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Background Brief:

Vietnam-China Relations in 2020 and 2021

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We are preparing a report on Vietnam-China relations and request your assessment of the following issues:

Q1. What were the main developments in Vietnam-China relations in 2020?

ANSWER: In 2020, Vietnam's relations with China remained stable with some positive developments. For example, in April, the Vietnam and China Coast Guards conducted their nineteenth joint fishery patrol in the Gulf of Tonkin. That month the two ministers of defence spoke by telephone to discuss their efforts to prevent and control COVID-19. In June, the Vietnam People's Navy and the People's Liberation Army Navy conducted their twenty-eighth joint patrol in the Gulf of Tonkin.

At the same time, Vietnam also protested when China infringed its sovereignty and legal rights. In March, Vietnam lodged a Note Verbale with United Nations Commission on the Limits of the Continental Shelf rejecting China's claims to the "four shas" as a serious violation of Vietnam's sovereignty, sovereign rights and jurisdiction in the East Sea." In July, Vietnam objected when China deployed military aircraft to Phu Lam (Woody) island in the Paracels.

One sign that bilateral relations were stable was the convening of the twelfth meeting of the Steering Committee for Bilateral Cooperation in July. No meeting was held in 2019, likely due to the four-month standoff at Vanguard Bank.

On the positive side of the ledger, Vietnam and China agreed that despite COVID-19, there had been an expansion between ministries, government agencies and exchanges at the local level; and border management had been "well implemented." Cross-border trade increased by 4.5% in the first half of the year. Chinese investment "surged in 2019" with China rising to seventh among 132 countries and territories investing in Vietnam. Vietnam and China agreed "on stronger cooperation in science-technology, environmental protection, transportation, agriculture, health care, culture, education, tourism and people-to-people exchanges..."

On the negative side of the ledger there were a number of outstanding issues such as Vietnam's trade deficit, sluggish progress on various projects funded and managed by Chinese contractors, and slow implementation of Chinese loans and non-refundable aid. Vietnam pressed China to facilitate cross border trade, import more Vietnamese agricultural produce, and step-up Chinese investment in hi-tech and environmentally friendly sectors in Vietnam.

China's continued assertion of sovereignty over the South China Sea continued to be a major irritant in bilateral relations. But in 2020, China did not repeat its actions of the previous year by deploying a survey ship and escorts to conduct operations in Vietnam's Exclusive Economic Zone in the waters near Vanguard Bank and the Red Orchid block.

At the start of the year, Vietnam lodged diplomatic protests when China announced two new administrative districts and officially renamed eighty features in the South China Sea. The most serious incident was the sinking of a Vietnamese fishing boat on 2 April that Vietnam strongly protested. In May, Vietnam rejected China's unilateral declaration of a fishing ban in the East Sea. In June, a China Coast Guard vessel rammed a Vietnamese fishing boat. This incident drew another Vietnamese protest.

In July, at the twelfth meeting of the Steering Committee for Bilateral Cooperation, Vietnam and China "engaged in candid discussion about the recent situation at sea and their differences regarding sea-related issues." The outcome of this meeting suggests that both sides continued to compartmentalize their South China Sea dispute from impacting negatively on cooperation programs currently underway.

In August, China's Foreign Minister Wang Yi met with his Vietnamese counterpart, Pham Binh Minh, in Dongxing, Guangxi Zhuang Autonomous Zone, to mark the twentieth anniversary of the agreement to demarcate their land border and the tenth anniversary of the erection of border markers. However, in September, when China's State Councillor and Minister of Defence Wei Fenghe visited Southeast Asia he did not stop in Hanoi.

Q2. What are the main factors that have bettered or worsened relations between Vietnam and China?

Both China and Vietnam have a substantial economic relationship that has been impacted by the COVID-19. As both countries have been successful in combatting the coronavirus, they are looking towards economic recovery and the restoration of cross-border supply chains. Chinese investment in Vietnam has shot up because some Chinese businesses are attempting to avoid U.S. tariffs by shifting operations to Vietnam. In other words, Vietnam and China have a mutual interest in nurturing economic relations including trade and investment and this has had a positive impact on bilateral relations.

