policy options that are intended to produce mutually counteracting effects” [9].

With further analysis, Kuik [9], contends that hedging comprises five constituent components in the context of the relations between Southeast Asia and China, namely indirect-balancing, dominance-denial, economic pragmatism, binding-engagement, and limited-bandwagoning. In addition, these five components are organized in a logical manner, being placed on a scale of degree of power rejection or acceptance as illustrated by the figure 1 below:

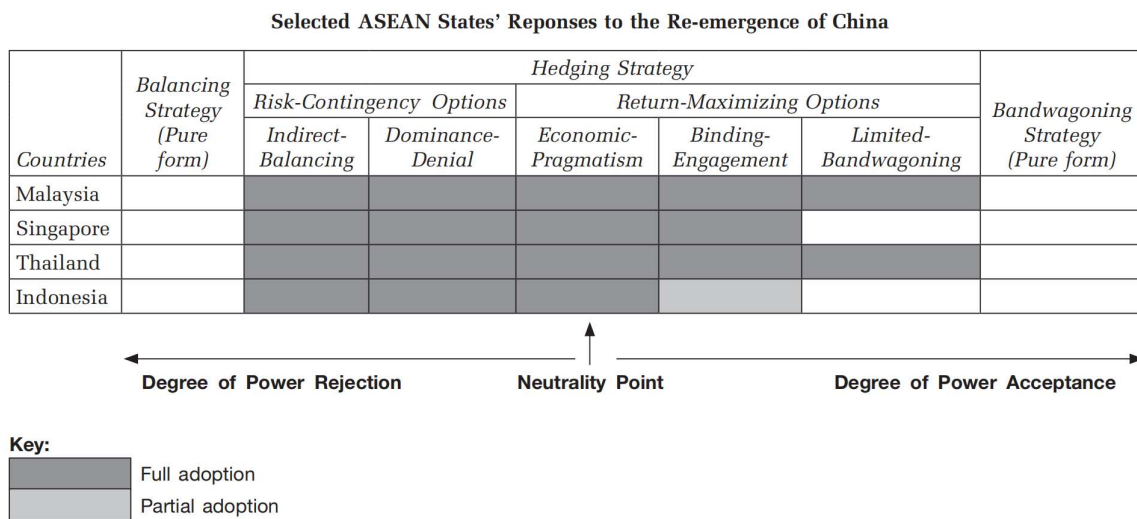


Figure 1. Cheng-Chwee Kuik, *The Essence of Hedging: Malaysia and Singapore’s Response to a Rising China*, 2008

From the spectrum, it can be seen that balancing strategy in its pure form represents the highest degree of power rejection with pure bandwagoning on the other extreme side signifying the zenith of power acceptance. Yet, in between lies the essence of hedging that is divided into five sub-strategies either fully or partially adopted by middle powers. To take a closer look at them, economic-pragmatism, a neutrality point at the centre, refers to a policy where a state aims to optimize economic benefits derived from direct trade and investment connections with a Great Power, regardless of any prevailing political issues that may exist between them [9]. On the rights side of economic-pragmatism resides binding-engagement, a combination of engagement and binding, serves the purpose of socializing and integrating a Great Power into the existing order, with the aim of counteracting any revisionist tendencies in the power’s behavior [9]. Furthermore, limited-bandwagoning, unlike pure bandwagoning, denotes to a political partnership characterized by selective policy coordination and voluntary deference to a larger partner, without necessitating a zero-sum scenario or accepting superior-subordinate relations, as smaller states cautiously maintain autonomy and avoid over-dependence [9]. In general, the above three are return-maximizing options; yet, on the other hand, standing on the left side of the neutrality points are risk-contingency options involving dominance-denial and indirect-balancing. The former is designed to hinder and reject the rise of a dominant power that could exert unwarranted interference on smaller states, while the latter is policy used in a way that a state undertakes military measures to address broad uncertainties, rather than a specific threat as in the case of pure balancing. It includes fostering defense cooperation and enhancing its own military capabilities [9].

