Sino-Vietnamese Relations: Accommodating the Dragon?

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With the objective of promoting and deepening bilateral cooperation between the two countries, Vietnam, as a major yet often defiant neighbor of China, has also joined hands in building China’s much anticipated "Belt and Road Initiative". Yet, several issues continue to mar the relationship, such as China’s massive and constantly growing trade surplus and insufficient investment in Vietnam as well as territorial disputes in the South China Sea. Thus, Vietnam continues to remain vigilant vis-à-vis Chinese intentions as the South China Sea dispute plays a crucial role in shaping and reinforcing Vietnam’s traditional perception of China as an aggressive, expansive and revisionist power. Furthermore, it inexorably underscores the power asymmetry between the two countries and Vietnam’s vulnerability. Therefore, the objective of this paper is to analyze the cooperation and conflict dynamics in the Sino-Vietnamese relationship. The paper argues that despite the ongoing conflict in the South China Sea and Vietnam’s efforts to deepen relations with external powers, especially the US, the new Vietnamese leadership will, on one hand, strive to reaffirm the comprehensive strategic cooperative partnership with China by emphasizing economic ties, and, on the other hand, it will compartmentalize the South China Sea dispute from the relationship.

Introduction

Historically the Sino-Vietnamese relationship has been complicated, contradictory and characterized by asymmetry in every aspect (see Womack 2006). While the normalization of relations in 1991 between both states expanded cooperation in many spheres, it is regularly marred by their incapacity to overcome disputes in the South China Sea (SCS) as both sides remain vigilant vis-à-vis their intentions. The dispute is not only confined to competing claims to the Paracel and Spratly archipelagos, but also touches upon the control of sea-lines of communication (SLOC), maritime boundaries, and last but not the least, fishing rights (Dalpino 2013, 171). The contradicting claims culminated with the Haiyang-shiyou 981 oilrig incident of May 2014, triggering an unprecedented upheaval of nationalist ire in Vietnam as well as the worst souring of relations between both countries since the Sino-Vietnamese border war in 1979. Since then both sides have been trying to repair the damaged relationship by rebuilding high-level communication and stepping up confidence-building measures (SCMP 2016-12-11).

However, tensions continued even throughout 2015 given China’s land reclamation activities in the SCS forcing the Vietnamese policymakers to pursue deeper ties with external powers in the dispute, especially the U.S., Japan and India. In reaction to the growing U.S.-Vietnam cooperation, China has striven to deepen economic and infrastructure ties with its southern neighbor, as it seeks to keep Vietnam in its own orbit. During Vietnam’s Communist Party chief Nguyen Phu Trong’s visit to Beijing in April 2015, China proposed cooperation on
a wide array of projects, the objective of which would be to integrate Vietnam further with China’s economy (Sutter and Huang 2015b, 70). In addition, the new Vietnamese government headed by the President Tran Dai Quang and Prime Minister Nguyen Xuan Phuc, elected in 2016, is also expected to pursue deeper ties with China. Hence, the Vietnamese leadership has been keen on embracing bilateral collaboration between the two countries within the much anticipated “Belt and Road Initiative” (BRI) in order to maximize the benefits stemming from it, pragmatically compartmentalizing the SCS dispute from the relationship. At the same time, however, the Vietnamese leadership is wary of the “tyranny of geography”, in the words of Carlyle Thayer, as the stronger China gets, the more Vietnam vulnerable is.

Given the above-mentioned arguments, the objective of this paper is threefold. Firstly, to analyze the Sino-Vietnamese relations with special emphasis on their political ties and economic cooperation within China’s BRI; secondly, to shed light on the situation in the SCS, which can be considered as a litmus paper of both countries foreign strategies and relations. The paper argues that despite the ongoing conflict in the SCS and Vietnam’s efforts to deepen relations with external powers, especially the U.S., the new Vietnamese leadership will, on one hand, strive to reaffirm the comprehensive strategic cooperative partnership with China by emphasizing economic ties, and, on the other hand, compartmentalize the SCS dispute from the relationship.

**Theoretical Framework: Theory of Asymmetry**

As has already been mentioned above, the Sino-Vietnamese relationship can be characterized by asymmetry in every aspect (Womack 2006). The asymmetrical differences between China and Vietnam are especially visible in scale and magnitude. Womack (2010, 3-4) also argues that there are three basic propositions concerning asymmetry. First, asymmetric relations are resilient, i.e. “even though by definition the smaller side cannot be an equal challenger to the larger, it is far more difficult than the differences in capacity would suggest for the larger side to force its will on the smaller. The reason is that, in a conflict, the smaller side is mortally threatened and thus can mobilize its entire strength, while the larger side is engaged in a “small war” for limited objectives and can be frustrated by the cost of persistence”.

Secondly, asymmetry creates a difference in perspectives. As Womack (2010, 4) posits “the larger side has less to gain or lose in the relationship, and usually has more important concerns, both foreign and domestic. The smaller side is more exposed to opportunities and risks, and has less control over the relationship.” This dynamics in its consequences creates a difference of attention. The larger side will always be less attentive to the specific situation of the weaker side. On the other hand, the smaller side will tend to be more attentive to the stronger state. This difference of attention results in different behavior patterns towards one another. As Womack argues (2010,4) “the larger side will tend to operate in terms of strategic relationships of friendship, normalcy, or hostility, while the smaller will be more agile and less trusting of...
the overall climate of the relationship. Behavioral differences can lead to misinterpretations that can lead, in turn, to a vicious circle of bullying and alarmism.”

This dynamics is clearly visible in the Sino-Vietnamese relations. Despite the fact that China and Vietnam have had a long history of conflict and China has less to lose than Vietnam, Vietnam still is of strategic importance for China for several reasons. Firstly, Vietnam, which shares the longest history of hostility with China, is seen among other Southeast Asian countries as a potential major buffer against Chinese hegemony in the region. Therefore, it is important for China to maintain functional relations with Vietnam as it plays a key role in ASEAN. Furthermore, geographically Vietnam constitutes the main gateway to Southeast Asia and is the third most populous regional country. Thirdly, Vietnam plays an important role in China’s economic and energy security (Dosch and Vuving 2008, 17-18) due to similar economic conditions and consumer cultures and low transportation costs.

