

Achievements and Problems in Vietnam: China Relations from 1991 to the Present

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Since Vietnam and China normalised their ties in 1991, high-ranking leaders of the two countries have arrived at a common awareness on various issues with a view to promoting a relationship based on friendship, equality and mutual benefit. However, in reality, a big gap still exists between awareness and practice. There is a certain 'phase deviation', which leads to differences in assessment and approaches to the development of bilateral relations. Two-way trade has developed in a fast but imbalanced manner. China's direct investments in Vietnam have not been on par with its potential. Many projects have been contracted, but a number of issues in terms of quality, technology and environmental protection have surfaced. Two out of three territorial and border issues have been settled, but the one concerning the Biển Đông (the East Sea, or South China Sea) has become increasingly complicated. At present, the Vietnam–China relationship has entered a new phase of development with new requirements and demands as well as new opportunities and challenges.

Keywords: Vietnam–China relations, normalisation of ties, trade and investment, the East Sea issue

Since the visit by Vietnamese high-ranking delegates to China on 5 November 1991 that marked the official normalisation of bilateral ties, the Vietnam–China relationship has undergone 26 years of consolidation and development with many ups and

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downs. Twenty-six years is not a long time in the age-old relationship between the two countries. However, when placed in the context of modern Vietnam–China relations, it is not a short period either. Vietnam–China relations are considered to have entered a new phase of development after the Hai Yang Shi You 981 incident in 2014.¹ The question arises as to what the main advances in this relationship have been over the past spanning more than 20 years and what are the main challenges facing it in the upcoming period. This article therefore summarises and assesses the trajectory of Vietnam–China relations from 1991 to the present and attempts to present the viewpoint of Vietnamese scholars regarding the prospects of this relationship. This is done on the basis of examining and comparing the common vision of the leadership of both countries with the actual development of the relationship so far. We base our assessment on surveys and interviews conducted by us in a number of Vietnam's northern border provinces, the southern province of Binh Duong and Ho Chi Minh City, as well as in the Chinese provinces of Guangxi and Yunnan.

AREAS OF AGREEMENT

The Vietnam–China relationship is of a specific nature, in that, apart from the state-to-state ties between the two countries, there is also a relationship between the two ruling parties, which is seen to have played the core role in the stabilisation of the relationship. China is the country to which the leaders of the Vietnamese Party and Government have paid the most visits and with which they have shared the largest number of joint statements and communiqués. From 1991 to the present, there were only four years (2009, 2010, 2012 and 2014) when high-ranking leaders of the two countries did not make official visits to one another. And even in those years, they conducted meetings on the sidelines of international conferences. The general secretaries of the ruling party of Vietnam visited China 11 times (in 1991, 1995, 1997, 1999, 2001, 2003, 2006, 2008, 2011, 2015 and 2017), while the country's presidents have visited China 6 times (in 1993, 2000, 2003, 2005, 2007 and 2013). On their part, the general secretaries and presidents of the Communist Party of China visited Vietnam five times (in 1994, 2002, 2005, 2006 and 2015). The prime ministers of the two countries visited each

¹ On 2 May 2014, Vietnam found out that the China National Offshore Oil Corporation had moved its US\$1 billion Hai Yang Shi You 981 oil rig to a location 17 nautical miles from Triton Island, the southwestern-most island of the Paracel Islands. On 3–5 May, the Chinese Civil Aviation Administration issued a statement saying that the rig would operate from 2–5 May to 15 August, banning unrelated ships from entering the area. Along with that, China had initially mobilised around 80 vessels to escort its oil rig, with the number peaking at over 100 ships, including missile guided ships, surface ships and submarines. There were also dozens of aircraft operating in the area every day. Chinese vessels had rammed into and fired water cannons at Vietnamese ships, causing serious damage and injuring some inspectors. On 15 July 2014, China announced the withdrawal of the drilling rig one month ahead of schedule, ending 73 days of operation in what Vietnam considers its waters.

other a total of 11 times, of which Vietnam's prime ministers visited China 6 times (in 1991, 1998, 2000, 2004, 2008 and 2016) and Chinese prime ministers visited Vietnam 5 times (in 1992, 1996, 1999, 2004 and 2013).

Taking into consideration the number of visits, one can see that Vietnam has placed relatively greater importance on its relations with the other country whereas on China's side, this does not appear to be the case. China's general secretary and state president only visited Vietnam once in nine years during the period 2006–15. Throughout the term of the 17th National Congress of the Chinese Communist Party from 2007 to 2012, not a single senior leader from China paid an official visit to Vietnam. By contrast, after being elected to important positions, most Vietnamese leaders, especially the general secretaries, chose China as the first foreign country to visit. Some of them visited China twice during their terms of office. However, the common awareness shared by the two countries' high-ranking leaders on developing their relations on all fronts is clearly demonstrated in their joint statements or joint communiqués on the following issues.

REGARDING THE RELATIONS BETWEEN THE TWO COUNTRIES

Immediately after normalisation, the leaders agreed on the 'development of relations of good neighbourliness and friendship' (the 1991 Joint Communiqué), followed by the 16-character framework of 'friendly neighbourhood, comprehensive cooperation, long-term stability and looking towards the future' (the 1999 Joint Statement). Further, in 2002, the leaders of the two countries put forward the concept of the 'four good' (good neighbours, good friends, good comrades, good partners) and considered it a long-term goal. In 2005, they agreed on 'building a reliable and sustainable relationship', and in 2008, this was raised to the level of a 'comprehensive strategic cooperative partnership'.