3.1. Application of Kuik's Theoretical Framework of Hedging

Strictly speaking, the theoretical framework of hedging devised by Kuik is one-sidedly targeted at analyzing Southeast Asian states' response to a rising China. One case in point is Kuik's operationalizing hedging in the comparison between Malaysia and Singapore's China policies [9]. However, in this paper, the same framework is employed in a two-sided way, qualitatively analyzing and quantitatively calculating Vietnam's and the Philippines' hedging strategies at the same time to see their relative positions amid the U.S.-China rivalry. Due to the even distribution of these five components, the score assigned between any two components is 1 point, while partially adopted situations are uniformly scored as 0.5 points in its value, with the neutrality point being the coordinate origin. The scoring criteria with signed scores is shown in the following Figure 2:

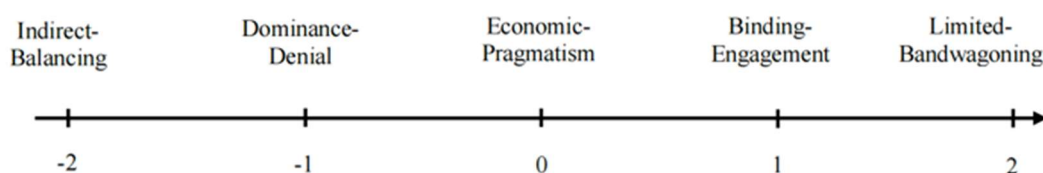


Figure 2. self-made, scoring criteria of the five components of hedging

Based on the calculating criteria, a higher score for a country's hedging strategy towards a great power indicates a higher level of dependence or inclination towards that great power. For instance, if a hedging state adopted full indirect-balancing, dominance-denial, and economic-pragmatism strategies together with a partial adoption of binding-engagement towards a certain influential power, the final score for this nation will be the sum of each score for every component, namely "-2.5" in total, which then suggests that the nation's hedging behavior towards the great power is relatively tough, showing barely little sign of inclination or dependence and tilting more to balancing strategy on the whole. In this paper, both selected nations, Vietnam and the Philippines, will be gauged against the criteria in terms of their hedging strategies towards both China and the United States respectively and will then be compared collectively.

This multifaceted approach of utilizing both qualitative and quantitative analytical methods not only extends the scope of use of the above-mentioned theoretical framework, but also holds promise for deriving nuanced insights into the postures of regional powers navigating great power tensions. By evaluating the hedging maneuvers of Vietnam and the Philippines in both descriptive and numerically scored terms, a more textured understanding of how their policies both diverge and converge in practice can be achieved. Such multidimensional assessment addressing both the how and degree of each nation's strategic positioning may reveal subtle variations beneath broad classifications, helping trace evolution over time. A two-pronged methodology considering both relative stances and their concrete operationalization could thus enrich comparative study of middle power statecraft amid dynamic geopolitical crosscurrents and assist to discover explanations for the differences.

4. VIETNAM'S HEDGING STRATEGY

Vietnam's geopolitical position in Southeast Asia, sharing a border with China and having a tumultuous history with the U.S., necessitates a nuanced foreign policy. With China's rise as a regional and global power and the U.S. pivot to Asia, Vietnam has employed a hedging strategy to maintain its sovereignty and economic development.

4.1. Vietnam's Hedging Towards China

Vietnam's relationship with China is complex, characterized by a history of conflict and contemporary economic interdependence. Specifically, its approach to China is influenced heavily

by their shared history, marked by a millennium of Chinese rule, followed by intermittent conflicts and border disputes, most notably the Sino-Vietnamese War of 1979. This intricate dynamic prompts Vietnam to engage in a nuanced hedging strategy, encompassing not only indirect-balancing and dominance-denial, but also economic-pragmatism, binding-engagement and limited-bandwagoning in its dealing with China. The overall score is -1, the result of $2 + (-1) + 0 + 1 + 2*0.5$.