Thus, Vietnam plays a prominent role in China’s strategic outlook and is at the core of its Southeast Asian strategy. Hence, China pursues two goals in its foreign policy vis-à-vis Vietnam. First, is to keep Vietnam in China’s orbit (Dosch and Vuving 2008, 17), which is more and more difficult to attain given the recurrent conflict between both states in the SCS. Second aim is to safeguard China’s control of the SCS. Hence, these two conflicting objectives demand that China treats its southern neighbor carefully in order not to damage strategic trust between the two sides. More concretely, in its foreign policy towards Vietnam China seeks to: 1) boost economic cooperation between the two states by encouraging Vietnam to grant preferential treatment to Chinese products and businesses; 2) encourage Hanoi to pursue pro-China policies and interests in international issues, such as Taiwan, terrorism in Xinjiang, etc. 3) safeguard its interests in territorial disputes with Vietnam with special emphasis on the South China Sea; 4) keep Vietnam away from other external actors, especially the U.S., Japan and India (Dosch and Vuving 2008, 17-18). Thus, Dosch and Vuving (2008, 17) characterize China’s policies towards Vietnam as a “fine combination of reward and punishment.”

Vietnam’s relations with China can be characterized as ambiguous. On one hand, China has been a model worth following. On the other, it has always been perceived as a threat to Vietnam’s survival. As Kaplan points out the “Vietnamese fear of China is profound precisely because Vietnam cannot escape from the embrace of its gargantuan northern neighbor, whose population is fifteen times that of Vietnam. Vietnamese know that geography dictates the terms of their relationship with China: they may win the battle, but then they are off to Beijing to pay tribute” (Kaplan 2014, 56). The last sentence of the quote eloquently describes the traditional stance of the Vietnamese towards China as a mixture of defiance and deference.

However, in line with a Vietnamese saying that “a stranger living nearby is better than a relative living far away”, Vietnamese officials have been carefully managing its relations with China for several reasons. First, the CPV needs cooperation with China in order to safeguard its own legitimacy to rule. Secondly, China has played a crucial role in Vietnam’s economic development (Dosch and Vuving 2008, 24), as it also served as a role model for Vietnam in the
field of economic transformation. Due to the slow pace of the Doi Moi economic reforms initiated in Vietnam in 1986, the Vietnamese leaders were looking for advice from their Chinese counterparts. As Vietnam did not pose an economic threat to China at that time and was perceived only as a minor competitor, China was willing to share its experience with its southern neighbor (Tønnesson 2003, 58). Since then the two-way trade has grown astronomically.

However, Vietnam as the smaller state in the relationship is less trusting of the overall climate of the relationship. Furthermore, its vulnerability is further exacerbated by the self-imposed “three no’s” in its foreign policy, i.e. (1) no foreign bases on Vietnamese territory; (2) no military alliances; and (3) no use of a third country to oppose another country (Dalpino 2013, 167-168). Thus, in order to manage the cooperation and conflict dynamics in its relations with China, Vietnam hedges against potential conflict with China.

Hedging in IR means “a set of strategies aimed at avoiding (or planning for contingencies in) a situation, in which states cannot decide upon more straightforward alternatives such as balancing, bandwagoning, or neutrality. Instead, they cultivate a middle position that forestalls or avoids having to choose one side at the obvious expense of another” (Goh 2005, viii; Tran, Viera and Ferreira-Pereira 2013, 170). Thus, hedging allows small/medium-sized state to remain somewhere in the middle on the spectrum between balancing and bandwagoning, enabling it to cope with current threats and constraints within the international system, as well as preparing it for potential new threats and opportunities, i.e. “hedging allows minimizing long-term threats and maximizing long-term opportunities” (Tran, Viera and Ferreira-Pereira 2013, 170). Simply said, hedging means “not putting all eggs into one basket.”

Hedging may assume various forms. According to Goh, hedging in Southeast Asia comprises of three elements: indirect or soft balancing (focused most often on persuading other major powers, especially the US, to counterweight China); engagement of China (at the political, economic, and strategic levels in order to persuade Chinese leaders to abide by international rules and norms); enmeshment of other regional powers in order to secure a stable regional order (Goh 2005, viii). On the other hand, Tran, Viera and Ferreira-Pereira (2013, 170) differentiate between economic, diplomatic and military hedging. Kuik Cheng-Chwee and Lee Kong Chian have developed a more nuanced list of hedging strategies ranging from limited bandwagoning (to draw strength from the power), binding engagement (to accommodate it diplomatically), economic pragmatism (to make economic gains), dominance denial (to neutralize it politically) to indirect balancing (to countervail it militarily) (Kuik and Lee 2008, 5). As Le Hong Hiep (2013) points out, Vietnam has been steadily adopting a “multi-tiered, multi-directional hedging strategy” encompassing almost all of the above-mentioned tactics.

Womack’s third thesis on asymmetry is that it is possible to attain normal asymmetric relationship emphasizing cooperation between both the states. However, as he claims, each country has different reasons for collaboration, “the larger needs assurance that cooperation with the smaller will not challenge its relative power. In a word, the larger state needs deference
from the smaller state. The smaller state needs assurance from the larger that its identity and interests will not be threatened. The smaller state needs recognition of its autonomy” (Womack 2010, 4). Furthermore, a normal asymmetric relationship, which is based on the exchange of deference and autonomy, is not a relationship of supremacy as both sides are aware that they cannot force its interests on one another. Both know if a hostile confrontation happens between them, both of them will lose the opportunities of mutually beneficial relations. Thus, the main condition for cooperation is mutual respect. Even though a normal asymmetric relationship is not one of equal exchange, it is anchored in negotiation rather than coercion (Womack 2010, 5).

