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6. April 1998

Gerhard Will

China und Vietnam

Möglichkeiten und Hindernisse der bilateralen Zusammenarbeit

Bericht des BIOst Nr. 24/1998

Kurzfassung

Vorbemerkung

Die chinesisch-vietnamesischen Beziehungen bieten seit einigen Jahren ein sehr widersprüchliches Erscheinungsbild. Trotz ständig wiederholter Freundschaftsbeteuerungen, einem dichten Austausch von Delegationen auf allen Ebenen und stark angewachsenen Handelsbeziehungen, beschuldigen sich beide Seiten in öffentlichen und sehr scharf formulierten Erklärungen gegenseitig der Verletzung der territorialen Integrität. Einige Beobachter haben daraus bereits den Schluß gezogen, daß längerfristig eine erneute militärische Auseinandersetzung zwischen beiden Ländern wohl unvermeidbar und der Ausgangspunkt für einen großangelegten militärischen Konflikt in Südostasien sein werde. Ziel der vorliegenden Arbeit ist es, durch eine eingehendere Analyse der Kooperations- und Konfliktpotentiale sowie der von beiden Parteien verfolgten Konfliktstrategien zu einer fundierteren Einschätzung dieses bilateralen Verhältnisses zu gelangen.

Der Bericht basiert vorwiegend auf der Auswertung regierungsamtlicher Verlautbarungen sowie publizistischer Kommentare aus der VR China und der SR Vietnam. Berichte und Artikel internationaler Zeitungen und Zeitschriften wurden als Hintergrundinformationen herangezogen.

Ergebnisse

1. Während der zweiten Hälfte der siebziger Jahre hatte Vietnams Politik, die auf ein enges Bündnis mit der Sowjetunion und auf die Errichtung einer Vormachtstellung in Indochina abzielte, zu einem offenen Konflikt mit der VR China und zu einem wirtschaftlichen Niedergang Vietnams geführt. Bei der Suche nach einem Ausweg aus der wirtschaftlichen Krise bediente sich Hanoi, wie schon so oft in der Geschichte Vietnams, des chinesischen Vorbilds; in diesem Falle der in der VR China seit 1978 eingeleiteten Wirtschaftsreformen. Wenige Jahre später machten schließlich der bedingungslose Abzug der vietnamesischen Truppen aus Kambodscha, Hanois konstruktive Mitarbeit an einer internationalen Vereinbarung zur Regelung des Kambodschakonflikts und nicht zuletzt die chinesisch-sowjetische Aussöhnung den Weg frei für eine Normalisierung der chinesisch-vietnamesischen Beziehungen.

2. Der Zusammenbruch des Sozialismus in Osteuropa und der Sowjetunion führte China und Vietnam noch enger zusammen. In Hanoi wie in Peking zog man aus diesem historischen

Ereignis die Schlußfolgerung, daß der Sozialismus in diesen Ländern deshalb gescheitert sei, weil wirtschaftliche Reformen zu spät und zu zaghaft, politische Reformen aber zu übereilt und zu weitgehend vorgenommen worden seien. Gerade in Zeiten wirtschaftlicher Reformen, die eine Ausweitung des privaten Wirtschaftssektors beinhalten, müsse jedoch das Herrschaftsmonopol der Partei um so entschiedener verteidigt werden.

3. In Erklärungen beider Partei- und Staatsführungen wird denn auch immer wieder betont, daß man gerade in der Frage der politischen Führung und Herrschaftsausübung voneinander lernen könne und daher den Erfahrungsaustausch weiter entwickeln müsse. Die wechselseitigen Bestärkungen, am eingeschlagenen politischen Kurs unverrückt festzuhalten und entschlossen gegen alle Versuche der "friedlichen Evolution" vorzugehen, sind daher nicht als ideologische Lippenbekenntnisse, sondern als Ausdruck gemeinsam verstandener Interessen zu sehen. Denn jede größere Krise des politischen Systems in einem der beiden Länder hätte zwangsläufig negative Auswirkungen auf die politische Stabilität im Nachbarland.

4. Neben weitgehender Übereinstimmung in innenpolitischen Fragen ist es auch auf wirtschaftlicher Ebene zu einer Intensivierung der Beziehungen gekommen. Beide Länder haben über 20 Handelsabkommen unterzeichnet, den 1978 unterbrochenen Eisenbahnverkehr wiederaufgenommen und die Grenz- und Zollformalitäten erleichtert. Der bilaterale Handel hat seit 1991 alljährlich beträchtliche Zuwachsraten zu verzeichnen. Diese positiven Entwicklungen können indes nicht darüber hinwegtäuschen, daß ein beträchtlicher Handelsüberschuß zugunsten Chinas besteht, und daß beide Länder wirtschaftlich betrachtet wenig komplementär sind. Da Vietnam und die VR China eine nahezu identische Entwicklungsstrategie verfolgen, wird es darüber hinaus zu einer immer härteren Konkurrenz um wirtschaftliche Ressourcen und Absatzmärkte kommen. Aufgrund ihrer Größe und des längeren Vorlaufs in der Reformpolitik hat die VR China in dieser Auseinandersetzung erhebliche Vorteile gegenüber Vietnam.

5. Diese Überlegenheit Chinas wirkt sich bereits heute sehr ungünstig auf die wirtschaftliche Entwicklung im Norden Vietnams aus. Umfangreiche Schmuggelgeschäfte mit einem geschätzten Volumen von 500 Mio. US-$ fügen der vietnamesischen Volkswirtschaft in zweifacher Hinsicht Schaden zu: Durch illegale Ausfuhr landwirtschaftlicher Produkte nach China verliert sie dringend benötigte Devisen und bekommt dafür billige Konsumgüter aus China, die viele neugegründete vietnamesische Betriebe in den Bankrott treiben, da diese noch nicht so kostengünstig produzieren können. Ein weiterer Ausbau der wirtschaftlichen Beziehungen ist daher für Vietnam sehr viel weniger vorteilhaft als für die VR China. Wenn Vietnam trotzdem eine Intensivierung der wirtschaftlichen Beziehungen befürwortet, hat dies weniger wirtschaftliche als politische Gründe.

6. Den derzeit wohl augenfälligsten Konfliktstoff zwischen Vietnam und China stellen die gegensätzlichen Gebietsansprüche in der südchinesischen See dar, für die trotz mehrjähriger Verhandlungsrunden keine Annäherung der Standpunkte erzielt werden konnte. Dies dürfte vor allem daran liegen, daß dieses Gebiet sowohl wirtschaftliche wie strategische

Bedeutung hat. Außerdem ist dieses Territorialproblem nicht nur für die Führungen beider Länder, sondern auch für breite Bevölkerungsschichten eine Frage der nationalen Ehre. Da man in China wie in Vietnam den Ansehensverlust der sozialistischen Ideologie durch einen Rekurs auf nationalistische Parolen auszugleichen versucht, birgt diese Dimension des Konflikts eine noch völlig unkalkulierbare Sprengkraft in sich.

7. Aus der vorangegangenen Analyse der politischen und wirtschaftlichen Beziehungen sowie der territorialen Konflikte ergibt sich weder eine eindeutige Konfliktkonstellation noch eine hinreichende Interessenübereinstimmung, die größere Konflikte in naher Zukunft ausschließt. Für eine großangelegte militärische Auseinandersetzung in der südchinesischen See, wie sie von einigen Beobachtern prognostiziert wird, liegen allerdings kaum erkennbare Voraussetzungen vor.

