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Sino-Vietnamese Relations in the 21st Century

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On February 17, 1979, the People's Liberation Army (PLA) launched a large-scale ground attack across its southern border into Vietnam, crossing the border in twenty-six separate locations. China's intention was, in the words of Deng Xiaoping, to "teach Vietnam a lesson." The Vietnamese Army newspaper, *Quan Doi Nhan Dan*, the next day reported: "February 17, 1979 will go down in history as a severe verdict of the 'Great Han' expansionists' crimes in trying to subdue and annex Vietnam....Let us severely punish the barbarous aggressors and firmly defend our sacred national independence and sovereignty!"

And punish them the Vietnamese did. Estimates of Chinese losses vary, but analysis indicates that Vietnamese forces killed as many as 25,000 PLA soldiers, which means at least another 50,000 received serious wounds, for a total of 75,000 casualties out of an invasion force inside Vietnam that never exceeded 100,000 at any given time.¹ After three weeks, ending in a climatic battle for Lang Son, Chinese forces withdrew across Vietnam's northern border.

There was no question that Vietnam had taught China a military lesson. Not only was the PLA badly bloodied, but it was bloodied mainly at the hands of Vietnamese militia, while main force Vietnamese units were held in reserve. This result should not have been a surprise. The Vietnamese Army was combat experienced, and fighting for its homeland. The PLA, on the other hand, had neither the motivation nor the understanding of the terrain that characterized the Vietnamese side. It had not seen serious combat in many years, and had suffered during the Cultural Revolution. Thus when the Chinese force withdrew, Vietnam was legitimately able to claim a military victory.

On the other hand, there is no question that China taught Vietnam a political lesson— You do not create a sphere of influence in Laos or and Cambodia; you do not attack Cambodia, a country friendly to China. You do not ally with the Soviet Union against us. You do not harass ethnic Chinese people in Vietnam. You do not make claims in the

¹ Henry J. Kenny, "Vietnamese Perceptions of the 1979 War with China," in Mark Ryan et. al, *Chinese Warfighting Since 1949*, M.E. Sharp, 2003, pp. 217-240.

South China Sea that conflict with those of China. In a word, you are not fully independent to act as you wish in disregard of our interests. Remember, you are independent only because of Chinese help in your war of national liberation, so do not get out of line with your big neighbor.

Since then, of course, much has changed in the two nations' political, economic, and military relationships. After ten years of minor hostilities along the border, marked by mortar barrages, patrols, ambushes, and mines, preliminary talks began in 1989, the same year Vietnamese troops disengaged from Cambodia. These talks culminated in the Chengdu agreement of 1991 and the reestablishment of normal relations. During the period since then bilateral relations have generally improved. For a time, minor disputes continued to flare up over sovereignty over the land border and demarcation of the Gulf of Tonkin. A lengthy series of arduous meetings between experts groups, ministry officials, and top leadership groups, finally ended in agreements on these matters, but harassment of fishermen in the Tonkin Gulf continues, with periodic arrests and detentions.

Arguments continue about sovereignty over the multitude islets in the South China Sea, with Vietnam making those Spratly islands that it controls a part of Khanh Hoa province. But there has been little Sino-Vietnamese confrontation. Perhaps Beijing has figured out that the old Russian claim of huge oil reserves under the Spratlys is highly unlikely—given that the Spratlys are off the continental shelf where oil and gas is more typically found, that the original volcanic nature of the area militates against significant reserves, and that the water depth in the area would make any exploration most expensive. In any case, Vietnam and China have agreed to disagree, and not resort to force. This pleases Vietnam, since it occupies some 25 islets, by far the largest number of any claimant. Thus Hanoi likes to call for maintaining the status quo, a sensible policy given the circumstances.

Many observers, both in Vietnam and among expatriates and scholars, say that Vietnam conceded excessive territory in the December 1999 land border agreement, and yielded far too much in the agreement reached a year later that demarcated the Gulf of Tonkin. Nevertheless, the Government of Vietnam justifies the agreements as equitable and necessary for peace, for without them Vietnam would face an ever more powerful China, whose military has modernized with new equipment, new tactics, and new doctrine, much of which emerged from assessments of its poor military performance against Vietnam. In this sense, the political lesson of 1979 has come home to roost. In addition, peace with China is an essential prerequisite for Vietnamese economic development, which in turn is essential to the legitimacy of the Party and the Government. Besides, Vietnam has no patron to help offset the power of China—not Russia, not the United States, and certainly not ASEAN or India.

