

# PERSPECTIVE

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**Singapore** | 18 December 2017

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## **Pull and Push: Sino-Vietnamese Relations and President Xi's Hanoi Visit**

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### **EXECUTIVE SUMMARY**

- Chinese President Xi Jinping's state visit to Hanoi on 12-13 November 2017 reinforced the perception that ties between China and Vietnam are strengthening.
- A number of pull and push factors such as the two countries' wish to mend ties after the 2014 oil rig crisis, the deepening bilateral economic cooperation, the shared communist ideology, and changes in the regional geo-strategic context, have made it difficult to capture the true image and actual depth of the bilateral relationship.
- The visit produced little that is of real significance. About 80 per cent of the content of the joint statement issued at the end of the visit is identical to that of previous statements. Meanwhile, major bilateral economic cooperation initiatives have made little headway.
- President Xi's visit will do little to transform the relationship in a positive and meaningful way since the trust deficit and the strategic divergence between the two remain large. Both sides, however, will continue to try to embrace each other for their own strategic calculations.

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## INTRODUCTION

Chinese President Xi Jinping paid a state visit to Hanoi on 12-13 November 2017 after attending the APEC Economic Leaders' Meeting in Danang. In a sense, the visit was remarkable as it was President Xi's second visit to Hanoi within two years. In November 2015, when Mr Xi paid his first state visit to Vietnam as China's supreme leader, bilateral relations were just recovering from the May 2014 oil rig crisis which sent bilateral ties to a record low in more than two decades. The 2017 visit appears, at least on the surface, to reinforce the trend of strengthening ties. However, the strategic context and the dynamics of bilateral ties have undergone important changes over the past two years, making it difficult to gauge the visit's true significance to bilateral ties as well as the regional strategic landscape.

This essay weighs the significance of the visit by positioning it in the evolving regional geo-strategic context as well as the volatile dynamics of bilateral relations. The essay starts with a review of bilateral ties since the 2014 oil rig crisis, followed by an examination of major outcomes of President Xi's visit. It then discusses the pull and push factors that simultaneously nudge the two countries together and drive them apart. Finally, the essay concludes by assessing the significance of the visit to bilateral ties and the region.

## VIETNAM – CHINA RELATIONS SINCE THE 2014 OIL RIG CRISIS

In May 2014, China placed the giant oil rig *Haiyang Shiyou 918* deep within Vietnam's proclaimed EEZ. The incident sparked more than two months of intense confrontation between the two countries' maritime forces and resulted in two deadly anti-China riots in Vietnam. The crisis seriously dented mutual trust and sent bilateral ties to the lowest point since bilateral normalization in 1991.

After the crisis ended in July 2014, the two sides moved to restore ties, with top leaders of the two countries exchanging visits more frequently. In April 2015, General Secretary of the Communist Party of Vietnam (CPV) Nguyen Phu Trong paid an official visit to China. Mr Trong was accorded the highest level of protocol with a 21-gun salute and lavish treatments in signs that China tried to assuage Vietnam's security concerns and win back Hanoi's political trust. In November 2015, President Xi Jinping paid a reciprocal visit to Hanoi and addressed Vietnam's National Assembly. In early 2016, Vietnam's new leadership was elected at the 12<sup>th</sup> National Congress of the CPV, and Mr Trong sent his special envoy to Beijing to brief Chinese leaders about the Congress' outcomes. This was reciprocated by China as President Xi also sent his envoy to Hanoi after the Chinese Communist Party's (CCP) 19<sup>th</sup> Congress in October 2017.

Within one year of the new leadership of Vietnam being elected at the CPV's 12<sup>th</sup> Congress, all its top three leaders have visited China. In September 2016, Prime Minister Nguyen Xuan Phuc paid an official visit to China and attended the China-ASEAN Expo in Nanning. In early 2017, CPV General Secretary Nguyen Phu Trong paid another visit to Beijing and Hangzhou, and this was followed by a state visit by President Tran Dai Quang to Beijing in May 2017, during which he also attended the Belt and Road Forum for International Cooperation. The visit of President Xi to Hanoi right after he was re-elected as the CCP's General Secretary therefore further reinforced the upswing in bilateral ties.