RELATIONS BETWEEN THE TWO PARTIES

In 1991, the top leaders of the two ruling parties agreed to restore their relations on the basis of the principles of 'independence, sovereignty, complete equality, mutual respect and non-interference in each other's internal affairs' (the 1991 Joint Communiqué) and to 'exchange experiences on renovation, opening up and leading and managing the country' (the 1995 Joint Communiqué).

ECONOMICS AND TRADE

The two sides affirmed the principles of 'equality and mutual benefit' (the 1991 Joint Communiqué), 'efficiency and quality, diversity of forms and common development'

(the 1999 Joint Statement), ‘complementary advantages, mutual benefit and win–win outcome’ (the 2005 Joint Statement). The important and salient goals in economic cooperation have been identified as ‘increasing bulk commodities trade, encouraging and supporting the enterprises of the two countries in cooperation on major projects’ (the 1999 Joint Statement) and especially, ‘maintaining the sustained growth of bilateral trade’, ‘gradually narrowing the imbalance’ (the 2005 Joint Communiqué) and ‘balancing trade’ (the 2006 Joint Press Release).

INVESTMENT

On this front, the objectives were to ‘encourage and support the enterprises of the two countries in cooperation on major projects, and to create favourable conditions for mutual investment’ (the 1999 Joint Statement). In the 2005 Joint Statement, the two sides for the first time laid emphasis on the ‘active implementation of two-way investments’. The key sectors for investment were identified, such as ‘major infrastructure and industrial projects’ (the 2005 Joint Communiqué) and ‘manufacturing industry, human resource development, energy, mineral processing, and other important areas’ (the 2006 Communiqué).

TERRITORIAL AND BORDER ISSUES

The two sides reached agreement on the goal of ‘making the Vietnam–China border one of peace and friendship’ and on the method of ‘peacefully negotiating and settling issues regarding territory and borders’ (the 1991 Joint Communiqué) ‘with the spirit of focusing on the big picture, sympathising with and yielding to each other, reasonable equality, friendly trade and referring to international practice based on international law’ (1995). During the visit to China by Vietnamese General Secretary Le Kha Phieu in 1999, the two sides agreed on a specific timeline to ‘sign a land border treaty in 1999, and an agreement on the demarcation of the Gulf of Tonkin in 2000’. The deadline served to set the concrete tasks and goals of the negotiating teams from both sides.

THE EAST SEA ISSUE

The 1992 Joint Communiqué for the first time stated that ‘Pending the settlement, the two sides will not take any action to complicate the situation or increase disputes’. The 1994 Joint Communiqué added the phrase, ‘neither using force nor threatening to use force’. From then on, this common understanding was mentioned continuously in the joint statements of 1999, 2000 and 2001. In the joint statements and communiqués thereafter, the two sides did not specifically repeat these formulations but instead, spoke of ‘high-level consensus’. During the visit of General Secretary

Nguyen Phu Trong, both sides signed the 'Agreement on the basic principles guiding the settlement of sea-related issues', which clearly stated the basis, the solutions and the process of settling issues related to the East Sea dispute.

These points of common understanding or awareness are aimed at stabilising and advancing the relations between the two countries, while at the same time building an exemplary relationship between China and Vietnam characterised by a high level of trust, equality and mutual benefit. However, looking at the reality of the development of the Vietnam–China relationship over the past spanning more than 25 years, one can see a large gap between the stated aims and the reality. It is true that the relationship has actually developed and had multiple achievements. However, at the same time, many issues have not been resolved and implemented in the manner agreed upon by the leaders of the two countries.

A REVIEW OF ACHIEVEMENTS AND UNRESOLVED ISSUES IN VIETNAM–CHINA RELATIONS

STABLE RELATIONS BUT LOW MUTUAL TRUST: GROWING TENSIONS OVER THE EAST SEA DISPUTE

With the common understanding and agreements reached by the leadership on both sides, Vietnam–China relations were normalised and experienced rapid and comprehensive development. The period of 1991–2000 was one of restoration, moving towards complete normalisation. After 12 high-level visits, by 2000, the two sides had signed more than 30 agreements and memoranda of understanding, among which 20 were related to economics and trade. That helped create the legal corridor and basis for the economic and trade relations between the two countries to thrive. Local authorities from both countries also signed many agreements, restoring border gates all along the borderline. By the year 2000, there were 32 pairs of border gates at the Vietnam–China border as well as 47 pairs of small border roads (The Border Gate Department 2017).

Over the 10 years from 2006 to 2016, the two sides signed more than 70 agreements and documents of cooperation on the occasion of important visits. This started a trend of Chinese companies winning major projects related to infrastructure, including in the power, chemical and mining industries, with the Chinese side providing loans. Examples include a plant manufacturing nitrogenous fertiliser in northern Ninh Binh province, the construction of the pilot urban railway line of the Hanoi–Ha Dong route and the construction of power plants such as Son Dong Thermal Power, Hai Phong Thermal Power 1 and Hai Phong Thermal Power 2, and the alumina project in Dak Nong province in the Central Highlands. However, many questions have now been raised regarding the efficiency of cooperation and the quality of the projects contracted with Chinese companies.