Vietnam's indirect-balancing is aptly reflected in its policy of military modernization without directly challenging China's regional dominance. This is evident in Vietnam's acquisition of Kilo-class submarines from Russia, which bolsters its naval capabilities in the context of the South China Sea disputes [23]. Additionally, Vietnam participates in joint military exercises with countries like India and the United States, which, while not explicitly targeted at China, serve to strengthen Vietnam's defense posture. Indeed, according to the Global Firepower Index [24], Vietnam ranks 11th in the Asia Power Index in regard to its military power. Thus, despite China's significantly superior military capabilities, Vietnam's ongoing modernization of its armed forces grants the country a credible deterrence.

Dominance-denial is manifested in a way that Vietnam actively resists any attempts by China to assert hegemony in the region, particularly in the disputed South China Sea. For one thing, this is demonstrated by Hanoi's legal and diplomatic pushback against Beijing's territorial claims, including Vietnam's submission to the United Nations challenging China's "nine-dash line". Vietnam's stance in these maritime disputes highlights its refusal to acquiesce to Chinese dominance. For another, Vietnam remains steadfast in its pursuit of dominance-denial, as evidenced by its endeavors to maintain close relationships with all major powers. As early as 1995, Vietnam had achieved successful diplomatic relations with all significant powers, including the United States. Since the early 2000s, Hanoi has made efforts to strengthen bilateral relations by establishing "strategic partnerships." By September 2013, Vietnam had formed strategic partnerships with various countries, including Russia (2001), Japan (2006), India (2007), China (2008), South Korea, Spain (2009), the United Kingdom (2010), Germany (2011), Italy, Thailand, Indonesia, Singapore, and France (2013). Notably, the partnerships with Russia and China have been elevated to the level of "comprehensive strategic." Additionally, Vietnam has entered into "comprehensive partnerships" with Australia in 2009 and the United States in 2013 [23].

Despite political and territorial disputes, Vietnam, owing to its economic-pragmatism thought, has maintained robust economic ties with China, recognizing the benefits of trade and investment. Indeed, given that economic development is the primary focus of Vietnam's domestic agenda, it is well justified for Vietnam to pursue a peaceful relationship with China. As China is Vietnam's largest trading partner, Hanoi has been pragmatic in balancing its economic interdependence with sovereignty concerns. According to data provided by the General Department of Customs, Vietnam's largest trading partner in 2022 was China, with a total bilateral trade turnover of 175.57 billion USD [25]. The economic-pragmatism is also exemplified by Vietnam's participation in the Belt and Road Initiative while simultaneously diversifying its trade partnerships to reduce over-reliance on China.

Besides economic-pragmatism, Vietnam's full adoption of binding-engagement and partial adoption of limited-bandwagoning can be observed. To begin with, binding-engagement is exhibited on various diplomatic and multilateral fora, such as ASEAN, where it seeks to bind China into a rules-based regional order. Apart from international institutions, frequent high-ranking can be seen between the two countries. Also, cooperative mechanisms such as the Steering Committee on Vietnam-China Bilateral Cooperation have been established in various forms. Secondly, while Vietnam does not fully align with China's strategic interests, it occasionally demonstrates a limited degree of bandwagoning. This is primarily driven by the recognition of China's regional influence and the necessity to maintain a functional relationship. An example of this can be seen in Vietnam's careful management of its ideological affinity with China as a fellow communist state, which sometimes leads to cooperative gestures.

4.2. Vietnam's Hedging Towards the United States

Vietnam's relationship with the United States has undergone a significant transformation since the normalization of relations in 1995. From a past marred by the Vietnam War, the two countries have moved towards a partnership that serves Vietnam's hedging strategy against China. Vietnam's present American strategy is composed of three major components, which are economic-pragmatism, binding-engagement, and limited-bandwagoning. The overall score is 2, a calculation result of $0 + 1 + 2*0.5$.