8. Vieles deutet indes darauf hin, daß die VR China gegenüber Vietnam zwei nicht ganz einfach zu vereinbarende Ziele verfolgt. Einerseits versucht sie, die Kontrolle über die südchinesische See schrittweise auszubauen und langfristig ihre territorialen Ansprüche durchzusetzen, gleichzeitig ist sie aber auch bestrebt, einen offenen Konflikt mit Vietnam zu vermeiden und in Südostasien ein friedliches Umfeld zu erhalten, da dies für die weitere wirtschaftliche Entwicklung Chinas unabdingbar ist.

9. Um diese beiden Ziele zu erreichen, hat Peking eine Doppelstrategie entwickelt, die Gesprächsbereitschaft mit der Androhung von Gewalt und dem Schaffen vollendeter Tatsachen verbindet. Gerade dadurch, daß die VR China Vietnam wie auch die anderen Nachbarstaaten in Südostasien über ihre konkreten Territorialansprüche, ihre Intentionen sowie ihre zukünftige Vorgehensweise im unklaren läßt, sehr unterschiedliche Signale aussendet und ihre Verhandlungspositionen wiederholt revidiert, erreicht sie zweierlei: Sie kann die Solidarität zwischen Vietnam und den anderen ASEAN-Mitgliedern immer wieder einer Belastungsprobe unterziehen und sie kann zweitens durch ihr scheinbar widersprüchliches Vorgehen in Vietnam wie in dessen Nachbarstaaten heftige Diskussionen und Auseinandersetzungen über die tatsächlichen Intentionen Chinas und die jeweils erforderlichen Gegenmaßnahmen auslösen und so die gegnerische Position schwächen.

10. Vietnam hat während der vergangenen zwanzig Jahre die Erfahrung machen müsse, daß es seine Interessen gegenüber China nicht durch eine Konfrontationsstrategie, sondern allenfalls durch einen langwierigen, aber prinzipienfesten Verhandlungsprozeß durchsetzen kann. Einen solchen Verhandlungsprozeß mit einem ungleich stärkeren Partner kann Vietnam aber nur dann zum Erfolg führen, wenn es ihm gelingt, der eigenen Position stärkeres bzw. zusätzliches Gewicht zu verleihen. Neben dem Werben um eine vermehrte internationale Wirtschaftskooperation, durch die nicht zuletzt ökonomische Interessen anderer Länder an Vietnam gebunden werden sollen, setzt Hanoi hier vor allem auf eine stärkere Zusammenarbeit der ASEAN-Staaten. Darüber hinaus hat Vietnam erhebliche Anstrengungen unternommen, um die Beziehungen zu seinen Partnern in der ASEAN, in Japan, der EU, Rußland und nicht zuletzt in den USA zu intensivieren und auf das Gebiet der Sicherheitspolitik auszudehnen, wobei es leider immer wieder zu Rückschlägen kommt, da es einigen Mitgliedern der vietnamesischen Führungsspitze offenbar nach wie vor schwerfällt, sich von alten Feindbildern zu trennen. Letzteres wird sich jedoch als

unerläßlich erweisen, wenn Vietnam zu einem akzeptablen Interessenausgleich mit der VR China kommen will.

Introduction

For the past several years, Chinese-Vietnamese relations have appeared extremely contradictory. Meetings between party and state leaders of the two countries are held on a regular basis, as well as frequent exchanges of delegations representing various parts of the social and political system. Since the normalization of the countries' relations began in 1991, twenty-four mutual agreements have been signed,[1] and the rise in bilateral commerce can only be described as precipitous. But despite repeated statements stressing the unswerving friendship and intensive negotiations between the two countries, territorial problems have remained unsolved to this day. China and Vietnam have repeatedly accused each other, sometimes in harsh words,[2] of violating their respective territorial rights. Several Asia watchers have already concluded from these statements that a new Chinese-Vietnamese conflict appears inevitable, which itself could be the primer for a large-scale military conflict in Southeast Asia.[3] To permit a somewhat less speculative assessment, the following essay will attempt a detailed analysis of the cooperation and conflict potential and of the strategies and conflict behaviour of both sides.

1. Cooperation and Conflict Potentials

1.1 Political Relations

The Chinese-Vietnamese conflict of the mid-seventies had been sparked primarily by disagreements on political issues, to be precise: by disagreements over questions of foreign policy. Terrified by Mao Zedong's Cultural Revolutionary line and the approach towards the US which he adopted shortly thereafter, the Vietnamese leadership gradually dropped its policy of equidistance between Moscow and Peking and began to follow a course of closer cooperation with the Soviet Union. Peking's attempts to force Hanoi to revise its Moscow-friendly policy by applying political and economic pressure only had the opposite effect. Backed by major arms supplies as well as a "Treaty of Friendship and Cooperation" signed with Moscow in November 1978, Vietnam systematically strengthened its dominant position in Indochina and risked total confrontation with the People's Republic of China (PRC), which for its part tried everything to weaken Vietnam's influence and to isolate it both at the international and at the regional level.

It became clear during the 1980s that Vietnam had overstretched its means in adopting this kind of militant policy towards China. In Cambodia, Vietnamese troops were entrapped in attritional armed conflicts with the Khmer Rouge, who were generously supported with weap-

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1 According to an interview which Foreign Minister Nguyen Manh Cam gave to Nhan Dan Daily on July 21, 1997, quoted in Summary of World Broadcasts – Asia-Pacific (SWB-FE), July 23, 1997, B/5.

2 For the recent disputes over territorial rights cf. Asian Defence Journal, No. 1, 1998, p. 40.

3 Cf. Humphrey Hawksley and Simon Holberton: Dragon Strike. The Millenium War, London 1997; also Richard Bernstein and Ross Munro, The Coming Conflict with China, New York 1997.

ons by the PRC. On Vietnam's northern border, Chinese troops, threatening to launch another "punitive expedition," tied down strong Vietnamese military forces. Vietnam's economy was completely unable to cope with these enormous challenges. Not even substantial Soviet aid could make up for the growing shortage of supplies which the permanent state of war and a policy of forced nationalization had brought upon Vietnam’s economy.

In an attempt to find a way out of its economic crisis, the Vietnamese leadership – as so often before in its history – emulated the Chinese model. Restricting the agricultural cooperatives' powers and at the same time granting more power to private peasant-households, readmitting greater freedom for private initiatives in trade and commerce, and actively courting foreign investors marked the beginning of Deng Xiaoping's reform policy, which also found ardent followers in Vietnam as of the mid-eighties, although during this first phase of Vietnamese economic reform the country's leadership did not officially take its bearings from the Chinese example.

These economic reforms were to be followed by drastic changes in Vietnam's foreign policy. Unconditional withdrawal of the Vietnamese troops from Cambodia in September 1989, along with Vietnam's constructive cooperation in reaching the "Agreement on a Comprehensive Political Settlement of the Cambodian Conflict," paved the way for a normalization of Chinese-Vietnamese relations, following the Chinese-Soviet reconciliation in the wake of Gorbachev's spectacular visit to China in May 1989.