According to Womack, there are two measures, how to neutralize potential conflict in the asymmetrical relationship. One is embedded in proper formulation of the conflicting issues. As he posits if “the problem is formulated in terms of common interests, then the two states are more likely to work side by side” (Womack 2006, 90). The second method of neutralizing conflicting issues is to create joint commissions of experts to hand common problems in order to institutionalize and routinize unforeseen problems (Womack 2006, 90). In order to resolve outstanding issues both sides also need to build confidence and reassure one another of good intentions. This can be achieved through diplomatic rituals and state visits. The second kind of reassurance is history itself. As Womack claims “commonsense expectations are set by what is familiar and what has happened before” (Womack 2006, 91). China and Vietnam have had a long history of cooperation and conflict. Furthermore, in the Sino-Vietnamese border war in 1979 both sides have learned that breaking relations can have a detrimental impact on both sides. Hence, as shall be discussed below, both sides strive to cooperate in many spheres via many channels, as they have much to loose from potential conflict.

**Spheres of Cooperation in Sino-Vietnamese Relations**

**Political Cooperation**

Since the normalization of relations between both the countries in November 1991, Vietnam has striven to engage with China through three major channels: government to government, party to party and people to people interactions hoping to make its actions more predictable (Le Hong Hiep 2013, 347; Thayer 2012, 9). Both sides have also created a system of talks and discussions to resolve their outstanding issues and build strategic trust. From bottom to top they are: (i) Expert-level talks; (ii) Government-level talks, i.e. Deputy/Vice-Minister; (iii) Foreign Minister-level talks; (iv) High-level talks, i.e. Presidents, Prime Ministers, and Secretary-Generals of the Chinese Communist Party (CPP and the Vietnam Communist Party (VCP) (see Amer 2002, 9-14).

Furthermore, in 2006 in order to coordinate the many aspects of bilateral relations (with special emphasis on politics, trade and economics, security and national defense), they
established a Joint Steering Committee on Bilateral Cooperation at deputy prime ministerial level (Thayer 2011, 4). The topics discussed at the meetings were most often related to the following issues, e.g.: mutual trade with special emphasis on Vietnam’s growing trade deficit with China; the ongoing demarcation of the land border and the maintenance of peace and stability in the region; the expansion of cooperation a wide range of areas such as agriculture, culture, education, science, technology and sports and strengthening cooperation between border provinces to complement each other with their respective advantages; youth exchange programs of diverse forms; maintenance of closer cooperation in multilateral areas and safeguarding common interests; resolution of contentious issues in the bilateral issues, the most important of which pertains to the SCS dispute, which both sides had pledged to resolve “through deep consultation” (Buszynski 2012, 150–151).

In 2008 the relationship was further upgraded to the level of a strategic partnership and both sides planned to establish a “hot line” between the leading representatives of the Communist Parties (Thayer 2008, 23). Both sides also pledged to carry out bilateral discussions on maritime issues between their foreign ministries with the objective of developing a set of “fundamental guiding principles” that would serve as a framework for settlement of outstanding problems (Thayer 2012, 11). In 2010, the relationship was further elevated to the level of strategic cooperative partnership. The year 2010 was also proclaimed as a Year of Friendship to commemorate the 60th anniversary of the establishment of diplomatic relations between both the countries. Furthermore, in October 2011 both sides signed an Agreement on basic principles guiding the settlement of sea-related issues encompassing six principles of conflict resolution, in which both sides pledged to “to seek mutually acceptable fundamental and lasting solutions to sea related disputes” especially in the SCS (Thayer 2012, 11–12). Moreover, both parties agreed to accelerate negotiations to demarcate the waters of the mouth of Gulf of Tonkin and discuss joint-development in the area (Thayer 2012, 12). During Chinese Premier Li Kejiang’s official visit to Hanoi in October 2013 both the sides also vowed to deepen their bilateral ties on an "easy-first, difficult-later" basis, i.e. simple issues were to be addressed first (e.g. easing border crossings, improving transportation, and liberalizing the flow of investment), the more intricate ones, i.e. the SCS, were to be shelved and resolved later. In addition, a wide array of political agreements was signed, the most important one pertaining to launching joint exploration of natural resources in the Gulf of Tonkin. The representatives of both the states hoped that this initiative could serve as a precedent for future joint development projects in other contested territories in the SCS (O’Reilly 2013).

However, in 2014 the bilateral relations deteriorated rapidly due to the Haiyang-shiyou 981 oilrig incident damaging strategic trust between the two sides. In Vietnam, the episode also unleashed a heated domestic debate on the character of Sino-Vietnamese relations and the resolution of the dispute. These discussions have also exposed the difficult choices that Vietnamese policymakers face in maintaining a balance between domestic and international politics surrounding the issue. On the domestic level, the public pressured the government to
show a firm position on the SCS and to find effective means to safeguard the country’s territorial integrity and maritime interests. However, on the international level, Vietnamese officials avoided aggravating the situation further by adopting a conciliatory approach towards China – a stance that is often castigated by Vietnamese domestic critics as “subservience” to its northern neighbor (Phu Thi Tran, Viera and Ferreira-Pereira 2013, 169-170; Truong Minh Vu & Nguyen Thanh Trung 2014).

In June 2014, China and Vietnam sought to smooth out their differences, however, with little results, and discussions culminated in a mutual blame-game, as the Chinese State Councilor Yang Jiechi accused the Vietnamese of “harassing the oil rig and “hyping” the issue”. After a series of discussions truce was reached during the CPV official Le Hong Anh’s visit to China on July 26–27, 2014 (Diplomat 2015-1-2). In the three-point agreement that was released on this occasion both the sides pledged to: 1) further enhance their direct guidance on the development of their bilateral relations; 2) to strengthen intra-party communication as well as 3) to keep a consensus between the two parties and countries to maintain the overall situation of the Sino-Vietnamese relationship and peace and stability in the SCS (Diplomat 2015-1-2; Truong Minh Vu & Nguyen Thanh Trung 2014).