In addition to the high-level visits mentioned earlier, every year there are hundreds of visits, meetings and exchanges by agencies and sectors at all levels. According to the statistics of the Vietnamese Embassy in China, the number of Vietnamese delegations visiting China was approximately 100 in 1997, 120 in 1998, 150 in 1999, more than 150 in 2000 and 167 in 2009. Among them, 108 were at the vice-minister level (VietNamNet Bridge 2010). Activities to help strengthen people-to-people understanding and exchanges are considered important and have been carried out in many forms. The Vietnam–China Friendship Association² was started in 2000 and has been undertaking activities on an increasingly large scale. Other examples include visits or meetings with Chinese advisors, meetings with Vietnamese people who studied or worked in China, visits to Vietnam by Chinese war veterans who had been in Vietnam and the establishment of the Vietnam–China People’s Forum.³

In recent years, contact between leaders of the two parties and two countries has been maintained in various forms, such as conversation via telephone between the two general secretaries on important occasions. The two sides had signed an agreement on setting up a hotline between high-ranking leaders of the two countries in 2008, with the first phone conversation taking place in 2013. Other forms include the appointment of the special envoy of the general secretary (starting from 2014) and meetings of representatives of the two politburos (held for the first time in 2016). On 2 March 2012, the Ministries of Foreign Affairs of the two countries officially opened a hotline for timely coordination in handling emergency issues. However, in reality, when an important incident such as the 2014 Hai Yang Shi You 981 standoff took place, the ‘hot’ channels all turned ‘cold’—attempts to make contact by Vietnam were rejected, or else contact was made but without results.

Although the relationship between the two countries has remained stable for the past spanning more than 25 years, it is a fact that the East Sea dispute is having an increasingly large impact. This has led to tension on many occasions, with each crisis more severe than the preceding one (a more detailed analysis is given in the later part of this article). It is important to build political trust in order to develop the bilateral relationship, but a number of Vietnamese scholars believe that the more that this is

² The Vietnam–China Youth Friendship Meeting is an annual meeting of youth delegates organised by the Central Committee of the Communist Youth Union of Vietnam and the Communist Youth League of China, held alternately in each country since 2000. Within the framework of this meeting, many activities have been organised such as music festivals or discussions. For example, during the 16th Vietnam–China Youth Friendship Meeting held in Lang Son, Quang Ninh and Hanoi, talks were held between the Secretaries of the Ho Chi Minh Communist Youth Union and the Communist Youth Union of China. A number of discussion programmes were launched concerning, for example, the building of new rural areas and voluntary activities, as well as propaganda and education for the younger generation.

³ The China–Vietnam People’s Forum is an annual forum organised by the Vietnam Union of Friendship Organisations and the Chinese People’s Association for Friendship with Foreign Countries, held alternately in each country with the participation of specialists, experts and professionals who have actively contributed to the development of the two countries’ relations. The Ninth Forum was held in Hanoi from 10 to 14 November 2017 under the theme ‘Strengthening Trust, Connecting Strategies, Growing Together’.

highlighted during high-level visits, the more apparent it is that the two sides have not managed to develop such mutual trust. At the meeting with China's President Xi Jinping in 2015, his Vietnamese counterpart Truong Tan Sang clearly stated:

In recent years, the trust in the relations of the two Parties and two countries among a number of people, cadres and party members has decreased due to disputes and conflicts between the two countries on sea-related issues as well as the fact that a number of cooperation agreements have not been fully implemented. (Laodong 2015)

For their part, Chinese leaders have often mentioned the need to 'maintain [the good] overall situation' and 'prevent the relations between the two countries from straying from the correct orbit' (*China News* 2015). It can be seen that the lack of political trust is a real stumbling block in the relationship between Vietnam and China. However, the explanations for this lack of trust are different on both sides. The problems in the Sino-Vietnamese relationship, particularly China's moves in the East Sea/South China Sea dispute, have made the Vietnamese feel that China did not really wish to promote a true 'win-win' relationship as it promised. It was felt that China did not want Vietnam to grow and prosper, while consistently and directly threatening the national security of Vietnam. The Chinese side, on the other hand, is most concerned about Vietnam's development of relations with the United States in recent years, seeing it as a manifestation of its alienation from China and even as an association with the United States against China. These differences make the building of political trust between Vietnam and China extremely difficult and hard to sustain.

TRADE TURNOVER RISING QUICKLY BUT IN AN IMBALANCED MANNER

The bilateral trade between the two countries grew rapidly from US\$32.23 million in 1991 to US\$70 billion in 2016. In 1995, China ranked 7th in the list of Vietnam's trade partners. However, in 2000, China's exports to Vietnam rose to the 5th position (General Statistics Office of Vietnam 2011). From 2004 to the present, China has continuously been Vietnam's largest trading partner. Targets set to increase the trade turnover were all achieved before the deadlines were set. In 2000, the bilateral trade turnover reached more than US\$2.5 billion, surpassing the target of US\$2 billion. In 2004, the turnover amounted to nearly US\$7.2 billion, exceeding the goal of US\$5 billion set for 2005. In 2008, the bilateral trade turnover reached more than US\$20.18 billion, achieving the target of US\$20 billion two years in advance. Similarly, in 2010, the figure reached US\$30 billion, exceeding the target of US\$25 billion ahead of time. In 2016, the two countries posted a bilateral trade turnover of US\$72 billion (General Statistics Office, 2011–2018).

Along with the impressive growth of the bilateral trade turnover, the influence of China's economy on Vietnam is becoming increasingly visible. After the normalisation

of ties, Chinese goods with their variety and reasonable prices quickly penetrated and broke the monopoly of costly Japanese and Russian goods in the Vietnamese market. Chinese motorbikes have been a typical example. They not only changed the Vietnamese people's consumer habits by making the purchase of motorbikes easier and less costly but also impacted the Vietnamese consumer psychology, since owning a motorbike now became just a means of transport and no longer cost a fortune as earlier. At present, besides consumer goods, most of the materials and machinery to assist Vietnam's major export sectors are imported from China. This has resulted in an increasing dependence of the Vietnamese economy on that of China.