The breakdown of socialism in Eastern Europe and the Soviet Union made Vietnam and China draw even more closely together. From the course of events in those countries, both the Chinese and Vietnamese leaderships drew the same conclusion: that socialism there had failed because economic reforms had been attempted much too late, and only half-heartedly, whereas political reforms had been implemented on too broad a scale and without proper planning. Hanoi and Peking reasoned that in times of economic opening to the outside world, along with the growth of the private economic sector, it is essential to maintain and defend undiminished the power monopoly of the Communist Party. Declarations by both sides repeatedly stress the need to learn from each other in this key question and the importance of an ongoing exchange of experience in order to further improve socialism by way of reforms.[4]

Seen in this light, identical slogans such as the struggle against "peaceful evolution" and "hostile forces" are by no means mere ideological lip services but in fact an expression of well-understood mutual interests, which can be defended much more convincingly on the international level by a common approach. After all, both countries' governments have to deal with the same problem of reconciling the political and social challenges brought about by market-economy reforms with the power monopoly of a one-party state and having to shield off undesired influences from abroad. Because of China's much longer experience with reform policy, this exchange of experience is rather one-sided, since Vietnam follows China's exam-

[4] Cf. the statements made by Vietnam's former Communist Party Secretary General Do Muoi during his visit to China in July 1997. Xinhua News Agency, July 15 1997, quoted in SWB-FE, July 17, 1997, G/3f.

ple much more than vice versa.[5] This is sometimes vented quite outspokenly by the Chinese side:

> Vietnam regards its further advancement of relations with China as part of the long-term interests of the Vietnamese nation, benefitting the improvement of the security environment, strengthening the leading role of the VCP and the socialist system, and stabilizing the political and economic system. Moreover, the development of these relations strengthens Vietnam's ability to resist the 'peaceful evolution' by the West and helps the country to rapidly profit from the successful experience which we have made with the open-door reform policy.[6]

However, official pronouncements by the Chinese party and state leadership always speak of the mutual benefit to be obtained from exchanging this experience. These declarations are not so much diplomatic politeness as a statement of fact: that a mutual dependency does indeed exist between the systems of the two countries. Neither Peking nor Hanoi can be seriously interested in a major crisis, much less in a breakdown of their respective neighbor's political system, because that would inevitably lead to negative repercussions in their own country, or rather, in the case of China, in its provinces bordering on Vietnam, which the Chinese leadership regards as "politically unstable."[7]

In issues of foreign policy, strong parallels are to be observed over the past few years, and hardly any serious clashes of interests between China and Vietnam have been registered. Both countries are keen on building or maintaining a broad network of foreign-policy relations, and most of all on becoming an integral part of the political and economic structures which have emerged in Southeast Asia under the auspices of ASEAN. Even if Hanoi's extension of its foreign-policy independence, thus strengthening its position with regard to China, naturally is not China's primary interest, this policy nevertheless coincides with China's interest in a politically stable and economically prosperous East and Southeast Asia, from which especially China profits considerably.

1.2 Economic Relations

Commerce between the PRC and Vietnam has increased substantially since the normalization of bilateral relations in 1991. Both countries have signed a number of trade agreements, have again reopened railway links after they had been cut in 1978, and have facilitated border trade.[8] According to Chinese Customs' statistics, the volume of trade rose from US $31 mil-

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[5] For example, the theoretical review of the VCP often describes China's political campaigns and measures and analyses its role model function. Cf. Nguyen Huy Quy, Ve xay dung van ninh tinh than xa hoi chu nghia o Trung Quoc (On the Construction of a Socialist Open-Minded Civilization in China), in Tap Chi Cong San No. 2, 1997, p. 53ff, whereas the theoretical review of the Chinese Communist Party discusses Vietnam's development only sporadically.

[6] Ni Xiayun, Yuegong ba da hou nei wai zhengce zouxiang (The course of development taken by Vietnam's national and foreign policy after the VPC's 8th Party Congress), in Xindai guoji guanxi, No. 8, 1996, p. 18.

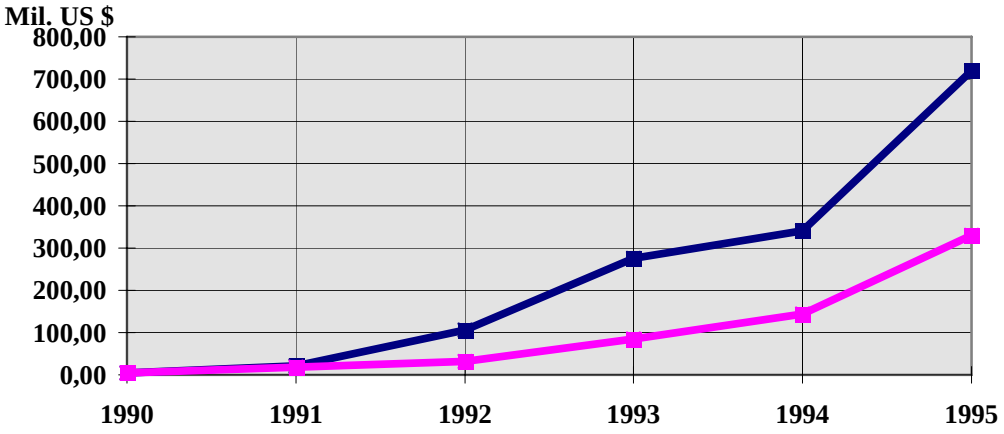
[7] For an appraisal of the security situation in the various Chinese provinces by the Chinese leadership cf. Secret Document No. 1106, reprinted and commented in Zheng Ming, Hong Kong Jan. 1997, p. 8ff. Also see International Herald Tribune, April 4, 1997, p. 2.

[8] For the most recent facilitations of border trade cf. Vietnam News Agency (VNA), Sept. 12, 1997, quoted in SWB-FE (Weekly Economic Report), Sept. 24, 1997, WB/4.

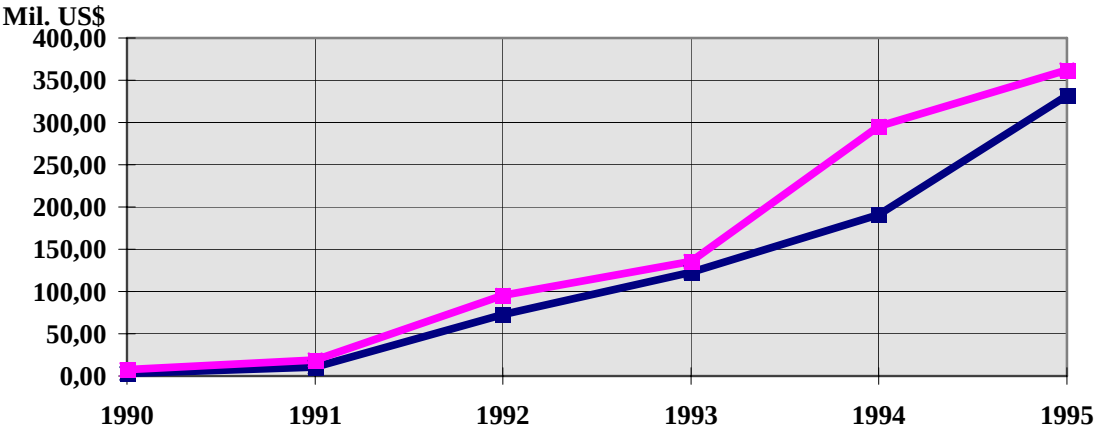
lion in 1991 to US $1.1 billion in 1996. Although Vietnamese statistics suggest a much smaller scale of trade, they too ascertain a sharp rise in the volume of trade.

Charts illustrating the development of trade according to Chinese and Vietnamese statistics

Trade flow from PR of China to Vietnam, 1990-1995



Trade flow from Vietnam to PR of China (1990-1995)



Source: Chinese data are taken from the magazine China's Customs Statistics No. 12, 1990 – 95. Vietnamese data are taken from Nien Giam Thong Ke (Statistical Yearbook), Hanoi 1996, 1997. pp. 208 and 212. The chart contains data only until 1995, since we have no Vietnamese data for 1996.

China likes to see this remarkable increase in bilateral trade with Vietnam as proof of the "complementarity" of their economies, which would appear to be a favorable precondition for a further extension of economic relations.[9] However, a closer scrutiny of the economic structures of Vietnam and China – especially in those parts of China mainly involved in economic

[9] For example, cf. China's Vice-premier Wu Bangguo's statements at a meeting held with Vietnamese Premier Phan Van Khai on July 15, 1997, Xinhua News Agency, July 15, 1997, quoted in SWB-FE, July 17, 1997, G/2.

cooperation with Vietnam – leads to the conclusion that both sides are much too similar to actually complement each other. Both economies are still strongly dominated by agriculture. In their development strategies both countries want to attract foreign direct investment in labor-intensive light industries, with the aim of selling the major part of their products abroad.