Bilateral economic cooperation has also witnessed significant progress over the past two years. Specifically, according to the Vietnamese Ministry of Industry and Trade, two-way trade turnover increased 7.9 per cent to US\$71.9 billion in 2016. As a result, China remains Vietnam's largest trading partner, accounting for 20.5 per cent of Vietnam's total trade, while Vietnam has become China's largest trade partner in ASEAN and its ninth largest trade partner worldwide. It is notable that Vietnam's trade deficit with China, which has been a major concern for the Vietnamese government, decreased 13.67 per cent in 2016 and continued to shrink in 2017 (Bạch Huệ, 2017; Minh Hữu, 2017).

Meanwhile, Chinese investment into Vietnam has also increased substantially in recent years. By April 2017, China had become Vietnam's eighth largest foreign investor with 1,616 FDI projects worth US\$11.19 billion (Phúc Nguyên, 2017). In the first five months of 2017, China's investment even doubled year-on-year to more than US\$1 billion, turning China into the fourth largest investor of Vietnam during this period, only after South Korea, Japan, and Singapore (CafeF, 2017). The increased inflow of Chinese investment is remarkable given the Vietnamese public's unfavourable attitude towards Chinese economic influence in general and Chinese investment in particular. The improved trade and investment ties also help to strengthen the economic foundation of bilateral relations and present a bright spot in the overall picture of Vietnam-China relations.

## OUTCOMES OF PRESIDENT XI'S VISIT

Before the visit, in a rare diplomatic move, President Xi published a signed article titled "For a New Vista in China-Vietnam Friendship" on the *Nhan Dan* (People's Daily), the mouthpiece of the CPV (Xi, 2017).<sup>1</sup> The article recalls the traditional friendship between the two countries, especially China's assistance for Vietnam's national liberation. After highlighting the "deepened and broadened practical cooperation" between China and Vietnam in various areas, the article presents President Xi's five visions for future bilateral relations, which were: strengthening strategic mutual trust; deepening cooperation on the two countries' "interconnected interests"; expanding people-to-people connections; strengthening coordination and creating "new highlights in multilateral cooperation"; and "bearing in mind the big picture and writing a new chapter of good-neighborliness" in bilateral relations. On the South China Sea disputes, which remain the most serious sticking point in bilateral relations, Mr Xi suggested:

Acting in the larger interest of our own reform, development and stability and China-Vietnam friendship, we need to well manage our differences and disagreements, and stay committed to seeking a fundamental and durable solution to the maritime issues acceptable to both sides through friendly consultation. We need to fully and effectively implement the Declaration on the Conduct of Parties in the South China Sea, actively advance the consultation on a Code of Conduct in the South China Sea and jointly uphold peace and stability there (Xi, 2017).

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<sup>1</sup> Full text of the article is available in English at < [http://news.xinhuanet.com/english/2017-11/09/c\\_136740210.htm](http://news.xinhuanet.com/english/2017-11/09/c_136740210.htm)>

The positive and constructive tone of President Xi in the article is reflected in the joint statement that both sides issued at the end of the visit. The joint statement covers a wide range of cooperation activities between the two countries as well as the two communist parties. However, roughly 90 per cent of its content is almost identical to the joint communiqué issued at the end of CPV General Secretary Nguyen Phu Trong's visit to China in January 2017.

A notable cooperation initiative highlighted in the joint statement is the two sides' agreement to implement a previous Memorandum of Understanding on linking the Belt and Road Initiative (BRI) with Vietnam's "Two Corridors and One Economic Belt" initiative, which was adopted in 2004.<sup>2</sup> This is in line with China's wish to incorporate old or existing infrastructure projects into its newly proposed BRI. According to the statement, the two sides are planning the construction of a standard-gauge railway connecting the border province of Lao Cai with Ha Noi and Hai Phong, probably financed in part by China. So far, despite Vietnam's endorsement of the BRI, no new infrastructure project in the country has been labeled as BRI-related. Meanwhile, other economic cooperation initiatives mentioned in the statement, such as the establishment of cross-border economic cooperation zones or the use of the Chinese renminbi in bilateral trade and investment, have not seen much progress although they have been under discussion for several years.