First of all, Vietnam's economic policy reflects a pragmatic approach to both the U.S. and China, which can be evidenced that the United States followed closely behind China with a trade turnover of 123.86 billion USD [25]. Vietnam has actively engaged in trade with both countries, becoming one of the largest trading partners of the U.S. in Southeast Asia while also being a key participant in China's Belt and Road Initiative. Vietnam's participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) after the U.S. withdrawal also demonstrates its desire to diversify economic relations and not be overly reliant on any single power.

Meanwhile, binding-engagement can be detected as Vietnam engages with the United States through both diplomatic and economic ties, leveraging these relationships to bind the U.S. into a commitment to regional stability. This binding-engagement is best exemplified by the comprehensive partnership agreement signed in 2013, which covers a range of areas from trade to education and security.

While Vietnam is cautious not to align too closely with the United States, thereby provoking China, it does selectively bandwagon with the U.S. on specific issues where their interests converge. An example of this is Vietnam's openness to U.S. Navy vessels' port calls, such as the historic visit of the USS Carl Vinson to Da Nang in 2018, marking the largest U.S. military presence in Vietnam since the war. Therefore, towards the United States, Vietnam's hedging strategy aims to draw in American influence as a counterweight to China, while avoiding the pitfalls of entrapment in great power rivalry.

5. THE PHILIPPINES' HEDGING STRATEGY

With a history marred by colonization and conflict, the Philippines has developed a multifaceted approach to foreign policy that is emblematic of the hedging strategy as described by Kuik [9].

5.1. The Philippines' Hedging Towards China

The overall hedging strategy of the Philippines can be encapsulated into four constituents: indirect-balancing, dominance-denial, economic-pragmatism, and binding-engagement. The score is -2, being a result of $-2 + (-1) + 0 + 1$.

The Philippines has historically relied on indirect-balancing as part of its hedging strategy towards China. This involves strengthening military cooperation with allies without directly confronting China. An example of this is the Enhanced Defense Cooperation Agreement (EDCA) with the United States, which allows an increased rotational presence of U.S. troops and access to Philippine military bases. In 2023, the Philippines and the United States even announced four new EDCA sites. This approach enables the Philippines to enhance its defense posture vis-à-vis China's assertiveness in the South China Sea without engaging in an arms race.

The Philippines has also engaged in dominance-denial by legally contesting China's expansive claims in the South China Sea through international arbitration. In 2016, the Permanent Court of Arbitration (PCA) ruled in favor of the Philippines, invalidating China's nine-dash line claim. While China has not recognized the ruling, the Philippines has used this legal victory to rally international support and deny China's attempts to establish dominance in the contested waters. In addition, during its ASEAN

Chairmanship in 2017, Manila actively advocated the concept of collective resource exploration as a potential mechanism for building trust and resolving regional issues, as highlighted by Laude [26].

Economic pragmatism is evident in the Philippines' relations with China. Despite territorial disputes, the Philippines has sought to capitalize on China's economic might. Under President Duterte, the Philippines pursued economic pragmatism by welcoming Chinese investment and aid, particularly for infrastructure projects. This approach aims to reap economic gains while managing territorial contentions. As an illustration, the Philippines has the potential to gain advantages from heightened Chinese investments through the BRI [27, 28].

Similar to the case of Vietnam, binding-engagement can also be observed in the Philippines' diplomatic efforts to engage China. The Philippines has participated in dialogues and mechanisms such as ASEAN-China summits to engage China constructively. This includes discussing a Code of Conduct in the South China Sea to bind China into a rules-based order.

5.2. The Philippines' Hedging Towards the United States

The Philippines' hedging towards the U.S. is characterized by its long-standing military alliance, coupled with recent efforts to diversify its foreign relations and reduce overdependence on any single power. The overall score is 3 (0+1+2).