Le Hong Anh’s visit to Beijing had an undoubtedly revitalizing, yet only temporary, effect on mutual relations as mutual dialogue between both the states was renewed on all levels, e.g. State Councilor Yang Jiechi officially visited Hanoi to co-host the 7th Joint Steering Committee meeting on October 2; on October 14, 2014, Vietnam hosted the fourth China-Vietnam bilateral conference on drug prevention and control in Hanoi; between October 16-18, a senior military delegation headed by Vietnam’s Minister of National Defense General Phung Quang Thanh visited Beijing; on November 10, China’s President Xi Jinping met with his Vietnamese counterpart on the sidelines of the APEC Summit in Beijing; on December 4-5, Vietnam hosted a delegation of People’s Liberation Army (PLA) junior officers; and on December 9, a delegation from China’s Committee of Border Gate Management Cooperation visited Hanoi for discussions, etc. (Diplomat 2015-1-2).

At the same time, though, the Vietnamese politicians sought to deepen cooperation with the U.S. in order to hedge against China’s actions in the SCS making China step up its efforts to deepen economic and infrastructure ties with Vietnam in order to keep it in its own orbit. During Vietnam’s Communist Party chief Nguyen Phu Trong’s visit to Beijing in April 2015, China proposed cooperation on a wide array of projects, the objective of which would be to further integrate Vietnam within China’s economy (Sutter and Huang 2015a, 70). Furthermore, both sides signed the Cooperation Plan 2016-2020, the objective of which was to deepen bilateral cooperation, establish three bilateral working groups on maritime cooperation, and agree to better manage differences over the SCS and to work toward adopting a Code of Conduct (Sutter and Huang 2015, 65-66).

On July 16, 2015 Zhang Gaoli, Chinese Deputy Prime Minister and Politburo Standing Committee member, visited Hanoi, to discuss cooperation to consolidate infrastructure,
economic zones, highways, and other economic projects (Wang Jian and Wang Xu 2015; Sutter and Huang 2015b, 70). In the following months, Chinese officials continued in their efforts to mend relations with Vietnam, partially also due to growing U.S. activities in the SCS, as in October 2015, within the framework of “freedom of navigation” (FoD) exercises, the U.S. Navy guided missile destroyer, the *USS Lassen*, sailed within 12 nm of Subi Reef in the SCS to protest against Beijing’s sovereignty claims (Kim 2016, 48). The following month, the U.S. also flew two of its B-52 bombers near islands in the SCS claimed by Beijing (*BBC* 2015).

Hence, during his state visit to Vietnam in November 2015, the Chinese president Xi Jinping strove to further improve the relations between China and Vietnam. On the occasion, he presented a seven-point scheme to deepen bilateral relations, such as “maintaining high-level dialogue; expanding cadre training at the part-to-party level; and broadening bilateral investment, trade, and economic linkages through the BRI as well as Vietnam’s “Two Corridors and One Economic Circle Plan,” etc.” In addition, Xi Jinping pushed for a stronger partnership between China and Vietnam to be achieved through the full implementation of the Asian Infrastructure Investment Bank (AIIB), upgrading the China-ASEAN free trade agreement, and making progress on trade negotiations with the Regional Comprehensive Economic Partnership (RCEP). Furthermore, in the sphere of security, the Chinese president called for a deeper cooperation on UN peacekeeping operations, border control, and illicit trade of drugs and human trafficking (Sutter and Huang 2016, 68).

Regarding the SCS disputes, Xi Jinping also urged the two sides to “control their differences, gradually accumulate consensus and expand common interests through bilateral negotiations, and strive to achieve the common goal of joint exploitation” (Gill, Goh and Huang 2016, 22). According to Jacob (2016, 5) one of the preconditions for the implementation of China’s BRI is stability. Hence, as Chinese commentaries noted Beijing perceived 2015 “as an important year for it to carry forward a series of programs initiated by the leadership, including the Belt and Road Initiative, the Asian Infrastructure Investment Bank, and the commemorative events for the 70th anniversary of the victory in WWII. China doesn't want territorial and maritime antagonism with Vietnam standing in the way of implementing these programs” (*Global Times* 2015-4-13).

Even though Xi Jinping’s visit was observed as successful in improving relations after an over year-long period of uncertainty and suspicions, it seemed that he did not manage to convince Vietnamese policymakers about China’s good intentions in the SCS. Hence, the Vietnamese officials continued in diversifying their foreign relations with other stakeholders in the dispute in order to hedge against future disruptions with China. Therefore, in December 2015, Nguyen Phu Trong visited Tokyo, where he was warmly welcomed by Prime Minister Shinzo Abe. Vietnam and the Philippines also deepened cooperation and signed a strategic partnership agreement during the APEC meetings in Manila (Gill, Goh, Huang 2016, 22).

Furthermore, at the beginning of 2016 relations between Vietnam and China became strained yet again. Hanoi protested mainly against Chinese test flights at Fiery Cross Reef in
January 2016. It also demanded that China remove the Haiyang Shiyou 981 oilrig, which had started its drilling activities 90 miles west of the disputed Paracel Islands, also claimed by Vietnam (Sutter and Huang 2016, 59). In February, Vietnam also protested China’s deployment of advanced missiles to Chinese-controlled Woody Island in the Paracel Archipelago. In early April, Vietnam seized a disguised Chinese fuel ship for allegedly intruding into Vietnamese waters with 100,000 liters of fuel for Chinese fishing boats working in the waters near Vietnam. It also renewed the protest against the Chinese oilrig in April (Sutter and Huang 2016, 59).

Both sides strove to reduce the tensions during the Chinese defense minister Chang Wan Quan’s visit to Vietnam on March 28, 2016, when he met his Vietnamese counterpart, the general secretary of CPV Nguyen Phu Trong (Sutter and Huang 2016, 59). Both sides pledged to maintain high-level meetings, efficiently implement defense cooperation mechanisms, and to consolidate peaceful relations and cooperation. Both representatives also discussed the ongoing SCS dispute and vowed to resolve it through peaceful means based on international law, especially the 1982 UN Convention on the Law of the Sea. Furthermore, both sides also signed a memorandum of understanding on cooperation in UN peacekeeping activities (VTV.vn 2016-3-28).