On military and security cooperation, no new initiative was announced. The statement only reiterates previous bilateral commitments, such as strengthening cooperation in defence, security and law enforcement; implementing the joint vision declaration on defence cooperation by 2025; using the hotline between the two Defence Ministries effectively; organising border defence exchanges and strategic defence dialogues; and conducting joint patrols in the Gulf of Tonkin. These cooperation initiatives carry little substance and appear to mainly serve the purpose of maintaining engagement and making bilateral ties look comprehensive.

Similarly, on the South China Sea disputes, the two sides did not introduce any new initiative to better manage them but instead repeated their pledge to properly handle maritime issues and promote maritime cooperation to maintain peace and stability in the South China Sea. It is notable that they agreed to accelerate negotiations on the delineation of the waters off the mouth of the Gulf of Tonkin and to work towards the early conclusion of a Code of Conduct of Parties in the South China Sea (COC). However, these commitments have been included in previous joint statements but no visible progress has been made so far. While negotiations on the delineation of the waters off the mouth of the Tonkin Gulf have stalled for more than 10 years, there is also a huge gap between the two sides' positions regarding the COC's legal nature and its scope of application, causing the early conclusion of an effective COC to remain a remote possibility.

During the visit, the two sides signed 15 cooperation agreements on various areas and a number of commercial contracts of undisclosed value. President Xi also unveiled the Vietnam-China Friendship Palace in Hanoi and the China Culture Center which will operate

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<sup>2</sup> The two "economic corridors," namely the Kunming - Lao Cai - Ha Noi - Hai Phong - Quang Ninh corridor and the Nanning - Lang Son - Ha Noi - Hai Phong - Quang Ninh corridor, were designed to improve connectivity and economic cooperation between Yunnan and Guangxi with 12 cities and provinces in North Vietnam. The Tonkin Gulf "economic belt" aims to enhance economic cooperation between provinces of the two countries located around the Tonkin Gulf.

within the Palace. The complex costs VND800 billion (approximately US\$36 million), two thirds of which were funded by Chinese grants. The groundbreaking ceremony for the complex was held in 2004 but it was not until March 2015 that its actual construction started (Toàn Vũ, 2017). The complex can therefore be seen as part of China's "charm offensive" to improve Vietnamese people's perception of China, which seriously deteriorated after the May 2014 oil rig crisis. It is also part of China's efforts to expand its cultural influence over the country. Ironically, as the most sinicized Southeast Asian country, Vietnam is now rather resistant to China's cultural influence, partly due to brewing anti-China sentiments generated by the South China Sea disputes. For example, a proposal by the Ministry of Education and Training and a number of scholars to introduce Chinese into primary school curriculum has been vehemently rejected by the majority of the public. Similarly, only one Confucius Institute is currently operating in Vietnam compared to two in Malaysia, four in the Philippines, six in Indonesia, and 15 in Thailand (Confucius Institute Headquarters, 2017).

## **PULL AND PUSH FACTORS IN VIETNAM – CHINA RELATIONS**

President Xi Jinping's second visit to Hanoi within two years following a string of visits by Vietnamese top leaders to China can be seen as a clear indication of the two sides' serious effort to strengthen mutual trust and repair ties after recent setbacks due to the South China Sea disputes. The trajectory of bilateral relations, however, remains uncertain. A number of pull and push factors have caused bilateral relations to morph into different, versatile shapes, depending on how the comparative weight of these factors fluctuates over time. To make it more complicated, certain pull factors contain push elements, and vice versa, making it even more difficult to capture the true image as well as the actual depth of the relationship.

The first and foremost factor that pulls the two countries together over the past three years is their wish to mend ties after the 2014 oil rig crisis. However, as the South China Sea disputes, which are the root cause of the 2014 crisis as well as constant bilateral tensions, have not been resolved, the warming-up of ties between the two countries has appeared to be a rather reactive and untenable process. If major tensions in the South China Sea flare up again, recent progress in bilateral ties may reverse.