The problem with this analysis is that it neglects the primacy of economics in today's international environment. Beijing recognizes this and has acted accordingly, "opening up" to the outside world in a manner unprecedented in the history of Chinese civilization. Last year, for example, China attracted \$53 billion in Foreign Direct Investment, exported \$371 billion in goods and services, imported \$274 billion, including 40 percent of its oil consumption, and nearly surpassed the United States in total manufacturing. China now has the fifth largest merchant fleet in the world, and is planning to build the largest shipyard in the world. In 2002 China produced 13 percent of the world's new ships.

Does all this mean that Vietnam, a country with just 7% of the population of China, must become a mere appendage to the Great Han Kingdom, yielding to it in economic and other matters, patterning its development on that of China, and thanking its rulers for their benevolence to poor little Vietnam? I have written elsewhere of this tendency in Vietnamese behavior, noting in particular excessive obeisance on the part of certain former leaders. Certainly a dose of prudence is necessary in these matters, but in the economic realm today, Vietnam gains far more from its economic relationships with

Japan, South Korea, Taiwan, several of the ASEAN and European states, and the United States, than it does from China. Consider the following:

- “China’s foreign direct investment in Vietnam has been extremely small during the past decade, and almost all Chinese-funded projects are small-scale. The biggest project is the \$14 million Linh Trung export processing zone in Ho Chi Minh City. The second largest is renovation of the Haiphong Steel Plant with an investment of \$9.7 million.”²
- China is the 17th leading investor in Vietnam. Thus far in 2003 Taiwan is first, South Korea second, and Australia third. U.S. investment, while still modest, is far ahead of that of China and shows indications that it could become a major factor in the future.
- The United States and Japan are Vietnam’s leading trading partners. Vietnam’s exports to the United States in 2002 doubled those of a year earlier, so that the United States is now the leading destination for Vietnamese goods and services. So despite differences, such as that over catfish, the Bilateral Trade Agreement seems to be having an impact. Japan and Singapore are the leading exporters to Vietnam.
- Vietnam’s China trade, while significant, appears to be more competitive in terms of international markets. For example, both countries list clothing and textiles among their major exports.
- In terms of developmental assistance, China has assisted Vietnam in projects set up during the 1960s and 1970s in areas of iron and steel, and fertilizers and chemical production. It upgraded the Thai Nguyen steel complex in 1999, and more recently pledged to \$50 million in relief of old debts (the debt was in

² VNA, “Vietnam-China Relations Reviewed on Nong Duc Manh’s China Visit,” April 6, 2003.

rubles).³ However, the Chinese totals are miniscule in comparison to other donors. For example, the Tenth Consultative Group Meeting of Donor Nations (held in Hanoi in December 2002) pledged \$2.5 billion in Official Development Assistance for this year.⁴

So if we examine Vietnamese national interests in terms of trade, foreign investment, and developmental assistance, China plays a role, but far less than that of Vietnam's other economic partners. Significantly more actual and potential economic benefits accrue to Vietnam as a result of its relationship with the United States, for example.

Maybe this does not matter to Vietnam. After all, the United States has concentrated its efforts in Southeast Asia on anti-terrorism, and although Vietnam has some concerns in this area, they are very modest. China, on the other hand, has made numerous efforts over the past few years to project an image of a rising but friendly Asian brother. Chinese delegations meeting their Vietnamese counterparts emphasize the common rivers and mountains that join the two nations, and stress the 16 character nature of the relationship as "long-term stability, orientation toward the future, good neighborliness, and all-around cooperation."⁵ Moreover, Chinese President Hu Jintao led a Chinese charm offensive at the ASEAN summit in Bali in October, impressing Vietnam's ASEAN partners and projecting a benevolent image to Vietnam as well. By signing the ASEAN Treaty on Amity and Cooperation, moreover, China takes the lead in supporting ASEAN hopes for peace and stability over the long term.

