The Re-emergence of Vietnam for Southeast Asia during the 1990s (1995)

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Chapter 1

Introduction

Vietnam’s membership of ASEAN is a striking illustration of the impact of the changes in Southeast Asian affairs since the end of the Cold War and the attainment of the Cambodian peace agreements in 1991. It will assist greatly Vietnam’s efforts to consolidate its foreign policy emphasis on wide international relations and to gain additional and much needed trade and investment. Vietnam’s membership offers ASEAN a way of broadening its coverage in Southeast Asia and bolstering its credibility as it seeks to reaffirm and expand its role in the post Cold War era. Vietnam’s membership, however, also poses some interesting and significant questions about how the seven countries will cooperate to overcome the historical legacies of suspicion among them and of how ASEAN itself will be affected by what is undoubtedly the most significant development for the Association since its inception in 1967.¹

General background

After the Cold War era and the end of ideological confrontation, there have been rapid changes in the international political arena throughout the world and in Southeast Asia. At present, each country’s economic strength becomes an important factor in the building up of the country’s security; and for closer cooperation. ASEAN-Vietnamese relations have passed through various periods changing between political confrontation and diplomatic conciliation. When Vietnam triumphed in Cambodia in 1978, ASEAN (along with UN) launched the policy for anti-Vietnam political strategy. Until 1988, the ASEAN countries and Vietnam discussed the way to find a political solution to the conflict.²

Vietnam and other countries in the region have a common interest in further strengthening their friendship and cooperation in order to cope with new challenges and

opportunities.\(^3\) The collapse of the Soviet Union removed its military and economic aid to Vietnam. Vietnam lost a political, military and economic ally. The emergence of new Russia which cooperated with the United States to create a "new world order" meant that the old relationship with the Soviet Union was no longer operable.

Importantly, there were many internal factors encouraging economic and political reform in Vietnam. During 1979-1989, Vietnam faced economic problems. Thus, at the 1986 Sixth Party Congress, the Vietnamese Communist Party stressed the need for economic reform (\textit{doi moi}) to attract foreign trade and investment.

With external factors and internal political economic difficulties, Vietnam had to adjust its foreign policy. This led to Vietnam’s decision in 1987 to withdraw its troops from Cambodia.\(^4\) This was accomplished in September 1989. Thakur and Thayer have concluded that the 1989 Sino-Soviet normalisation, Gorbachev’s new political thinking of glasnost and perestroika and the end of the Cambodian conflict pushed Vietnam to reform its economy and foreign policy.\(^5\) Vietnam has also altered its foreign outlook towards the development of relations with China, Japan and ASEAN countries. While continuing its friendly relations with Russia, Vietnam expressed its hope for Vietnam-U.S. reconciliation in 1991. The remarkable event which indicated that Vietnam-U.S. relations improved greatly was that the U.S. lifted an embargo on trade with Vietnam in 1994. In 1995, Vietnam and the U.S. normalised diplomatic relations.\(^6\)

Stimulated by ASEAN’s success, Vietnam has shown its interest in joining the Association. It is evident that ASEAN no longer views a Soviet-backed Indochinese

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4. In fact, Vietnam initiated to withdraw its troops from Cambodia in 1982. Until 1989, the process of the withdrawal was progressively and publicly accomplished.
bloc as a direct threat to its security. This makes possible new forms of cooperation between ASEAN and Indochina.\(^7\)

There has been remarkable improvement in the relations of the ASEAN states with Vietnam. The economic interactions, the exchange of officials, two-way trade flows, educational and cultural exchanges and tourism have increased greatly. The Indochinese countries have been increasingly accepted by ASEAN. The past antagonisms between both sides seemed to have disappeared when Vietnam and Laos signed the Treaty of Amity and Cooperation in 1992 and were later accorded observer status in the ASEAN Ministerial Meeting (AMM).

The rapprochement between Indochina, in particular Vietnam, proceeded smoothly through the 27th ASEAN Ministerial Meeting in Bangkok in 1994 when Vietnam was admitted to join ASEAN as a new member. Accordingly, Vietnam formally became a new member in July 1995. This was the first step to expand ASEAN up to 10 members, including Laos, Cambodia and Burma, which would make ASEAN a truly regional association.

Nevertheless, there are a number of problems and issues both actual and potential, which may act as constraints of varying severity upon the process of expanding ASEAN membership from six to ten.\(^8\) In fact, there are some disputes between Vietnam and some ASEAN states which remain unresolved. These include territorial disputes. Most significantly, the South China Sea dispute which involves Vietnam, the Philippines, Brunei, Malaysia, China and Taiwan, may erupt a

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\(^7\) In fact, the term "Indochina" signifies the convergence of Indian and Chinese cultural influences in mainland Southeast Asia; therefore, Indochina may include Burma (or Myanmar), Malaysia, Singapore, Thailand, Cambodia, Laos and Vietnam. Importantly, the term does not represent Vietnam, Laos and Cambodia in any unified sense because the subregion contains three distinct countries with different language, ethnic groups, cultures and a long history of mutual antagonism. For more information, see Frederich Z. Brown, *Second Chance: The United States and Indochina in the 1990s* (New York: Council on Foreign Relations Press, 1989), pp.14-5.

conflagration in the region. However, both ASEAN states and Vietnam have to cope with common security challenges brought about by changes in the international and regional environment. ASEAN can see Vietnam as a partner in their efforts to build a new regional order.

**Purpose of the study**

This study aims to provide an analysis of the process of Vietnam’s entry into ASEAN and the results and problems which may occur after Vietnam has joined. The problem is whether ASEAN and Vietnam will be able to adjust to develop a new relationship in order to help promote peace and economic development among ASEAN members in the future.

The study focuses on Vietnam’s political and economic renovation and foreign policies during 1990-1995 because there were several important events that occurred in this period that affected the international political arena, in particular the Southeast Asian region. For much of the period, in 1990, it was the post Cambodian settlement when Vietnam had withdrawn its troops from Cambodia. Accordingly, Vietnam and China normalised their relations in 1991. In 1994, the U.S. lifted its trade embargo on Vietnam. Importantly, in 1995, Vietnam made rapprochement of diplomatic relations with the United States and it became a full new member of ASEAN.

As a result, Vietnam has been taking a greater role in cooperation with other countries in the region. However, throughout the period, some territorial disputes between Vietnam and its neighbours, in particular the South China Sea dispute, have remained unresolved. These conflicts make ASEAN’s foreign outlook more complicated.
The central argument of the thesis is that Vietnam’s entry into ASEAN will not produce many problems to the other members because both ASEAN countries and Vietnam need to develop their economies. This type of cooperation will facilitate harmonisation. Although the unresolved disputes between Vietnam and China, in particular the South China Sea dispute, may affect ASEAN’s foreign policy towards China, it is unlikely that the conflagration between China and ASEAN including Vietnam would easily occur as the dispute, indeed, is a focus for many countries who need to see the dispute resolved peacefully.

In particular, this study focuses on the following lines of enquiries:

- What are factors that have stimulated Vietnam to reform its economy?
- Will the integration of Vietnam with ASEAN encourage greater regional security, fragment it or create another regional grouping including Thailand, Vietnam, Cambodia and Burma?
- What are benefits that both Vietnam and ASEAN states may gain from Vietnam’s membership? And what are troubles which seem to be problematic such as ASEAN Free Trade Area and ASEAN Regional Forum?
- What are changes in Sino-Vietnamese relations since the 1991 normalisation of relations of both sides?

Outline of the present study

Chapter 1 briefly provides the general introduction, purposes of the study and the study outline.

Chapter 2 examines the internal and external forces of the re-emergence of Vietnam during the 1990s. Some causes of change in Vietnam have been reviewed also from the 1970s and 1980s which help to explain the present situation. The problems of
Vietnam's reform are discussed. The chapter also focuses on Vietnam's relations with major powers such as the United States, the Soviet Union, China and Japan.

Chapter 3 investigates the process of Vietnam's admission into ASEAN starting from the mid 1980s. The chapter looks at the benefits and problems which will affect both ASEAN and Vietnam due to Vietnam's membership, in particular the ASEAN Free Trade Area and ASEAN Regional Forum. The problems of relations between ASEAN (including Vietnam) and the major powers will be discussed.

Chapter 4 discusses the relations between Vietnam and China before and after the settlement of the Cambodian conflict. The study focuses on the normalisation of their relations in 1991. Some present potential conflicts between Vietnam and China, particularly the South China Sea dispute, will be discussed. The chapter also investigates attempts of both sides and of other non-concerned parties to find ways and means to solve these problems.

Chapter 5 includes a discussion of prospects and conclusions.
Chapter 2

Driving Forces behind the Re-emergence of Vietnam

Since the mid-1980s Vietnam's economy has been undergoing a major process of change under the policies of doi moi (renovation)...stimulated by the example of market-oriented economic reforms in other socialist countries (including China and Eastern European states) and by a realisation that Vietnam has since 1975 lagged behind many of its neighbours in economic performance, have added further pressures and incentives for the pursuit of broader foreign relations. The policies of economic "renovation" have sought to decontrol major areas of the economy, create a substantial role for private economic activity, revitalise the state sector and encourage foreign investment. These policies have had considerable success... in helping Vietnam to survive the rapid cut-back in assistance from the former Soviet Union and states of Eastern Europe after 1989.9

Introduction

To examine the re-emergence of Vietnam, it is necessary to look back to the past in order to understand the driving forces behind the Vietnamese reform policy. Political and economic factors were the primary causes of Vietnamese reforms during the mid-1980s. These include internal and external factors. The reforms represent a change in Vietnam's political strategy to a less ideological outlook since Vietnam wasted its resources in Cambodia while most ASEAN states and China had prospered. Significantly, re-legitimation of the Vietnam Communist Party (VCP) role is also necessary. The economic problems and the Soviet military withdrawal from the region pushed Vietnam to withdraw its troops from Cambodia in 1989.10

Vietnam has been affected by the changes in the global balance of power. Fforde has pointed out that the outbreak of the Third Indochina War in the late 1970s and the failure of the socialist economic system in Vietnam resulted in bottom-up pressures on

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reform to its economy, because the government failed to impose sufficient control on the economy, particularly in the Mekong Delta, with its large economic potential.\footnote{For more information of the bottom-up pressure in Vietnam in the late 1970s, see Adam Fforde, “The political economy of “Reform” in Vietnam-some reflections”, in Borje Ljunggren (ed.), The Challenge of Reform in Indochina (USA: Harvard Institute for International Development, 1993), pp.293-326: 230.}

Political reform was first mentioned in 1981 prior to the Fifth and the Sixth National Congress. The changes of Vietnam’s development were marked to repair the damage and decay of the last decade by concepts regarding economic renewal drawn up in the 1986 Sixth National Congress.\footnote{Gary, Klintworth, “Forces of Change in Vietnam”, in D. K. Forbes, T. H. Hull, D. G. Marr and B. Brogan (eds.), Doi Moi; Vietnam’s Renovation Policy and Performance (Canberra: Australian National University, 1991), pp.215-233, 215.}

In 1986, a concept Doi Moi (renovation) was devised by Vietnamese leaders.\footnote{Doi Moi was originated in the early 1980s when contract production in agriculture and an increased tolerance towards the private sector were phased in. For more details of Doi Moi, see Dean K. Forbes, in Dean K. Forbes, et.al (eds), Doi Moi; Vietnam’s Renovation Policy and Performance, op.cit., pp.vii-ix.} It was used as a slogan involving developments in a wide-range of areas including finance, state enterprises, foreign investment, trade, housing, education, health and family planning and the mass media. Forbes states that transformations in the economy must eventually bring transformation in the political system, but Vietnamese leaders wish to control the pace and direction of that change.\footnote{For more details of Doi Moi, see Dean K. Forbes, et.al (eds), Doi Moi; Vietnam’s Renovation Policy and Performance, op.cit., pp.vii-ix.} From the 1990s, Vietnam’s national focus will be almost exclusively economic renovation and integration with the world economy.

This chapter examines the internal and external forces, the process of economic and political reform in Vietnam since the mid-1980s, and the results and problems caused by the economic and political reforms. The Seventh Vietnam Party Congress will also be discussed. In addition, this chapter discusses the effect and problems of renovation policy, also investigates the way the government has attempted to solve these problems.
This chapter also looks at the role of external factors pushing Vietnam to reform itself, and in particular the four major powers, China, the Soviet Union, the United States and Japan including the financial international organisations such as the International Monetary Fund, the World Bank, and the Asian Development Bank, in the building up of the country’s economic strength and political reform. These have greatly affected Vietnam’s foreign policy since 1986 and the settlement of the Cambodian conflict. Vietnam saw the need for and importance of its gradual economic and political reform.

2.1. Economic reform in Vietnam during the 1980s

Since the late 1970s, there have been many internal factors forcing reform on Vietnam. As a result of the turmoil in Vietnam in the late 1970s, thousands of Vietnamese fled as refugees and economic migrants to other countries in Southeast Asia, severely affecting the labour force. (For a discussion of refugees, see Chapter 4)

Significantly, in 1978 Vietnam became a full member of the Council for Mutual Economic Assistance (CMEA) and signed a 25 year Treaty of Friendship and Cooperation with the Soviet Union. Vietnam invaded and occupied Cambodia with the protection of this treaty. Consequently, Western and Chinese aid was cut hitting the state sector.

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14 Ibid.
15 Vu Tuan Anh mentions that the process of economic reform in Vietnam may be divided into three stages. First, from 1976-1979, there was a process of unifying the economy into an integrated whole in accordance with the central planning principles. Second, from 1980-1986, there were experiments on readjustment of economic policies oriented toward trade liberalisation. Third, from 1986 to 1994, the basic orientation for renewal of economic policies was affirmed. For more information, see Vu Tuan Anh, “Process of Economic Policy Reform”, Vietnam’s Economic Reform: Results and Problems (Hanoi: Social Science Publishing House, 1994), p.15.
16 Since the signing of the Friendship Treaty the top leaders of both countries met frequently. For details of the treaty and example of leader visits of both sides, see Ramesh Thakur and Carlyle Thayer, Soviet Relations with India and Vietnam (London: Macmillan, 1992), pp.60-61.
17 The failure of the Mekong collectivisation pushed up free-market rice prices and inability to force the needed rice out of the Mekong in 1978-1979 showed that the Stalinist model must be softened. See Adam
After reunification, Vietnam faced severe economic problems. These problems included the natural disasters and poor weather in 1977 and 1978, which caused the low level of agricultural production affecting Vietnam’s economy.\(^{18}\) Between the 1979-1989, Vietnam wasted a lot of money maintaining its occupation force in Cambodia. Due to the deterioration of relations with China, Vietnam lost assistance and investment from China and the West and became reliant on Soviet aid alone.\(^{19}\) However, the Vietnam Communist Party (VCP) hoped to gain economic assistance from the Soviet bloc, China, and Western countries to promote reconstruction. By the mid-1980s, there was an increased realisation that Vietnam was still poor while neighbouring economies were prospering. Thus, in 1986 the VCP emphasised the need for economic reform and a series of measures were taken to attract foreign trade and investments.\(^{20}\) Frank Frost has noted:\(^{21}\)

\[
A \text{ new code on foreign investment was introduced in January 1988 in an attempt to attract investment from Western and non-communist Asian countries; the private sector was encouraged and the autonomy and accountability of state enterprises was increased; price controls and subsidies were reduced; interest rates were raised; credit facilities were tightened; and the currency was devalued almost to its black market rate.}
\]

In 1987, Vietnamese writers, artists and workers were increasingly critical that Vietnam could not solve economic problems. Vietnam had to adopt a remarkable new national-security doctrine embodied in Politburo Resolution 2 which overturned the security orientation of the previous decade.\(^{22}\) In 1988, it was remarked that Vietnam was

\begin{footnotes}
\footnote{Fforde, “The political economy of “Reform” in Vietnam-some reflections”, \textit{The Challenge of Reform in Indochina}, op.cit., p.300.}
\footnote{\(^{18}\) However, agricultural production recovered in 1979 because of the favourable climatic conditions. For more details, see Vo Nhan Tri, “Reunification and “socialist transformation”, 1975-80”, \textit{Vietnam’s Economic Policy since 1975} (Singapore: Institute of Southeast Asian Studies, 1990), p.83.}
\footnote{\(^{19}\) Frost, \textit{op.cit.}, pp.4-5.}
\footnote{\(^{21}\) Frost, \textit{op.cit.}, p.5}
\footnote{\(^{22}\) Resolution 2 is defined ‘On strengthening National Defence in the New Revolutionary Stage’. It was elaborated on in a series of confidential directives issued by the VCP’s Military Commission, the Ministry}
\end{footnotes}
far behind Singapore, South Korea, Taiwan, Hong Kong, and Thailand in economic performance. Premier Do Muoi warned that, “If we left the economic situation to continue as it did in recent years, we will encounter a more difficult situation and will lag even further behind neighbouring countries with regard to growth rate, national income and people’s average standard of living”. He also stressed that the economic management had been sluggish, inconsistent, perfunctory and still marked by the old way of thinking in many different aspects.

Most importantly, in 1989-1991 the collapse of East Europe and the Soviet Union caused the decline of Soviet aid to Vietnam which led to the rupture of the Soviet-Vietnamese alliance. Thakur and Thayer concluded that there are at least four main problems affecting Vietnam’s economy. First, the Sino-Soviet normalisation process culminated in a summit in May 1989, second, Gorbachev’s new political thinking of glasnost and perestroika brought about dramatic shifts in its foreign policy, third, the Soviet Union expressed its dissatisfaction over Vietnamese misuse of Soviet aid in the mid 1980s and cut its assistance to Vietnam for the 1991-1995 five-year plan, and fourth, as a result of the above problems, the resolution of the Cambodian conflict came to an end. Vietnam withdrew its troops in 1989 (the external factors will be discussed later), hence Vietnam has established trade and commercial ties with many different countries. It has forged economic relations with many countries in Southeast and Northeast Asia, Australia, Europe and North America.

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2.2. The results of economic renovation

Since the doi moi policy was officially endorsed in 1986, Vietnam has undergone immense changes in its economic development. Foreign investment has begun to flow into Vietnam. The 1986-1990 five-year plan\textsuperscript{27} brought about some successes. The initial achievement in the economic field was shown by advances in the attainment of the objectives in the three economic programs (raw foodstuffs, consumer goods and export goods).\textsuperscript{28} In this plan, investment in the three economic programs made up more than 60 per cent of capital investment from the central state budget, and 75-80\% of local capital investment.\textsuperscript{29} During this period external economic relations developed fast. Taiwan, Hong Kong, Japan and Singapore invested in a large amount of projects in Vietnam (see Table 5).

Importantly, the Vietnamese government has been successful in decreasing inflation—from the high level of 67\% in 1991 to 17\% in 1992 and to 5\% in 1993 (see Table in Appendix A). However, economic growth and looser monetary policy toward the end of 1993 led to an annual inflation rate of 14.4\%, which remains comparatively lower than the figure in the past.\textsuperscript{30}

Industry, foreign investment and trade

Vietnam’s industrial growth since the mid-1980s has averaged 13.2\% over the past three years. Exports are growing, particularly of crude oil, textiles, seafood and rice. The government has emphasised that trade, especially export development, is vital to increase economic growth. (see Table 1) Vietnam exported crude oil worth US$ 1.04

\textsuperscript{27} This plan stressed the industrial development and the U.S. aid was also expected to assist Vietnam’s economy.