The Chinese leadership continued in its efforts to ease tensions and rebuild strategic trust between both the countries by extending an invitation to the new Vietnamese leadership, which was elected in 2016. Thus, the new Prime Minister Nguyen Xuan Phuc visited China in September 2016 (Trung Nguyen 2016; Xuan Loc Doan 2016). The importance of the invitation was evident in the timing of Prime Minister Nguyen Xuan Phuc’s visit, as he was invited to China very early in his term; e.g. Nguyen Xuan Phuc’s predecessor Prime Minister Nguyen Tan Dung visited China in 2008 after having been almost two years in office (Xuan Loc Doan 2016).

Prime Minister Nguyen Xuan Phuc was accompanied by a large delegation of high-ranking officials, which received special treatment from the Chinese side and were met by most members of its Politburo Standing Committee, including President Xi Jinping and Premier Li Keqiang (Xuan Loc Doan 2016). On the occasion, Prime Minister Nguyen Xuan Phuc reiterated that Vietnam gave priority to China in its foreign relations as it would be the only country to be elevated to the comprehensive strategic cooperative partner status (Thayer 2016, 1). Both sides also re-addressed the ongoing tensions in the SCS, as the Chinese Prime Minister emphasized that both sides should make “concerted efforts to abide by high-level mechanisms, safeguard maritime stability, strive to manage divergence, boost maritime cooperation and constantly accumulate consensus…” (Thayer 2016, 2). During talks, both Prime Ministers also witnessed the signing of agreements on trade, production capacity, infrastructure, education, environment and climate changes, culture, sport and tourism (Trung Nguyen 2016; Thayer 2016, 2). President Xi Jinping also promoted the BRI and the “Two Corridors, One Economic Belt” under which both countries should “ramp up their connectivity” (Thayer 2016, 3).
The ties between both countries were further discussed by Chinese President Xi Jinping and Vietnamese President Tran Dai Quang on the sidelines of the APEC meeting in Peru on November 19, 2016, where both policymakers agreed to further strengthen the bilateral relationship. President Xi Jinping expressed his desire that the two countries make the best use of the steering committee for mutual bilateral cooperation to further promote win-win cooperative ties in different fields, including infrastructure, while Vietnamese President Tran Dai Quang recommended that both countries maintain balanced and sustainable bilateral trade and improve the effectiveness of Chinese investment projects in Vietnam. Furthermore, both sides also pledged to carry out strategic exchanges and satisfactorily resolve disputes especially in the SCS (Vietnam.net 2016-11-22).

The mutual efforts to rebuild trust between both countries also continued throughout the first months of 2017. In January, the general secretary of the CPV Nguyen Phu Trong visited Beijing with a high-ranking delegation of Politburo members in charge of central propaganda, foreign affairs, national defense and public security. The meeting with Chinese officials resulted in the signing of a number of agreements aimed at boosting cooperation between the two countries in various fields and at many levels (Bui Xuan Loc 2017). Furthermore, these developments suggest a mutual desire to ameliorate relations between both the countries. Several factors can be discerned behind this conciliatory attitude.

As has already been mentioned above, the CPV’s main objective is its survival, which is closely linked to its capacity to maintain the country’s stability and safeguarding its suzerainty. Hence, maintaining stable relations with Beijing has always been a priority for Vietnamese policymakers. Furthermore, the fact that Malaysia and also the Philippines have been pursuing closer relations with China may have also motivated Vietnam to rethink its strategy towards Beijing making it adopt a more cooperation approach. The last reason for Vietnam’s more accommodating stance towards Beijing may have also been caused by Donald Trump’s rise to the U.S. presidency as Vietnamese officials may be unsure about his strategy in the Asia-Pacific (Bui Xuan Loc 2017). At the same time, as shall be discussed below, China’s friendlier posture towards Vietnam is also motivated by the need for stability in the region of Southeast Asia, in particular the SCS, in order to be able to implement its BRI, especially the 21st Century Maritime Silk Road.

Economic cooperation within the Belt and Road Initiative

Since the normalization of relations between China and Vietnam in 1991 the two-way trade has grown astronomically. In 2001, bilateral trade amounted to $3 billion, but it exceeded almost $40 billion by 2012, and reached almost $96 billion in 2015 (Thayer 2016, 4). China is currently Vietnam’s largest trading partner. Vietnam imports more goods from China than from any other country: mainly machinery, refined oil and steel, cotton, fertilizer, pesticides, electronics, leather and a large number of various kinds of consumer goods. On the other hand,
Vietnam supplies China with unrefined oil, coal and rubber (Kaplan 2014, 63; Thayer 2011, 5). As Womack points out Vietnam is an ideal external market for Chinese goods due to “similar economic conditions and consumer cultures and low transportation costs” (Womack 2010, 586-587). Until 2014 China has also realized over 913 investment projects in Vietnam with a total capital amounting to approx. $4.7 billion (Pham Ninh Binh 2014). In addition, China is also Vietnam’s main infrastructure contractor. Vietnam, on the other hand, has also become ASEAN’s largest trading partner with China (Thayer 2016, 4) and is also one of China’s most important rice suppliers (Sieren 2017).

As has already been mentioned above, one of the most important signals of China’s goodwill and cooperation not only with Vietnam, but also other countries has been Xi Jinping’s proposed BRI encompassing both Silk Road Economic Belt and the 21st Century Maritime Silk Road. The objective of BRI, more of a vision than a clearly defined strategy, is to reorient China’s domestic economic structure by developing connectivity and cooperation between China and the rest of countries in Eurasia. BRI is also perceived as China’s tool to shape international rules and norms as well as influence the global economic order in order to achieve the President Xi Jinping’s “China dream” (Wenjuan Nie 2016, 423). Within the BRI, Vietnam as well as all ASEAN countries fall within the Bangladesh-China-India-Myanmar Economic Corridor and the China-Indochina Peninsula Economic Corridor. The BRI emphasizes the significance of southwest China as a gateway linking both the land and oceanic Silk Road routes. Furthermore, BRI seeks to connect Yunnan province to its neighbors, Myanmar, Laos and Vietnam, as part of a “pivot of China’s opening-up to South and Southeast Asia” (IDI 2016, 40).