We can therefore predict that Peking's as well as Hanoi's policies of market-economy reforms and the open-door policy will lead to severe competition between them for economic resources and foreign markets. This competition is further complicated by the fact that both the PRC and Vietnam profit primarily from investment by the Overseas Chinese, who are continuing to shift their labor-intensive production from Southeast-Asia to China and Vietnam. This becomes particularly obvious if we look at the Hong Kong and Taiwanese examples, ranking among the biggest investors both on the Chinese mainland and in Vietnam.[10] Whereas Hanoi had spoken of its anxieties that Hong Kong might reduce its flow of investment into Vietnam as a result of its handover to the PRC, and that Peking could use these investment flows to exert additional pressure on Hanoi,[11] Vietnam can rest assured of the Taiwan government's support, which encourages its business people – under the slogan of "Go-South-Policy" – to invest widely in Vietnam in order to avoid a one-sided and – from Taipei's point of view – politically undesirable attachment of Taiwan to the PRC.[12] Like for foreign direct investment, the two countries also compete for the aid of international financing organizations, e.g. the World Bank and the International Monetary Fund, without whose help urgently needed infrastructural measures in both countries could not materialize.[13]

Moreover, a continuation of the high rate of economic growth is possible only if other vital resources are at the countries' disposal on a much larger scale than at present. This concerns not only the rapidly rising demand for energy,[14] but also an increasing demand for water[15] and staple food such as rice, fish and other seafood, especially as the latter make up a considerable percentage of Vietnam's export income. Disagreements between the PRC and Vietnam over these basic and gradually vanishing resources as well as over larger market shares for products of an export-oriented industry can already be clearly seen today. In times of economic difficulties, which East and Southeast Asia are facing at the moment, these conflicts are bound to increase rather than decrease.

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[10] According to the German Bundesstelle für Außenhandelsinformationen (BfAI), Taiwan in Sept. 1996 was the second biggest investor in the PRC after Hong Kong/Macao (US $35 billion), and the biggest investor in Vietnam (US $ 4.2 billion). BfAI – Länder und Märkte, Sept. 9, 1997, and Jan. 23, 1997.

[11] Financial Times, June 4, 1997, p. 7.

[12] Cf. Taiwan Aktuell. Aug. 8, 1996, p. 1.

[13] According to figures issued by the World Bank, Vietnam will need US $ 4.2 billion in development aid in 1998 alone. Financial Times, Nov. 13 1997, p. 6.

[14] For further details, see section 1.3.

[15] A serious clash of interests between the PRC and Vietnam is already taking place in the question of exploiting the Mekong river. China's planned power plants on the upper course of the Mekong would inevitably lead to a water shortage in the Mekong delta, Vietnam's rice-bowl. Cf. Financial Times, June 25, 1997, p. 8.

Because of its size, and hence its attractiveness for foreign investors, and also because of ten years of experience with reform policy prior to Vietnam's, the PRC clearly has all the advantages on its side, which Vietnam, despite its high growth rates in the first part of the 1990s – as the chart below illustrates – has not been able to catch up with. Recent figures from Vietnam, which indicate a decline in foreign investment by over 50% for 1997,[16] and growing difficulties for companies which have already invested in Vietnam[17] give rise to the assumption that Vietnam will probably not be able to make up for its disadvantage in competition with China during the coming years either.

Comparison of the economic potentials of the PRC and Vietnam

	Vietnam	PR China	Ratio
Population (millions)			
1978	51.5	958.8	0.054
1992	71.7	1,184.4	0.060
1995	75.7	1,210.5	0.062
1996	77.3	1,221.6	0.063
GNP1978 (US $ billions)	7.6	131.5	0.058
GDP 1992 (US $ billions)	16.0	436.3	0.037
1995	21.3	560.0	0.038
1996	23.6	616.0	0.038
GNP (per Capita) 1978	147.0	137.0	1.072
GDP (per Capita)			
1992	225.0	368.0	0.611
1995	281.0	462.6	0.607
1996	305.3	504.3	0.605

[16] Far Eastern Economic Review (FEER), Jan. 15, 1998, p. 57.

[17] International Herald Tribune, Nov. 27, 1997, p. 17

** The systematics of the above chart and the data for 1978 and 1992 were taken from R. Betts, Vietnam's Strategic Predicament, in: Survival, No. 3, 1995, p. 68. The data for my calculations for 1995 and 1996 are based on figures from The International Institute for Strategic Studies (ed.), Military Balance 1996/97, London 1996, p. 179 and p. 200, and Military Balance 1997/98, London 1997, p. 176 and p. 197, in order to attain the common calculation base necessary for a comparison.

China's superiority has already had extremely negative effects on the economic development in northern Vietnam since the opening of the border in 1989. While investments into Vietnam from the PRC (not including Hong Kong) attained a volume of merely US $ 70 million,[18] smuggling across the Chinese-Vietnamese border has reached a scale which greatly damages Vietnam's economic development.[19] Rice and other agricultural products which account for important foreign currency when sold on the world market are illegally exported to China in order to be exchanged for light-industrial goods, which in turn are illegally imported into Vietnam. Since these products are second-rate goods from mass production, and accordingly cheap, they drive many newly founded Vietnamese enterprises into bankruptcy, because so far these do not have the means to produce at such inexpensive rates.[20] According to a report by the Vietnam News Agency, Chinese products worth US $ 500 million were illegally imported into Vietnam in 1996 alone.[21]

Thus, Vietnam suffers a double detriment: through its illegal exports it keeps losing foreign currency vitally important to its economy, and in return it receives products which are hindering the build-up of its own light industry and new job opportunities. Seen from a purely economic point of view, a further extension of economic relations with China is therefore far less advantageous for Vietnam, and especially its northern region, than for China. While Vietnam presents a profitable market for Chinese second-choice consumer goods which China cannot easily sell on the world market because of their low quality, Vietnam gets products from China which it can also get from other countries or which it will be able to produce on its own in the foreseeable future. Likewise, Vietnam would be quite able to sell the majority of its goods, currently being illegally exported to China, on the world market in return for hard currency. Vietnam's continuing interest in good economic relations with China is thus due to political rather than economic considerations. An official of the Vietnamese foreign ministry openly stated this fact in an interview with the "Far Eastern Economic Review:"

> We don't expect China to have an important role in the modernization and industrialization of Vietnam. [Vietnam's leaders] have no hope in this area, but from the view of political relations sometimes they should mention it.[22]

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18 According to a statement by Vietnam's Foreign Minister Nguyen Manh Cam to VNA on July 21, 1997, quoted in SWB-FE, July 23, 1997, B/5.

19 In one of the first decrees issued by the new Premier Phan Van Khai in Oct. 1997 to all ministeries and administrative departments concerned, he demanded that drastic measures be taken against the upswing in smuggling activity. VNA, Oct. 17, 1997, quoted in SWB-FE, Oct 20, 1997, B/3.

20 Cf. Nhan Dan, Oct. 29, 1997, p. 1 and 3, quoted in SWB-FE, Nov. 11 1997, B/7f.

21 Vietnam Investment Review, Dec. 1, 1997, p. 13. This amount would also account for the considerable differences between the Chinese and Vietnamese figures for the volume of trade (see chart 1), which also derive from the fact that although Chinese export goods to Vietnam are properly declared with the Chinese officials in order to derive the tax advantages involved, they are afterwards imported into Vietnam without the knowledge of the Vietnamese customs and therefore don't show up in the Vietnamese statistics.