\textsuperscript{29} \textit{Ibid.}, pp.61-2

billion in 1995.\textsuperscript{31} Exports of rice and maritime products have also increased. Two-way foreign trade has gone up by approximately 20% annually.

Table 2 shows that the strongest industrial sectors were electricity, coal, and crude oil. Cement, fertiliser and essential consumer goods also boosted growth. Private sector industry grew by 14\% and the state sector expanded by 13\%.\textsuperscript{32}

\textit{Table 1: Major export products (to convertible area - US$ millions)}

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<thead>
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<tbody>
<tr>
<td>Crude oil</td>
<td>390</td>
<td>581</td>
<td>756</td>
<td>844</td>
<td>866</td>
</tr>
<tr>
<td>Textiles</td>
<td>20</td>
<td>224</td>
<td>156</td>
<td>500</td>
<td>770</td>
</tr>
<tr>
<td>Seafood</td>
<td>220</td>
<td>285</td>
<td>302</td>
<td>427</td>
<td>489</td>
</tr>
<tr>
<td>Rice</td>
<td>272</td>
<td>225</td>
<td>300</td>
<td>363</td>
<td>429</td>
</tr>
<tr>
<td>Coffee</td>
<td>25</td>
<td>74</td>
<td>86</td>
<td>110</td>
<td>234</td>
</tr>
<tr>
<td>Rubber</td>
<td>16</td>
<td>50</td>
<td>54</td>
<td>74</td>
<td>95</td>
</tr>
<tr>
<td>Coal</td>
<td>38</td>
<td>48</td>
<td>47</td>
<td>70</td>
<td>71</td>
</tr>
</tbody>
</table>

Source: Ministry of Trade

\textit{Table 2: Industrial production - major items}

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>electricity (trillion kwh)</td>
<td>8790</td>
<td>9307</td>
<td>9818</td>
<td>10851</td>
<td>12473</td>
</tr>
<tr>
<td>coal (thousand tonnes)</td>
<td>4627</td>
<td>4728</td>
<td>5019</td>
<td>5899</td>
<td>5914</td>
</tr>
<tr>
<td>crude oil (thousand tonnes)</td>
<td>2700</td>
<td>4000</td>
<td>5500</td>
<td>6312</td>
<td>6938</td>
</tr>
<tr>
<td>cement (thousand tonnes)</td>
<td>2534</td>
<td>3127</td>
<td>3926</td>
<td>4849</td>
<td>5161</td>
</tr>
<tr>
<td>fertiliser (thousand tonnes)</td>
<td>358</td>
<td>462</td>
<td>554</td>
<td>714</td>
<td>790</td>
</tr>
</tbody>
</table>

Source: Country Economic Brief, Department of Foreign Affairs and Trade of Australia, 1995

\textsuperscript{31} “Vietnam: Booming Viet oil industry’s exports top US$ 1 billion”, \textit{Business Times} (Singapore), 25 January 1996.

Despite the success of the reform policy and growth rates, industrial development is hampered by a capital shortage. Vo Hong Phuc claimed that, 'Total investment capital needed from 1996-2000 will be about $41-42 billion, 50% of which will come from domestic sources and the remaining 50% from foreign sources'.

Vietnam’s Law on Foreign Investment also causes problems in project and capital approvals. By the end of 1993, realised investment capital amounted to US$ 2,084 million, of which US$ 1,672 million was from foreign investors. (See Table 3)

Table 3: Actual execution of projects (million US$)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total investment capital of licensed projects</th>
<th>Total investment capital of projects whose licences had been withdrawn</th>
<th>Remaining capital to be realised</th>
<th>Capital already realised by Dec. 25, 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>366.0</td>
<td>132.0</td>
<td>234.0</td>
<td>239.0</td>
</tr>
<tr>
<td>1989</td>
<td>539.0</td>
<td>208.5</td>
<td>330.5</td>
<td>366.0</td>
</tr>
<tr>
<td>1990</td>
<td>596.0</td>
<td>114.0</td>
<td>482.0</td>
<td>349.0</td>
</tr>
<tr>
<td>1991</td>
<td>1,288.0</td>
<td>129.0</td>
<td>1,159.0</td>
<td>513.0</td>
</tr>
<tr>
<td>1992</td>
<td>1,939.0</td>
<td>17.4</td>
<td>1,921.6</td>
<td>471.0</td>
</tr>
<tr>
<td>1993</td>
<td>2,728.4</td>
<td>11.9</td>
<td>2,716.5</td>
<td>146.0</td>
</tr>
<tr>
<td>Total</td>
<td>7,456.4</td>
<td>612.8</td>
<td>6,843.8</td>
<td>2,084.0</td>
</tr>
</tbody>
</table>

Source: SCCI

It is expected that “the GDP will rise up to 2-2.5 times as high as that of 1990, with an annual average rate of 8-10%, attain a growth rate of industry which is 1.5 times as high as that of GDP (about 13-15%); raise the proportion of industry in GDP to nearly 30% in 2000, and to achieve a total domestic accumulation of 16-20%, a total investment of about 30% GDP, like China at present".

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34 The realised capital in 1988 and 1989 was bigger than the invested capital because a number of projects were further expanded.

investment projects licensed in 1995 with a total prescribed capital of 6.61 billion US$, and 1.312 billion more added to operating projects.\textsuperscript{36}

The increased influx of foreign investment in Vietnam has so far created almost 30,000 jobs in the industrial sector, especially in the electronics and machine sector. Despite increasing jobs in the industrial sector, unemployment in Vietnam remains a severe problem. The ADB estimated that unemployment in 1991 was about 7 million people or 20% of the labour force.\textsuperscript{37} Since the Vietnamese withdrawal from Cambodia in 1989, military expenditure has been cut back, greatly affecting jobs and accommodation for the military. In addition, economic changes and reduction of demand for Vietnamese workers in the Soviet Union and Eastern Europe, has forced thousands of Vietnamese guestworkers to return.\textsuperscript{38} Unemployment has climbed because of this large influx of returning workers into the workforce.

The problems continue to confront Vietnam’s economy. While the amount of capital is increasing, foreign investors’ complaints continue to grow. To address these troubles, Vietnam has launched a campaign to cut red tape. The government created the Ministry of Planning and Investment in October 1995 to be a one-stop agency for investors, who will no longer have to run around Hanoi for permits.\textsuperscript{39} The foreign investment law has been changed to speed up the approval process.

\textsuperscript{36} Most foreign investment went to Ho Chi Minh City, Dong Nai and Hanoi. 50% are in the industrial sector, with disbursed capital reaching about 6 billion. See “Vietnam: New investment”, \textit{Bangkok Post}, 9 January 1996 and “Vietnam: Foreign direct investment in 1995 detailed”, \textit{BBC Monitoring Service}, 10 January 1996.


\textsuperscript{38} Frost, \textit{Vietnam’s Foreign Relations}, op.cit., pp.9-10.

Agriculture

In 1988, Vietnam decollectivised agriculture which resulted in a rapid increase in agriculture production. Rice remains the most important crop in Vietnam and production has increased from 13 million tonnes in 1976 to around 23.5 million tonnes in 1994. It has resulted in Vietnam changing from being an importer to an exporter of rice. Vietnam, at present, exports 1.5 million to 2 million tons of rice a year, which makes it the world’s third largest exporter (after the U.S. and Thailand). In 1996, Vietnam signed contracts to export rice. The Philippines will take 350,000 tonnes, Indonesia, 100,000 tonnes, Cuba, 100,000 tonnes and Iraq, an unspecified amount.

The fertile Mekong Delta in the south produces the largest portion (about 65%) of rice output. Vietnam produced 200,000 tonnes of coffee in 1995 (170,000 in 1994), 50,000 tonnes of tea, 250,000 tonnes of peanuts, and cashew nuts, 80,000 tonnes. Food production output for 1995 was 27.5 million tonnes. Maritime products output in 1995 was 1.4 million tonnes. These figures illustrate further growth as more development assistance programmes get underway. A number of major projects have been started by international donor agencies.

The government realises that some 80% of the Vietnamese population still depend on agriculture for a livelihood and has been promoting more foreign investment into this sector. The government is considering new regulations concerning land rental,

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40 Until the late 1980s, the enforced collectivisation of land in Vietnam and the continuing poor harvests had a crucial detrimental effect on agricultural output. Recently, security of tenure was improved by a land law passed by the National Assembly in 1993 which allowed small farmers 20-50 year renewable tenure holding and enabled them to transfer, exchange, lease and pass on land to relatives. See “Vietnam December 1995”, Country Economic Brief (Canberra: Department of Foreign Affairs and Trade, 1995), p.43.
44 For example, in 1993, the WB announced a US$ 100 million loan for the restructuring of Vietnam’s agricultural sector. An aid coordination meeting on a Vietnam’s agricultural sector was held in June 1995. The more important non-rice crops include fruit and vegetables, rubber, sugarcane, coconut and cotton. See “Vietnam December 1995”, Country Economic Brief, op.cit., p.45.
profit tax and other incentives. The 1996-2000 five-year plan gave special attention to agricultural development in order to stabilise the socioeconomic situation. New agricultural policies in the localities have been improved and produced higher living standards, better health care and education.\(^{45}\)

**Infrastructure**

While Vietnam has been developing by attracting foreign aid and investment, there are some problems concerning the inefficient and insufficient infrastructure. Vietnam has moved slowly down the road to privatisation and lacks the large amount of investment capital needed to improve its eroded infrastructure.\(^{46}\)

However, the VCP has planned to improve the eroded infrastructure by developing a more extensive transport system, improving the system of communication, and distributing the supply of power to urban areas and to electrify important parts of rural areas.\(^{47}\) Its ports, railways and bridges are being built up. Significantly, in 1996, the WB and the ADB committed a further $550 million for other stretches of the 2,288-kilometre Highway One, the key road for Vietnam.\(^{48}\)

### 2.3. Vietnam’s present economic situation

The Seventh Congress adopted a socio-economic development plan up to the year 2000. In general terms, Vietnam will continue with its programme of economic renewal or doi moi. Domestically this will mean the continued encouragement of a multi-sectoral economy, including private enterprise. This is not an endorsement of unfettered market capitalism. The Seventh Congress made clear that key industries would remain under central control and that the aim of economic development was socialism.\(^{49}\)


\(^{46}\) Thayer, *Beyond Indochina*, op.cit., p.10.

\(^{47}\) Some development scenarios have been determined until 2010. For more information, see, Vo Dai Luoc, Akie Ishida, et.al, *op.cit.*, pp.74-94.

\(^{48}\) "Vietnam: Red tape and new trade add to burdens of Vietnam’s creaking infrastructure", *South China Morning Post*, 11 January 1996.

The long-term development of the multi-sector economy and the role of the market were reconfirmed by eliminating discrimination against the private economy. The economic structure would be reformed by developing agriculture and goods production, increasing exports and expanding external economic relations while reducing the inflation rate, budgetary deficits and excess cash expenditure, in order to increase the general living standard and the stability of socioeconomic environment. The open-door policy was emphasised in relations with foreign partners.  

Most importantly, the peace settlement in Cambodia in October 1991 was a very important turning point in the economic development of Vietnam. Many Western states relaxed their long-standing embargos on trade, aid and investment. Thayer has emphasised that:

"In July 1993, the United States relaxed its policy of blocking loans to Vietnam by international lending agencies such as the International Monetary Fund (IMF), the World Bank, and the Asian Development Bank. The United States Law, however, prohibited foreign assistance to communist Laos and Vietnam. In February 1994, the United States lifted its 30-year embargo, although Vietnam is still denied access to trade and investment benefits accorded under most favoured nation (MFN) status, Generalised System of Preference privileges and credits from the Export-Import (Exim) Bank of the United States."


In 1992, Vietnam received over US$ 560 million in ODA, including US$ 71 and US$ 73 million from the United Nations. Reasons for the rapid increase in ODA inflow into Vietnam include the normalisation of relations between Vietnam and the IMF, the

50 Vu Tuan Anh, op.cit., pp.21-23
51 Thayer, Beyond Indochina, op.cit., p.12
WB and the ADB as well as the U.S., which dropped opposition to the development assistance to Vietnam by international financial agencies in 1993.\textsuperscript{53} Vietnam entered a new phase in the development of its industry.

During 1991-1995, Vietnam achieved the objectives set in the strategy for socioeconomic development - the period of fast economic growth and advancement to industrialisation and modernisation. It is clear that Vietnam is no longer taking financial assistance from COMECON but from the IMF, WB and ADB.

The IMF and the WB informed Vietnam that credits would be provided in 1994 for the carrying out of four crucial projects.\textsuperscript{54} The ADB pledged assistance to Vietnam in the execution of a number of projects involving US$ 1.5 billion during the 1993-1996, including upgrading the highway from Ho Chi Minh City to Nha Trang, US$ 120 million, rehabilitating the irrigation and flood control system, US$ 76 million, and the water supply to Ho Chi Minh, US$ 65 million.\textsuperscript{55}

Vietnam has opened up its economy and has been integrated into the world economy. Over recent years, the countries in the Asia-Pacific region have become Vietnam’s main markets. Table 4 indicates Vietnam’s major trade partners. It shows that 85.12\% of Vietnam’s trade is conducted with 9 main trading partners.

Six of them are in the Asia-Pacific region (the former USSR and its Far Eastern region are also included in this region). Significantly, Singapore, Japan, Hong Kong,
Republic of Korea, Taiwan and Thailand account for 70% of Vietnam’s total foreign trade, 68.5% of its exports and 71% of its imports.\textsuperscript{56}

\textbf{Table 4: Vietnam's major trade partner, 1993 (% of total)}

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports</th>
<th>Imports</th>
<th>Export + Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>26.76</td>
<td>33.93</td>
<td>30.14</td>
</tr>
<tr>
<td>Japan</td>
<td>20.85</td>
<td>9.82</td>
<td>15.65</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>11.74</td>
<td>11.82</td>
<td>11.78</td>
</tr>
<tr>
<td>Former USSR</td>
<td>8.57</td>
<td>4.88</td>
<td>6.83</td>
</tr>
<tr>
<td>France</td>
<td>4.23</td>
<td>5.78</td>
<td>4.96</td>
</tr>
<tr>
<td>South Korea</td>
<td>1.54</td>
<td>8.74</td>
<td>4.94</td>
</tr>
<tr>
<td>Taiwan</td>
<td>3.17</td>
<td>4.35</td>
<td>3.73</td>
</tr>
<tr>
<td>Thailand</td>
<td>4.70</td>
<td>2.29</td>
<td>3.56</td>
</tr>
<tr>
<td>PRC</td>
<td>4.90</td>
<td>2.00</td>
<td>3.53</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>86.46</strong></td>
<td><strong>83.61</strong></td>
<td><strong>85.12</strong></td>
</tr>
</tbody>
</table>

\textit{Source: Ministry of Trade of Vietnam}

Foreign investments are increasing. Total licensed foreign investment in Vietnam is more than US$ 16 billion although abandoned projects and cancelled licences account for about 6% of this amount. Table 5 indicates that the newly industrialised capital-exporting countries of Asia have taken the lead - Taiwan (US$ 3.2 billion), Singapore (US$ 1.5 billion), South Korea (US$ 1.4 billion).\textsuperscript{57}

\textbf{Table 5: Licensed Foreign Investment-Total by country of origin (to September 1995)}

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Projects</th>
<th>Capital (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Taiwan</td>
<td>219</td>
<td>3200</td>
</tr>
<tr>
<td>2. Hong Kong</td>
<td>178</td>
<td>2200</td>
</tr>
<tr>
<td>3. Japan</td>
<td>110</td>
<td>1680</td>
</tr>
<tr>
<td>4. Singapore</td>
<td>109</td>
<td>1470</td>
</tr>
<tr>
<td>5. South Korea</td>
<td>127</td>
<td>1410</td>
</tr>
<tr>
<td>6. United States</td>
<td>43</td>
<td>994</td>
</tr>
<tr>
<td>7. Malaysia</td>
<td>41</td>
<td>826</td>
</tr>
<tr>
<td>8. Australia</td>
<td>48</td>
<td>715</td>
</tr>
<tr>
<td>9. France</td>
<td>68</td>
<td>627</td>
</tr>
<tr>
<td>10. British Virgin Islands</td>
<td>37</td>
<td>556</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1262</strong></td>
<td><strong>16960</strong></td>
</tr>
</tbody>
</table>

\textit{Source: SCCI}

\textsuperscript{56} Ibid., p.218.

\textsuperscript{57} Ibid., p.218.
Foreign investment in Vietnam is spread over the spectrum of economic sectors.

In value terms, industry (US$ 7.2 billion) accounts for almost half of all approved investment licences, hotels/tourism (US$ 4.0 billion), services (US$ 1.9 billion), oil and gas (US$ 1.1 billion) and transportation and communications (US$ 1.1 billion) (See Table 6).

Table 6: Licensed foreign investment-by sector (to September 1995)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of projects</th>
<th>Capital (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>731</td>
<td>7220</td>
</tr>
<tr>
<td>Hotels, tourism</td>
<td>141</td>
<td>4070</td>
</tr>
<tr>
<td>Services</td>
<td>143</td>
<td>1900</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>21</td>
<td>1130</td>
</tr>
<tr>
<td>Transport/Communications</td>
<td>44</td>
<td>1060</td>
</tr>
<tr>
<td>Industrial zones</td>
<td>8</td>
<td>485</td>
</tr>
<tr>
<td>Agriculture</td>
<td>33</td>
<td>320</td>
</tr>
<tr>
<td>Banking, finance</td>
<td>18</td>
<td>250</td>
</tr>
<tr>
<td>Export processing zones</td>
<td>54</td>
<td>183</td>
</tr>
<tr>
<td>Housing</td>
<td>23</td>
<td>69</td>
</tr>
<tr>
<td>Fisheries</td>
<td>23</td>
<td>61</td>
</tr>
<tr>
<td>Other</td>
<td>23</td>
<td>206</td>
</tr>
<tr>
<td>Total</td>
<td>1262</td>
<td>16960</td>
</tr>
</tbody>
</table>

Source: SCCI

In 1995, it is likely to be the fourth year in succession in which the economy will have grown by over 8%. The target for industrial production growth has been set at 14-14.5%, and the inflation ceiling at 14% which is high but is decreasing. Foreign investors may be disgruntled, but they continue to show interest. Domestic savings are rising. The dream of catching up with its prosperous neighbours no longer seems

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58 "Living with contradiction", Economist, 2 December 1995.
impossible. The Eighth VCP was held during 28 June-1 July 1996. It was an important event since it was a reassessment of ten years of *Doi Moi* whether the reform policy is successful. Vo Van Kiet has suggested in 1996 that:

> Along with developing centralised industrial zones, there needs to be encouragement of all businesses to build infrastructure facilities and form new residential quarters to help accelerate rural urbanisation. The change of economic structure in rural areas must start in the households.

Although Vietnam has reformed its country in many areas, it faces several major problems. Several restraints are seen with regard to quality and economic efficiency. Significantly, Vietnam has not managed to form a national financial system which is compatible with an open economy operating on a market mechanism. Other major problems include the large number of inefficient state-owned enterprises that are being kept afloat by indirect state subsidies. Frost has added that the end of aid, decline of international trade and inefficient public sector add to Vietnam’s difficulties.