For its part, China is a major market for exports from Vietnam. Many of the latter's agricultural products are exported to the Chinese market. Among them, rubber latex exported to China accounts for 70–75 per cent of the export turnover of the commodity, whereas the figures are 20 per cent for cashew nuts, 100 per cent for cassavas and 67 per cent for dragon fruit (Vov 2014). This too has increased the Vietnamese economy's dependency on China. Vietnam's statistics show that in 2016, China was its third-largest export market, bringing in about US\$21.8 billion; the growth rate of this market, being 26.3 per cent, was ranked 2nd among Vietnam's export markets (just behind that of South Korea). The growth rate of the Chinese market was much faster than Vietnam's top two export markets, namely that of the United States (14%) and the EU (10%) (Dantri 2017). This is an encouraging sign for Vietnam–China relations. Of the 10 groups of major exports from early 2016 to November 2017, China was Vietnam's largest export market for computers, electronic products and accessories with a turnover of US\$3.41 billion—a rise of 43.2 per cent, accounting for 20.5 per cent of the total export turnover of this group of products. The Chinese market also ranked 1st for the export of agricultural products, including vegetables, fruits, cashew nuts, coffee, tea, pepper and rice, with a turnover of US\$2.81 billion, representing a growth rate of 50 per cent. It ranked 3rd for aqua products, amounting to US\$611 million, a rise of 52.4 per cent, and 4th for machinery, equipment, tools and other accessories, valued at US\$1.13 billion, an increase of 72.8 per cent (General Department of Vietnam Customs 2016).

Although the total trade turnover between Vietnam and China has experienced fast growth and has always exceeded the targets set by the leaders, the imbalance is apparent. Vietnam has always been the side with an import surplus which is continuously rising. Thus, the goal of 'gradually narrowing the imbalance' or 'balanced development' as put forward by the two countries' leaders has not been achieved. In 2016, although the value of imports from China decreased as compared with 2015, and its growth rate of 0.5 per cent was nearly the lowest among Vietnam's major import markets, China was still Vietnam's largest source of imports, with a turnover of US\$49.8 billion (Dantri 2017). In the short term, Vietnam will not be able to improve the situation since the group of products with the highest import turnover includes machinery and equipment and materials for production which are unavailable domestically. Among them, the group of machinery and equipment is directly related to the EPC (engineering procurement and construction) packages of Chinese contractors.

FEW DIRECT INVESTMENTS BUT MULTIPLE CONTRACTED PROJECTS

Over the last 25 years, China's direct investments in Vietnam have increased in both the number and the scale of projects. However, such development is still not commensurate with Vietnam's market potential as well as China's actual economic capacities. According to the Foreign Investment Agency under the Vietnamese Ministry of Planning and Investment, by the end of 2015, the People's Republic of China, including Hong Kong and Macau, together with Chinese Taipei, or Taiwan, topped the list of countries and territories investing in Vietnam in terms of the number of ongoing projects (4,759) and the value of investment (US\$56.7 billion). However, if Taiwan is excluded, China had only 1,296 projects with an investment value of nearly US\$10.2 billion (Bach Duong 2016). The average value of Chinese projects was only US\$12 million each, whereas the average figure for foreign projects in Vietnam was US\$19 million. Presently, China has not yet engaged in any large-scale high-tech investment projects. Instead, Chinese companies have so far mainly focused on the fields of manufacturing, processing and exploiting minerals in the border provinces.

The reason for the insignificant increase in FDI is that China is currently the largest foreign contractor in Vietnam. While China's direct investments in Vietnam are on a low scale, the rate of Chinese contractors winning EPC packages is very high. From 2003 to the present, the Chinese have been acting as EPC general contractors of 13 projects in the area of power supply (coal-fired thermal power), accounting for nearly 30 per cent of the power sector's total capacity; 5 out of the 6 projects in the chemicals sector (urea fertiliser, DAP), accounting for 83 per cent; 2 mineral processing projects (the Bauxite Aluminium Complex in Lam Dong province, and the Nhan Co Alumina project—Dak Nong provinces, both of which are in the Central Highlands), accounting for 100 per cent; and 49 out of the 62 lines in cement projects, accounting for 79 per cent (and 49.9% in terms of capacity) (Baomoi 2011). Chinese investments meet their own requirements in terms of profit, exports of machinery and jobs for Chinese employees (Table 1).

Table 1
Countries and Territories with the Largest Amounts of FDI in Vietnam by the End of 2015

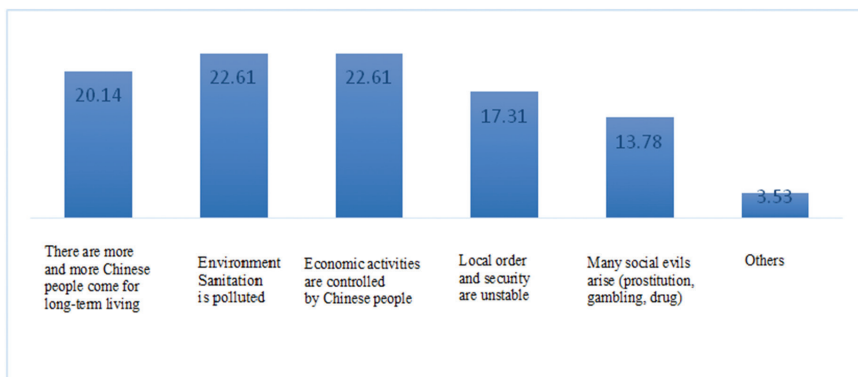
<i>Countries</i>	<i>Project</i>	<i>Investment Capital</i>
China:	4,567	US\$56.7 billion
• Chinese Taipei (Taiwan)	2,478	US\$31 billion
• Hong Kong	975	US\$15.5 billion
• Macau	10	US\$57 million
Republic of Korea (South Korea)	4,970	US\$45.2 billion
Japan	2,914	US\$38.9 billion
Singapore	1,544	US\$35.1 billion

Source: Bach Duong (2016).