22 FEER, Aug. 8, 1997, p. 72.

1.3 Territorial Conflicts

The most spectacular cause of conflict between China and Vietnam is surely the controversial territorial claims in the South China Sea. Although a mutual agreement on basic principles for settling the disputes relating to the land border and to dividing the Gulf of Tonkin was signed on October 19, 1993,[23] and negotiations on this problem have taken place on several occasions, the tensions over this issue continue to this day. As Vietnam's foreign minister remarked, the only slight progress made so far has been that concerning the question of the land border and the definition of boundaries in the Golf of Tonkin. But in the much more important and complicated disputes over the Paracels and the Spratly islands there is no understanding in sight.[24] The reason for this is most likely that there exist various and mutually reinforcing causes behind these territorial conflicts.

For one, this area is of major economic importance because of its actual or merely assumed oil and natural gas resources. As already mentioned, the continuation of the high rate of economic growth both in Vietnam and China is closely linked to an increasing demand for energy supplies. China, which during the 1980s was able to make some profits by exporting mineral oil, has had to import oil since 1993.[25] Because its rate of domestic mineral oil production showed an annual increase of only 2% over the past ten years, 20 million tons had to be imported in 1996, which equals approximately 15% of the total demand. Unless new mineral resources can be exploited in the near future, China with its predicted economic growth of 9-10% would have to import approximately 50 million tons of oil annually by the year 2000, and approximately 100 million tons by 2010.[26] Whereas the output of the resources exploited so far, 90% of which are to be found in Manchuria and Shandong province, is bound to decrease over the following years, new deposits of substantial size are expected to be discovered only in the Tarim basin,[27] which however is 3,700 kilometers away from the PRC's national oil pipeline.

Contrary to China, Vietnam grosses nearly 30% of its export revenue by selling crude oil abroad. For 1997 a total output of 9.5 million tons is aimed at (1 million tons more than last year's capacity)[28] which are largely drilled in those sea territories to which China also claims territorial rights. Especially Chinese military circles have repeatedly criticized the fact that other, militarily weaker states are taking advantage of China's reserved attitude and are en-

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[23] Cf. SWB-FE, Oct. 21, 1993, B/2f.

[24] Foreign Minister Nguyen Manh Cam in Nhan Dan Daily on July 21, 1997, quoted in Deutsche Welle, Monitor-Dienst Asien (DW-Asien), July 24, 1997, p. 3.

[25] Cf. Nicolas Becquelin, The Oil Industry in China since the Reforms of the Open-door-Policy, China Perspectives, Jan./Feb. 1997, p. 22.

[26] International Herald Tribune, April 4, 1997, p. 4, and June 10, 1997, p.15.

[27] To obtain more precise data on the size of the minerol oil deposits there, a contract was signed in July 1997 with a Japanese mineral oil syndicate, which is to undertake detailed explorations and preliminary drillings. Xinhua News Agency, July 23, 1997, quoted in SWB-FE (Weekly Economic Report), July 30, 1997, WG/7.

[28] VNA, August 24, 1997, quoted in SWB-FE (Weekly Economic Report), Aug. 27, 1997, WB/3.

deavoring to exploit mineral resources that actually belong to China.[29] Along with the mineral oil, which, as some experts believe, is probably much less than earlier estimates predicted,[30] natural gas resources in this area are becoming more and more important for Vietnam's power supply.[31] While in 1995, when Vietnam started exploiting natural gas, the daily output was only 1 million cubic meters, the plan for 1997 aimed at three times this amount.[32] This considerable growth rate demonstrates that Vietnam's exporting of mineral oil is no proof of a domestic surplus of energy, but rather that Vietnam does not yet have enough capacity for refining its crude oil to produce sufficient energy to sustain its high economic growth rates. Despite the growing use of natural gas for energy production, a deficit of 2.8 billion kilowatt-hours of electric power was ascertained for 1997 alone.[33]

Along with the economic importance of this area, its strategic importance is evident as well. Whoever controls the islands in the South China Sea and installs adequate monitoring and military facilities there not only holds a key position in Southeast Asia but will also control the shipping routes through which 80% of Japanese oil imports and about 25% of the world's ocean freight pass.[34] While Vietnam, which, should the Chinese territorial claims be recognized, would be cut off from its free access to its most important navigation routes to East Asia, favors a political and security-oriented settlement of this issue, to be worked out under the auspices of the "Asian Regional Forum," the PRC adamantly upholds its claim that all these islands in the South China Sea are inalienable Chinese territory. Although the Chinese leadership has publicly stated that it is willing to guarantee the freedom of international navigation routes by sea or by air in this region, adhering to international law,[35] it has so far failed to define which regions of the South China Sea it considers to be China's inland waterways and which it regards to be international waters. The missile maneuvers carried out by the PRC in the Taiwan strait in March 1996 have given rise to serious doubts about China's calculability in such crises – not only in Taiwan, but also worldwide –, especially since Peking has given no clear indication so far as to whether it would impose controls or registration measures and charge fees for navigation rights.

And thirdly, this territorial conflict is also a question of national honor.[36] Compromises or concessions in this territorial dispute could therefore be liable to suspicion of national treason. More so, since the leaderships of both countries are trying to make up for the loss of face suffered by socialist ideology as a result of reform policy by resorting to national values and slogans. These campaigns aimed at strengthening national sovereignty and warding off foreign

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29 Cf. Mark J. Valencia, Energy and Insecurity in Asia, Survival, Vol. 39. No.3, Autumn 1997, p. 96.

30 Cf. FEER, March 30, 1995, p. 4 and The Economist, March 29, 1997, p. 68.

31 Cf. FEER, March 23, 1996, p. 60.

32 SWB-FE (Weekly Economic Report), Aug. 27, 1997, WB/3.

33 International Herald Tribune, March 21, 1997, p. 17.

34 The Economist, March 29, 1997, p. 68.

35 According to a spokesman of the Chinese Foreign Ministry. Quoted in Beijing Review, May 8, 1995, p. 22.

36 For the nationalistic component of this conflict seen from China's point of view cf. Chen Jie, China's Spratly Policy. With Special Reference to the Philippines and Malaysia, in: Asian Survey, No. 10, 1994, p. 893 ff.

interference[37] have, both in China and Vietnam, been primarily directed against undesired influences from the West, but the more such nationalistic ideas are propagated, the more likely traditional enemy perceptions and animosities are to resurface.

In the case of Vietnam, a rebound against China is inevitable in this respect, because Vietnam's sense of national indentity has evolved primarily from its permanent struggle against the "threat from the north." In the case of China, confrontation with Vietnam does not seem to be quite as imperative, but from the Chinese point of view Vietnam, historically and culturally, is one of the countries still occupying Chinese terrritories taken away from China by the imperialist powers in times of national weakness. Since the nationalist positions outlined above are shared not only by the leaderships of both countries but also by broad strata of the population – and last but not least by overseas Chinese and Vietnamese – we have to take into account that spontaneous actions could arise which it would be difficult for the governments to control. The occupation of the Senkaku (Chinese: Diaoyutai) islands by national activists from Taiwan and Hong Kong is a recent example of how delicate and difficult these situations can turn out to be for governments.[38]

2. Strategies of Conflict Settlement

From the analysis of the Chinese-Vietnamese situation undertaken above we cannot draw definite conclusions about either conflict or cooperation constellations. Although on a political level there exists a high degree of similarity and many identical interests, the economic interests of both countries differ vastly. On the issue of territorial conflicts in the South China Sea, China and Vietnam continue to disagree profoundly.

2.1 The strategy of the PRC

As already mentioned, some Asia watchers observing Chinese-Vietnamese relations have concentrated on these territorial issues, and in the face of a Chinese military build-up in this region have come to the conclusion that the PRC is prepared to enforce its claims in the South China Sea by means of a large-scale operation "Dragon Strike" by its air force and naval units in the not-too-distant future. The following arguments, however, support the thesis that such a scenario is not likely to occur.