The underdeveloped financial system and unskilled labour are sources of difficulties. Corruption, bureaucratic red tape, customs procedures and inadequate infrastructure such as the transport system often remain important obstacles. Many foreign businessmen complain about Vietnam’s legal system as it is very complicated. Recent legal reform of commercial law in Vietnam is less developed. Commercial laws, which are the most fundamental for economic transactions, have not yet been

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59 After the Congress, VCP agreed that economic reform would continue to reform but at a more cautious pace. Due to the 1990-1995 (the period under study), the 1996 Eighth Congress will not be much discussed. However, for more information on the Eight Congress, see Adam Schwarz, “Safety first”, *FEER*, 11 July 1996, pp.14-6.

60 “Prime Minister Vo Van Kiet discussed measures to achieve 1996 target”, *BBC Monitoring Service*, 9 January 1996.


62 As a result of the decline of trade and aid with the Soviet Union, particularly after 1991, Vietnam has reoriented its trade to the market economies, especially in East and Southeast Asia with Singapore, Japan, Hong Kong and Taiwan.

established. Despite assistance with Vietnam’s legal reform by international organisations such as UNDP/WB for the bankruptcy Law and SIDA (Sweden) and French government help for commercial law, Vietnam has to coordinate the different systems in order to integrate them into a new legal system.

In addition, there are pressures due to Vietnam’s population growth rate. While more rice is available, Hiebert has stressed in 1991 that the lack of adequate nutrition continues to plague a large number of people and half of Vietnam’s children are undernourished, with over 14% suffering from severe malnutrition. Furthermore, although the economic renovation policies have had some success, Vietnam’s exports are not yet sufficient to meet the requirements for imports and not competitive enough to secure foreign market places.

However, the VCP has regularised processes of asset transfers, a more efficient labour market and improved business communication and banking system, and a system of business laws to protect both domestic and foreign investment by modifying the foreign investment law and by giving priority to commercial legislation to ensure foreign investment. Vietnam amended its foreign investment law to be more liberal and more attractive to foreign businesses and invited capital investment from non-socialist economies. Infrastructure development has been emphasised.

Economic factors have great importance in building up Vietnam’s security. Vietnam has moved to open its door for trade to all new comers both communist and

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64 To develop a competitive environment in market, it is necessary to establish anti-monopoly law, law on fair trade and law on consumer protection. For more details, see Vo Dai Luoc, Akie Ishida, et.al, op.cit., pp.246-51.
65 Vo Dai Luoc, Akie Ishida, et.al, Ibid., p.260.
69 For the details of Vietnam’s foreign investment amendment, see Vo Dai Luoc, Akie Ishida, et.al., op.cit., pp.164-75.
non-communist such as South Korea, Taiwan and Israel. For example, Israel's Finance Minister visited Vietnam and signed an agreement on customs procedures with Vietnam.⁷⁰ Although initial reform efforts took several years because of the opposition of party conservatives, economic benefits have influenced party members to accept the reforms accompanied by efforts towards political liberalisation.⁷¹

### 2.4. Vietnam's political reform

After gaining power in North Vietnam in 1954, the VCP has played a decisive role in foreign policy. It has embraced the precepts of ‘Marxism-Leninism’ and later applied these to the whole country after the 1975 re-unification.⁷² This model is a one-party political system. Land and all major means of production were collectivised and subject to central state planning.⁷³ Because of internal problems such as continuous economic difficulties and increased Vietnamese criticism of the government policy, and external powers that pushed Vietnam to reform, the VCP decided to end the chaotic overlap between party and state institutions in 1982.⁷⁴

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⁷³ Vietnam's political system during at that time can be called ‘mono-organisational socialism’ which describes the party's attempt to monopolise political power. For more details, see Carlyle Thayer, “Mono-organisational socialism and the state”, in Benedict J. Tria Kerkvliet and Doug J. Porter (eds.), Vietnam's Rural Transformation (Colorado: Westview Press, 1995), pp.39-64.

Changes in the Soviet Union and Eastern Europe, particularly in the 1980s affected Vietnam’s political reform. The need for political reform of Vietnamese political institutions was identified as early as 1981 when Nguyen Khac Vien, a leading intellectual, addressed an open letter to the National Assembly pointing out deficiencies in the political system and calling for democratic reform. An important turning point for Vietnam’s political renewal was the Sixth National Congress in 1986.

2.4.1. The political reform at the Sixth National Party Congress

As a result of this Congress, Vietnam has changed from a centrally planned to a market-oriented economy. Frost has pointed out that:

The VCP has maintained a dominant position politically but has faced difficulties in providing effective leadership and administration. The Party itself has acknowledged the need for some change, by promoting reforms in the political sphere under the banner of doi moi (renovation) after 1986.

Several areas have been increasingly recognised as important factors for the process of renovation. As Vietnam has created a multi-sectoral commodity economy by taking apart the ‘bureaucratic centralised system’, the role of the private sector has increased. Vietnam’s doi moi programme also stressed other important areas such as management, administration and commercial law.

Criticism of the Party and its policies, emerging in the local congresses, has been widespread. Hence, the VCP decided to renovate the party organisation and the state apparatus (including the National Assembly); by loosening controls over the press and media; and by implementing a regime of socialist legality (rule of law).  

75 Thayer, “Mono-organisational socialism and the state”, op.cit., p.48.
77 When the public sector was unsuccessful and inefficient, the private enterprises were considered that they could be beneficial to the national economy. For more information, see Do Duc Dinh, “The public sector of Vietnam”, in D.K. Forbes, T.H. Hull, D.G. Marr and B. Brogan (eds.), Doi Moi: Vietnam’s Economic Renovation: Policy and Performance, op.cit, pp.54-67, 59-60.
78 Thayer, Beyond Indochina, op.cit, p.10.
79 Carlyle Thayer, Political Developments in Vietnam: From the Sixth to Seventh National Party Congress, op.cit, p.4.
Changes in the relocation of control of writers, poets, publishing houses, the press and media (including video cassette and film industry)

Several of Vietnam’s writers began to explore the limits of freedom under doi moi. Artists, writers, and film makers were allowed to have more latitude in contributing to criticism. Thayer has noted that:\textsuperscript{80}

Greater freedom was given to writers and artists. Party control over the selection process of deputies to the National Assembly was loosened, and elected members were given greater scope to express critical views. The combined effects of economic and political reform led to a wide variety of activity conducted independently of party control, most notably among the press, the video and publishing media, war veterans, private entrepreneurs and to a lesser extent among students and other groups.

The expansion of the role of legislature, mass organisations and the press were stressed.\textsuperscript{81} The Party faced criticism from well known Vietnamese writers and Party members such as Bui Tin, the former deputy editor of \textit{Nhan Dan} (VCP’s daily newspaper). In 1990, he criticised the repressive policies pursued after 1975 under which his broadcast was banned in Vietnam. He stated that, ‘Now, we have corruption, fraud and conservation. We must change the concept and content of communism...We need democracy or there will be chaos’.\textsuperscript{82}

In 1987, Nguyen Van Linh, the VCP secretary-general, also wrote an article about the responsibility of government officials towards corruption.\textsuperscript{83} According to Ha Dang, editor of \textit{Nhan Dan}, ‘the Sixth Congress of our party stressed that the press should be not only the mouth piece of the party and leading bodies, but also a rostrum for the voices of the broad masses of the people’.\textsuperscript{84}

\textsuperscript{80} \textit{Ibid}, p.5.
\textsuperscript{81} Gareth Porter, “The politics of renovation in Vietnam”, \textit{Problems of Communism} 39, no. 3 (May-June 1990), pp.72-88, 80-81.
\textsuperscript{83} Thayer, \textit{Political Developments in Vietnam}, op.cit., p. 6.
\textsuperscript{84} \textit{BBC Summary of World Broadcasts}, 21 August 1987. Quoted in Carlyle Thayer, \textit{Ibid}. 

29
The role of mass organisations such as those representing youth, peasants, and women has been increasingly emphasised.\textsuperscript{85} The loosening of political controls on literary expression and the press, led to the rapid expansion of the printing and publishing industry. The loosening of economic controls has meant an increase in the quantity of radio-cassette players, video recorders, and television sets. This has been accompanied by the increased availability in Vietnam of foreign films on video.\textsuperscript{86}

\textit{National Assembly deputies}

A major focus of the policies was changing the role of the National Assembly deputy towards being a more active legislative and representative body. This is a result of the loosening of the party’s control over the selection process. Frost has suggested that Assembly deputies adopt a more active role in questioning ministers and criticising policy. The election of the Chairman of the Council of Ministers (Vietnam’s Premier) assumed a more competitive style. In 1988, at least two candidates were to be allowed to run for elections.

In June 1989, the National Assembly amended and supplemented seven minor articles and set up the Committee to amend the Constitution to consider fundamental constitutional reform.\textsuperscript{87} By 1989, many Assembly meetings were broadcast on radio and television. In July 1992, 395 deputies to the ninth legislature of the National Assembly were elected for a five-year term that commenced in September 1992. It has begun reforming Vietnam’s administrative structure under the newly amended state constitution and developing the foundations for a political system governed by law.\textsuperscript{88}

\footnotesize
\textsuperscript{85} Frost, \textit{Vietnam’s Foreign Relations}, op.cit., pp.12-13
\textsuperscript{86} The VCP has been concerned about the expanded foreign mass communications and ideas as they would bring about different perspectives. These may cause problems to control Vietnamese people that has happened in the early 1996. Campaign against social evils has occurred in Vietnam.
\textsuperscript{87} This committee is under the chairmanship of the head of the State Council to consider fundamental constitutional reform. For more information, see Carlyle Thayer, “Recent political developments: constitutional change and the 1992 elections”, in Carlyle Thayer and David Marr (eds.), \textit{Vietnam and the Rule of Law} (Canberra: Australian National University, 1993), pp.50-80.
\textsuperscript{88} \textit{Ibid.}, pp.55-6.
However, it remains clear that the VCP will continue to exercise ultimate control on selection of candidates for the Assembly, who need approval from the Party-aligned Vietnam Fatherland Front to stand. It is likely that the most crucial aspect of the Sixth Congress was its formal commitment to political renovation and democratisation of Vietnamese politics.

The increasing role of other groups: war veterans, peasant farmers, private entrepreneurs and students

In 1986, during the period of mounting socio-economic difficulties, the former Vietnamese veterans set up the Club of Former Resistance Fighters. The club published a Newspaper called ‘Tradition of Resistance: Voice of the Resistance Fighters’ which condemned the current party leadership for their alleged incompetence, corruption; and called for openness, intra-party democracy, personnel changes and the serious implementation of doi moi. In 1988, collectivised farming and cooperatives, land arrangements, and behaviour of authorities were among the primary issues in rural Vietnam. Land had been redistributed to farming households, and agricultural cooperatives were being transformed. A major concern among villagers was the abusive and corrupt local authorities they experienced. The peasants of the Mekong delta area attempted to reclaim land lost during the collectivisation process.

Doi moi has led to the economic reform and a marked increase in free market practices by private entrepreneurs in Vietnam. A decrease in party control has meant

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89 For more details of change of electoral system in Vietnam, See Carlyle Thayer, Political Developments in Vietnam: From the Sixth to Seventh National Party Congress, op.cit.
92 For more information, see Benedict J. Tria Kerkvliet, “Rural society and state relations”, Vietnam’s Rural Transformation, op.cit., pp.65-96.
93 The peasant’s demonstration were motivated by economic considerations in doi moi policy which recognised individual and private production, and rejected collectivised agriculture in favour of family-based production. See Benedict J. Tria Kerkvliet, “Rural society and state relations”, Vietnam’s Rural Transformation, Ibid., and Murry Hiebert, FEER, 19 January 1989.
that private entrepreneurs have been given the freedom to meet foreign business representatives without government interference. In addition, students and academics are also given more freedom. However, this freedom is indeed limited. They are not permitted to challenge the party's leading role in society nor advocate political pluralism or multi-party democracy. These, Thayer suggests, might be termed 'the three nos'.

2.4.2. The Seventh National Party Congress

The Seventh National Party Congress from 24-27 June 1991 was attended by 1,176 delegates grouped into 54 delegations representing Vietnam's provinces, cities, and functional groups, such as the military and central-level ministry blocs. The market-oriented reform and gradual political change were reiterated. This marks an important step in what Thayer has termed "the regularisation of politics".

The party stressed the importance of democracy in political life; however, they still rejected pluralism and multi-party democracy and so assured their rights to retain a monopoly on power. The aim of reform was actually to increase the efficiency and administrative capacity of the existing system. Thayer has written that:

Emphasis was placed on more clearly demarcated roles of the party and the state. The party was to set broad policy goals while the state was to engage in day-to-day administration and policy application. The state bureaucracy was to be streamlined.

Between 1989 and 1992, Vietnam wrestled with constitutional reform. A major effort was made to increase the effectiveness of the National Assembly as a legislative body.

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95 In other words, no challenge to the party's leading role in society, no advocacy of political pluralism and no multi-party democracy. See Carlyle Thayer, "Stability depends on economic reform", The Australian, 26 June 1992.
96 For the explanation of 'the regularisation of politics', see Carlyle Thayer, Political Developments in Vietnam: From the Sixth to Seventh National Party Congress, op.cit., pp.1-4.
98 Thayer, Beyond Indochina, op.cit., p.15
99 The new Constitution recognises five economic-sectors, including the private sector, human rights, and other freedoms. Collective leadership has been superseded by a system of ministerial responsibility, the Council of Ministers has been replaced by a cabinet government led by a prime minister, while the
body. The electoral law was amended in 1992, requiring every National Assembly seat to be contested.

Voting procedures for the election of office-bearers were altered. The secret ballot replaced the traditional public show of hands. However, the July 1992 national elections disappointed those who sought to reform the system. The majority of independent candidates were disqualified and the two who remained were defeated.\textsuperscript{100}

In sum, the congress reaffirmed the principles of economic renewal, but was short on specifics and left it to the new Central Committee to amend and ‘perfect’ the major policy documents which had been adopted. Vietnam’s new leaders will be judged on how effectively they can manage economic reform and bring the benefits of development to Vietnamese society at large.\textsuperscript{101}

2.4.3. Post-congress developments

The VCP has continued its emphasis on limited political renovation within the guidelines laid down by the Congress. The new constitution, which replaced the 1980 Soviet-inspired constitution, was adopted on 15 April 1992 by the National Assembly. The former collective leadership was abolished and replaced by a president and prime minister who would both be chosen by the National Assembly.\textsuperscript{102} Marr pointed out the future political system in Vietnam that:\textsuperscript{103}

\textsuperscript{100} It is clear, however, that the new National Assembly deputies are younger and better educated than the predecessors. Women comprise 8.2\% of the total while the figure for ethnic minorities is 8.9\%. For more details of the event in 1992 Elections, see Carlyle Thayer, \textit{Recent political developments: constitutional change and the 1992 elections}, in Carlyle Thayer and David Marr (eds), \textit{Vietnam and the Rule of Law}, op.cit., pp.50-80, and Carlyle Thayer, Beyond Indochina, \textit{Ibid}, p.15-7.

\textsuperscript{101} Thayer, \textit{Political Developments}, op.cit, p.21.

\textsuperscript{102} The National Assembly accepted the retirement of three vice-premier: Vo Nguyen Giap, Dong Sy Nguyen and Nguyen Co Thach. The assembly elected Le Duc Anh as President, Vo Van Kiet was re-appointed as Prime Minister. Nong Duc Manh was appointed as the Chairman of National Standing Committee. Phan Van Khai, Nguyen Khanh and Tran Duc Luong were chosen to be vice-premiers. For more information, see, Carlyle Thayer, \textit{Political Development in Vietnam}, op.cit., p.20-22.

...if the Party decides to reassert proletarian dictatorship on these organisations, many are likely to continue operating from the shadows, since 1994 is not 1978 or 1957. If the Party allows groups to proliferate and link up with each other, thus infiltrating the state more effectively, the political system will become more vulnerable to schism and protracted instability. The third alternatives to legalise a public sphere independent of either state or private sectors. Only then might one be able to talk about a ‘nascent civil society’

The objective of current reform is to strengthen the legitimacy of the system, by separating state and party, reforming the electoral system, and revitalising the National Assembly by a process of creeping pluralism or by a soft authoritarian system, following the pattern of South Korea and Taiwan.104

The adoption of the new constitution is the most important step of Vietnam’s political reform in all aspects of daily life. The constitution attempts to install the fundamental legal structure in which doi moi operates.105 Political reform is also linked with opening up and a change in the direction of Vietnam’s foreign policy, aimed at helping the country out of international isolation. The constitution refers to international relations and global co-operation irrespective of their political and social system. The principles underlying the investment law have now been included in the 1992 constitution to promote investment in Vietnam.106

These changes cause the development of Vietnam’s foreign relations with other countries which link to Vietnam’s opening up. At least, the reform would attract more foreign trade and investment in Vietnam because the reform would cause the expansion of economic cooperation and contribute to peace and stability in the region.

Nonetheless, there are deep divisions in some key areas of policy such as budget management, the state enterprises, the industrial and rural development, the foreign

106 Ibid., pp.122-3.
investment approval process and the urgency of pruning the bureaucracy. These differences are likely to slow the renovation process.\textsuperscript{107} External factors also have greatly affected Vietnam’s reform.

2.5. Vietnam and major powers

The collapse of the Soviet Union and its withdrawal from Cam Ranh Bay, the United States’ withdrawal from the Philippines and some small Southeast Asian powers such as Singapore, Malaysia and Thailand have greatly affected Vietnam.\textsuperscript{108} Vietnam could no longer depend on the Soviet Union for military aid and trade.\textsuperscript{109} It had to alter its outlook towards the region, to end its occupation of Cambodia and to develop closer ties with all countries (including Scandinavia, France and Australia). A new feature of the security environment in the region is the greatly diminished military presence of the former superpowers. The growing role of the Asian powers, especially China and Japan, has also raised future security problems. Moreover, ASEAN has taken a greater role in regional politics and economics.

Vietnam is inevitably affected by the changes in the global strategic balance of power and by developments in Southeast Asia and the Asia-Pacific region. Major powers; China, the former Soviet Union, the U.S. and Japan, and regional organisations, particularly ASEAN have played crucial roles in encouraging Vietnam’s reform. Hence, Vietnam needs to adjust its foreign policy outlook to be more practical and compatible with the present world.

\textsuperscript{108} The Russian navy presences in the Cam Ranh Bay under an agreement between the former USSR and the Socialist Republic of Vietnam. The agreement runs out in 2001. The number of Russian personnel at the supply base is now about a quarter of what it was in 1980. See “Russia: Pacific fleet commander visits Cam Ranh naval base in Vietnam”, \textit{BBC Monitoring Service}, 7 February 1996.
\textsuperscript{109} In the past, Vietnam had to distribute immense resources for military purpose. For instance, in 1982 the defence expenditure was 50\% of the national budget with Soviet military aid included. See Khien Theeravit, “Indochina and security in Southeast Asia”, in Robert A. Scalapino, et.al (eds), \textit{Internal and External Security in Asia} (Berkeley: Institute of East Asian Studies, University of California, 1986),
2.5.1. The United States

After the late 1970s, the U.S. did not have an official relationship with Vietnam. The Vietnamese occupation of Cambodia was an important event which encouraged the U.S. to keep Vietnam isolated. The Vietnamese invasion represented a threat to the U.S., China and other Asian countries. Hence, the U.S. joined ASEAN and China in opposing Vietnam's presence in Cambodia and provided some assistance to non-Communist Khmer resistance. The U.S. also acted to deny Vietnam access to loans from the IMF, the WB and the ADB. The embargo prevented U.S. citizens from doing business with Vietnam.

