

Thayer Consultancy  
ABN # 65 648 097 123



## **Background Briefing:**

### **Vietnam: Relations with the United States and China**

**Carlyle A. Thayer**

**May 3, 2018**

Q1. Why do you think Vietnam historically has had conflict with China, despite the fact that they both subscribe to the same ideology (Communism)?

ANSWER: In the twentieth Century communist ideology came to both China and Vietnam via Moscow. Chinese who studied in the Soviet Union were an important faction in the Chinese Communist Party (CCP) until displaced by Mao Zedong. Communist ideology came to Vietnam via Ho Chi Minh. Ho was a founder of the French Communist Party and a member of the Communist International (COMINTERN). Communism in both countries took different paths. China under Mao adopted different policies from the Communist Party of the Soviet Union (CPSU), especially in the post-Stalin period.

Vietnam has always looked to Moscow as the base of the international communist movement. While Vietnam is beholden to China for material assistance in its war of resistance to France, Vietnam resisted siding with China when the Sino-Soviet dispute first broke out in the mid-1950s and intensified in the 1960s.

After Vietnam achieved independence following partition in 1954, Vietnam conducted a Chinese-style land reform with disastrous results. Later, Vietnam created agricultural producers' cooperatives but pulled back from developing communes as occurred in China.

When the Vietnam War broke out Vietnam depended heavily on the Soviet Union for support during the U.S. Air War, specifically surface-to-air missiles.

The real crunch came when Mao advocated the Theory of the Three Worlds and the Soviet Union pushed three revolutionary currents. Mao contended that the first world comprised the USSR and USA who contended and colluded for hegemony.

Moscow's view was that the Soviet Union represented the first revolutionary current leading the advanced economies of Eastern Europe and the third current of progressive parties and national liberation movements in the third world. Vietnam refused to side with China.

A real rift emerged when the Vietnam War was winding down and China advised that Vietnam's reunification should be viewed as a long-range goal like China's pursuit of reunification with Taiwan. This marked Vietnam's real shift towards the

USSR that provided the tanks, heavy artillery and other systems used in major offensives in 1972 and 1975 leading to the reunification of Vietnam

The rift between China and Vietnam widened when China supported the Khmer Rouge who in the 1977 began attacking southern Vietnam. In mid-1978 when Vietnam joined the Council for Mutual Economic Assistance led by the Soviet Union, China cancelled its aid to Vietnam. In November 1978, Moscow and Hanoi signed a 25-year Treaty of Friendship and Cooperation, an alliance. Vietnam invaded Cambodia and China retaliated by attacking northern Vietnam. And, as a harbinger of what was to come, In March 1988 Chinese naval forces defeated a Vietnamese naval flotilla near Fiery Cross reef and seized this and adjacent features.

After normalization of relations between China and Vietnam in 1991, China's policy of pushing its claims in the South China Sea became another major irritant. China and Vietnam squared off around Vanguard Reef in the 1990s when China awarded an oil exploration contract to an American oil company, Crestone.

The dispute over the South China Sea intensified in 2009 when China tabled its nine-dash line with the UN and moved assertively to exercise sovereignty over the South China Sea. There was a marked naval confrontation in 2014 when China moved a mega-oil drilling rig into Vietnam's Exclusive Economic Zone.

In sum, Vietnam and China each had different interpretations of their common ideology and differing national interests. Their relationship is asymmetric and Vietnam jealously guarded its autonomy and resisted Chinese attempts to act as Vietnam's elder brother.

Q2. Do you think that Vietnam will continue to have an antagonistic relationship with China with regards to the South China Sea? Is a peaceful, long-lasting solution a possibility?

ANSWER: Up until 2003, Vietnamese leaders thought that the bond of socialism would cement relations with China. By 2003 Vietnam had modified its ideology to take into account national interest and adopted a policy of cooperation and struggle towards the major powers, including China. Vietnam would cooperate where interests overlapped but Vietnam would struggle when its national interests were adversely affected.