Another notable pull factor is the deepening economic cooperation between the two countries. As noted in the first section, bilateral trade and investment have witnessed solid progress in recent years. In particular, Vietnam's shrinking trade deficit vis-à-vis China and China's increased investment in Vietnam have made bilateral economic ties more balanced, providing further incentives, especially for Vietnam, to maintain close bilateral relations. At the same time, China's new regional economic initiatives, such as the Asian Infrastructure Investment Bank (AIIB) and the BRI, provide new avenues for bilateral economic cooperation. Funding from these initiatives appears attractive to Vietnam, given its large budget deficit and increasing demand for infrastructure investment. However, Hanoi's lingering concerns about Beijing's unwarranted economic influence and the Vietnamese public's rather negative perception of industrial and infrastructure constructions financed by China (see, for example, Hiep, 2017a, Chapter 5) tend to constrain the positive effects of these initiatives on bilateral relations.

The shared communist ideology used to serve as a strong pull factor in the two countries' relationship. But the two parties' pursuit of economic reforms along the lines of market capitalism and the demise of communism in the former Soviet Union and Eastern Europe have undermined the importance of ideological considerations in the two countries' handling of their relations. At the same time, as nationalism has emerged as an increasingly important pillar of the two communist parties' domestic legitimacy, it tends to push the two countries apart as each party tries to project itself as the ultimate protector of national sovereignty and territorial integrity in the South China Sea. As a consequence, national interests rather than shared communist ideals now dictate how the two communist parties view and manage bilateral relations.

Finally, changes in the regional geo-strategic context have generated new pull and push factors that contribute to the already delicate dynamics of bilateral relations. As China keeps rising, its regional geostrategic rivals, most notably the United States, Japan and India, step up their strategic relations with Vietnam as part of their efforts to counteract China's increasing power and influence. The visit by US President Donald Trump to Hanoi right before the visit of President Xi is a clear example of such an effort.<sup>3</sup> Feeling mounting pressures from China in the South China Sea, Vietnam is open to such diplomatic and strategic overtures by other powers, which tends to push Hanoi away from Beijing.

Ironically, the rapprochement between Vietnam and these powers also tends to generate a pulling effect on Vietnam-China relations as Beijing also feels the need to pull Vietnam back into its orbit. Given Vietnam's rather important geographic location, China would not like to see Vietnam join an anti-China coalition with other major powers. Therefore, while trying to expand in the South China Sea, China also tries to at least keep Vietnam within its reach and persuade Hanoi about the strategic benefits of maintaining close ties with Beijing while staying away from its strategic rivals, especially Washington. For example, although China did not offer an official response to President Trump's visit to Hanoi, the *Global Times* ran an op-ed on 12 November 2017 claiming that Sino-Vietnamese cooperation is the "mega-trend" and that external powers should not fool themselves by trying to meddle in the relationship to divide the two neighbours (*Global Times*, 2017). On its part, the closer Vietnam inches towards other major powers, the greater need it feels to embrace Beijing. Such an approach is necessary for Hanoi to assure Beijing of its balanced foreign policy while guarding against the latter's reactions.

## CONCLUSION

The above analysis suggests that the apparent improvement in Vietnam-China relations may be misleading, and that the seemingly close ties between the two long-standing "frenemies" may be only skin-deep. The pull and push factors in the relationship make the two neighbours half-hearted about moving closer to each other. Mutual benefits from economic cooperation can justify their efforts to maintain a peaceful and stable relationship, but they are not enough to bring about a good level of strategic intimacy between the two. The large trust deficit and strategic interest divergence between the two will not shrink in the short to

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<sup>3</sup> For an analysis of the visit and its implications for Vietnam-US relations and the regional strategic environment, see Hiep (2017b).

medium term. Instead, they may exacerbate due to intensifying South China Sea tensions and rising nationalism within both countries.

Therefore, recent progress in bilateral relations in general and President Xi Jinping's visit to Vietnam in particular will do little to help transform the relationship in a positive and meaningful way. Nevertheless, both sides will continue to try to embrace each other. While China wants to keep Vietnam in its orbit and prevent Hanoi from moving closer to its strategic rivals, Vietnam, as the author noted in a recent essay (Hiep, 2017b, p. 7), also wishes to continue its embrace of Beijing to temper the latter's assertiveness and to facilitate its rapprochement with other major powers. As such, the visit is of little significance to bilateral relations as well as the region's geo-strategic dynamics.

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