However, since the collapse of the Soviet Union and the Eastern European states, the end of Soviet aid to Vietnam, the U.S.-Soviet and U.S.-Sino normalisation and the U.S. internal economic problems produced a change in the U.S.-Vietnam policy. Frost has pointed out that criticism from some U.S. business interests towards the embargo was increasing during that period.110

In 1991, Vietnam expressed the hope for Vietnam-U.S. normalisation.111 In the same year, the United States also made a detailed proposal on the issue of normalisation, which was linked to progress on a Cambodian settlement, in a step-by-step manner.112

The significant turning point of normalisation was the withdrawal of Vietnamese troops
from Cambodia in 1989 which brought about the end of the Vietnamese threat. The 1991 Cambodian peace settlement made the U.S.-Vietnam rapprochement easier. Once the agreement was signed, regional states dropped their long-standing embargo on trade, aid and investment.\(^{113}\) (The lifting of the trade embargo on Vietnam has previously been discussed)

The end of the embargo greatly benefited Vietnam's economic development. The restoration of telecommunications links was permitted, commercial sales were allowed where the items involved meeting basic humanitarian needs, and restrictions were lifted on projects undertaken by non-profit and non-governmental organisations. Many U.S. companies have been exploring potential opportunities in Vietnam for example, airlines and aircraft manufacturers have been developing contacts in anticipation of future business.\(^{114}\)

Thayer has suggested that these developments have several notable implications.\(^{115}\) First, Vietnam has reoriented its foreign economic relations towards free-market economies. It also has established diplomatic ties with many countries including South Korea, Israel and Taiwan. Second, economic factors are significant in the building up of Vietnam's security. In the 1991 Seventh Congress, the VCP stated that a stable peaceful external environment is necessary for economic development. Vietnamese leaders have responded by modifying foreign investment laws and regulations and by giving priority to commercial legislation to attract foreign investment trade and aid. Third, the political economy of Vietnam is being rapidly reshaped as aid

\(^{113}\) Thayer, *Beyond Indochina*, op.cit., p.12.
\(^{114}\) Frost, *Vietnam's Foreign Relations*, op.cit., p.44.
donors, foreign investors and international financial institutions make their presence felt.\textsuperscript{116}

The lifting of the trade embargo unconditionally on 3 February 1994 has boosted the Vietnamese economy since the VCP launched its free-market reform in 1986.\textsuperscript{117} The lifting of the embargo caused a remarkable increase in the activity of U.S. companies wishing to do business in Vietnam, many of whom already had representatives in Hanoi. The U.S. ranks fifteenth on the foreign investment ladder with a total of US$ 159 million invested in 16 projects in 1994.\textsuperscript{118} Most significantly, the U.S. and Vietnam normalised diplomatic relations in July 1995. The U.S. is looking at Vietnam, with its fast-growing population of 73.5 million, as a potentially important market for agricultural products.\textsuperscript{119} In 1995, President Clinton announced in relations to his decision to extend diplomatic recognition to the government in Hanoi that:\textsuperscript{120}

\begin{quote}
I believe normalization and increased contact between Americans and Vietnamese will advance the cause of freedom in Vietnam, just as it did in Eastern Europe and the former Soviet Union.
\end{quote}

The U.S.-Vietnam relationship improved greatly as Vietnamese officials released a number of photographs and more information of the fate on American servicemen listed as missing in action (MIA) to private American researchers. MIAs are a major point in negotiations to establish full trade and economic relations with Vietnam, whose forces defeated U.S.-backed South Vietnam in April 1975. Washington said in November 1995 that of 2,202 Americans still missing from the Vietnam War,\textsuperscript{121}

\begin{flushright}
\textsuperscript{116} In particular, Southern Vietnam, HCMC, is becoming a powerful commercial counterbalance to the political centre in Hanoi. Other regional centres, such as Hai Phong and Da Nang, are emerging.\textsuperscript{117} “Asia 1994”, Far Eastern Economic Yearbook, 1994, pp.223-4, and Michael Mecham and Paul Mann, “Clinton Lifts Vietnam Embargo”, Aviation Week and Space Technology, 7 February 1994, pp. 20-1.\textsuperscript{118} Thayer, Beyond Indochina, op.cit., p.59.\textsuperscript{119} Nancy Waitz, “U.S. eyes Vietnam's as agricultural market”, Reuter News Service, 30 November 1995.\textsuperscript{120} Office of the Press Secretary, The White House, “Remarks by the President in announcement on normalisation of diplomatic relations with Vietnam”, Washington D.C., 11 July 1995, p.3. Quoted in
\end{flushright}
1,476 cases required further action and 567 had virtually no chance of ever being resolved. The U.S. President Clinton signed an order on 14 May 1996 to end the classification of Vietnam as a combat zone 21 years after the U.S. troop withdrawal from Vietnam. The U.S. was pleased with the cooperation but still wanted more progress as the MIAs remain America’s highest priority. It was officially announced that Vietnam would provide further extensive data to the U.S.

The achievement of the U.S.-Vietnam normalisation would involve some significant challenges for Vietnam. It would, for instance, bring an increase in business activity that would highlight the inadequacies of Vietnam’s infrastructure. A rapid increase of activity would place added strain on the banking and finance sector, and highlight the limited availability of office space and suitably skilled and trained people to accommodate business and investment operations. One of the conditions which needs to be met for Vietnam is to earn the Most Favoured Nation (MFN) trading status. MFN, which guarantees non-discriminatory tariff rates on exports, would help Vietnam’s textiles and other goods compete in the U.S. market. Winston Lord, Assistant Secretary of State, said that both governments were working to answer certain questions to reach a trade agreement.

2.5.2. The Soviet Union

The Soviet Union used to be the main supporter, providing immense aid to Vietnam. Table 7 shows that Soviet aid to Vietnam doubled in each five-year planning

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122 This order allows the Washington administration to stop providing fixed allowances to the families of those American soldiers missing in action (MIAs) in Vietnam and to those people searching for the remains of their relatives killed in action. This announcement by President Clinton is a very important turning point. It was made public nearly a year after the U.S. decision to normalise relations with Vietnam. See “Vietnam reports U.S. acknowledgment of death of reported MIAs”, BBC Monitoring Service, 23 May 1996.
123 John Chalmers, “U.S. puts MIAs at top of broadening Vietnam agenda”, op.cit.
period from 1976-1990. Horn has noted, the Soviet Union gave about US$ 13 billion to Vietnam to support the 1986-1990 five year Plan.\textsuperscript{124}

\textit{Table 7: Soviet Economic Aid to Vietnam, 1955-1990 (million roubles)}

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Grants</td>
<td></td>
<td>400</td>
<td>20</td>
<td>253</td>
<td>**</td>
<td>223</td>
</tr>
<tr>
<td>Loan</td>
<td></td>
<td></td>
<td>-</td>
<td>430</td>
<td>-</td>
<td>700</td>
</tr>
<tr>
<td>-with interest</td>
<td></td>
<td>430</td>
<td>700</td>
<td>2500</td>
<td>**</td>
<td>223</td>
</tr>
<tr>
<td>-interest free</td>
<td>*</td>
<td>-</td>
<td>1247</td>
<td>800</td>
<td>600</td>
<td>**</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>450</td>
<td>1500</td>
<td>1500</td>
<td>3323</td>
<td>8700</td>
</tr>
<tr>
<td>Average a year</td>
<td>67</td>
<td>90</td>
<td>150</td>
<td>300</td>
<td>665</td>
<td>1740</td>
</tr>
</tbody>
</table>

\textit{Source: Nong Nghiep (Hanoi), No.5, November 1987, pp.1, 7.}\textsuperscript{125}

The Soviet Union developed an extensive presence at Cam Ranh Bay. Soviet military aid in 1980s, amounting to US$ 1 billion annually was a vital support for Vietnam’s presence in Cambodia.\textsuperscript{126} Nonetheless, in 1989 the Soviet Union indicated that it would cut its military assistance to Vietnam by one-third and that Vietnam would

\textsuperscript{124} Robert C. Horn, “Soviet policy in Southeast Asia in the Gorbachev era: Change or continuity”, in Thambipillai and Matuszewski (eds), \textit{The Soviet Union and the Asia-Pacific Region} (New York: Praeger, 1989), pp.60-75.

\textsuperscript{125} Refers to Table 7, *Does not include a grant of 200m roubles in commodity aid. **no details are provided. ***Not specified. See Ramesh Thakur and Carlyle Thayer, “Economic relations”, \textit{Soviet Relations with India and Vietnam} (London: Macmillan, 1992), p.189.

\textsuperscript{126} Carlyle Thayer, “Vietnam and the Soviet Union”, in Thambipillai and Matuszewski (eds), \textit{The Soviet Union and the Asia-Pacific Region}, op.cit., p.137.
now be expected to pay for military equipment.\textsuperscript{127} The Soviet cut-back caused some troubles to Vietnam. Frost has stated that:\textsuperscript{128}

> the progress of normalisation of relations with China after President Gorbachev went to Beijing in May 1989 and the Soviet Union's intense focus on its internal economic priorities and problems changed the context in which the Soviet-Vietnamese relationship developed in the late 1980s...The Soviets subsequently moved to scale down their usage and deployment in the facilities and ...intended ultimately to withdraw all its military forces from Vietnam.

The changing relations between Vietnam and the Soviet Union in the late 1980s was illustrated by the Soviet Foreign Ministry in 1989 that: 'all countries are expected to learn to cooperate, to respect each other regardless of distinctions in ideology and to search for common ground in the ideological principles of a large or small section of humanity, principles that are often antithetical in content'.\textsuperscript{129} In 1992, on the eve of the most senior state visit to Vietnam by a Russian official, a spokesman declared that Soviet and Vietnam relations were still friendly but they had been depoliticised and de-ideologised.\textsuperscript{130}

In reaction to Chinese pressure and several internal Soviet problems, the Soviet Union had to adjust its policy towards Vietnam. The Soviet Union reduced its security guarantee, aid and all other financial support to Vietnam. In 1992, the Vietnam-Soviet ties and defence co-operation remained uncertain. It partly depended on the outcome of efforts to stabilise and revitalise Russia's economy. Vietnam commenced new economic

\textsuperscript{127} Carlyle Thayer, “The Soviet Union and Indochina”, Paper for \textit{4th World Congress for Soviet and East Europe Studies} (Great Britain: Harrogate, July 1990), p.4. Although the Soviet Union retained a military presence in Vietnam, it was clear that it no longer played a crucial role in the region. Even if the Soviet Union continues to be a source of arms for Vietnam, it is also actively interested in supplying weapons to China.\textsuperscript{132}


\textsuperscript{129} Thayer, “The Soviet Union and Indochina”, \textit{op.cit.}, p.4.

relationships because trade between them had declined considerably. Vietnam reoriented its trade to Western industrial countries, Japan and the developing Asian countries.\textsuperscript{131}

However, Vietnam and the Soviet Union during 1994-1996 have improved political and economic ties by frequent official-visit exchanges. In April 1994, Russian Deputy Premier Yuriy Yarov met Vo Van Kiet in Hanoi, and in June 1994, Vo Van Kiet visited to Russia. The two sides agreed to establish a new relationship to replace close communist links shattered when the Soviet Union collapsed.\textsuperscript{132} The important achievement of Kiet’s visit to Moscow was the signing of a new friendship treaty to replace the ‘corner-stone’ agreement of 1978.\textsuperscript{133}

In July 1995, the Russian Foreign Ministry hailed the re-establishment of full U.S.-Vietnamese relations.\textsuperscript{134} Russia stressed that Vietnam’s entry into ASEAN was also an additional link between ASEAN and Russia.\textsuperscript{135} Nguyen Manh Cam, the Vietnamese Foreign Minister, met Panov, the Russian Deputy Foreign Minister, in 1996. They agreed that Vietnam and Russia had such a long record of cooperation that both states should strengthen their relations, and that any problems can be resolved through the development of relations.\textsuperscript{136}

\subsection*{2.5.3. China}

Since the 1975 re-unification of Vietnam, China has felt the need to prevent Vietnamese regional hegemon, as Vietnam with an outside power can pose a threat to

\textsuperscript{131} Thayer, \textit{Beyond Indochina}, op.cit., p.12.
\textsuperscript{132} The agreement included economic, scientific, and fisheries cooperation. It was affirmed that Russia would not lose its position in Vietnam and seek for new cooperation fields because Vietnam has moved away from its former mentor and built close ties with non-communist Asia and the West. See “Russia, Vietnam aim to improve relations”, \textit{Reuter News Service}, 16 June 1994 and “Russian delegation in Vietnam to seek continued cooperation”, \textit{BBC Monitoring Service}, 15 April 1996.
\textsuperscript{133} Thayer, \textit{Beyond Indochina}, op.cit., p.60.
\textsuperscript{135} Russia wanted to support a good mechanism to develop regional stability. See Sanjay Perera, “ASEAN: Ways sought to improve relations”, \textit{Straits Times}, 31 July 1995.
\textsuperscript{136} “China and Vietnam to set up all-rail link”, \textit{BBC Monitoring Service}, 5 February 1996.
China. However, the Sino-Soviet normalisation in 1989 and Vietnam’s domestic economic problems created a new climate for Vietnam’s foreign policy when Vietnam withdrew from Cambodia in 1989.\textsuperscript{137} Vietnam expected the international community to suspend the embargo and view it with less distrust and suspicion.

At the Sixth Congress, all hostile references to China were dropped.\textsuperscript{138} Tension on the Sino-Vietnamese border was gradually reduced. Vietnam realised that if Sino-Vietnamese antagonism remained high, its economic development would suffer.\textsuperscript{139} The 1991 Seventh Congress in Vietnam made crucial steps to promote the rapprochement with China. The Sino-Vietnam relations were normalised on a party-to-party basis in November 1991 that caused two-way trade in 1995 to double to almost 1 billion dollars, up from 534 million dollars in 1994. (For a discussion, see Chapter 4)

Despite the improvement of relations, some problems such as the Vietnamese refugees, the smuggling of cheap Chinese goods into Vietnam and the territorial disputes over the land and sea border such as the Gulf of Tonkin and the Spratly Islands remain unresolved. (For a discussion of the territorial disputes, see Chapter 4)

However, in 1995 both sides agreed that those can be settled through peaceful negotiations. They reopened two railways between China and Vietnam in 1996 that prompted a trade boom worth an estimated US$900 million.\textsuperscript{140} The Sino-Vietnamese normalisation is not only in the world’s economic interest but in the interest of peace that they were integrated into the global arena.

\textsuperscript{137} There was the failure that no internationally-sanctioned observers kept an eye on the withdrawal. For more information, see Roland J. Cima, “Vietnam in 1989: Initiating the post-Cambodia period”, \textit{Asian Survey} 30, no. 1 (January 1990), pp.88-95, 88-90 and Gary Klintworth, “Forces of change in Vietnam”, \textit{op.cit.}, p.219.


\textsuperscript{139} Gary Klintworth, “Forces of change in Vietnam”, \textit{op.cit.}, p.220.

\textsuperscript{140} James Pringle, “Vietnam and China reopen raillines to extend trade links”, \textit{The Times}, 15 February 1996.
2.5.4. Japan and International financial agencies

During the initial period, Japan was motivated by both the desire of using economic relations to soften Vietnam’s political viewpoints to regional problems and security, and also by the fact that Vietnam was a source of raw materials and a potential market in the region for the sales of Japanese goods. In 1975, a Japanese embassy was opened in Hanoi.\footnote{It was followed by many official and semiofficial mutual visits for the purpose of discussing concrete problems, the major of which were: economic and technical cooperation with respect to Vietnamese projects; export of Japanese goods; the necessary financing for the above projects and export. See Vo Dai Luoc, Akie Ishida, et.al., \textit{op.cit}, pp.218-9.}

Because of the Cambodian problem and the unsatisfactory political atmosphere in East Asia, Vietnam-Japan trade dropped from US$ 267 million in 1978 to US$ 128 million in 1982. Until 1989, the total amount of two-way trade was still small. Vietnam imported from Japan more than it could export to Japan.\footnote{Vietnam imported food, fuels, cloth, minerals, light industrial goods, chemical products and metals. Vietnam exported to Japan: food, raw material, minerals, processed goods.} Nonetheless, at the Sixth and Seventh Congress, Japan was mentioned as one of five target countries for an expansion of friendly relations.\footnote{The others were Australia, France, Finland and Sweden. See Inada Juichi, “Japan's aid freeze to Vietnam: Historical process and its diplomatic implications”, in Mio Tadashi (ed.), \textit{Indochina in transition: Confrontation or Co-prosperity} (Tokyo: Japan Institute for International Affairs, 1989), pp. 195-214.}


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\footnote{141}
Table 8: Vietnam’s major trade partners, 1993 (million US$)

<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th>Imports</th>
<th>Total trade turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>350</td>
<td>750</td>
<td>1100</td>
</tr>
<tr>
<td>Japan</td>
<td>950</td>
<td>495</td>
<td>1445</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>105</td>
<td>550</td>
<td>655</td>
</tr>
<tr>
<td>Taiwan</td>
<td>130</td>
<td>260</td>
<td>390</td>
</tr>
<tr>
<td>Malaysia</td>
<td>92</td>
<td>159</td>
<td>257</td>
</tr>
<tr>
<td>South Korea</td>
<td>81</td>
<td>160</td>
<td>241</td>
</tr>
<tr>
<td>China</td>
<td>110</td>
<td>80</td>
<td>220</td>
</tr>
</tbody>
</table>

Source: Ministry of Trade of Vietnam

Singapore is the largest trading partner and Japan comes second. In 1996, Japan provided Vietnam with more than US$ 800 million dollars in loans and grants to help the country’s economic reforms.\(^{145}\) Vietnam may need at least US$ 10 billion of ODA from now until the year 2000.

Japan also supported Vietnam’s efforts to normalise its relations with the international financial institutions. In July 1993, the United States relaxed its policy of blocking loans to Vietnam by international lending agencies such as the IMF, the WB and the ADB. IMF announced a US$ 535 million loan to Vietnam for its economic reform programmes from 1995-1997.\(^{146}\)

The WB lent Vietnam US$ 450 million in the 1995 fiscal year, and a total of US$ 352 million in the 1994 fiscal year. The ADB has pledged loans worth US$ 1.2 to 1.4 billion, and non-refundable technical assistance of US$ 50 million for the period from 1995 to 1997. The ADB’s support for Vietnam since 1993 has included nine loans worth $634 and non-refundable aid of $ 30 million for technical support projects. The

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\(^{145}\) “Tokyo to provide 800m dollars in loans and grants”, BBC Monitoring Service, 6 December 1995.

loans granted were for irrigation, road improvement, Ho Chi Minh City’s water supply, an agriculture programme, the Saigon port, the rehabilitation of power distribution and sanitation, and the fisheries industry.\textsuperscript{147}

The lending figure is part of the ADB’s formal medium-term operational strategy for Vietnam, whose proposed priority areas are policy reform and institutional development, rural development, human development, environmental and natural resource management and infrastructure development.