Discussions on Vietnam’s inclusion into China’s planned Maritime Silk Road Initiative (within the BRI) took place for the first time during Prime Minister’s Li Keqiang’s visit to Hanoi in late 2013, during which the two sides pledged to further boost their economic relations (Hiebert 2015, 10). During Li’s visit both sides also agreed to construct a Chinese-invested industrial zone in southern Vietnam and implement the Shenzhen-Hai Phong trade corridor. Discussions on the BRI continued in April 2015 during Vietnam’s party chief Nguyen Phu Trong’s visit to Beijing, after both countries had managed to overcome the Haiyang Shiyou 981 oilrig crisis. On this occasion, both sides agreed to set up expert task forces for infrastructure and financial cooperation. Furthermore, China pledged to assist Vietnam in building port facilities, highways and other infrastructure with the help of the Asian Infrastructure Investment Bank (Tetsuya Abe and Atsushi Tomiyama 2015).

Discussions on economic cooperation within BRI continued during the visit of Deputy Director of the National Development and Reform Commission of China Hu Zucai to Hanoi in July 2015. On the occasion, Hu noted that the BRI initiative would bring “new momentum to bilateral relations and create a broader platform for cooperation” (Chinadaily.com.cn 2015-7-19). Hu Zucai also announced that the two sides, concretely the National Development and Reform Commission of China and Vietnam’s Ministry of Planning of Investment have set up a
working group on inland infrastructure in order to boost cooperation in inland and sea transport as well as energy infrastructure (Chinadaily.com.cn 2015-7-19).

Vietnam’s inclusion into the BRI was further promoted during Xi Jinping’s official visit in Hanoi in November 2015, where the Chinese President promoted broadening bilateral investment, trade, and economic linkages through the BRI as well as Vietnam’s “Two Corridors and One Economic Circle Plan,” etc.” In addition, Xi Jinping pushed for a stronger partnership between China and Vietnam to be achieved through the full implementation of the Asian Infrastructure Investment Bank (AIIB), upgrading the China-ASEAN free trade agreement, and making progress on trade negotiations with the RCEP. (Sutter and Huang 2016, 68) More concretely both sides have agreed to finish the renovation of port facilities in Hai Phong by the end 2017 to accommodate large container ships thereby reducing shipping time for cargo heading to inland areas in southern and southwestern China (Hieber 2015, 10).

Vietnam’s interest in joining the BRI was further accentuated by Vietnam’s President Tran Dai Quang’s visit to China on May 11-15, 2017 on the occasion of the high-level forum on the BRI (CGTN 2017-5-12). Chinese Prime Minister Li Kejiang suggested that apart from pursuing cooperation within BRI and the "Two Corridors and One Economic Circle", both sides could also deepen cooperation under the China-ASEAN, Lantsang-Mekong frameworks (CGTN May 12, 2017).

At present, it is still hard to evaluate outcomes of the Sino-Vietnamese cooperation within the BRI and 21st Century Maritime Silk Road as feasibility studies are still being carried out. Nonetheless, it is possible to conclude that economic ties have contributed to deepening the network of bilateral cooperation and played an important part in decreasing tensions stemming from other problematic aspects of the relationship (especially the SCS). As Le Hong Hiep already pointed out (2013, 346) Beijing cannot resort to taking advantage of imposing economic sanctions on Vietnam, as it would involve potential costs damaging the economies of China’s southern provinces as well as industries exporting to Vietnam. It must be noted that Chinese foreign direct investment and overseas development assistance investors have been dominating Vietnamese economy as well as its industrialization process. Hence, any confrontation would have a detrimental impact on the economies of both countries. For example, according to the Vietnamese media, the 2014 Haiyang Shiyou 981 oilrig incident may have cost Vietnam’s economy $1-1,5 billion (Nguyen Minh Quang 2017).

As has already been mentioned above, for the CPV economic cooperation with China remains a priority. However, at the same time, it is also a cause of concern for the Vietnamese policymakers given Vietnam’s rampant trade deficit with its northern neighbor. In the first quarter of 2016, it reached $ 6.5 billion (Vietnam News 2016-4-9). Hence, China’s trade surplus has become a recurrent topic discussed at every high level summit of both the countries’ representatives in recent years, as the Vietnamese are very much anxious of the fact that it increases Vietnam’s vulnerability vis-à-vis China as well as reduces its maneuvering space in the SCS dispute.
Therefore, Vietnamese officials have at the same time been pursuing economic relations with other external actors, especially the EU, and the U.S. as part of its hedging strategy aimed at reducing its reliance on China in the economic sphere. Most aspirations of Vietnamese leaders were turned to the conclusion of the TPP that the US had been negotiating with 11 countries in the Asia-Pacific since 2008. Vietnam expected the TPP to strengthen its trade with the U.S., to furnish high protection of Vietnam’s principal export articles, to provide a stronger competitive position in industries, where China’s competitive edge was growing weaker, to enable high domestic protection as well as enlarge the country’s principal production clusters (Petri, Plummer and Zhai 2011, 51).

However, Vietnam’s economic and strategic ties with the U.S. have to be renegotiated following Trump’s election victory and the subsequent collapse of the TPP. Hence, on May 29, 2017, Vietnam’s Prime Minister Nguyen Xuan Phuc travelled to Washington, where he was hosted by President Donald Trump. Both sides discussed mostly trade cooperation, announcing more than $8 billion worth of commercial deals, mostly for high-tech products. Unlike with China, Vietnam runs a nearly $32 billion trade surplus with the United States (Landler 2017). Among other topics, both official discussed other platforms and mechanisms of cooperation instead of the abolished TPP, as well as Vietnam’s human rights issues, the U.S. intention of withdrawing from the Paris climate accord, of which Vietnam is a signatory, as well as the situation in SCS and Vietnam’s intention to procure weapons and decommissioned cutters and patrol boats for Vietnam’s coast guards (Landler 2017). President Trump is also expected to attend the APEC Summit to be hosted in Da Nang in Vietnam in November 2017.