In this sense, Vietnam is wise to do all within reason to maintain good relations with China. Its own economic development would be severely impacted by renewed hostility. However, a prudent relationship does not have to mean accommodation to Chinese power to the extent of sacrificing traditional national interests. First among

³ The Saigon Times, "Party Leader's China Visit Ends," April 14, 2003. The announcement was made in conjunction with the visit to China of Communist Party General Secretary Nong Duc Manh.

⁴ EIU, Country Report on Vietnam, Quarterly Report, July 2003.

those interests is the maintenance of independence. To the extent that Vietnam follows the Chinese line out of fear over renewed hostilities, it has already lost some of its precious independence. Thus many criticisms of the land and Tonkin Gulf agreements are probably legitimate, even though the agreements may have been necessary to placate China's vision of its great power status. It can also be argued that some Vietnamese figures erode their country's independence by their demeanor in meetings with their Chinese counterparts, for in virtually every meeting they do two things: first, they express admiration for China's great economic achievements; and second they say that Vietnam has much to learn from China. These statements may be true in some respects, and could be categorized as just good diplomacy—keeping China happy. However, they also reveal a deep-seated student to teacher attitude that, if continued over time, could place at risk the very independence for which generations of Vietnamese have struggled. A more balanced approach, with China seems in order.

A second national interest impacted by China is economic development. Vietnam is currently experiencing renewed growth, while at the same time trying to pattern much of its economic system on that of China (but with less liberal policies). However, examination of the sectors in Vietnam responsible for the current economic growth shows that it is attributable principally to two causes—foreign investment, and the private sector. Foreign investment currently accounts for a quarter of all Vietnamese exports, and a third of its imports. Remittances from overseas Vietnamese are expected to total \$2 billion this year.⁶ I argue elsewhere that Vietnam would be better off emulating South Korea or Taiwan in light of their demonstrably superior pattern of economic development over an extended period. This is not to denigrate the performance of China, but simply to call attention to the fact that Chinese growth figures, albeit impressive, have also been exaggerated; that China suffers from massive corruption and environmental degradation, that Chinese

⁵ Used as a declaration of intent by multiple leaders of both countries, including Jiang Zemin during his February 2002 visit to Vietnam, and Nong Duc Manh during his April 2003 visit to China.

⁶ Economic Intelligence Unit, Vietnam Country Report, October 2003.

banks have non-performing loans estimated as high as \$750 billion, and that China may have unemployed and disguised unemployed totaling 170 million people.⁷

A third national interest affected, albeit not at risk, is Vietnam's ability to interact freely with other nations. Vietnam has correctly, in my view, declared that it has a multidirectional foreign policy. It supports this assertion by close interaction with ASEAN and other multinational organizations. However, in significant respects ASEAN has been weakened in its interaction with China, not only because of dilution resulting from the accession of Vietnam, Laos, Cambodia, and Burma, but also because the leading nation forging its position in issues such as the South China Sea, Indonesia, has undergone such painful internal instability. So it comes as no surprise that ASEAN could not forge a stronger Declaration on the South China Sea, or that ASEAN, whose members benefited from a stable yuan during the Asian Financial Crisis, has not now called for floating the currency, or at least adjusting it, to enhance their export competitiveness that has declined because the Chinese currency is tied to the dollar. In other respects, too, Vietnam may find itself constrained in its foreign affairs, such as in its dealing with the United States. Is it an accident, for example, that Vietnam's Minister of Defense finally visits Washington, D.C. a week after the Chinese Minister of Defense?

In conclusion, I argue that Vietnam should pay due respect to Chinese sensitivities, make every effort to implement an omni-directional foreign policy, and cut its own path in internal development, borrowing eclectically from China, but more importantly, from the successful nations of East Asia. Vietnam has a long and glorious history of fighting for independence. Today that struggle continues—fortunately more in the socio-economic area rather than on the battlefield.

The United States can play a positive role in this regard, mostly by dealing with Vietnam on its own merits and not as a pawn against the Chinese. To the extent that

⁷ For the unemployment figure, see Charles Wolf et. al, *Fault Lines in China's Economic Terrain*, RAND, 2003.

America does just that—by investment, by trade, by private assistance, by cultural exchanges, and by highlighting the advantages of a pluralistic society—it can help offset some of the negative aspects of what is otherwise a much-improved Sino-Vietnamese relationship. Today, for the first time in recent history, both Vietnam and the United States have good relations with China at the same time. That fact alone should facilitate better Vietnamese-American relations.