Chinese investments and contracted projects have given rise in Vietnam to a range of problems such as environmental pollution, obsolete technology and poor competitiveness. Pollution of the environment and the manipulation of economic activities by Chinese companies are outstanding issues in China's investments in Vietnam. This is testified to by the survey we conducted in the northern border provinces and the two provincial-level regions with high levels of Chinese investments, namely, Ho Chi Minh City and Binh Duong province.

Among the list of projects and plants provided by the Ministry of Industry and Trade of Vietnam at the end of 2016 carrying the risk of polluting the environment, many projects had Chinese companies as contractors or employed Chinese equipment, such as the thermal power plants of Vinh Tan 2, Vinh Tan 4 and expanded Vinh Tan 4, the Nhan Co Alumina project, the Lam Dong Aluminium Company, factories producing phosphorus and chemicals in the Tang Loong Industrial Zone in Lao Cai border province, Ninh Binh Nitrogenous Fertiliser Company and Thai Nguyen Iron and Steel Joint Stock Corporation (Baocongthuong 2016). Of the 12 projects valued at trillions of Vietnamese dong (equivalent to hundreds of millions of US dollars) that were suffering from severe losses, as announced by the Government of Vietnam at the end of 2016, many were related to Chinese contractors and technologies, such as the Thai Nguyen iron and steel factory, phase 2, the contractor of which is the China Metallurgical Group Corporation; Ninh Binh nitrogenous fertiliser plant, which also has Chinese contractors, and where the breakdown of machinery imported from China has had a large impact on the business (Vneconomy 2016); Ha Bac nitrogenous fertiliser, which uses Chinese equipment; and the Viet-Trung (Vietnam–China) cast iron and steel plant in Lao Cai, a joint venture between the Vietnam Steel Corporation and Kunming Iron & Steel Holding Co., Ltd., China, which was also awarded the construction contract (Figure 1).

Figure 1
Assessment of the Negative Aspects in Trade and Investment Relations with China



Source: Authors' survey (2016).

Economic and trade cooperation has always been considered, by both sides, as a bright spot in the Vietnam–China relationship. Importing goods and machinery from China and exporting goods, mainly agricultural products, to this neighbouring country have served the development needs of the Vietnamese economy since its reforms began in 1986, at a time when exchanges with traditional markets had stagnated and trade with markets in other developed countries had not been opened up yet. However, due to several reasons, both subjective and objective, given the fact that the development level of Vietnam's economy is lower than its Chinese counterpart, the economic structure remains irrational and ineffective with weak management practices, while China's rapid development in the production of goods and technology has led to rapid technological transformation along with the need to eliminate outdated technology. As a result, Vietnam–China economic and trade relations have moved towards a situation where Vietnam is increasingly dependent on the Chinese economy. Vietnam, in particular, has become a 'dumping ground' for obsolete and environmentally damaging technology, while low-quality Chinese goods continue to flow in. Within 10 years (from 2004 to 2014), 'Vietnam's dependence on imports has nearly doubled, from 0.13 to 0.21', the highest among major and ASEAN partners (Nguyễn Đình Cung and Trần Toàn Thắng 2015).

To overcome this situation, after high-level meetings, the Vietnam–China Joint Communiqué has suggested a number of solutions, such as to request the Chinese side to create more favourable conditions for Vietnamese goods to enter its markets, to promote two-way investment and to encourage Chinese enterprises to invest further in high-tech models in Vietnam. Although numerous measures were implemented, yet so far the problems in the economic and trade relations between Vietnam and China have not been addressed as effectively as Vietnam wishes. The achievements in economic and trade relations do show that the relations between the two countries are developing in depth, to some extent meeting the demands of each country's development process. Yet unresolved issues such as Vietnam's high level of imports and the quality of the contracted projects have prevented Vietnam–China economic and trade ties from achieving the stated goals of mutual benefit, sustainability and stability. Vietnam has not yet been able to take full advantage of the opportunities arising from China's opening up, reform and development.

TERRITORIAL AND BORDER ISSUES: INCREASING COMPLEXITY OF THE EAST SEA DISPUTE

The greatest achievement during the 25 years since the normalisation of the bilateral ties between Vietnam and China was the settlement of two out of the three territorial and border issues. After almost a decade of six rounds of governmental-level and 16 rounds of diplomatic negotiations, on 30 December 1999, the two sides signed an agreement on their land border. From December 2001, they proceeded with

the delimitation of the border with a total length of 1,400 km. The two countries completed the process on 31 December 2008, having planted close to 2,000 border markers. On 25 December 2000, they signed the Agreement on the Delimitation of the Territorial Sea, the Exclusive Economic Zone and the Continental Shelves in the Gulf of Tonkin, which was Beijing's first agreement on sea delimitation with a neighbour involved in sea-related disputes with China, and the Agreement on Fisheries Cooperation in the Gulf of Tonkin, which was finalised after 7 rounds of negotiations at the inter-government level, 18 rounds of diplomatic negotiations, 9 meetings of the legal and technical group, 10 of the group on maritime diagrams and 6 of the group on fisheries.