In 1995, foreign investors were greatly interested in Highway No.1, “the transport artery of Vietnam’s economy”. The highway is 2,300 kilometre long and links most of the provincial capitals and cultural, political and economic centres of the country. The road was damaged during the war years, but Vietnam has been provided with overseas aid to fund studies into upgrading and reconstructing the highway.

The ADB has provided a loan of 114 million dollars to upgrade a 439 kilometre section between HCMC and Nha Trang, while the World Bank has granted Vietnam a 176 million dollar loan for the rehabilitation of the Hanoi-Vinh and HCMC-Can Tho sectors. The Overseas Economic Cooperation Fund of Japan has also assigned a loan for construction and rehabilitation of 38 bridges along the highway.\textsuperscript{148}

\textbf{2.5.5. ASEAN}

After the 1989 Vietnamese troop withdrawal from Cambodia, ASEAN-Vietnamese relations have improved immensely. Indonesian President Soeharto visited Vietnam in 1990.\textsuperscript{149} Vietnamese Premier, Vo Van Kiet, made his first foreign visit as Premier to Indonesia, Malaysia, and Singapore in November 1991 and visited all

\textsuperscript{147} “ADB to grant Vietnam $1.5 billion loans by 1999”, \textit{Reuter News Service}, 3 February 1996.
\textsuperscript{148} “Foreign aids being used to restore main highway”, \textit{BBC Monitoring Service}, 6 December 1995.
\textsuperscript{149} The visit was the first one by an ASEAN member country’s head of state since 1975. See more details of other leaders’ visit exchange in Frost, \textit{Vietnam’s Foreign Relations}, op.cit., p.61-2.

In July 1994 the rapprochement between Vietnam and ASEAN reached a new height at the 27th ASEAN Annual Ministerial Meeting in Bangkok when the ministers of ASEAN agreed that Vietnam could join ASEAN as a member. (For details and discussion of membership, AFTA and ARF, see Chapter 3)

Conclusion

Based on the draft documents to be submitted to the Eighth National Congress...in the next five-year plan (1996-2000). It should be noted that without industrialisation, fast sustainable economic growth cannot be obtained, effective agricultural and rural socioeconomic development and employment for the working people cannot be ensured, and the people’s living conditions cannot be improved... Human resources are important factors that ensure the success of industrialisation.

To sum up, the bottom-up pressures for reform pushed Vietnam to industrialise and modernise its country to promote its doi moi policy, which resulted in an increase of foreign direct investment. Domestic and external pressures for change caused further reform, which in turn led to a transition from central planning to a market economy. Vietnam’s political system has been reforming due to the socio-economic change. It is likely that the mono-organisational socialism will end in Vietnam. Vietnam’s one-party system will be transformed into ‘soft authoritarianism’.

Vietnam’s relations with foreign countries have been transformed, especially after the collapse of communism in Eastern Europe and the Soviet Union, which caused the cutting of aid to Vietnam. Sino-Soviet normalisation occurred in 1989. Gorbachev’s new political thinking of reform, the Soviet dissatisfaction over Vietnamese misuse of

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Soviet aid in the mid 1980s and the end of the Cambodian conflict pushed Vietnam to reform its economy and change its attitude toward foreign policy.\textsuperscript{154} Vietnam normalised its relations with China in 1991 and with the U.S. in 1995. International financial agencies such as IMF, WB and ADB were allowed to give financial aid to Vietnam, that has facilitated the economic development in Vietnam.

The balance of power in Southeast Asia is changing due to Chinese assertiveness. However, it is likely that an expanded ASEAN with Vietnam would be sufficient to stabilise a new balance. It must be combined in a new security framework that embraces the wider Asia-Pacific region.

Despite greater industrialisation and cordial foreign relations, Vietnam still has internal problems. These include: a lack of good infrastructure, an inefficient public sector, investment in capital construction and a deficit in the state budget. The limited political renovation is mainly concerned with the creation of a more streamlined and effective system of government. Moreover, inflation, smuggling, corruption and other urgent social issues need to be solved. Education and personal training to create qualified people to meet the requirements of the industrialisation process need special attention. Importantly, Vietnam’s under-developed legal system affects foreign investors.

The Eighth National Party Congress in 1996 is a crucial turning point as it is reassessment of ten years of \textit{doi moi}. It is certain that Vietnam needs to develop in industrialisation and modernisation at a higher growth rate, but economic growth should be ‘harmonious with social development, balanced development between regions, the

\textsuperscript{153} Thayer, \textit{Beyond Indochina}, op.cit., p.62.

\textsuperscript{154} Ramesh Thakur and Carlyle Thayer, \textit{Soviet Relations with India and Vietnam}, op.cit., pp.77-80.
implementation of a campaign to eliminate hunger and reduce poverty, and the socioeconomic development of mountain regions.\footnote{"Planning Minister interviewed on economic tasks and problems in 1996", BBC Monitoring Service, 2 February 1996.}

The fundamental solution is to improve the efficiency and quality of the state-managed economic sector and of the economy as a whole.\footnote{Do Quoc Sam suggested two things to be done. First is enhancing the business efficiency and competitiveness of state businesses by improving business management and modernising technologies. Second is continuing the reorganisation of businesses to improve the competitiveness. For more details of his suggestion, see, \textit{Ibid.}} Vietnam will certainly take a longer time to reform its economy than others. Nonetheless, if the legal system protects both domestic and foreign investment, and the labour market, communications, banking system and political system are developed to be more effective, Vietnam can expect more foreign investments.

Due to the current integration with the world economy, Vietnam has moved to open its door to every country both socialist and non-socialist including South Korea, Hong Kong, Taiwan and Israel. ASEAN economies, as Vietnam’s neighbours, should have special attention. This influences Vietnam to think about being a full member of ASEAN, which is the first step to integration into the world economy with more acceptance. Hence, Vietnam needs to adjust its foreign policy outlook to be more practical and compatible in the present world.
Chapter 3

Vietnam, ASEAN and The New Regional Order

Leaders of disparate Southeast Asian countries, divided by language, religion and culture, are pushing ahead with an ambitious plan to integrate their booming economies into one of the world’s largest common markets...Last July [1995] communist Vietnam, ASEAN’s bogey man for its first two decades of existence, became the seventh member... “Wider and deeper” has become ASEAN’s rallying cry as leaders call for broader membership and deeper economic cooperation built on the foundation of their ASEAN Free Trade Area (AFTA)... All the ASEAN countries have reaffirmed their determination to foster peace and prosperity for the peoples of Southeast Asia.157

Introduction

After the 1975 re-unification of Vietnam, ASEAN countries discussed the possibility of extending membership to the rest of Southeast Asian countries or to limit ASEAN membership in order to consolidate their achievements. ASEAN finally chose the latter. Suspicions set in between ASEAN and Vietnam, because of differences in their perceptions of threats to regional security and their preferred order for the region.

After the end of the Cold War and the collapse of the Soviet Union, there was no longer a prevailing sense of ideological confrontation between major powers. These changes have led ASEAN countries to see the importance of their coming together in closer cooperation with Vietnam, Cambodia, Laos and Burma. In addition, economic globalisation has produced a greater interdependence amongst countries throughout the world, including Southeast Asia. Political changes in the world’s communist and former communist countries has affected Southeast Asia and has permitted ‘intractable situations to be addressed relatively successful.’158

Significant dialogue between ASEAN and Vietnam began after Vietnam finally withdrew its troops from Cambodia in 1989. The 1991 Paris Agreement on Cambodia changed the regional environment, and finally caused Vietnam-ASEAN rapprochement. Vietnam developed closer contact with the ASEAN members in the early 1990s.

Vietnam and Laos acceded to ASEAN’s 1976 Treaty of Amity and Cooperation (TAC) in July 1992. The Indochina-ASEAN normalisation proceeded well through the 27th ASEAN Annual Ministerial Meeting (AMM) in Bangkok in 1994. Ministers of ASEAN admitted in principle that Vietnam could join the organisation as a new member. Vietnam became a full new member in July 1995. This was the first step in expanding ASEAN membership up to 10 members, including Laos, Cambodia and Burma, which would make ASEAN a truly regional association.

This chapter outlines the process of Vietnam’s entry into ASEAN from mid-1986 onwards. It looks at political and economic and other advantages and incentives for both Vietnam and ASEAN following Vietnam’s membership. Because of different levels of development and different political systems, both Vietnam and ASEAN may have some problems in an expanded ASEAN. This chapter discusses some key obstacles to Vietnam’s entry into ASEAN, in particular the ASEAN Regional Forum (ARF) and the ASEAN Free Trade Area (AFTA). In addition, it considers some ways for their cooperation in order to solve problems constructively to strengthen the association.

3.1. Vietnam’s admission into ASEAN

ASEAN-Vietnamese relations have passed through various periods alternating between political confrontation and diplomatic conciliation. Major turning points were in 1975 when communist forces swept to power in Vietnam; in 1978 when Vietnam
invaded Cambodia; in 1981 when ASEAN secured UN endorsement for its anti-Vietnam political strategy; 1985 when Vietnamese military forces upset the military balance in Cambodia; and 1988 when the protagonists opened a dialogue in an effort to find a political solution to the conflict. ¹⁵⁹

In fact, Vietnam opened diplomatic ties with the Philippines in 1976, and with Malaysia in 1977. Foreign Minister Nguyen Duy Trinh visited Bangkok in January 1978. ¹⁶⁰ However, ASEAN ceased its normalisation process with Vietnam for some time after Vietnam’s invasion of Cambodia, which posed a potential threat to ASEAN as a whole. ASEAN also placed a trade embargo on Vietnam to place an economic pressure on the latter during its occupation of Cambodia.

When the Cambodian conflict was settled in 1989, Vietnam-ASEAN rapprochement was reinitiated. In response to years of severe economic problems, *doi moi* was officially announced as a new process of economic reform in Vietnam in 1986. Many regulations were lifted over subsequent years and market forces played an increasing role, thus creating new incentives for wider Vietnamese regional and international economic relations. ¹⁶¹

As the Soviet Union cut military aid to Vietnam during the late 1980s, Vietnam decided to withdraw its military forces from Cambodia by September 1989 and began to seek international political acceptance. From late in 1990 there were an increasing number of ministerial visits between Vietnam and ASEAN states. Vo Van Kiet made his first foreign visit as Premier to Indonesia, Thailand, Singapore and Malaysia in

¹⁵⁹ Carlyle Thayer, “ASEAN and Indochina: The dialogue”, in Alison Broinowski (ed.), *ASEAN into the 1990s* (Hong Kong: The Macmillan Press, 1990), pp.138-159; 139.


¹⁶¹ I would like to thank Dr. Frank Frost for his valuable paper for my guideline, see Frank Frost, *Vietnam's Membership of ASEAN: Issues and Implications* (Canberra: The Department of the Parliamentary Library, 1995), p.3. After *Doi Moi* was officially announced in 1986, there were little
November 1991 and had visited all ASEAN countries by early 1992. Although the visits were brief, they were very successful to the building up of friendship, mutual trust and cooperation in the region.\textsuperscript{162}

After the signing of the Paris Agreement in 1991, Vietnam-ASEAN relations improved greatly. It meant that Vietnam had ceased to be the central hegemon in Southeast Asia and had committed itself to pay attention to its domestic reconstruction. Trade and investment from the ASEAN members increased substantially.\textsuperscript{163} Senior leader exchanges were at a high level, such as President Suharto’s visit to Vietnam in 1990. These included a number of visits by military leaders to develop new contacts.\textsuperscript{164}

“Vietnam’s changed dispositions and rearranged priorities in turn meant an opportunity for fulfilling ASEAN’s almost three-decade-old dream of a region-wide order.”\textsuperscript{165}

In 1990, Vietnamese Premier Do Muoi announced that, “We wish to join ASEAN very much. Joining ASEAN would be helpful. We need more friends to build our country.”\textsuperscript{166} It was a clear signal that Vietnam had changed its foreign policy and wished to have cordial ties with ASEAN. In 1992, Vietnam and Laos acceded to the TAC which, though officially not an ASEAN agreement, embodied ASEAN’s vision of a regional order. Subsequently, Vietnam and Laos were accorded observer status.\textsuperscript{167}

In 1993, Vietnam attended ASEAN at the Consultative Meeting during the 26th ASEAN Ministerial Meetings (AMM) in Singapore for the first time. Its membership changes. The decisions were made then, but the major structural changes occurred in 1988. There had also been some important developments prior to 1986 such as liberalisation of agriculture in 1981.\textsuperscript{162}

\textit{Vietnam Courier}, March 1992, No.29, p.1. Indonesia’s President Soeharto had a reciprocal visit to Vietnam in 1990 which was the first ASEAN head of state who visited since 1975 reunification.\textsuperscript{163}

By 1994, Singapore was Vietnam’s largest trading partner.\textsuperscript{164}

Frank Frost, \textit{Vietnam’s Membership of ASEAN}, op.cit., p.3.


The accession of Vietnam to the Treaty indicates that Vietnam fully respects the principles of peaceful co-existence in the region. These are a)strict non-interference in the internal affairs of fellow members, b)peaceful settlement of disputes, c)respect for each other’s independence, and d)strict respect for the territorial integrity of fellow members. See Bilson Kurus, “Understanding ASEAN: Benefits and raison d’être”, \textit{Asian Survey}, Vol.33, no.8, August 1993, pp.819-31.
was considered “a necessary condition for Southeast Asia’s future peace and prosperity”.\textsuperscript{168} In February 1994, during the ASEAN Secretary-General’s official visit to Vietnam, the Vietnamese Foreign Minister said for the first time that Vietnam was ready to join ASEAN and wanted to know how and when it could become a full member.

In July 1994, the 27th AMM in Bangkok was also important inasmuch as it established an ASEAN-based region-wide order in other respects.\textsuperscript{169} The pre-existing members affirmed their readiness to accept Vietnam as a member of ASEAN and instructed their senior officials and ASEAN Secretary-General to undertake early consultation with Vietnamese officials concerning the appropriate modalities and arrangements. On 17 October 1994, the Vietnamese Foreign Minister submitted a letter of application for membership in ASEAN.

In November 1994, it was recommended that Vietnam should be admitted as a member scheduled for July 1995 in Brunei Darussalam. Vietnam was accepted as a founder member of the ASEAN Regional Forum (ARF) in 1994. The Vietnamese delegation led by the Vietnamese Ambassador in Jakarta attended the third meeting of the 28th ASC held in Jakarta on 24-26 January 1995 as an observer for the first time.

On 15 February 1995, four Vietnamese officials led by the deputy Director of the ASEAN Department started their training at the ASEAN Secretariat in a two-month attachment programme funded by the Ford Foundation. A second group of another four was scheduled to start a similar programme at the ASEAN Secretariat on 15 April 1995. The delegation led by Mr. Krirk-krai Jirapaet, Director General of the Business


\textsuperscript{169} For the first time, Laos and Cambodia expressed its interest in joining ASEAN in 1997. They have already obtained observer status to ASEAN since 1992 and 1995 respectively. Burma has fulfilled the first requirement for membership by acceding to the TAC. See, Anurak Manibhandu, Saritdet Marukatat, Nussara Sawatsawong and Banyat Tasaneeyavej, “Regional unity under ASEAN a ‘necessity’”, \textit{Bangkok Post}, 15 December 1995, p.5 and “PM lists peace and security as ASEAN’s prime concerns”, \textit{Bangkok Post}, 22 December 1995, p.4.
Economic Department, visited Vietnam in January 1995 to find out whether Vietnam was ready to participate in ASEAN economic cooperation.\footnote{Report from Ministry of Foreign Affairs of Thailand about the process of Vietnam’s entry in to ASEAN in 1995.} In July 1995, Vietnam became a full new member of ASEAN.

Vietnam has demonstrated an increasing willingness and capacity to participate in and benefit from the global and regional economic development process. Undoubtedly, numerous difficulties still remain. But it seems that, after many years of war and isolation, Vietnam is moving in a much more positive direction and may soon be able to achieve a level of performance which can both enhance its peoples’ well-being and contribute to the vitality of the region’s economy. More importantly, Vietnam’s entry into ASEAN is a remarkable turning point for Vietnam-ASEAN ties. It represents the end of a long period of suspicion and tension.

3.2. Factors pushing Vietnam to join ASEAN

The Sixth and Seventh Congress

Since the 1986 Sixth Party Congress, the economic imperative had cast a shadow over the political one. The congress launched an economic reform that attempted to rearrange the Vietnamese economic environment to make it conducive to foreign trade and investment.\footnote{Kai M. Schelhorn, “Political and economic reforms in Vietnam”, Contemporary Southeast Asia, Vol.14, No.3, December 1992, pp.235-9.} As a consequence, Vietnam put emphasis on taking part in promoting economic relations with foreign countries on the basis of equality and mutual benefit. Another initiative of the Sixth Party Plenum was a proposal to study a tentative scheme
for a new method of attracting foreign investment by establishing an export processing zone and special economic zones.\textsuperscript{172}

Vietnam also sought bilateral cooperation with regional countries such as Thailand and Indonesia. By this time, Vietnam was advocating expanding economic relations with all countries, world organisations, transnational corporations and, above all, Southeast Asian economies. Vietnam had agreed to reserve privileges for the countries which invested heavily in Vietnam, enabling Vietnam to export goods to their markets. Integration with the region contributes to building a prosperous regional market. This is one of the most important directions of Vietnam’s renovation course.\textsuperscript{173}

At the 1991 Seventh Congress, Nguyen Manh Cam, Vietnam’s Foreign Minister, stressed a “new outlook” on foreign policy, including Vietnam’s desire to be a friend of all and to diversify its relations with all countries in the world regardless of their political and economic system.\textsuperscript{174} Priority has therefore since been given to relationships with neighbouring countries, particularly ASEAN states. Most of ASEAN states welcomed Vietnam as they realised that it was crucial to build a new order in the region. As a result, Vietnam-ASEAN improvements in relations have occurred in all areas.

Since the Vietnamese withdrawal from Cambodia, Indonesian President Soeharto, Thai Prime Minister Anand Panyarachun, Malaysian Prime Minister Mahathir Mohamad, and Singapore Prime Minister Lee Kuan Yew all visited Vietnam. In the meantime, Vietnamese Prime Minister Vo Van Kiet has visited the ASEAN countries twice within less than a year in 1991, and his round-trip was followed up three times in


1992. Accordingly, bilateral economic relations between Vietnam and the ASEAN countries have improved.\(^{175}\) In addition, the relaxation in great power rivalry since the late 1980s has had a great impact on Southeast Asia. Importantly, the Vietnamese withdrawal from Cambodia in 1989 caused the Vietnam-ASEAN rapprochement.