Repeated protestations by the Chinese leadership that peaceful relations with its neighbors are an imperative precondition for the most important goal of China's policy, namely its economic development, should not be understood as mere propaganda, even if they are continually infringed by Peking's military actions. There is no doubt that China's economy could not cope with the direct or indirect impact of a major military conflict within the next ten to twenty

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[37] Cf. Jiang Zemin's speech in which he demands a strengthening of patriotic education, specifically also with regard to the repatriation of Hong Kong, in Renmin Ribao, May 11, 1997, p. 1, and IHT, May 13, 1997, p. 4. The foremost aim of Vietnam's "Campaign against Social Evils," initiated in early 1996, was to defend national integrity against foreign influences. Cf. The Economist, Feb. 10, 1996, p. 58ff.

[38] Süddeutsche Zeitung, July 2, 1997, p. 7.

years, since the repercussions on the Chinese social and ultimately on its political system could very well prove disastrous. Even the argument that a military action would give China access to sources of energy in this region, securing major economic benefits, is hardly convincing, since the energy resources in the South China Sea are completely insufficient to cover China's energy demand.[39]

China's economic weakness engenders military weakness, too. Although the PRC has made great efforts to reform its army and especially to strengthen and modernize its naval and air forces in the South China Sea since the 1980s, most military experts agree that over the next ten to fifteen years the PRC's capacities and know-how will not be sufficient to adequately control this vast sea territory.[40] Chinese units may be able to occupy individual islands and install boundary marks or even military equipment, but they are not able to defend all these claims. When, in July 1997, Philippine soldiers destroyed border marks and buildings which Chinese units had set up on some of the Spratly islands, the PRC protested but took no counter-action.[41]

Moreover, such a large-scale offensive, exclusively aimed at a massive employment of military means, would not be in line with the classical principles of Chinese military doctrine, which traditionally believes in a firm correlation of political and military strategy and whose highest tactical ambition is to subjugate the enemy without employing direct warfare.[42] That these principles not only remain part of the curricula of Chinese military academies to this present day but have influenced the PRC's strategy to a high degree can be seen in all of China's military actions so far, which have been very limited in time and space and have always been accompanied by political initiatives.

China's policy towards Vietnam can be better understood when seen not only in the light of territorial issues, but much more so by taking a broader view of China's controversial interests and the very complicated strategy that they demand: Peking on the one hand wants to expand its control over the South China Sea step by step, successfully realizing its territorial claims in the long run and to the greatest extent possible; on the other hand it wants to avoid any lasting deterioration of the Chinese-Vietnamese situation, which would clearly harm China's economic and political interests and would eventually result in the ASEAN countries forming a united front against China.

In order to achieve these almost incompatible goals, the PRC has developed a twofold strategy, combining manifestations of goodwill such as bilateral dialog, negotiations at various levels and regular meetings of the party and state leaderships with military actions or threats

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39 See section 1.3.

40 John Downing, China's Evolving Maritime Strategy, Jane's Intelligence Review, March 1996, p. 131f.

41 Asian Defense Journal. Aug. 1997, p. 60.

42 Cf. the quote by Sun Zi in his famous work "Art of War:" "Subjugating the enemy's army without fighting is the true pinnacle of excellence. Thus the highest realization of warfare is to attack the enemy's plans; next is to attack their alliances; next to attack their army; and the lowest is to attack their fortified cities." Sun Zi, Bingfa (Art of War), Taibei 1975, S. 34 ff.

thereof, confronting the other side with faits accomplis such as occupying islands, installing military installations on several isles and undertaking exploratory drillings in the disputed sea territories. As one example of recent developments illustrates – the following chronology covering the crisis over a Chinese drilling platform in March/April 1997 – , the elements of cooperation and conflict are so tightly interlinked that they appear at first sight to be totally confusing and contradictory.

Chronology of the Crisis in March/April 1997

Early March	A Chinese drilling platform starts oil explorations in an area in the Golf of Tonkin which is closer to the Vietnamese than to the Chinese border.
March 10	Vietnam lodges a protest with the Chinese embassy in Hanoi.
March 15	China denies that this territory is situated in Vietnamese waters.
March 18	The spokesman of the Chinese foreign ministry, Cui Tiankai pronounces that the drilling platform is situated within the territory of the Chinese continental shelf and China's exclusive economic zone, therefore China is not willing under any circumstances to negotiate this issue. The very same day, Luo Gan, General Secretary of the State Council starts his long-planned visit to Vietnam. The topic of the Chinese drilling platform is not brought up, instead, words of "good and neighborly friendship" abound.
March 20	The Chinese news agency "Zhongguo Tongxun" based in Hong Kong reports about the efforts by the Chinese navy to replace the former coast guard by a blue water fleet. ASEAN ambassadors gather in Hanoi and express solidarity with Vietnam but call for a bilateral solution to the conflict. Only the embassy of the Philippines issues a declaration in which China is criticized in somewhat harsher words.
March 27	Foreign Office Spokesman Cui Tiankai reiterates China's standpoint of March 18, but simultaneously hints at China's willingness to take up negotiations.
April 1	China agrees to negotiations over the drilling platform incident.
April 4	The Chinese remove their drilling platform from the disputed area. China's party leader Jiang Zemin receives Vietnamese politburo member Le Minh Huong. Both sides praise the amicable cooperation between the two countries.
April 9	Commencement of Chinese-Vietnamese negotiations on the drilling platform incident, which are terminated a few days later without any results.
April 30	A Chinese vessel invades waters claimed by the Philippines.

Different explanations have been advanced for these obvious contradictions between militant behaviour and willingness to compromise, also evident in other Chinese-Vietnamese crises during the last five years.[43] Some argue that regional and local departments are to be held responsible for starting such incidents of their own accord without the orders or even approval of the Chinese government, whereas the latter endeavors to limit the damage and strives for a diplomatic settlement.[44] Other experts have observed differences of interests between the army and the Foreign Ministry which are bound to result in such diverse strategies.[45] However, as the above chronology demonstrates, there are no manifestations of divergent proclamations and strategies between the central government and the local departments. On the contrary, it is quite evident that the government in Peking, or rather its Foreign Ministry, has repeatedly revised its own publicly taken positions.

We can therefore conclude that this – on the surface of it – inconsistent behaviour in crisis scenarios cannot be explained by a lack of strategic logic but should instead be seen in the context of political calculations which are ultimately based on the principles of traditional Chinese military strategy. Peking's strategy is clearly aimed at leaving Vietnam and the other states in Southeast Asia in the dark about its intentions and strategic operations. Despite several workshops, meetings and negotiation rounds, the PRC has so far failed to present detailed maps precisely delineating the territories it claims.[46] Similarly, Peking has so far – despite repeated appeals by the ASEAN countries and the US – avoided stating in a White Paper exactly what it intends by reinforcing and modernizing its military forces in the South China Sea.[47] Instead, it has left the other side speculating wildly.

With this strategy, which directly aims to thwart transparency by sending out the most diverse signals in situations of acute crisis, which attempts exploratory drilling in a disputed region and withdraws from it after few weeks, or which adamantly refuses to open negotiations and then takes them up two days later, Peking achieves two things: it is constantly putting the solidarity between Vietnam and the other ASEAN members to new nerve-wrecking tests, and on the other hand its seemingly contradictory behaviour instigates heated discussions and quarrels within the Vietnamese leadership and those of the other ASEAN states as to China's real intentions and how to take appropriate counteraction, ultimately weakening the opposite side.