The signed agreements formed the basis on which the two countries worked towards the goal of turning the Vietnam–China border into one of peace and friendship. They also contributed to the stability of the relationship, inaugurating a new period in its development. However, after the signing of the agreement on the delimitation of the Gulf of Tonkin, clashes still continued to take place in the Gulf, affecting Vietnam–China relations as a whole. A typical example was when Chinese ships opened fire and killed 9 Vietnamese fishermen on 8 January 2005.

Although the two countries have reached many agreements on sea-related issues, the East Sea dispute is getting more complicated and exerting increasingly great pressure on Vietnam–China relations. Before 2009, this had led to sharp diplomatic confrontation, and some clashes also took place. However, they did not escalate into the 'cold war' type of situation that emerged after 2009. The Wanan Bei-21⁴ oil exploration concession had led to tension throughout the period 1992–95. Despite this, the two countries' high-ranking leaders kept exchanging official visits during those three years. The Chinese oil rig of Kantan-03 in 1997⁵ once again caused tension, but there was still an official visit to China by Vietnamese leaders in that year. However, after 2000, and especially from 2009 onwards, following the East Sea-related developments such as Chinese vessels cutting the cables connected to Vietnam's Binh Minh 02 ship in 2011, Vietnam passing the Law on the Sea and Beijing's declaration of the establishment of the city of Sansha in 2012, matters

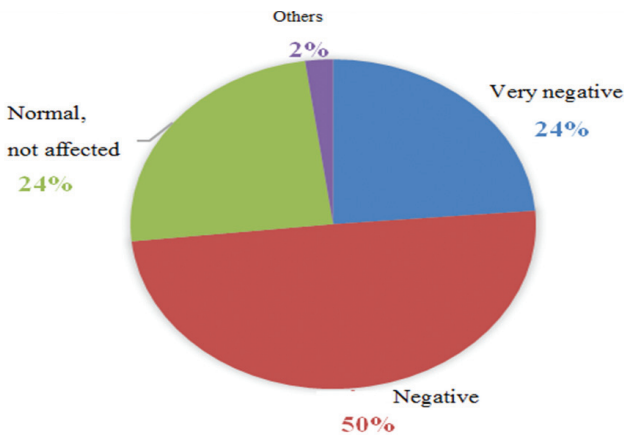
⁴ On 8 May 1992, China signed an oil and gas exploration contract with American energy company Crestone, which allowed the company to operate oil and gas exploration activities in more than 25,000 square kilometres on the Vietnamese continental shelf of Ba Ria-Vung Tau, which is called Vanguard Bank by China. On 16 May 1992, the Foreign Ministry of Vietnam sent a protest note to China, demanding that the Crestone Corporation immediately stop any exploration activities there. On 22 May, the Chinese government ratified the agreement with the oil company and on 1 June, the contract began to be implemented, straining relations between the two countries.

⁵ As of 7 March 1997, the Chinese side deployed the Kantan-03 rig, along with 206 and 208 tugboats, to explore the continental shelf of Vietnam at coordinates 17°13'45" North and 108°39'30" East, 55 nautical miles from the nearest point of the Vietnamese territorial waters, 64.5 nautical miles from the nearest point on the Vietnamese coast (off the Chan May Dong coast) and 71 nautical miles from the nearest point of Hainan island (off the Na San coast).

worsened. Especially after the 2014 incident of the Hai Yang Shi You 981 oil rig mentioned earlier, the bilateral relations entered a situation of ‘cold war’. During the years when those incidents occurred, high-ranking leaders of the two countries did not exchange official visits. The period of 2009–14 was one in which there were the lowest number of official visits. Since 2011, the categorisation of high-level visits between the two countries has been changed from ‘friendly official’ into ‘official’ visits (according to the mainstream media in Vietnam) or ‘national’ visits (in the mainstream media in China). At that time, Vietnamese diplomat Duong Danh Dy commented: ‘Only this (meaning the change in defining the relationship) has said a lot’ (BBC 2011) and did not give any further comments. The change seems to reflect a consensus on both sides, which we believe reflects the larger shift in the nature of the Vietnam–China relationship. At the same time, conflict and struggles over territorial sovereignty go hand in hand with development cooperation.

The level of disagreement and tension between the two countries regarding the East Sea dispute has kept rising, with each incident being more severe than the preceding one. The situation has impacted not only diplomatic relations but also people’s emotions and attitudes. During the course of the incidents in 2011, 2012 and 2014, alongside the many official forms of protest, public opinion in the two countries almost became confrontational. Due to the impact of the oil rig incident, from May 2014 to August 2014, there was almost no exchange of delegations, and official exchange activities came to a halt. As represented in Figure 2, a majority of people and local officials in Vietnam regard the East Sea dispute as having a ‘very negative’ and ‘negative’ impact on the cooperation with China.

Figure 2
Public Opinion in Vietnam Regarding Attitudes towards China following Disputes in the East Sea



Source: Authors’ survey (2016).

**ASSESSMENT OF THE IMPACT OF THE EAST SEA DISPUTE
ON VIETNAM–CHINA RELATIONS**

Almost all large-scale and prolonged public demonstrations by Vietnamese in recent years were related to China and the East Sea dispute. To protest the establishment of the Sansha city, Vietnamese people organised demonstrations on three consecutive Sundays in Hanoi and Ho Chi Minh City. The incident of Chinese vessels cutting the cables of Vietnam's Binh Minh 02 ship⁶ led to demonstrations for 10 consecutive weeks in the capital, Hanoi, and Ho Chi Minh City from early June to mid-August 2011.