In other words, the relationship was not binary but dialectic. There will always be a measure of friction if not antagonism between Beijing and Hanoi. But Vietnamese leaders acknowledge that it is not in Vietnam's interests to permanently antagonize China. Even with all their disagreements over the South China Sea the two sides have adopted Guidelines on Fundamental Principles to Settle Maritime Disputes and they continue to have regular discussions on the waters forming the mouth of the Gulf of Tonkin as the next step. They already agreed to demarcate the Tonkin Gulf and share a joint fishing area.

Q3. If China and Vietnam continue to antagonize each other in the South China Sea, do you think that the United States will look to form a stronger partnership with Vietnam, Including a potential military partnership?

ANSWER: The Trump Administration's National Security Strategy and National Defense Strategy identify China (and Russia) as revisionist powers and the major challenge to the United States. These documents lay out a strategy for U.S. leadership of allies and partners to resist Chinese predatory behaviour. It is in this context that the U.S. has identified Vietnam as a potential strategic partner.

Vietnam Prime Minister Nguyen Xuan Phuc was the first Southeast Asian government leader to be received by President Trump at The White House (31 May 2017). Trump later made an official visit to Hanoi (November 2017). In addition, Vietnam's Defense Minister visited the Pentagon after his prime minister's visit. And Secretary of Defense James Mattis visited Hanoi early this year. Vietnam also hosted the first visit by a U.S. aircraft carrier, *USS Carl Vinson*, this year.

There has been gradual movement to step up defense cooperation. But Vietnam has a policy of three no's – no alliances, no foreign military bases, and no joining a second country to target a third country.

Vietnam pursues a policy of multilateral balance among the major powers, China, the US as well as Russia, India and Japan; to focus just on China-US misses this larger context. Vietnam prizes its independence and autonomy. If Vietnam does move closer to the U.S. it will be a reaction to increased Chinese pressures.

Q4. What do you Vietnam's economic future will look like in a general sense? Is the movement towards a freer market going to translate into long term success?

ANSWER: Vietnam is one of the fastest growing economies in the Asia-Pacific with growth rates at or around 7 percent. Vietnam's follows a policy of active proactive international integration. The Vietnam Communist Party has set as one of its priorities raising the contribution of the private sector in what it calls its "socialist market economy."

Vietnam was an ardent supporter of the Trans Pacific Partnership (TPP) and agreed to undertake internal market and labour reforms. Trump's withdrawal from the TPP was a shock for Vietnam because the United States is its largest export market (while China is its largest trade partner).

Vietnam has a trade surplus of around US\$30 billion with the United States and ranks sixth on the list of countries having a surplus after China that tops the list. At the same time Vietnam has a trade deficit of US\$32 billion with China.

Vietnam wants the US to designate it as a market economy. At the moment the U.S. and Vietnam have a working group to study this issue. Also, under Trump, Vietnam has agreed to discuss a free (fair and reciprocal) trade agreement with the US.

The bottom line, Vietnam has been quite pragmatic in adopting market reforms. It takes advice from all corners including the World Bank and International Monetary Fund. It will continue to pursue active and proactive international economic integration. In this respect Vietnam is part of the Association of Southeast Asia's (ASEAN) initiated Regional Comprehensive Economic Partnership to expand ASEAN's free trade agreements with six partners into a web including all ten ASEAN states and its six partners.

Suggested citation: Carlyle A. Thayer, "Vietnam: Relations with the United States and China," *Thayer Consultancy Background Brief*, May 3, 2018. All background briefs are posted on Scribd.com (search for Thayer). To remove yourself from the mailing list type, UNSUBSCRIBE in the Subject heading and hit the Reply key.

Thayer Consultancy provides political analysis of current regional security issues and other research support to selected clients. Thayer Consultancy was officially registered as a small business in Australia in 2002.