All of these ploys – withdrawing from exploratory drilling already under way, offering talks, commencing new rounds of negotiations at various levels – should therefore not be seen as concessions, much less as a revision of earlier positions, but rather as part of a pro-active

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43 Vietnamese experts have counted nine incidents since 1991 in which a Chinese-Vietnamese "friendship" visit has coincided with unfriendly maritime gestures by the PRC in the South China Sea. The Economist, March 29, 1997, p. 68.

44 International Herald Tribune, April 24, 1997, p. 2.

45 Asian Wall Street Journal, July 20, 1994, p. 5.

46 Cf. Indonesia's complaint about China's refusal to clarify the boundaries of its exclusive economic zones. Quoted in SWB-FE, Sept. 23, 1997, B/4.

47 Cf. the interview with US Defense Secretary William Cohen. International Tribune, Oct. 9, 1997, p.10.

strategy, because they serve to reassure all those in the opposition camp who tend a priori not to overestimate certain measures by the PRC (reinforcement of the air force and the navy, seizure of vessels, occupation of new islands), since in their view the majority of the Chinese leadership is ultimately interested in a peaceful solution of these conflicts, and militant countermeasures would only encourage the hardliners within the Chinese leadership and escalate the existing conflicts in the manner of a self-fulfilling prophecy.[48]

2.2 Vietnam's Strategy

How can Vietnam counter this highly flexible and utterly unpredictable strategy? Like for the Chinese, avoiding an open conflict or even an open military conflict with China is probably top priority for the Vietnamese, too. Many older party members consider the PRC a socialist brother who should not unnecessarily be challenged in times in which socialism has gone onto the defensive.[49] But even seen in a less ideological light, the fact remains that Vietnam's air force and navy units are clearly inferior to China's[50] and that the indirect and direct burden of any such armed conflict would ruin everything that Vietnam has accomplished during the past ten years. Therefore, Vietnam has to do everything in its power to place its relations with China on a new foundation and to secure new basic agreements with Peking which give greater credit to Vietnam's economic interests than has been the case so far.

These goals cannot be attained by alienating or isolating China but have to be pursued in a long-term and steadfast negotiation process. For this reason, continuing and improving dialog with China – despite constant setbacks – is the cornerstone of Vietnam's strategic concept. An important positive precondition to this end is that Vietnam and China have hardly any communication problems. During the long-standing common history of the two countries, in which elements of cooperation and conflict have often been intermingled, both sides have developed a subtle understanding of the intentions of their counterpart, but also of the ways and means in which these intentions are communicated. It is hardly imaginable that such fatal misinterpretations as those which primarily led to the escalation of the US military engagement in Vietnam could be repeated within the Chinese-Vietnamese relationship.[51]

But a dialog with an immensely stronger partner can only achieve or at least come close to the desired results on condition that Vietnam succeeds in putting more weight behind its position. This is first of all a question of economic power. As a promising locality for investments, an export outlet, and a potent economic partner, Vietnam is also able to attract the political interests of other countries. Especially regarding its off-shore mineral oil exploration and production, treaties with Russian, US, Japanese and Malaysian oil companies have gained not only

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48 For a full discussion of this position cf. Chang Pao-Min, Vietnam and China: New Opportunities and New Challenges, in: Contemporary Southeast Asia, No. 2, Sept. 1997, p. 136ff.

49 FEER, June 8, 1995, p. 15.

50 For the combat power of the Vietnamese army see Micool Brooke, The Armed Forces of Vietnam, in: Asian Defense Journal, Nov. 1997, p. 6ff.

51 Cf. Robert S. McNamara, In Retrospect. The Tragedy and Lessons of Vietnam, New York 1995.

commercial but also politico-strategic importance for Vietnam.[52] Conversely, this also means that any deterioration of the investment climate and a decline in investments in this area would imply a weakening of Vietnam's position towards China.

At the political level, ASEAN is the most important international forum for Vietnam. Since Vietnam was granted full membership of ASEAN in 1995, it has, in times of crises in the Chinese-Vietnamese relationship, always tried to convince the other ASEAN member states that it is only through unity that can China be induced to make concessions. As already made clear by the chronology above, this is no easy feat, as opinions differ widely within ASEAN as to which tactics to use towards China, and since the PRC itself is doing its best to heighten these differences.

Vietnam has therefore been wise to cement its relations with its dialog partners in ASEAN, the EU, Japan, Russia and not least the US. It has signed several agreements not only with individual states of the EU, but also with the EU as a whole, concerning development-policy cooperation. When Japan's premier Hashimoto traveled through Southeast Asia in January 1997, announcing an enhanced Japanese commitment to this region, his hosts throughout reacted with polite reserve. Only Vietnam showed a positive response, and both countries agreed to include military and security questions in their mutual exchange of experience.[53] Russian-Vietnamese relations, having become practically non-existent after the breakdown of the Soviet Union, also regained much of their original importance during the 1990s. By ratifying a new friendship treaty in 1994, by continuing cooperation in off-shore oil production and the Russian military presence in Cam Ranh Bay and, last but not least, by supplying modern jet fighters to Vietnam, Russia has become one of Vietnam's most important allies, bestowing it with the function of an interlocutor between Russia and the ASEAN states.[54] The most recent steps undertaken in American-Vietnamese relations were even more spectacular. Hanoi has not restricted itself merely to intensifying political and economic relations with the US but also started military negotiations in spring of 1997. On March 21st, 1997 – in the middle of the Chinese-Vietnamese crisis outlined above – the head of the US pacific fleet, Admiral Josef Prueher, undertook an official visit to Vietnam to discuss "a nascent military relationship"[55] with his hosts, after Vietnam had stated that it would welcome a continuing American military presence in Southeast Asia.[56] Prueher's visit was followed by several other meetings between military representatives of both countries.

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[52] The Vietnamese-Soviet (Russian) joint venture Vietsovpetro has been in existence since 1981, extracting more than 80% of Vietnam's mineral oil. Vietnam signed similar treaties with the American companies Mobil Oil and Conoco in 1996. FEER, May 25, 1996, p. 65. Similar agreements were reached with the Malaysian oil firm Petronas in 1996. VNA, June 13, 1997, quoted in SWB-FE (Weekly Economic Report), June 18, 1997, WB/4. Negotiations with Japanese firms have to my knowledge not been concluded so far.

[53] Asian Wall Street Journal, March 27, 1997. p. 8.

[54] For Vietnam's new role as go-between, which has been encouraged both by Russia and by ASEAN countries, cf. Gerhard Will, Rußlands Politik gegenüber Südostasien, Berichte des Bundesinstituts für ostwissenschaftliche und internationale Studien, No. 40, 1997,S. 24 ff.

[55] FEER, April 3, 1997, p. 16.

[56] Financial Times, March 22/23, 1997, p. 4.

These foreign policy initiatives by Vietnam, which are also aimed at closer cooperation in the field of security policy, necessarily meet with some difficulties. First of all with the question of how far to take this security-policy cooperation. The Vietnamese party and army leadership widely agrees that the Vietnamese armed forces need to be modernized with the help of foreign weapon systems.[57] However, there is a lot of disagreement about the question as to whether and on what scale military data, experience and assessments should be exchanged or whether and how to develop common strategic conceptions.[58]

These disagreements cannot merely be explained away as remnants of old, never-dispelled hostilities, they are also part of a precarious tightrope walk which Vietnam is having to perform in its relationship with China. Vietnam is confronted with the difficult task of articulating its claims clearly, of refuting those of the PRC, and of persuading China to pull back, as it did when it withdrew its drilling platform in April, 1997. At the same time Vietnam has to keep up the dialog with Peking and avoid another confrontation like the one which occurred in the 1980s. Furthermore, Hanoi will have to react with similar versatility to Peking's flexible strategy and its rapid tactical twists. This is a lot more difficult for the Vietnamese leadership, since it always has to take into account the interests and strategies of its foreign-policy partners and has to conduct its actions accordingly. To this purpose, Vietnam has developed its concept of "diversified foreign policy," which demands various initiatives of Vietnamese diplomacy, both regionally and internationally. But according to one official at the Vietnamese foreign ministry, all these different activities have only one aim in mind:

> ... despite all our talk about diversified foreign policy, China is for us the most important relationship. We spend most of our time and resources dealing with the Chinese and will have to continue to do so...[59]

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[57] Charlyle A. Thayer, Force Modernization: The Case of Vietnam's People's Army, in Contemporary Southeast Asia, No. 1, June 1997, p. 1ff.