Economic pragmatism in U.S.-Philippine relations is characterized by trade and investment ties. The Philippines benefits from preferential trade agreements with the U.S. and recognizes the importance of these economic relations for development and modernization. According to the statistics from the World's Top Exports [29], the United States is the biggest trading partner with the United States, accounting for 15.8% of total Filipino Exports.

As to binding-engagement, the Philippines engages the U.S. through formal alliances and agreements that serve as binding mechanisms. The Mutual Defense Treaty (MDT) and the Visiting Forces Agreement (VFA) institutionalize the defense relationship between the two countries, ensuring commitment and engagement. However, at the same time, the Philippines seeks to avoid being trapped by the United States at the same time.

The final sub-strategy of the Philippines' hedging towards the United States concerns limited-bandwagoning. Limited-bandwagoning with the U.S. is evident in the Philippines' reliance on U.S. military support and aid. While the Philippines asserts its independence, the historical and practical need for security assistance, especially in light of Chinese rising power and ambitions, has led to a degree of alignment with U.S. strategic interests in the region.

All in all, the Philippines' hedging strategy towards China and the U.S. reflects a delicate balance of asserting sovereignty, securing economic benefits, and managing strategic partnerships. While the constituents of hedging – indirect balancing, dominance-denial, economic pragmatism, binding-engagement, and limited-bandwagoning – are present in the Philippines' foreign policy, their application is fluid and contingent upon domestic and international developments. This nuanced approach allows the Philippines to maximize its strategic options while minimizing risks in a volatile regional order.

6. DISCUSSION

Based on the analyses of both nations' hedging strategies amid the U.S.-China rivalry as well as the scoring criteria, a visual diagram can be depicted as shown below in Figure 3:

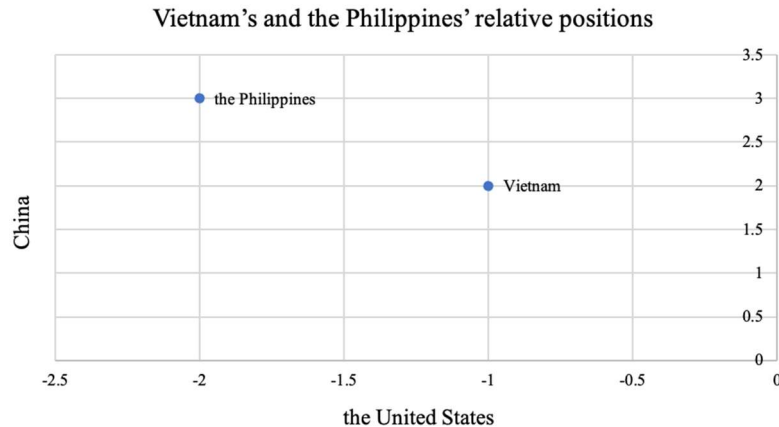


Figure 3. Self-made. Comparison of Vietnam's and the Philippines' relative positions

In general, based on the differentiation of the four quadrants, they can be broadly categorized into four types. The first quadrant represents countries that are friendly towards both China and the United States. The second quadrant represents countries that are relatively closer to the United States. The third quadrant represents countries that are not aligned with either power. The fourth quadrant represents countries that are relatively closer to China. Specifically, for countries falling within the second quadrant, the smaller their value on the X-axis and the larger their value on the Y-axis, the closer they are to the United States, the more distant they are from China, and the lower their level of neutrality. In this case, both Vietnam and the Philippines fall into the second quadrant; therefore, only one-fourth of the chart has been depicted for the sake of readability.

From the illustration above, it can be seen that in terms of relative positions amid the Sino-U.S. competition, both Vietnam and the Philippines are positioned in the second quadrant of the chart. This implies that they are relatively closer to the United States compared to China. However, there is a distinction between the two countries. The values on both the X-axis and the Y-axis for the Philippines are higher than those of Vietnam. This indicates that the Philippines has a stronger alignment and closer relationship with the United States compared to Vietnam, while still being positioned in the same quadrant. In this regard, in order to explore the underlying reasons, the focus will be on discussing the hedging strategies towards China, analyzing the differences between the two countries and the factors contributing to these differences.