**What can Vietnam gain by joining ASEAN?**

During his visit to the ASEAN states in 1991, Vo Van Kiet, Vietnamese Prime Minister, expressed that Vietnam needed to be integrated into the Southeast Asian community.\(^{176}\) Because ASEAN has been successful in attaining international prestige as the ‘speaker’ of the region on regional issues, ASEAN membership can help Vietnam to gain wider access to markets leading to an increase in foreign trade and investment and economic cooperation. Foreign investors are now more confident to invest in Vietnam. Compared with 1991-1993 trade and investment figures, investment by the ASEAN states in Vietnam in 1994 has increased ten times amounting to US$ 882.5 million. Singapore was the biggest investor with 49 projects and a total capital of more than US$ 366 million in 1994. Vietnam and ASEAN have signed more than forty agreements covering economic and trade cooperation, payments, credits, aviation, and navigation.\(^{177}\)

Frost has added that Vietnamese leaders believed that full membership would assist Vietnam to gain acceptance as a legitimate part both of the Southeast Asia and of the international economy. The substantial bilateral cooperation between Vietnam and ASEAN states has been increasing, especially with Singapore, Malaysia and Thailand, greatly helping Vietnam’s economic reform.\(^{178}\)

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\(^{175}\) Hoang Anh Tuan, “Why hasn’t Vietnam gained ASEAN membership?”, *op.cit.*, p.281.

\(^{176}\) Ibid.


\(^{178}\) Frost, *Vietnam's Membership of ASEAN*, *op.cit.*, p.4.
In addition, ASEAN membership would enhance Vietnam’s diplomatic standing and integrate Vietnam’s security with Southeast Asian security, thus creating an external environment favourable for economic development. The Vietnamese strategy is to pursue an ‘omni-directional’ foreign policy, maintaining good diplomatic relations with all countries and encouraging trade links, while avoiding restraining alliances, and economic dependence on any one country. An open door policy to attract foreign trade and investment as well as aid to boost the Vietnamese economic recovery have been primary considerations.

ASEAN membership has also improved Vietnam’s international relationships. Before Vietnam’s entry into ASEAN, the U.S. normalised its diplomatic relations on 11 July 1995. The U.S.-Vietnam ties improved greatly as Vietnamese officials released a number of photographs and more information of the fate of American servicemen listed as missing in action (MIA). In February 1994 the U.S. finally lifted its economic embargo on Vietnam and dropped its opposition to financial assistance to Vietnam by the IMF, WB and ADB.179 The achievement of the Vietnam’s normalisation of ties with the U.S. and international financing institutions has resulted in an increase in business activities that will help to improve Vietnam’s infrastructure.

For the first time in many years, Vietnam has diplomatic relations with all major powers in the Asia-Pacific region. As an ASEAN member, Vietnam can now deal with those powers on a more equitable basis by participating in ASEAN’s regular discussions with the U.S., Japan, China, Russia and European Union. The value of ASEAN membership to Vietnam has also been illustrated by the support it has gained for membership of the new World Trade Organisation, another international institution important for Vietnam’s integration into the regional and international economy. 180

180 Frost, Vietnam’s Membership of ASEAN, op.cit, pp 5-6.
Frost stresses that ASEAN membership will serve to increase Vietnam’s sense of confidence to deal with China, whose power is growing rapidly. Vietnam’s leaders clearly consider that when China’s economic strength is increasing and when it is upgrading its defence capability, membership in ASEAN can offer valuable support to Vietnam’s security.\textsuperscript{181} Although ASEAN is not a formal defence pact and membership does not involve a commitment to defence support, it is at least a respected regional grouping which could advance regional security. In the Spratly Islands conflict (which will be discussed in Chapter 4), as a result of its economic recovery and its military weakness, Vietnam has sought short-term security through foreign relations. By developing good relations with all countries, the Vietnamese are seeking to develop a base of diplomatic support, particularly in relation to the Spratly Islands dispute.

Consequently, membership of ASEAN may provide Vietnam with an enhanced diplomatic advantage in future disputes with China, both in terms of the support of other ASEAN members who share the same concerns over the Spratlys and also the assistance of influential powers such as the U.S. and the European Union. Some observers, such as See Chak Mun, have stated that Vietnam’s participation in ASEAN had something to do with a broader scheme to cope with China because Vietnam’s membership had brought, for the first time, ASEAN into territorial juxtaposition with China. He went on to say that normalisation between the U.S. and Vietnam would lead to a change in the geopolitical environment in Southeast Asia. Obviously, the writer saw Vietnam joining ASEAN in the wider context of U.S. policy to contain China.\textsuperscript{182}

ASEAN membership provides for Vietnam a valuable new identity as a legitimate, accepted part of Southeast Asia and the wider Asia-Pacific region. Vietnam’s

\textsuperscript{181} Ibid.

\textsuperscript{182} “The economic and political implications of Vietnam’s entry into ASEAN”, Speech by See Chak Mun, a Singaporean Consul in Hong Kong, to the Vietnam Business Association on Friday, 28 July 1995. This source is from Ministry of Foreign Affairs of Thailand.
Vice Foreign Minister Vu Khoan emphasised in early 1995 that Vietnam cannot stand outside international organisations to see their members surging ahead, and cannot let time pass in isolation and be left behind.\textsuperscript{183}

### 3.3. Advantages to ASEAN of accepting Vietnam as a full new member

With the end of the Cold War and the Cambodian conflict, ASEAN has been playing a crucial role engaging in dialogue on security issues in Southeast and East Asia. There are many reasons for ASEAN to accept Vietnam as a member despite its different political and economic system. For ASEAN, admitting Vietnam makes ASEAN a more dynamic association which could finally encompass all ten Southeast Asian countries. Frost states that "it also provides for ASEAN’s pre-existing members the opportunity to help influence the evolution of Vietnam’s foreign policy in the post Cold War period, especially its commitment to regional cooperation."\textsuperscript{184}

In addition, Vietnam-ASEAN cooperation can provide ASEAN with an increased ‘weight’ in its relations with major external powers. At least, Vietnam is a key player whose economic weight in ASEAN would provide a centrifugal force against China.\textsuperscript{185} The advantages for ASEAN are seen principally in terms of regional political cohesion, economic benefit, and overall stability. There has also been a suggestion that Vietnam may provide a valuable buffer or counterbalance against Chinese power. There may also have been a fear that unless Vietnam was brought into the fold it might reach a bilateral accommodation with China over the Spratlys, dividing up the spoils between them.\textsuperscript{186}

\textsuperscript{183} "Tensions in East ease as Vietnam makes peace", \textit{Bangkok Post}, 29 July 1995.

\textsuperscript{184} Frost, \textit{Vietnam's Membership of ASEAN, opcit.}, pp.4-5.

\textsuperscript{185} Mr. Keating, Australian ex-Prime Minister, noted that the defining element of the foreign policies of Vietnam was its suspicion towards China. See Carlyle Thayer, "Keating’s vision: SE Asia free from China orbit", \textit{The Australian}, 18 December 1995, p.2.

After Vietnam had become a full member, Indonesia’s Foreign Minister Ali Alatas stressed that Vietnam’s membership will enhance the vitality and the collective strength of the grouping. The Filipino Foreign Minister said that, ‘Vietnam’s entry into ASEAN therefore can only propel our region to new heights of unity and solidarity’. Thailand’s Foreign Minister also stated that ‘Thailand has long recognised that ASEAN will not be complete as long as there remains a country in Southeast Asia that is not yet a member.’

Thus, Vietnam’s entry into ASEAN may be a catalyst that sees Cambodia, Myanmar and Laos become full members of ASEAN.

Both Vietnam and ASEAN have gained benefits from Vietnam’s membership. ASEAN has proven its capability to embrace a member whose political system differs greatly from that of any other ASEAN member.

Vietnam with over 70 million people is rich in natural resources, human resources and has a large and almost untapped market. The voluntary participation of such a country in the economic cooperation with other ASEAN members under a common framework, shall surely contribute to the economic strengths of each member country and the Association on the whole.

In sum, Vietnam’s membership provides ASEAN with a way of broadening its coverage in Southeast Asia and improving its credibility as it would be able to expand its role in the post Cold War era. Vietnam also benefits from joining ASEAN, however, it also poses some significant problems about how the seven countries will cooperate to overcome the suspicion among them. Therefore, it is necessary to look both at the benefits and potential problems arising from the newly expanded ASEAN.

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188 Frost, *Vietnam’s membership of ASEAN*, op.cit., p.5.
3.4. Problems within ASEAN after Vietnam has become new member

Vietnam may face some problems in adapting and dealing with ASEAN's operational style, which is both relatively informal and based on very frequent communication because of a lack of well-trained officials. Despite increasing ties, the level of cooperation between Vietnam and the other ASEAN members is still far short of the level of networking. There are about 260 ASEAN regular meetings and conferences annually among ASEAN officials from various ministries and agencies, but Vietnam has been participating in only six of the ASEAN committees and five projects. ASEAN’s common language in every meeting is English. Vietnam has few diplomats and other officials who are fully proficient in English. Although intensive English programs are underway to train Vietnam's officials both within and outside Vietnam, it will take time before Vietnam can easily accommodate the wide range of discussions in the association.

In addition, the Communist Party's tradition of both concealed activity and of collective decision making may pose some difficulties. Although Vietnamese officials become fully proficient, they are not likely to adapt easily to the existing ASEAN style of frequent discussion and informal confidence building. 'Vietnamese leaders at conferences will be very much representatives of the collective decision making group, and may not feel free to act in a similar manner to their ASEAN counterparts.'

Besides the benefits, Vietnam and the other ASEAN partners also face some challenges and uncertainties in their new association. There are a number of potential problems which may cause trouble for the expansion of ASEAN. Singapore's Foreign Minister Jayakumar warned that an expanded ASEAN would face challenges to its

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190 Hoang Anh Tuan, "Vietnam’s membership in ASEAN", op.cit, p.262.
191 English is widely spoken in Singapore, Malaysia, the Philippines and Brunei, and is taught extensively in Indonesia and Thailand. At present, Singapore, Australia and Britain assist Vietnamese officials to train English.
unity. "All is not rosy. There are worrying trends and developments in the Asia-Pacific region. The challenges ahead will test our unity and diplomatic skills."\textsuperscript{193}

3.4.1. Political difficulties

The founding declaration of ASEAN stated that all Southeast Asian countries could participate in the Association if they acceded to its principles and purposes. Nevertheless, there are some concerns about the differences in political systems between Vietnam and other ASEAN countries after Vietnam’s entry into ASEAN. It is the first time that ASEAN, which has been an anti-communist group, has admitted the first communist member.

Although Vietnam has become an ASEAN member, distrust may still exist among ASEAN members for a long time over the Cambodian conflict. It is clear that there remain territorial disputes, despite the long period since the establishment of the Association. At present, there are some unresolved territorial disputes between Vietnam and some ASEAN states, notably Spratly Island conflict which involves Vietnam, the Philippines, Brunei, Malaysia, Taiwan and China. Malaysia and Indonesia still dispute the delimitation of the continental shelf and friction over fishing rights. Territorial conflict between Vietnam and Thailand still remain. Thayer pointes out that despite frequent military exchanges, Vietnam is still regarded as a security threat by Thailand. Because of its growing economy, Vietnam can improve its defence capability, which poses a potential threat to both Cambodia and Thailand.\textsuperscript{194} Moreover, there remain disputes of the Philippines continuing to suspect Malaysia of supporting the Moro secessionist front in

\textsuperscript{192} Frost, \textit{Vietnam's Membership of ASEAN}, op.cit, pp.6-7.
\textsuperscript{193} Kanwerayothin and Ashayagachat, "Vietnam becomes latest member of ASEAN family", \textit{op.cit.}, p.1.
\textsuperscript{194} Thayer, \textit{Beyond Indochina}, op.cit., p.47.
Mindanao, the dispute between Malaysia and Singapore over Pedra Branca, and that between Malaysia and Brunei over Limbang. 195 However, Tuan suggested that: 196

among the ASEAN states, there is a desire to push aside disagreements to keep on talking to maintain relations [even] without resolving issues. Thus, although disagreements continue to exist, they have not hindered cooperation among the members, and intra-ASEAN relations have continued to develop.

Vietnam’s membership does not mean that these disputes have come to an end. Rather, the disputes will impede the development of commercial relationships. 197 Tuan stressed that while most ASEAN leaders have clearly welcomed Vietnam, some bilateral relations, especially with Thailand, may need more time and confidence building to be comfortable. 198 Frost has also mentioned some potential difficulties after Vietnam’s entry into ASEAN. Vietnam and other ASEAN members may have some difficulties in maintaining a consensus in many issues such as how they should cope with China, and an issue which has seen substantial differences in emphasis among the ASEAN members in the past. Paribatra claimed that after Vietnam’s entry into ASEAN, posturing and bargaining will replace consultation and consensus-building as the predominant form of conducting intra-mural affairs. 199

Sino-Vietnamese relations have been very complicated. China invaded Vietnam in 1979 after Vietnam invaded Cambodia. The Sino-Vietnamese conflict caused the loss of thousands of lives on both sides. Vietnam and China have conflicting claims in the South China Sea (see the discussion in Chapter 4). While Vietnam would not expect any direct assistance from its ASEAN partners in a possible clash with China, it would

195 The potential for sensitivity among the pre-existing ASEAN members has been recently illustrated by the tensions between Singapore and the Philippines because the Filipino maid Folor Contemplation was hanged in Singapore after being convicted of murder. See Frank Frost, Vietnam’s Membership of ASEAN, op.cit., pp.6-7.
196 Hoang Anh Tuan, “Vietnam’s membership in ASEAN”, op.cit., p.265.
197 Thayer, Beyond Indochina, op.cit, pp.31-48.
198 Hoang Anh Tuan, “Vietnam’s membership in ASEAN”, op.cit, pp.265.
expect diplomatic support. However, it is uncertain how other ASEAN members, especially Thailand and Singapore, might react in such a situation.

Another problem is what Paribatra called the southward geoeconomic advance of China. He notes that Chinese economic expansion seems to be moving from the Hong Kong-Taiwan-Shenzhen/Guangdong/Fujian triangle, through Yunnan and Hainan, towards the countries of mainland Southeast Asia. It is expected that Chinese presence in Southeast Asia may prompt regional states contesting claims in the South China Sea to accelerate their arms purchases and military modernisation programmes, thus catalysing an arms race in the region.\textsuperscript{200} Frost has noted that:\textsuperscript{201}

\begin{quote}
while Vietnam brings to ASEAN substantial military capacities and diplomatic skills, its accession to membership may pose some medium term challenges for ASEAN in maintaining a cohesive approach towards the most important regional security issue the members face, the growing power of China
\end{quote}

A further issue is that while other ASEAN members allow travel among themselves on a 'visa-free' basis, Vietnam requires visas for all visitors, a policy which is not likely to change in the near future. However, Vietnam relaxed its visa requirements for official passport holders from ASEAN countries in November 1995 by issuing Decree No.76/CP to amend the country’s immigration procedure.\textsuperscript{202}

Even though ASEAN’s commitment to transform itself into a truly regional organisation over the long term has been publicly affirmed, doubts remain in some matters. Paribatra has pointed out that, unlike the case of Brunei’s membership in 1984, a variety of conditions will be set to govern its entry.

\begin{footnotes}
\textsuperscript{200} Ibid, pp.248.
\textsuperscript{201} Frost, \textit{Vietnam’s Membership of ASEAN}, op.cit, p.8.
\textsuperscript{202} Ordinary passport holders from ASEAN states (who are attending ASEAN activities in Vietnam will also exempted for 15 days. See Achara Ashayagachat, “VN relaxes visa rules for ASEAN passport holders”, \textit{Bangkok Post}, 9 November 1995, p.2.
\end{footnotes}
Undoubtedly, the difference in treatment reflects the growing volume and complexity of ASEAN’s agenda and activities since 1984. But it may also be due to the founding members’ recognition that, given its small size, its history and culture, and its geopolitical constraints, the entry of Brunei was a ‘natural’ extension of the ASEAN family, and that, for precisely the opposite reasons, Vietnam’s membership will be the first momentous act of expansion in the history of the regional organisation.  

It seems that Vietnam is not an easy partner to deal with because its diplomatic history has been shaped by the need to deal with adversaries. Paribatra has concluded that there are a number of problems which have the potential to act as constraints upon the process of expanding ASEAN membership. There are some questions concerning the timing and conditions of expansion. It may take years to form an ASEAN esprit de corps among new members. Moreover, ASEAN ‘standard’ may be ‘imposed’ on Vietnam.

Vietnam’s history is a record of a nation’s proud struggle to become independent, and its post-colonial political development has been shaped by communist party cadres. Their strengths have been relatively high degrees of unity and pride. They may not want to change anything to loosen their power which may impede the process of ASEAN expansion. It may take years to overcome these difficulties. ASEAN must also have the collective political will to transcend difficult challenges at difficult moments. Importantly, pressure by the U.S., the West, the European Union and NGOs (Non-Governmental Organisations) on issues such as trade and human rights to Vietnam may cause some troubles. However, in fact, Vietnam and ASEAN states would have a common stand on such issues because ASEAN states are under this pressure by different degrees.

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203 Paribatra, op.cit., pp.252-3.
205 Hoang Anh Tuan, “Vietnam’s membership in ASEAN”, op.cit., p.264.
These problems affect the ASEAN Regional Forum, which was inaugurated as the main framework for wide-ranging dialogues on political and security issues, not only for Southeast Asia but for the whole Asia-Pacific region.

*Vietnam and the ASEAN Regional Forum (ARF)*

When the Soviet military alliance with Vietnam ended during the late 1980s, ASEAN set up the ARF in July 1993. ARF is officially billed as a multilateral consultative forum aimed at promoting security in Asia-Pacific region. It constituted a significant step in transforming ASEAN into a truly regional organisation, undertaking mutual confidence-building and preventive diplomacy activities. Frost pointed out that:

> ASEAN since 1967 has been able to play a considerable role in facilitating stability in Southeast Asia. It now has an ambitious post Cold War agenda to both stimulate trade and investment through AFTA and to help promote dialogue over security issues in Southeast Asia and in the wider Asia-Pacific region through the ASEAN Regional Forum.

ARF was created in a new post-Cold War era. Pakaphasvivat, a Thai economist, emphasised that, “With the gradual withdrawal of the U.S. from the region we’re facing the challenge of a power vacuum. We’re afraid either China or Japan will fill that vacuum. ASEAN needs a multilateral approach, a united front on political terms to face the vacuum.” The ASEAN countries have emerged with an increasing role in the region. They have come to balance and engage former enemies and potential antagonists and have laid down the principles of security regime.

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206 During the Jakarta AMM in July 1990, Australia and Canada proposed new forums on security encompassing ASEAN and states in the Asia-Pacific to ‘build confidence and patterns of cooperation both between old friends and between old adversaries’. Then, this created the ASEAN Regional Forum. See Michael Vatikiotis, “Feeling the heat”, *FEER*, 9 August 1990, p.8.


208 Frost, *Vietnam’s Membership of ASEAN*, *op.cit.*, pp.ii.

By 1993, both the United States and Japan had begun to give greater support to the ARF concept. Japanese Prime Minister Kiichi Miyazawa called for a long-term development of peace and security in the region. Japan would actively take part in such discussions. Significantly, the new Clinton Administration also expressed a volte-face for the ARF: “We must develop new mechanisms to manage or prevent emerging concerns. [These talks can help] share information, convey intentions, ease tensions, resolve disputes and foster confidence.”

However, there were some suspicions before announcing the ARF. For instance, Indonesian Foreign Minister Ali Alatas expressed his hesitation that: “We don’t think that a multilateral, pan-East Asia institutional framework should be undertaken prematurely... I don’t believe the situation in East Asia and the Pacific at this moment would warrant an immediate multilateral institutional thing”. Nonetheless, the naming of the forum finally represented an accommodation of concerns about institutionalisation and ASEAN’s role at large.