[58] During the first meetings the Vietnamese side has not appeared to be very cooperative. Information to the author by Carlyle Thayer, July 3, 1997 in Amsterdam.

[59] Quoted in Allan E. Goodman, Vietnam in 1994, in: Asian Survey, No. 1, 1995, p. 99.

Gerhard Will

China and Vietnam

Chances and Limitations of Bilateral Cooperation

Bericht des BIOst Nr. 24/1998

Summary

Introductory Remarks

For the past several years, Chinese-Vietnamese relations have appeared extremely contradictory. Despite repeated affirmations of unswerving friendship, frequent exchanges of delegations at all levels, and pronounced growth in commercial relations, the two sides accuse each other publicly and sometimes in very harsh terms of violating each other's territorial integrity. Some Asia watchers have already drawn the conclusion that a new military altercation between the two neighbors appears inevitable in the long term and could indeed be the primer for a large-scale military conflict in Southeast Asia. The aim of the present work is to conduct a detailed analysis of the cooperation and conflict potentials involved and of the conflict strategies pursued by both sides, in order to permit a somewhat less speculative assessment of their bilateral relationship.

The report is based mainly on an appraisal of government statements and media commentaries from the PR China and the SR Vietnam. Reports and articles in international newspapers and journals were drawn upon by way of background information.

Findings

1. In the latter half of the seventies, Vietnam's policy, aimed at forging a close alliance with the Soviet Union and at achieving a dominant position in Indochina, had sparked off an open conflict with China and brought Vietnam to the brink of economic ruin. In an attempt to find a way out of its economic crisis, Hanoi, as so often before in the history of Vietnam, looked to the Chinese for a model; in this case the economic reforms initiated in China since 1978. Some years later, the unconditional withdrawal of the Vietnamese troops from Cambodia, Hanoi's constructive cooperation in reaching an international agreement to settle the Cambodian conflict, and, last but not least, the reconciliation between China and the Soviet Union paved the way for a normalization of Chinese-Vietnamese relations.
2. The collapse of socialism in Eastern Europe and the Soviet Union brought Vietnam and China even closer together. The conclusion drawn in both Hanoi and Peking from this course of events was that socialism had failed because economic reforms had been at-

tempted too late and only half-heartedly in those countries, whereas political reforms had been implemented on too broad a scale and without proper planning. Particularly in times of economic reforms involving an expansion of the private sector, they argued, it was essential to defend the power monopoly of the Communist Party all the more resolutely.

3. Declarations by the party and state leaderships of both countries repeatedly stress the need to learn from each other particularly in the key questions of political leadership and the exercise of power and thus the importance of continuing and improving the exchange of experience. Mutual assurances that each will adhere steadfastly to the established political course and take resolute action to counter all attempts at "peaceful evolution" are thus by no means mere ideological lip services but an expression of a community of interests. For any major crisis in the political system of either country would inevitably have adverse repercussions on its neighbor's political stability.

4. Broad agreement on domestic-policy issues is backed up by an intensification of relations at the economic level, too. The two countries have signed more than 20 trade agreements, have re-opened their railway links that were cut in 1978, and have simplified cross-border travel and customs procedures to facilitate border trade. Accordingly, the volume of bilateral trade has been experiencing significant annual growth rates since 1991. However, these positive developments cannot disguise the fact that the trade balance shows a sizeable surplus in favor of China and that in economic terms the two countries exhibit only a low degree of complementarity. Also, since Vietnam and China are pursuing virtually identical development strategies, they are bound to become embroiled in ever-stiffer competition for economic resources and success on foreign markets. Because of its sheer size and also because of its longer experience with reform policy prior to Vietnam's, the PRC clearly has a major advantage over Vietnam in this contest.

5. China's superiority is already having extremely negative effects on economic development in northern Vietnam. Large-scale smuggling with an estimated volume of US $ 500 million is causing a twofold detriment to Vietnam: illegal exports of agricultural products to China are losing it foreign currency that it urgently needs for its economy, and in return it is getting cheap consumer products from China that are driving many newly-founded Vietnamese company into bankruptcy because they are unable to produce the same products as cheaply. Thus, a further expansion of economic relations is much less advantageous to Vietnam than it is to China. If Vietnam nevertheless seeks to intensify economic relations, this is less for economic than for political reasons.

6. The most spectacular cause of contention between China and Vietnam at present is their conflicting territorial claims in the South China Sea, positions which show no signs of converging despite years and various rounds of negotiation. The main reason for this is probably that the regions concerned are of both economic and strategic importance. Also, this territorial dispute is a question of national honor not only for the leaderships of the two countries but also for broad sections of their populaces. Since both in China and in Vietnam the powers that be are trying to make up for the loss of face suffered by their so-

cialist ideology by resorting to nationalist values and slogans, this dimension of the conflict harbors incalculable explosive potential.

7. The preceding analysis of the political and economic relations and the territorial disputes between Vietnam and China does not identify any clear-cut conflict constellations nor any adequate similarity of interests that would make it possible to rule out major conflicts in the near future. On the other hand, there is little sign of the preconditions that would lead to the large-scale military clash in the South China Sea that some observers are predicting.

8. There is much to indicate that China is pursuing two objectives with regard to Vietnam that are almost incompatible with each other. On the one hand, Peking is seeking to expand its control over the South China Sea step by step and to realize its territorial claims in the long term; on the other hand it wants to avoid an open conflict with Vietnam and to maintain a peaceful environment in Southeast Asia, as this is essential to China's own continuing economic development.

9. In order to achieve these goals, Peking has developed a twofold strategy, combining offers of talks with threats of the use of force and confronting Vietnam with faits accomplis. By leaving Vietnam and the other states in Southeast Asia in the dark about its concrete territorial claims, its intentions and its future courses of action, by sending out the most diverse signals, and by constantly revising its standpoints in negotiations, Peking aims to achieve two things: it is constantly putting the solidarity between Vietnam and the other ASEAN members to new tests, and on the other hand its seemingly contradictory behaviour instigates heated discussions and quarrels within Vietnam and the other ASEAN states as to China's real intentions and how to take appropriate counteraction, ultimately weakening the opposite side.

10. Over the past twenty years, Vietnam has learned from experience that it cannot push through its interests vis-à-vis China by pursuing a confrontation strategy but only in a long-term and steadfast negotiation process. But such a dialog with an immensely stronger partner can only achieve the desired results if Vietnam succeeds in adding stronger or extra weight to its own position. Besides seeking to engage in broader international economic cooperation with the aim of tying other countries' economic interests to Vietnam, Hanoi's sets great store by promoting stronger political cooperation between the ASEAN nations. It is also making every effort to cement its relations with its dialog partners in ASEAN, the EU, Japan, Russia and not least the US, and to extend those relations to the field of security policy. Precisely this initiative has suffered a series of setbacks, however, since some members of the top-level Vietnamese leadership are obviously still finding it difficult to relinquish inveterate hostilities. But precisely this is going to be an imperative if Vietnam wants to arrive at an acceptable harmonization of interests with China.