The extent of the impact of the East Sea dispute is continuously expanding. Previously, the issue affected mainly diplomatic ties, while trade relations and contacts in other sectors remained barely affected. The impact on the latter, if any, were only local and of short duration or were felt after some time rather than immediately. However, after the oil rig incident, tension in the East Sea has had a strong impact on all fields of cooperation between the two countries, from diplomacy to economics and from trade to culture and tourism. Earlier, the East Sea dispute did not cause a decrease in the bilateral trade turnover and investments. However, after 2009, and especially since 2014, for many reasons such as the influence of territorial sovereignty disputes, strong nationalist sentiments on both sides, the role of information technology (Internet, social networks) and the development of civil society, as well as China's use of economic measures to apply further pressure when tension mounts, issues related to trade and economic ties have been quickly coupled with the territorial dispute, thereby engendering suspicions and a negative mentality against Beijing on the part of Vietnamese. This in turn affects the prospects of future cooperation between the two countries.

FUTURE PROSPECTS

A total of 25 years since the normalisation of the bilateral ties, Hanoi and Beijing have set the principles, goals and directions for the development of these ties as well as the measures for their implementation for each period and in each major field of cooperation. On that basis, Vietnam–China relations have been restored in a rapid

⁶ In the early morning of 26 May 2011, when the Vietnamese Binh Minh 02 vessel was undergoing its survey expedition at Block 148, about 116 nautical miles from Dai Lanh (Phu Yen), which is located entirely in Vietnam's continental shelf and exclusive economic zone, three Chinese vessels, Nos. 84, 72 and 17, ran straight into the survey area without prior warning. The Binh Minh 02 attempted to contact these ships but did not receive any response. It had lowered the exploration cable to avoid collision, but the Chinese No. 84 vessel still ran through the cable dropping area and used specialised equipment to cut the cables of the Binh Minh 02, making it impossible for it to continue with work that day. After cutting the cables, the Chinese navy vessel No. 84 contacted the Vietnamese side, notifying that the vessel was 'in violation of Chinese sovereignty', demanding its immediate departure and threatening to conduct further forceful actions. By 9 AM, these three ships left the area.

manner and have experienced a comprehensive development with stable political relations, rapid growth in trade and investment and the settlement of two out of the three territorial and border issues. However, the development of their relations over the past 25 years has also shown the gap between the agreement reached by their leaders on the one hand and actual practice on the other hand. While Hanoi wants a friendly neighbourly relationship with China, this does not seem to be entirely the case for Beijing. China always expresses its willingness to build an exemplary and friendly neighbourly relationship with Vietnam. It puts emphasis on the similarities between them and plays down the disputes and differences with the aim of showing the world that there is a natural bond between Vietnam and China which no other country can interfere with, thereby trying to keep Vietnam within its sphere of influence. On the other hand, Beijing makes use of these very similarities to pressurise Hanoi, urging the latter to make concessions and take a softer position in handling the territorial disputes with it. Beijing is not actively trying to resolve issues related to economics and trade either.

The achievements that have been made in Vietnam and China's bilateral relations are the result of taking full advantage of the similarities in their political institutions and of the gaps in their levels of development. China has made better use of these similarities and gained the advantageous position in economic and trade relations with Vietnam. Though Hanoi has also benefited greatly, it has not yet achieved the goal of equality, mutual benefit and win-win cooperation in its economic ties with Beijing. As a result, along with the East Sea dispute, economic relations has become one of the two issues which the Vietnamese people are the most concerned about with respect to China. The two problems are increasingly having a combined impact on the bilateral relationship. Under the impact of the East Sea dispute, in recent years, all activities and projects with or related to China have become the focal point of scrutiny on the part of the Vietnamese public. The Vietnamese people's reaction to the Formosa⁷ pollution incident is an example. Thus the hitherto prevailing pattern of the development of Vietnam-China relations has reached its limit, and there is now a need to change and enhance the quality of cooperation. The trend of Vietnam selling raw materials to and importing low quality goods from China, and of China bringing in low level and old technologies which are not environment-friendly into Vietnam, will no longer be appropriate. This represents both a challenge and an opportunity for the two countries to move towards building a fairer economic and trade relationship.

The East Sea issue has demonstrated in the most focused manner the discrepancy between high-level agreements and actual deeds which are not in keeping with those

⁷ The Formosa incident involved mass extinction of marine life in the Vung Ang (Ha Tinh) waters due to polluting wastes from the Formosa Hung Nghiep Co., Ltd., which exceeded the permissible degree of concentration of pollutants. Starting from 6 April 2016, it spread to Quang Binh, Quang Tri and Thua Thien Hue. This environmental disaster has had a major impact on the livelihood of tens of thousands of fishermen and the lives of hundreds of thousands of people, affecting coastal tourism along the Central Coast, and leading to protests by citizens in Hanoi, Ho Chi Minh City and especially Ha Tinh.

agreements nor with the spirit of attaching importance to the larger picture emphasised by Chinese leaders. The East Sea dispute, the most sensitive and difficult issue in the Vietnam–China relationship, has become more complicated, demonstrating its ability to dominate the stable and healthy development of the relationship. Beijing's development of reefs into (man-made) islands, which is being done on a large scale and at a fast pace never seen before, and afterwards its building of infrastructure and moves towards militarisation, have marked a turn to a new phase in China's strategy regarding the East Sea.