The ASEAN states have also constructively engaged China and Vietnam through emphasising what could be gained by having a predictable and stable order. This began with the peace settlement in Cambodia which removed that obstacle to their involvement. Eventually, the first meeting of the ARF was held in Bangkok on 25 July 1994, following a principle of step-by-step evolution. Rather than focusing on problem-solving, the ASEAN heads of state and government proclaimed their intent to intensify ASEAN’s external dialogue in political and security matters as a means of

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212 Michael Antolik, “The ASEAN Regional Forum”, Ibid., p.120.
213 The members for the annual ARF meetings are all ASEAN economies, China, Russia, the U.S., Japan, the European Union, South Korea, Australia, Canada, New Zealand, Laos, Papua New Guinea and Cambodia. See, Robert Birsel, “Feature-Asia’s young dragons see strength in unity”, op. cit., and “The ASEAN Regional Forum”, Document from the Ministry of Foreign Affairs of Thailand.
building cooperative ties with states in Southeast Asia and Asia-Pacific region as a whole.\(^{214}\)

The Second ARF was held on 1 August 1995 in Brunei. Many positive steps have been taken. In connection with the development of mechanism for cooperation, the meeting agreed that the approach should be evolutionary to promote confidence building, to develop preventive diplomacy and to encourage all ARF countries to improve their dialogues and consultations on political and security cooperation on a bilateral, sub-regional, and regional basis.\(^{215}\)

Consequently, the ARF is a regional system in that it comprises all the great powers. It maintains openness by limiting obligations and protocol and allows for an evolutionary approach and full regional inclusion. As such, it is what many in the region see as a preferable alternative to legal institutional approaches that might bog down participants in sterile procedural debates. Instead, it focuses on the pragmatic benefits of preventive diplomacy and constructive engagement, in order to foster understanding, confidence, communication and stability.\(^{216}\)

However, regarding the regional situation, all ministers expressed concern on overlapping sovereignty dispute in the region, particularly in the South China Sea. In addition, Vietnam, which has a different political and social system from that of ASEAN might make the ARF more divergent, and the decision-making based on consensus will become more varied and difficult. Its formation recalls ASEAN’s own cautious concern for building consensus and bilateral understandings in preparation for a multilateral endeavour. The ARF rejects force and interference in other states’ domestic


\(^{215}\) “Chairman’s statement of the second ASEAN Regional Forum (ARF)”, in Bandar Seri Begawan on 1 August 1995. This document is from Thailand’s Ministry of Foreign Affairs.

\(^{216}\) Muthiah Alagappa, “Regional arrangements and international security in Southeast Asia: Going beyond ZOPFAN”, *op.cit.*, pp.133-4.
affairs. To achieve regional stability through a balance of great powers, the ASEAN states have often facilitated the inclusion of all through an informal diplomacy that limits obligations and protocol."\textsuperscript{217} Moreover, the long history of animosity between Thailand, China and Vietnam may further aggravate the problem.\textsuperscript{218} Vietnam and all partners must develop a congenial working relationship to overcome these problems.

\textbf{3.4.2. Economic difficulties}

Because of the economic development gap between Vietnam and the ASEAN countries and Vietnam’s lack of experience in regional economic cooperation, it is likely that at the beginning of Vietnam’s entry into ASEAN, there will be some economic problems between the former and the latter. Moreover, within ASEAN itself, economic development gaps also exist among members, for instance, between the Philippines and Singapore. The wide disparities in wealth among the seven ASEAN members are: ‘Vietnam in 1993 had a Gross Domestic Product estimated by the Asian Development Bank at US$ 170, compared with Indonesia ($730), the Philippines ($830), Thailand ($2,040), Malaysia ($3,160) and Singapore ($19,310).\textsuperscript{219} Vietnam is among the world’s poorest countries with an average per-capita income of less than US$ 200-about 1% of the wealthiest ASEAN state Singapore.

Although the trade volume between Vietnam and the ASEAN states, mainly with Singapore, presently accounts for approximately 30% of the former’s total trade, which is more than the 20% recorded for intra-ASEAN trade, it does not mean that the Vietnamese economy is more integrated with that of the ASEAN economies. This is because, firstly, the trade volume between Vietnam and the ASEAN states is still

\begin{itemize}
\item \textsuperscript{217} Ibid., p.117.
\end{itemize}
comparatively small. Secondly, the ASEAN members promote economic cooperation among themselves through various institutions that Vietnam cannot participate if it is not a full member of ASEAN.\(^\text{220}\)

Johnson has noted that ASEAN membership might cause some troubles for Vietnam. Firstly, with free-trade and open borders across the region, cheap imports and competition are bound to wipe out centrally planned heavy industries in Vietnam, causing unemployment. Secondly, it will probably destroy the region’s traditional farming methods encourage massive urbanisation.\(^\text{221}\) Moreover, ASEAN manufacturers in Vietnam can export to the U.S. under Vietnam’s quota that would be more competitive than Vietnam’s domestic manufacturers.

Additionally, there is a great contrast between the economic ideologies between ASEAN and Vietnam. The ASEAN states are bound by a common basic economic ideology which accepts the importance of market forces and efficient and equitable performance. The Vietnamese government, on the other hand, has managed its economy through ‘heavy-handed central planning’. The degree of its integration into ASEAN will depend on how economic reforms proceed there.\(^\text{222}\)

ASEAN still has its own problems. The strengthening of trade blocs in Europe and North America might affect ASEAN exports to these traditional markets. Economic reforms in India, Latin America and China might draw foreign direct investment away from the ASEAN states.\(^\text{223}\) This may have a detrimental effect because each regional state may unilaterally seek to protect its own interests in its relationships with extra-

\(^{220}\) For more information, see Hoang Anh Tuan, “Vietnam’s membership in ASEAN”, *op.cit*, p.263.


\(^{222}\) Narongchai Akrasanee, David Stifel, “A vision of Southeast Asia in the Year 2000: Toward a common economic regime”, *op.cit.*, pp..1-13,2.

\(^{223}\) Hoang Anh Tuan, “Vietnam’s membership in ASEAN”, *op.cit*, p.260.
regional economic partners. On the surface the leaders make a display of unity but in practice they are very competitive with each other. However, Pakaphasvivat has argued that ASEAN flexibility and willingness to compromise is the way to accommodate its core strengths. It has achieved more than compromise because of its flexibility, he adds. AFTA, for example, has been set up to strengthen economic development and to lessen the competitiveness between intra-ASEAN and to attract foreign investment.

Vietnam and ASEAN Free Trade Area (AFTA)

The AFTA proposal was inaugurated in 1993 and has the ambitious aim of liberalising trade within ASEAN, creating a more integrated market of over 400 million people, and attracting increased levels of foreign investment. ASEAN’s major means for achieving this is the Common Effective Preferential Tariff (CEPT) which established a formula for the phased reduction of intra-ASEAN tariffs to levels of no more than 5% in ten years from January 1993.

Frost has added that AFTA’s overall purpose is ‘to ensure that in a competitive international economic environment ASEAN bolsters its potential as a regional market and its attractiveness to foreign investors whose funds are also sought eagerly by other rapidly developing economies such as China and India.’

Due to its entry into ASEAN, Vietnam has to consider the advantages and disadvantages of joining AFTA. While tariff reduction brings trade benefits, it also produces some problems for the domestic economy. For example, in 1994 under AFTA, tariffs on all manufactured goods with 40% or more ASEAN content are to be reduced

224 Paribatra suggested that trade blocs may also further undermine close U.S.-Japan ties, which may lead to increased defence expenditure and a greater military role on the part of Japan. If this eventuates, the ASEAN states may step up arms purchase and military modernisation programmes, with possible adverse consequences and implications for regional-cooperation. See Sukhumbhand Paribatra, op.cit., p.248.
225 Chaiwat Kampucho, a lecturer at Bangkok University, said in Robert Birsel, “Feature-Asia’s young dragons see strength in unity”, Reuters News Service, 11 January 1996.
226 Robert Birsel, “Feature-Asia’s young dragons see strength in unity”, Ibid.
227 Ibid.
228 Frost, Vietnam’s Membership of ASEAN, op.cit., p.9.
to 0-5% by the year 2003. In addition, the ASEAN states have so far agreed to place 40,000 different items under AFTA, or 80% of the Association’s manufactured goods.\textsuperscript{230} Vietnam is required to lower its tariffs for market-oriented economic reforms. An immediate tariff reduction may expose Vietnam’s industries to competition from low-priced manufactured goods from other ASEAN states. Nevertheless, as Vietnamese enterprises catch up by capitalising on the country’s lower wages and huge natural and human resources, the advantage will reverse, with Vietnamese goods gaining liberal access to an ASEAN-wide market. Hoang Anh Tuan has suggested that new members with a lower level of economic development may gain more benefits than the more developed ones.\textsuperscript{231}

However, Vietnam must adjust to the requirements of the AFTA. ASEAN has agreed that Vietnam should be allowed to delay implementing AFTA until three years after the other ASEAN members (2006). Nonetheless, ‘Vietnam cannot go slower than this if it wants to integrate into the world community. They have to move forward like other members do. Some workshops or training can be acquired from other members and from foreign countries’.\textsuperscript{232}

Vietnam’s participation in AFTA has also produced some concerns. While economic relations have been developing rapidly between the new partner and ASEAN members, Vietnam is still building up the development of a market economy. Ms. Lan, Vietnam’s representative, has expressed concerns about the impact of AFTA and Vietnam’s preparedness for it, because Vietnam’s participation in AFTA would produce

\textsuperscript{229} Ibid.
\textsuperscript{231} For example, Spain and Portugal’s entry into the European Union. See, Hoang Anh Tuan, “Vietnam’s membership in ASEAN”, \textit{op.cit}, p.263.
\textsuperscript{232} Achara Ashayagachat, “ASEAN: Customs procedures on ASEAN agenda”, \textit{Bangkok Post}, 29 November 1995.
competitiveness in the domestic market. Thai Van Huong, Vice Director of the Shoe and Leather Association of Vietnam, noted that “businesses are still not ready for this event. Besides the lack of capital, technology and infrastructure, we don’t have capable management who know international laws and trading rules. Unless we prepare well it will be only the Vietnamese firms who suffer.” Vietnamese Finance Minister Ho Te emphasised that Vietnam faces many problems in its transition from a centrally planned economy to a market economy, including standardisation of its tax system, infant industry and lack of experience in trade and services. He also added that Vietnam still required some time to carefully study the importation of each item. Vietnam will start reducing tariffs from 1 January 1996, at the same time as the other members, but will be three years behind schedule in completing the tariff reduction scheme.

Participation in AFTA thus involves some challenges for both Vietnam’s economy. Vietnam still has a large and inefficient state industrial sector which receives extensive state subsidies; privatisation has been explored in only a tentative way so far; and many aspects of infrastructure (such as commercial law) remain underdeveloped.

Another set of problems is Vietnam’s lack of appropriately trained personnel and strong financial base, together with its relatively low level of economic development, which could obstruct its full participation in ASEAN, AFTA and Common Effective Preferential Tariff (CEPT). Nevertheless, the Vietnamese manpower base and economy are large enough to surmount many of the problems over the longer term.

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235 Vietnam’s ‘sensitive list’, goods which are mostly taxed above 20%, will remain at the same rate including vehicles, washing machines, steel, textiles and agricultural products. See Achara Ashayagachat, “Vietnam stalls on list of goods for tariff cuts scheme”, Bangkok Post, 6 December 1995.
236 Thayer, Beyond Indochina, op.cit., pp.8-18.
However, Frost has concluded that ASEAN membership is likely to exert added pressure on Vietnam to continue the process of economic reform so that its economy can interact fully effectively with both ASEAN and international trade and investment partners. Hoang Anh Tuan also claims that the economic gap between Vietnam and other ASEAN states should not be over-emphasised. Because Vietnam has achieved high economic performance as a result of its economic reforms, ‘this gap is being bridged somewhat.’ It seems that the real benefits Vietnam may receive from ASEAN membership are not very significant as ASEAN’s current economic performance has been achieved through the endeavours of individual members, and not by any collective ASEAN effort. Furthermore, the ASEAN states are still at an early stage of economic cooperation and there is still a long way towards full economic integration.

Basically, the ASEAN states are not keen to increase intra-ASEAN trade for its own sake. They are all trying to attract direct foreign investment for their own national development. AFTA offers attractions for direct foreign investment. It is attractive for Multi National Companies (MNCs) seeking a production and marketing base, using the mix of strategic location, cheap labour, and efficient infrastructure provided by all members. ASEAN’s population of more than 400 million is also attractive because of its large and growing domestic market. Thus, in the immediate future, greater linkage between the Vietnamese economy and the larger economic framework of the region would also help Vietnam to attract more foreign investment.

237 Sukhumbhand Paribatra, op.cit, p.254.
238 Frost, Vietnam’s Membership of ASEAN, op.cit, p.10.
239 Hoang Anh Tuan, “Vietnam’s membership in ASEAN”, op.cit, pp.262-3.
240 Carolina Hernandez, “The ASEAN Free Trade Area: A step towards economic integration”, in Wolfgang Moellers and Rohana Mahmood (eds.), ASEAN: Future Economic and Political Cooperation (Malaysia: Institute of Strategic and International Studies, 1993. Hernandez explained that there are five stages of economic integration: a) Preferential Trade Area (PTA), b) Free Trade Area (FTA), c) Customs Union, d) Common Market and e) Economic Union. ASEAN is now only at the beginning of the Free Trade Area phase.
It is accepted that Vietnam will meet the requirements on tariff and non-tariff reductions over a ten year period, beginning on 1 January 1996. Vietnam has been preparing a plan of how and when to apply for inclusion within the CEPT. Tariff rates on agreed ‘fast track’ items should be reduced to 5% by 2003 and goods which have at present a tariff rate of below 20% should be placed immediately on the CEPT list.\textsuperscript{242} Recently, Vietnamese Financial Minister Ho Te stated in December 1995 that Vietnam was facing difficulties, as it had only been in ASEAN for a short time. However, ‘with its own determination and warm assistance from other ASEAN members, Vietnam has provided all the required lists for AFTA on time.’\textsuperscript{243}

To sum up, since the Vietnamese withdrawal from Cambodia, there have been frequent exchanges of visits by leaders of Vietnam and the other ASEAN states such as when the Malaysian Prime Minister met the Vietnamese Prime Minister, Vo Van Kiet, in January, April and July in 1992.\textsuperscript{244} Consequently, relations between governmental institutions in Vietnam and other ASEAN states have also been improving greatly. Plans for an AFTA are in line with ASEAN’s goal of opening intra-ASEAN markets for most products by 2003. The ARF has proved so popular that would-be members including India, Myanmar, UK and France are on a waiting list. And APEC, which ASEAN helped create and promote has become the premier policy arena for regional trade liberalisation.

Despite increasing ties, Vietnam’s participation in ASEAN’s activities is necessary to catch up with other members. The way to overcome difficulties is to

\textsuperscript{242}"Vietnamese Finance Minister attends ASEAN Free Trade Meeting", \textit{BBC Monitoring Service}, 12 December 1995.
\textsuperscript{243}"Vietnamese Finance Minister attends ASEAN Free Trade Meeting", \textit{BBC Monitoring Service}, \textit{ibid.}
\textsuperscript{244}Both sides confirmed their friendship and cooperation that would produce peace and security in the region. For more details of exchanges of visits, see Michael Antolik, "ASEAN’s bridges to Vietnam and Laos", \textit{Contemporary Southeast Asia}, Vol.15, No.2, September 1993, p.201-3.
strengthen their political will to close the psychological gap caused by the mutual distrust of the past.

The problem is that as ASEAN becomes larger, it may lose cohesion and the ability to reach a consensus on tough issues. Vietnam’s membership has brought ASEAN into territorial juxtaposition with China. It is likely that normalisation of relations between the U.S. and Vietnam will lead to a change in the geopolitical environment in Southeast Asia.

Obviously, Vietnam joining ASEAN is in a wider context of a U.S. policy to contain China.245 In addition, there are also questions over the ease of accommodation between Vietnam and ASEAN, both in economic and political terms.

3.5. ASEAN-Vietnamese organisational restructuring

ASEAN itself has undertaken some steps to adjust to the changing regional and global environment for new challenges.246 Firstly, the ASEAN Secretariat is being transformed from a passive role to a more active one by raising the status of the ASEAN Secretary General and the allocation of more resources to the Secretariat.247 Secondly, AFTA has been created to improve ASEAN economic cooperation.248 Immense benefits can accrue to members from the pooling of resources and sharing of markets. Three growth-triangles have been established to facilitate the implementation of AFTA which

245 “The economic and political implications of Vietnam’s entry into ASEAN”, Speech by Commissioner See Chak Mun to the Vietnam Business Association on Friday, 28 July 1995. This source is from Ministry of Foreign Affairs of Thailand.
246 Steps to strengthen ASEAN have been announced after the 1991 ASEAN AMM in Kuala Lumper. See Mohammed Jawhar, “The making of a new Southeast Asia” in Desmond Ball and David Horner (eds), Strategic Studies in a Changing World: Global, Regional and Australian Perspectives, Paper on Strategy and Defence No. 89 (Canberra: ANU, 1992), pp.301-3.
247 ASEAN Foreign Ministers have signed a new agreement in Bangkok 1994 to transfer the equivalent of US$ 1 million from the ASEAN Fund to the ASEAN Secretariat for joint project. See “ASEAN: ASEAN FMS to sign $1 M fund Transfer Agreement”, Bangkok Post, 21 July 1994.
248 The agreement to create AFTA must be seen as one of considerable political will because of less successful ASEAN economic ventures in the past. For more information, see Seiji Naya and Pearl Imada, “Implementing AFTA, 1992-2007”, in K.S. Sandhu, et.al (comp.), The ASEAN Reader (Singapore:
is expected to be completed in 2007. Thirdly, ASEAN is addressing the threat posed to non-discriminatory global trade by human rights, social issues and security issues. This has led to the creation of the ARF in which all major powers participated for the first time in July 1994 in Bangkok (which has previously been discussed). By using the wider approach to security issues, ASEAN’s own security issues will be somewhat diluted, thereby enhancing the integration of Indochina. Furthermore, an expanded ASEAN will have a greater influence in Asia-Pacific forum such as APEC on the issues that are of mutual benefit. Crone has written that “by strengthening its own institutions, expanding ASEAN ties with Indochina and participating in larger institutional forums, the ASEAN members are attempting to adopt their pursuit of economic security to current political and economic realities.”

ASEAN with Vietnam will take on more economic and political weight in international affairs. However, the incorporation of Vietnam into a successful organisation like ASEAN, would bring about some side effects. Thus, it is important to look at the economic, political and security consequences of Vietnam’s membership.

The basis for ASEAN to consider Vietnam’s membership is that it will help to reduce any concern in ASEAN of Vietnam as a possible security threat. Vietnam’s desire to create a peaceful regional environment favourable for economic development is shared by all the ASEAN states. ASEAN countries can see Vietnam as a partner in
their efforts to build a new regional order and as an advantageous market to expand trade and investments. ASEAN has experienced reduced access to traditional markets in Europe and North America because of protectionism. Thus, many achievements have been recorded in economic relations between Vietnam and the ASEAN states.