Yet, Vietnamese officials are wary of damaging relations with China, as Beijing could perceive close relations with the U.S. as Hanoi’s “defection”. Therefore, in order to reduce its economic reliance on the U.S. (as well as on China), Vietnam is also participating in the talks on a FTA between ASEAN and its FTA partners (China, Japan, South Korea, India, Australia and New Zealand) known as the Regional Comprehensive Economic Partnership (RCEP) as well as pursuing economic collaboration with other external actors, such as the EU and others.

**Spheres of Conflict: The South China Sea Dispute**

As has been mentioned above, several issues continue to mar the Sino-Vietnamese relationship. However, the SCS dispute has proven to be the single most important touchstone as it plays a crucial role in shaping and reinforcing Vietnam’s traditional perception of China as an aggressive, expansive and revisionist power. Furthermore, it inexorably underscores the power asymmetry between the two countries and Vietnam’s vulnerability (Le Hong Hiep 2013, 340). Until 2008 the Sino-Vietnamese efforts to resolve the issue can be characterized as a “pattern of continuous dialogue with limited tension” (Li 2014, 6). In addition, both sides have striven to “compartmentalize” the SCS dispute from damaging other aspects of the bilateral relationship (Thayer 2012, 10). In June 2011 both countries further reiterated their effort to
“resolve their dispute through negotiations; to refrain from taking actions that would escalate the tensions; to oppose the intervention of a third party; and to actively lead public opinion in their own countries” (Li 2012, 10). Furthermore, in October 2011 both the parties signed an Agreement on basic principles guiding the settlement of sea-related issues encompassing six principles of conflict resolution, in which both sides pledged to “to seek mutually acceptable fundamental and lasting solutions to sea related disputes” (Thayer 2012, 11-12). Moreover, both parties agreed to accelerate negotiations to demarcate the waters of the mouth of Gulf of Tonkin and discuss joint-development in the area (Thayer 2012, 12).

However, tensions flared up again in June 2012, after Vietnam had passed a new maritime law, in which it claimed jurisdiction over the Paracel and Spratly islands (ICG 2012, 5). The PRC expressed its “resolute and vehement opposition”, and called for an “immediate correction” by Vietnam. Furthermore, on 21 June 2012 China announced the establishment of a prefecture-level city, Sansha, on the Paracel’s Woody (Yongxing) Island, which was to administer the Paracels, Spratlys and the Macclesfield Bank (Scott 2012, 1029). Given the renewed friction, both sides held the first round of talks on “co-operation in less sensitive fields at sea” in Beijing on May 29-30, 2012 and continued until 2013. During these talks both sides identified three spheres of potential cooperation: “joint search and rescue, environmental protection of the seas and islands in the Gulf of Tonkin, and comparative studies on Holocene-era sedimentary evolution in Yangtze Delta and Red River Delta” (Li 2014, 9).

During Chinese Premier Li Kejiang’s official visit to Hanoi in October 2013 both the sides also vowed to deepen their bilateral ties on an “easy-first, difficult-later” basis, i.e. simple issues were to be addressed first (e.g. easing border crossings, improving transportation, and liberalizing the flow of investment), the more intricate ones, i.e. the SCS, were to be shelved and resolved later. In addition, a wide array of political agreements was signed, the most important one pertaining to launching joint exploration of natural resources in the Gulf of Tonkin. The representatives of both the states hoped that this initiative could serve as a precedent for future joint development projects in other contested territories in the SCS (O’Reilly 2013).

Differences over the SCS sprung up in May 2014, after the Haiyang Shiyou 981 oil-rig was set up by the China National Offshore Oil Corp. (CNOOC), the country’s main state-controlled offshore oil producer, to explore for oil and gas in contested waters near the Paracel Islands (also claimed by Vietnam). The move triggered sharp criticism from Vietnam, which reacted by dispatching government vessels to the rig. Their presence culminated in a series of ramming incidents with Chinese vessels, which unleashed an unprecedented upheaval of nationalist ire in Vietnam resulting in mass demonstrations, attacks and looting of Chinese (but also foreign) companies (Spegel & Khanh 2014). Despite the fact that the oilrig was removed in mid-July, the incident caused the gravest blow to the Sino-Vietnamese relations in the two decades.
As has already been mentioned above, after overcoming the Haiyang Shiyou 981 oil-rig incident both sides worked assiduously to mend broken relations and rebuild strategic trust. Hence, throughout 2015 Vietnamese officials refrained from openly criticizing China’s activities in SCS. Furthermore, at a meeting in early April 2015 in Beijing both sides pledged to cement the strained relationship and boost the comprehensive strategic cooperative partnership. Both sides also agreed on making joint efforts to control maritime disputes and preserve peace and stability in the SCS (Sutter and Huang 2015a, 64; Xinhua April 7, 2015). In addition, on May 29, 2015 the representatives of both sides met on the sidelines of the Shangri-La Forum to discuss the SCS. Reacting to Vietnam’s rapprochement with external stakeholders in the dispute, especially the U.S., Japan and India, the Chinese delegates warned the Vietnamese that they “should have a clear understanding about the motives of countries outside the region trying to meddle in the issue” (Sutter and Huang 2015b, 70).

Goodwill between both countries continued throughout 2016 with Vietnamese officials striving to maintain functional relations with China as they focused on domestic issues and the change of leadership. The newly elected Prime Minister Nguyen Xuan Phuc visited China in September 2016, the first such visit by a member of Vietnam’s recently selected top leadership. The renewed trust reflected itself in the fact that Chinese warships visited Cam Ranh Bay in October 2016 (Sutter and Huang 2017, 47).