China has also been motivated by the Trump Administration's harsh anti-China rhetoric and Secretary of State's Mike Pompeo attempts to forge an anti-Communist Party of China alliance. In other words, China seeks to counter U.S. attempts to win over Vietnam by stressing their common commitment to socialism.

The situation in the South China Sea has remained relatively stable because of the increased U.S. naval presence and Vietnam's decision not to contract foreign-owned survey vessels to conduct oil exploration in the waters near Vanguard Bank and Red Orchid block 06-01 (Lan đở).

Q3. What is your forecast of Vietnam-China relations in 2021?

ANSWER: Vietnam will hold its thirteenth national party congress in early 2021 and later hold elections for the National Assembly and then approve Vietnam's new

government leaders. This leadership transition provides an opportunity for China and Vietnam to exchange high-level visits and discuss how to address outstanding issues identified this year as well as promote continued cooperation under the umbrella of the Joint Steering Committee.

Hopefully, if the coronavirus is contained, ASEAN members and China will resume face-to-face meetings of the Joint Working Group to Implement the Declaration on Conduct of Parties in the South China Sea.

Vietnam-China bilateral relations are likely to remain basically stable with the main focus on economic and commercial relations. At the same time, occasional tension and incidents related to China's claims of sovereignty in the South China Sea will take place. If Vietnam resumes oil exploration in the waters near Vanguard Bank and Red Orchid block, China will definitely intervene to harass operations.

Q4. What is your assessment of Sino-U.S. relations under the Biden Administration?

ANSWER: The Biden Administration will take some time to settle into office as each member of his Cabinet will have to obtain approval from a hostile Republican-controlled Senate. Under U.S. law, the Biden Administration must draw up a U.S. National Security Strategy and present it to Congress within 150 days. Once approved, the Pentagon will draw up a National Defence Strategy, and from this document, a maritime strategy and a strategy for the Indo-Pacific.

There is bipartisan support in the U.S. Congress for continuing tough policies towards China related to its trade surplus and its interference in domestic U.S. affairs. The Biden Administration will jettison the harsh rhetoric used by Secretary of State Mike Pompeo but will keep tariffs and other sanctions in place.

China will continue to be viewed as a rival and competitor of the United States. The Biden Administration will strongly support existing alliances (Japan, South Korea, Australia) and the Quad. The Biden Administration will be a strong supporter of ASEAN. It will repair bilateral economic relations with regional states.

The Biden Administration is unlikely to join either the Comprehensive and Progressive Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership during its first two years in office because the Biden Administration must receive approval by the Republican-controlled Senate. It is also highly unlikely that the Biden Administration will ratify the United Nations Convention on the Law of the Sea during its first term in office.

However, the Biden Administration will adopt completely different policies from the Trump Administration regarding the United Nations and other international multinational organisations such as the World Health Organisation and the World Trade Organisation. The Biden Administration will reach out to China to cooperate on global issues such as COVID-19, climate change, restoring growth to the world economy, and denuclearisation on the Korean peninsula.

Q5. How will future Sino-U.S. relations affect Vietnam-China relations?

ANSWER: Sino-American relations are likely to be less confrontational than under Trump. Vietnam will find that U.S. pressure to take sides will recede under President

Biden. Tensions will remain between Beijing and Washington as both sides seek out areas of co-operation.

This scenario presents more opportunities than challenges for Vietnam to cooperate with China and the United States, especially on economic and commercial matters.

China has an interest in preventing Vietnam from falling into the U.S. orbit. Vietnam will be able to take advantage of this.

The Biden Administration will value Vietnam as “strategic partner” and this is likely to take the form of U.S. support for Vietnam’s leadership in ASEAN.

It is unlikely that Sino-American relations will become so friendly in the next four years that they will develop at Vietnam’s expense. In other words a G2 (Group of 2) is unlikely to take shape in which the U.S. cedes Southeast Asia/Vietnam to China’s sphere of influence.

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