Developments in the Vietnam–China relationship coupled with domestic and global changes have taken it into a new cycle of development with new demands and requirements. While China has shifted its mode of development, implementing the grand development strategy of 'one belt, one road' (OBOR) to export its excess capacities and products to other countries, Vietnam's socio-economic conditions have also been experiencing changes which we believe will have an impact on the bilateral relations. Vietnam has stepped out of the group of low-income countries, with the GDP per capita rising to US\$2,200 in 2015, and with the emergence of a middle class and a wealthy stratum which are forecast to double in number to reach 33 million in the period of 2014–20 (Vietnam News Agency 2016). Under such circumstances, if the trade between Vietnam and China does not change its direction, it will be negatively affected, as happened to the import of Chinese motorbikes and a number of home electronic devices previously.⁸

A noteworthy feature of Vietnamese society in recent years is the rapid growth of communications and the media. From 2010 to the present, Vietnam has continuously been ranked among the top 20 countries in terms of the number of Internet users, who account for 30 per cent of the population. Currently, 55 per cent of the Vietnamese people possess smart phones. This means that Vietnam–China trade needs to be directed towards developing electronic commerce in parallel with the trade in more traditional items. Moreover, the development of information technology and of the civil society requires transparency in information. Given the enhanced level of public awareness, the policymaking process needs to take into account public opinion more than before. This requires that policies, including those related to China, be both appropriate and effectively implemented.

The difficulties in Vietnam–China relations discussed previously have created division and disagreements between the Vietnamese Party and the State on the one hand and the people on the other hand, with respect to their respective assessment of and

⁸ In the early 2000s, Chinese motorcycle brands, Lifan and Loncin, began to be imported into Vietnam at one-third or half the price of those made in Japan and Thailand at the time, creating a fever for Chinese motorcycles and giving ordinary workers the chance to own motorcycles and improve their living standards. However, despite their cheap price, the motorcycles were mostly of low quality and prone to breaking down. Hence Vietnamese consumers gradually turned again to motorcycles made by Japanese or Thai manufacturers. At present, Chinese motorbikes have almost 'disappeared' from the Vietnamese market.

attitude towards the relationship with China. While the party and the state has always asserted the importance of relations with China in Vietnam's foreign policy and highly regarded the achievements made in the bilateral ties, the assessment of the public is quite different. Such division and disagreements can weaken Vietnam's national power and make the objective assessment of Vietnam–China relations and the devising of suitable policies related to China a harder task for the party and the state.

The strict implementation of agreements, cooperating with each other on the basis of mutual benefit, paying attention to each other's legitimate interests and limiting security threats, will all contribute to narrowing the gap and differences between the official and the people's assessments of the Vietnam–China relationship and hence contribute to the building of political trust. Although the leaders of the two countries have committed to building an equal relationship, in reality, with its greater capacity, Beijing is always able to control and manipulate the bilateral relations. Thus, it needs to take the lead to build trust between the two nations and provide a strong assurance for the stable and positive development of the relationship.

The year 2017 saw many important diplomatic events take place. At the beginning of the year, Vietnamese General Secretary Nguyen Phu Trong paid an official visit to China. China was also the first country which the top leader of the Communist Party of Vietnam officially visited in 2017. China welcomed the Vietnamese general secretary with the highest ceremony and made many exceptions to the standard protocol, such as organising his meeting with five members of the Standing Committee of the Chinese Political Bureau. Moreover, his conversation with the Chinese general secretary and State President Xi Jinping lasted for 30 minutes longer than anticipated in the original plan. On the occasion of this visit, the two sides signed 15 documents, including 2 on cooperation between the two parties, 2 on national defence, 2 on aid, assistance and loans, 2 on agriculture and 5 on culture and information, especially on cooperation between the major media agencies of the two parties and two countries. (Nhandan 2017) Vietnam and China have committed to taking steps towards comprehensive development of their relationship. China will take the initiative in boosting strategic connections, the first of which is related to infrastructure, creating new incentives for the participation of China's businesses as investors and contractors of projects in Vietnam.

From 11 to 15 May 2017, Vietnam President Tran Dai Quang paid an official visit to China and participated in the Belt and Road Forum. During the visit, Vietnam reaffirmed the importance of the Vietnam–China relationship and its commitment to improve their relations. The two sides expressed the desire to promote talks and sign an MOU on connecting China's 'Belt and Road' Initiative with Vietnam's 'Two corridor, one belt' scheme.⁹

⁹The 'Two Corridors' refer to the Kunming–Lao Cai–Ha Noi–Hai Phong Economic Corridor and the Nanning–Lang Son–Ha Noi–Hai Phong Economic Corridor. 'One Belt' refers to the Tonkin Gulf Economic Belt, which is a zone of economic cooperation among Chinese and Vietnamese provinces around the Tonkin Gulf. This initiative was proposed during then Prime Minister Phan Van Khai's visit to China in May 2004.

In the first quarter of 2017, in terms of foreign investment in Vietnam, China ranked 8th, with 1,615 projects and total registered capital of US\$11.1 billion. China's investment focused mainly on areas such as manufacture, energy, real estate, textiles, electronics, services, and so on (Baomoi 2017).

After the 19th Congress of the Chinese Communist Party, China's General Secretary and President Xi Jinping came to Vietnam to attend the APEC summit and visit Vietnam (11–13 November 2017). On this occasion, the two countries' leaders agreed on promoting a stable and healthy relationship. However, in order to keep the relationship stable, the two countries have to deal with many problems in terms of investment, trade, tourism, and so on, and pay particular attention to solving the East Sea dispute based on peaceful and legal means.

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