Yet at the same time, given China’s expanding military presence in the SCS, Vietnam has set out to enhance its own military capabilities in the region. According to reports of AMTI, in November 2016, Vietnam also continued in its land reclamation activities and upgrades of air infrastructure at Spratly Island, where it completed the extension of the island’s runway, which should measure about 4 000 feet upon its completion. Furthermore, Vietnam also began work on two new hangars, which suggests that in the future Hanoi will most probably install non-combat, maritime surveillance crafts and transport planes to the region (Asia Maritime Transparency Initiative 2016-12-1). Vietnam also fortified several of its holdings with allegedly Israeli Extended Range Artillery (EXTRA) launchers (Grossman 2017). Surprisingly, however, China refrained from openly condemning Vietnam’s activities in the Spratlys and maintained cordial relations with Vietnam. Furthermore, in spite of the reports of Vietnam’s land reclamation activities, Chinese and Vietnamese coast guards organized joint patrol exercises to monitor fishing areas in the Gulf of Tonkin (Grossman 2017).

Another step forward indicating a mutual desire to overcome disputes was reached in January 2017, during the CPV general secretary Nguyen Phu Trong’s visit to Beijing. The meeting was followed by a new comprehensive joint communiqué emphasizing the strong commitment to “1) the proper manner of managing differences and incompatibilities over disputed waters, through peaceful bilateral mechanisms within multilateral frameworks and fora; (2) continue to fully and effectively implement the Declaration on the Code of Conduct in the South China Sea (DOC) and (3) actively work toward the early formation of a Code of Conduct (COC) on the basis of consensus and consultations” (Nguyen Minh Quang 2017).
Hence, so far it seems that since the Haiyang Shiyou 981 oilrig crisis both have managed to re-build strategic trust and compartmentalize the SCS dispute from further damaging their relationship. It is possible to identify several reasons behind China’s current tolerance and confidence. Firstly, Beijing has been maintaining its own overwhelming military superiority in the SCS that Vietnam cannot match. For example, throughout 2016 China’s Southern Theater Command has been boosting its diverse capabilities at different locations within the SCS, e.g. “guided missile destroyers, nuclear-missile equipped submarine forces, long-range supply vessels, coast guard and other maritime enforcement ships, marine forces with dedicated amphibious capabilities, multiple launch brigades for land-based missiles, and air assets ranging from bombers to multi-role fighter aircraft” (Grossman 2017). Secondly, China is keen on stabilizing the region given its desire to implement the BRI (Wenjuan Nie 2016, 439). Thus, it has refrained from hyping up the issue and has been focusing more on the functional aspects of the Sino-Vietnamese relationship.

At the same time, the Vietnamese officials have also been displaying their willingness to cooperate with China regardless the ongoing SCS dispute. To quote Goh (2005, 22) Vietnam has always been “constrained by a reluctance to provoke or alienate Beijing partly because of the deep awareness of Vietnam’s relative weakness.” It is apparent that since 2014 Vietnam has sought to stabilize the relationship with China in order to profit from economic cooperation within the proposed BRI and Maritime Silk Road. Yet, at the same time, Vietnamese officials continue to be vigilant vis-à-vis China’s intentions and pursue a multi-faceted hedging strategy, encompassing both hard balancing (building up with defense industry and capabilities with special emphasis on the SCS) and soft balancing (pursuing deeper ties with external stakeholders, especially the U.S., Japan and India).

Conclusion

Since the normalization of relations in 1991 the Sino-Vietnamese relations have been improving at a rapid pace, though, a wide range of contentious issues occasionally mar the cooperation of both the countries, the South China Sea dispute being the most significant bone of contention. The contradicting claims culminated with the Haiyang-shiyou 981 oilrig incident of May 2014, triggering an unprecedented upheaval of nationalist ire in Vietnam as well as the worst souring of relations between both countries since the Sino-Vietnamese border war in 1979. Since then both sides have been trying to repair the damaged relationship by rebuilding high-level communication and stepping up confidence-building measures.

As has already been mentioned above, despite the asymmetrical relations between both countries as well as different perceptions of one another, both sides realize that they have much to loose from potential conflict. At present, China seeks to implement its BRI and Vietnam plays an important role in China’s strategy, as it is a key player in ASEAN, a gateway to Southeast Asia, a crucial market for Chinese businesses as well as one of the key claimants in
the SCS. Hence, China has been keen to keep Vietnam in its orbit as well as safeguarding its control of the SCS. These two conflicting objectives demand that China treats its southern neighbor carefully in order not to damage strategic trust between the two sides. Thus, given Vietnam’s slight tilt towards the U.S. between 2014-2016 to hedge Chinese assertive posture in the SCS, China has has striven to deepen economic and infrastructure ties with Vietnam to keep in its own orbit via proposing a series of projects under BRI as well as the 21st Century Maritime Silk Road.

Vietnam’s relations with China can be characterized as ambiguous. On one hand, China has been a model worth following. On the other, it has always been perceived as a threat to Vietnam’s survival. At present Vietnamese officials are interested in taking part in China’s BRI hoping that it would bring benefits to its economy. However, China’s assertive posture in the SCS as well as Vietnam’s vulnerability given its self-imposed “three no’s” in its foreign policy, cause concern in Vietnam. Thus, in order to manage the cooperation and conflict dynamics in its relations with China, Vietnam continues to pursue an omni-directional and multi-faceted hedging strategy encompassing a wide array of tactics. Apart from direct engagement of China and deepening economic relations between both the states, Vietnam has also speeded up its hard balancing strategies via two channels: arms procurement and building-up its domestic defense industry. Nonetheless, its military activities have so far been constrained by the three “no’s” in Vietnam’s foreign policy, therefore, Vietnam has been paying immense attention to multilateralizing its foreign relations hoping to internationalize the SCS dispute by bringing in external players, of which the U.S. has been the most significant one. However, given the fact that the Vietnamese officials are uncertain of e U.S. President Donald Trump’s strategy in the Asia-Pacific, they are obliged to maintain functional relations with China as well, hoping rather to reap the benefits of collaboration with both sides. Thus, Vietnam continues to cooperate as well as struggle with both China and the U.S. while continuing to uphold the principles of peaceful coexistence.

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