In one word, Vietnam and the Philippines have no viable alternatives but to employ hedging strategies against China, but the exact degree of hedging varies significantly. One distinction lies in the features of hedging. While Vietnam adopts an organized and coherent hedging strategy, the hedging behaviors of the Philippines turns out to be more reactive and less planned as Manila's response appears more event-driven on an ad hoc basis. To illustrate, for Vietnam, under the guidance of "fourth no", a modified and evolving approach has been consistently implemented in response to conflicts with China. On the other hand, the hedging strategy of the Philippines shifted several times under President Duterte. Another major difference is that Vietnam employs more advanced and intricate strategies compared to the Philippines. In other words, Vietnam has involved all the five components in its hedging strategy, which are more than the Philippines' four inclusions. That is because Hanoi demonstrates a greater propensity to update strategic doctrine incrementally through carefully layered measures, exemplified in its recent "fourth no" recalibration. Such graduated evolutionary shifts allow Vietnam to preserve autonomy and strategic options in a deliberately methodical fashion befitting its circumstances. By contrast, the more improvisational stances exhibited in Manila, while retaining flexibility, could leave the Philippines vulnerable if not balanced with durable foundational principles.

Generally speaking, the variations stem from distinct national interests, power capabilities, and leaders' perceptions of opportunities and risks associated with the hedging target. Furthermore, the

strategic value of partner countries as potential balancing partners also plays a role in shaping these differences [1]. Apart from these, the differences can also be partly explained by reasons concerning ideological similarities and colonial history. The Philippines' stronger alignment with the United States is underpinned by shared democratic values and a relatively positive colonial experience with substantial cultural exchange. This ideological affinity has fostered a sense of kinship and mutual understanding, underpinning a strong alliance between the two nations. On the other hand, however, Vietnam has shared the same ideological root in communism as China. During early struggles, China was a key ally and ideological mentor, providing support against Western powers. Despite periods of intense rivalry and border conflicts between the two nations, the commonality of communist ideology has facilitated a certain level of rapprochement and cooperation.

7. CONCLUSION

To conclude, the existing global crisis and the ongoing rivalry between China and the United States pose essential strategic inquiries for all nations in the Indo-Pacific region. To start with, the avoidance of aligning, or being forced to align, with either China or the US can be seen as a negative explanation for why many middle powers such as the Philippines and Vietnam adopt hedging strategies. In addition, a positive motive is to gain political, economic, and/or security benefits from all major powers, including the target of their hedging efforts. In other words, pursuing a return-maximizing orientation in this manner would not be feasible, or at least not to the same extent, if these countries were to bandwagon with one major power to counterbalance the other. Furthermore, choosing sides does not necessarily enhance national security, as the opposing major power is likely to increase military spending and seek to establish counter-alliances. Therefore, hedging becomes an optimal option for in-between nations. However, the specific hedging strategies of different countries can vary considerably, leading to their distinct relative positions amid the U.S.-China strategic competition. In the case of Vietnam and the Philippines, two comparable states in the Indo-Pacific region, they both belong to the category of being more supportive of the U.S. though with different degrees of alignment. Yet, such a scenario is merely the tip of the iceberg, underneath lies the differences between their hedging strategies towards China in particular. Some of the main differences concern the nature and effectiveness of hedging, which can be explained by a variety of reasons with ideological and colonial ones included. In summary, the stronger alignment of the Philippines with the United States is deeply rooted in shared democratic ideals and a history of American colonial influence, whereas Vietnam's relatively more benign attitude towards China is informed by shared communist ideology and a history of collaboration against Western colonial and military interventions, notwithstanding their complex and sometimes contentious bilateral relationship.

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