The Bangkok Fifth ASEAN Summit in 1995 is a key turning point for all ten Southeast Asian economies, as it was the first time that Vietnam joined an ASEAN meeting as a full member and was the first step for the rest of the Indochinese states to join ASEAN. Vietnam has gradually made its economic policies similar to those of the other ASEAN states, particularly in AFTA. A list of more than 1,000 products has been issued by the Vietnamese government to comply with the CEPT for ASEAN countries in 1996. The reduced tariff came into effect as from 1 January 1996.

ASEAN's fifth summit brought together for the first time leaders of all ten Southeast Asian countries - including Burma, Laos and Cambodia - in a preview of future ASEAN meeting. Thailand's Prime Minister, Banharn Silpa-archa, urged Vietnam to carry on the ASEAN vision of 'One Southeast Asia' by inviting Laos, Cambodia and Burma to attend the next ASEAN summit held in Hanoi in 1998. ASEAN leaders have signed a treaty creating a Southeast Asia Nuclear Weapon Free Zone (SEANWFZ). ASEAN hopes that the treaty will eventually be endorsed by the U.S., China and other nuclear powers. Vo Van Kiet said that, "it is our hope that the countries outside the region...will respect Southeast Asia's aspirations to fully and early implement comprehensive denuclearisation."

253 Hoang Anh Tuan, "Vietnam's membership in ASEAN", op.cit, p.261.
254 Vietnam's government issues list of products with reduced tariff", BBC Monitoring Service, 3 January 1996.
256 The treaty bans the dumping of nuclear waste in ASEAN waters and gives guidelines for the monitoring of nuclear power. It allows 'innocent passage' of foreign submarines which may be conveying
that Vietnamese refugees across Asia should be repatriated by the end of June 1996 because the UN, Asian and Western donor nations have agreed to stop funds for boat people.\textsuperscript{257}

In addition, for the first time, ASEAN leaders also formally approved some economic agreements of broader liberalisation of trade and services. The summit could also see new ideas floated for more economic integration in the future.\textsuperscript{258} Importantly, there has been an agreement in the 1995 fifth summit that the ASEAN countries assist in the Mekong River Delta development with China, Burma, Laos, Cambodia, Vietnam and Thailand.\textsuperscript{259} ASEAN has approved a joint drive with China to develop the Mekong basin and to lure investment from Japan and South Korea.

The most crucial political event of this fifth summit was the appearance of the non-ASEAN Southeast Asian leaders.\textsuperscript{260} As Birsel has written, ‘Leaders of disparate Southeast Asian states, divided by language, religion and culture, are pushing ahead with an ambitious plan to integrate their booming economies into one of the world’s largest common markets.’\textsuperscript{261} Nonetheless, Laos and Cambodia, both economically shaky, with weak authoritarian governments, could be more disadvantageous than nuclear weapons if they show no warlike intentions. See Chris Johnson, “Southeast Asia asks world to back nuclear pact”, \textit{Reuter News Service}, 16 December 1995.

\textsuperscript{257} The time frame is prolonged for 20,000 Vietnamese refugees in Hong Kong. The return will keep on although Vietnam refused to accept so far a U.S. plan for second interviews for those who go back, but they can apply for resettlement under existing emigration procedures. See, Evan Williams, “Regional meeting decides boat people must return”, \textit{BBC Monitoring Service}, 16 January 1996.

\textsuperscript{258} Raphael Pura, “Nukes, neighbours and trade to dominate ASEAN Summit”, \textit{The Asian Wall Street Journal}, 14 December 1995, p.2.


\textsuperscript{260} Laos and Cambodia already have observer status in ASEAN in preparation for full membership that is likely to be in 1997. At the beginning of 1996, Burma signed ASEAN’s 1976 TAC. It has since applied for observer status which could be granted in 1996. ASEAN expects that full membership for Burma could come before 2000. ASEAN 10 has become a visionary slogan for the foreign ministers as they seek to realise the dream of ASEAN’s founding fathers to have the whole of Southeast Asia united. See Yang Razali Kassim, “Vietnam joins ASEAN as its seventh member”, \textit{Business Time} (Singapore), 29 July 1995.

\textsuperscript{261} Robert Birsel, “Feature-Asia’s young dragons see strength in unity”, \textit{op.cit.}
beneficial to ASEAN for some time. Burma, with a large market and natural resource base, now seeks to be admitted to ASEAN as soon as possible.

ASEAN leaders formally endorsed a new 2003 target date for cutting tariffs on intra-ASEAN trade of manufactured and agricultural products to no more than 5% and encouraged members to meet that goal by 2000 on a “voluntary” basis. According to Antolik, in 1995 ASEAN has set a deadline of 1998 for its members to complete negotiations to ‘open certain service industries - including tourism, finance, telecommunication, aviation and business services - to intra-ASEAN investment and participation.’

Despite some doubts about Vietnam’s membership of ASEAN, some suggestions have been mentioned to enhance cooperation. Bui Xuan Nhat, Director of the Department for Economic and Cultural Cooperation of Vietnam, listed four conditions for ASEAN-Vietnamese cooperation. Firstly, ASEAN and Vietnam should learn from each other. Secondly, they should not impose one country’s ideas on another. Thirdly, there should be mutual trust. Finally, there should be more awareness in handling elements outside the region. Other ASEAN members have attempted to make the transformation of Vietnam easier by offering aid in form of educational and development projects. Singapore’s Prime Minister, Goh Chok Tong stressed that, “the first easy task we can do is to help their officials training in English.”

The income gaps between the richer states and the poorer ones could create resentment from those who are disadvantaged (possibly Vietnam). To avoid this tension, efforts should begin with steps to reconstruct Vietnam’s economy to assure that Vietnam will be strong and the rest are sure to benefit. Further efforts should be made to improve the commercial infrastructure within and between countries in Southeast Asia.

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so that ‘the distribution of the gain from growth are more evenly distributed’. What ASEAN can do next is to further raise the prospects of stability within the region by formulating a federal system for Indochina that would be acceptable to the grouping itself. From there, the process could extend to other states in the Asia-Pacific region.

**Conclusion**

With the uncertainty and complexity of the strategic environment in the post Cold War period, ASEAN needs an expanded membership and role. Vietnam, the first Indochinese state to join ASEAN, became a full new member of ASEAN in 1995. All Indochinese states have shown their interest in joining ASEAN. Over the past three decades, ASEAN has tried to embrace all ten Southeast Asian countries to enhance confidence and inter-state cooperation among its members. Frank Frost has pointed out that:

> ASEAN since 1967 has been able to play a considerable role in facilitating stability in Southeast Asia. It now has an ambitious post Cold War agenda to both stimulate trade and investment through AFTA and to help promote dialogue over security issues in Southeast Asia and in the wider Asia-Pacific region through the ASEAN Regional Forum.

For Vietnam, AFTA is a very important aspect of its membership in ASEAN. If Vietnam can adapt successfully to the liberalisation proposed by AFTA then it will be in a credible position to request acceptance in APEC when that group is willing to consider

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263 Chris Johnson, “Tough terms for poor Indochina”, *op.cit.*

264 The commonality of standard and practices are required. Common standards will allow each state to produce similar goods with differing specifications for countries with unique standards. Common legal practice, intellectual property rights as well as human rights and the environment and safety standards are playing an increasing important role in economic relations. For more details, see Narongchai Akrasanee and David Stifel, *op.cit.,* p.9-11.

265 In particular, China, Australia and Japan will be involved. See Ky Cao, “Indochina’s prospects for stability”, *Contemporary Southeast Asia,* Vol.15, No.4, March 1994, p.403.


267 Frost, *Vietnam’s Membership of ASEAN,* *op.cit.,* p.11.
new members. Vietnam has all to gain by joining ASEAN. ASEAN decided to accept Vietnam as a member because it would bring greater stability to Southeast Asia and increase foreign trade and investment in the region.

However, Vietnam’s membership in ASEAN may affect the cohesion of ASEAN and the security of Southeast Asia as a whole. The incompatible political and social system of Vietnam with that of ASEAN will make ASEAN less cohesive. In addition, ASEAN’s consensus on any issue will become more difficult. Moreover, the sense of animosity and distrust between Vietnam, China and Thailand may pose some problems. As the conflict of Spratly Islands still remains between Vietnam and China, it is likely that the ASEAN-China relationship may deteriorate. The Spratly conflict might cause some troubles for Southeast Asia as a whole. However, ASEAN, with Vietnam as a full new member, would indeed act as a counter-weight to China. In the case of Vietnam-Thailand ties, however, they have begun a new relationship which is increasingly characterised by economic interests, thereby reducing historical political animosity between them.

Ways to integrate the Indochinese states into ASEAN have been suggested. Due to different levels of development, they should initially engage in functional cooperation with ASEAN on a selective basis, in areas that are mutually beneficial, and where they are ready, willing and able. This type of initial cooperation will facilitate harmonisation, engagement and integration, and let each country set its own pace towards full integration. Snitwongse noted that economic development is a priority in

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268 "Vietnam hopes to draw up tariff reduction list on time", Bangkok Post, 29 July 1995.
271 Mohammed Jawhar, “The making of a new Southeast Asia” in Desmond Ball and David Horner (eds), Strategic Studies in a Changing World: Global, Regional and Australian Perspectives, op.cit, pp.298-301. 
the formulation of national policy, thus removing the barriers between Vietnam and ASEAN. 272 Vietnam will gradually embrace the ASEAN ‘spirit’.

Vietnam’s integration challenges ASEAN to maintain its relevance in a changing world. By expanding its membership and role in larger gatherings such as the ARF and APEC, ASEAN leaders have shown their wish to maintain the association’s momentum. The pragmatic approach is also evident in the ASEAN preference of ‘power equilibrium’ to the elusive Zone of Peace Freedom and Neutrality (ZOPFAN) concept. The approach provides a balance of external powers in a multi-polar world and one of the means towards the survival and relevance of Southeast Asia.

Vietnam’s entry into ASEAN is the most remarkable development in the Association’s history, because it is the first time that ASEAN has accepted a Communist-state member. Vietnam has tried to convince ASEAN members that its entry would not obstruct ASEAN’s process and development. Vo Van Kiet, Vietnam’s premier, stated at his first appearance at the 1995 ASEAN Summit that Vietnam’s integration has affected some of ASEAN’s working mechanisms and may disrupt the grouping’s dynamism. He also said that Hanoi has been a “small but constructive contribution as the youngest member of the ASEAN family.” 273 Yow has added that Vietnam’s entry into ASEAN would not cause problems to the other members as it joins ASEAN with political goodwill. Vietnam is indeed reforming and has successfully developed its economy. ASEAN, with Vietnam, will be an association of greater importance with a larger market and a rich and diversified culture. 274

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Importantly, Vietnam may become the next Newly-Industrialising Economy (NIE) of Southeast Asia if it can improve domestic stability and manage the paradox of combining socialist and free-market systems. The most important challenge for ASEAN is to continue vitality, international credibility and capacity to continue to contribute to regional stability.

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274 Jimmy Yow, “Vietnam outlines 3 keys factors for joining ASEAN”, op.cit.
276 Frost, *Vietnam’s Membership of ASEAN*, op.cit., p.11.
Chapter 4

Sino-Vietnamese Relations during the 1990s

For the first time in a generation, Southeast Asia has an opportunity for lasting peace. The end of the Cold War, the ebbing of the Cambodian conflict and rapprochement between Vietnam and China, and between Vietnam and the Association of Southeast Asian Nations (ASEAN), have set the stage for a positive regional security relationship. But the dispute over the Spratly Islands in the South China Sea has become an obstacle to realising this goal. Six governments-China, Vietnam, Taiwan, Malaysia, the Philippines and Brunei-claim all or a part of the Spratly Islands and/or their attendant maritime area.277

Introduction

Sino-Vietnamese relations have been complicated for a long time. In the last two decades, there have been some serious disputes between the two countries, for example, the 1979 Chinese punitive invasion of Vietnam.278 Another event was the naval skirmish between Vietnam and China in March 1988 arising from the sovereignty disputes over the Spratly Island in the South China Sea. Moreover, there has been conflict over land borders affecting railway links between the two countries, which would increase trade between the two nations.279 Vietnamese refugees in other Asian countries, including China, create problems of their own regarding repatriation.

However, because of rapid change in the international political arena and their respective domestic economic problems, China and Vietnam have sought to normalise their relations. Sino-Vietnamese relations have improved greatly since the Paris Agreements regarding Cambodia. The normalisation of relations between the two countries achieved in November 1991 produced the exchange of delegations from both

278 This clash occurred after Vietnam invaded Cambodia. Large casualties resulted on both sides.
279 Carlyle Thayer, Beyond Indochina, Adelphi Paper No. 29 (London: Oxford University Press, 1995), pp. 31-8. However, the railway links between two countries were currently reopened in February 1996.
sides as well as the increasing of trade. Although tensions still exist, it now seems that any future conflict can be resolved by peaceful means.

Significantly, Vietnam's membership in ASEAN can affect ASEAN approaches towards China. This concern is complicated by some different perceptions towards China among ASEAN members. Frost points out that Indonesia and Malaysia have some doubts about China's potential for influence in the region, whereas Thailand and Singapore have been encouraging the development of relations with China.\footnote{The differences are discernible during the period of the Cambodian conflict. For instance, Indonesia had been critical about the extent to which Thailand had improved relations with China. However, nothing eventuated in the end, because ASEAN wanted to maintain an agreed position over Cambodia. For more}

At present, the territorial dispute in the South China Sea is still a hot issue between China and Vietnam. China claims that the Spratlys are part of its sea territory. With strategic locations, potential abundance in natural resources such as fish stocks and oil, with China, Taiwan and four ASEAN countries (Brunei, Malaysia, the Philippines and Vietnam) as claimants; the Spratlys dispute represents a major security concern to Southeast Asia as a whole.

This chapter focuses on the relations between China and Vietnam before and after the Cambodian conflict. Since Vietnam decided to withdraw its troops from Cambodia in the late 1980s, Chinese foreign policy towards Vietnam has changed. The study also investigates Sino-Vietnamese relations after their normalisation in 1991. Some problems which may yet affect these improved Sino-Vietnamese relations are discussed. They include the overlapping territorial claims both at sea and land, smuggling and Vietnamese refugees. The South China Sea dispute will be discussed in particular as this has the greatest potential to provoke Sino-Vietnamese conflict. The discussion will focus on the differences between Chinese and Vietnamese claims. The attempt of China, Vietnam and other countries in ASEAN to help find the way to settle
the dispute will also be discussed. Furthermore, ASEAN, with Vietnam as a full new member, has to consider carefully its foreign policy towards China. Some ways to deal with China and to resolve outstanding problems are mentioned in this chapter.

4.1. Sino-Vietnamese relations.

Over the last four decades Sino-Vietnamese relations have been complicated. Ideology once brought China and Vietnam in a relationship characterised as “close as lips and teeth” or “comrade plus brother” during the 1950s. Now, in the post Cold-War era, Vietnam finds itself in a unique position, but must always consider Chinese power and interests when designing its own foreign policy. Frost has pointed out that:

Strong differences in interest and perspectives emerged in the early 1970s, when China was intent on promoting détente with the United States while the Second Indochina War was still continuing. After the end of the war, Vietnam hoped to retain aid from China but a series of disputes and the onset of the conflict in Cambodia saw relations decline dramatically

4.1.1. Sino-Vietnamese relations since 1975

Since the re-unification of Vietnam in April 1975, China has been fearful of Vietnamese regional hegemony because of the Vietnamese-Soviet alliance relationship, which posed a serious threat to Chinese security. In 1978, the Vietnamese Communist Party (VCP) declared that ‘China was the dangerous and most direct enemy of the Vietnamese people’ because of Chinese support for Democratic Kampuchea. The Sino-Vietnamese explanation, see Frank Frost, Vietnam’s Membership of ASEAN: Issues and Implications, Current Issues Brief No. 3 (Canberra: The Department of the Parliamentary Library, 1995), pp. 7-8.


Vietnamese border of February-March 1979 was triggered by Vietnam’s invasion of Cambodia in late 1978.285

For almost five years later, relations between both sides were bad because of China’s policy of ‘bleeding Vietnam white’.286 Before Vietnam invaded Cambodia (May-June 1978), China had refused to offer any benefits and aid to Vietnam; China taught Vietnam a crucial lesson that any challenge to Chinese power would fail.

However, by 1981-1982, Vietnam’s foreign policy towards China began to change with Brezhnev’s desire to normalise the relations with China. In the 1982 Fifth Party Congress, Vietnam called for friendly relations with China on the basis of the principles of peaceful coexistence.287

After the Cambodian conflict, changes in international relations and many internal factors, especially the 1986 Sixth Party Congress, caused China and Vietnam to end hostilities, resulting in discussions on the resolution of the Cambodian conflict. In addition, China’s foreign policy has been described as coercive diplomacy.288 In 1986, China indicated that Soviet support for the Vietnamese occupation of Cambodia was an obstacle to Sino-Soviet normalisation. Pressure from China and internal problems forced the Soviet Union to adjust its foreign policy towards Vietnam. For instance, when China and Vietnam clashed over control of some of the Spratly Islands in March 1988, the Soviet Union remained almost totally silent.289 Sino-Soviet rapprochement was achieved at the Gorbachev-Deng summit of May 1989. Subsequently, Vietnam

286 For more details, see Carlyle Thayer, “China’s domestic crisis”, Ibid., p.90.
287 Ibid., pp.90-91.
289 Ibid., pp.1174-75.
predicted the withdrawal of Soviet support and prepared a strategy for withdrawal from Cambodia. 290

In addition, Chinese military support for the Khmer Rouge and international political and economic isolation also pushed Vietnam to change its foreign policy towards China. The success of Chinese coercive diplomacy has brought about the peace settlement in the Cambodian conflict. As Vietnam tried to negotiate to end the Cambodian conflict following its 1984/85 Dry Season Offensive (K-5 Plan), China toned down its shelling of Vietnam’s border provinces that affected the decoupling of the situation in Cambodia from the situation along its frontier with Vietnam. 291 It was soon evident that the Vietnam-China border conflict was a ‘phony war’ 292 and that a thaw in the relationship was underway. 293

In mid-1987, Vietnam adopted a crucial new national-security doctrine manifested in Politburo Resolution 2 to strengthen ‘National Defence in the New Revolutionary Stage’ overturning the security orientation of the previous decade. 294 By 1987 China and Vietnam reached a modus vivendi. 295 A Vietnamese diplomat stated in 1988 that Vietnam was ready to ‘do a bit of kowtowing to the Chinese’. 296 The Vietnamese soldiers were officially withdrawn in 1987, the last one leaving in

293 This was signalled by the appearance of Nguyen Co Thach at Chinese National Day celebrations held at the Chinese embassy in Hanoi, and the exchange of prisoners. See more details in Carlyle Thayer, “China’s domestic crisis and Vietnamese response, April-July 1989”, op.cit., pp.91-2.
294 See more details in Carlyle Thayer, Beyond Indochina, op.cit., p.23.
296 Nayan Chanda, “Taking a soft line”, FEER, 8 December 1988, p.27.
September 1989. Except for perhaps 1,500-2,000 technical advisers, the entire Vietnamese occupation force has been fully demobilised.\textsuperscript{297}

Regarding its economy and international isolation, Vietnam has re-evaluated its international relationships following its withdrawal from Cambodia. Vietnam expected the Asian community to end its isolation and lessen distrust and suspicion of Vietnam. The Vietnamese withdrawal reflected the normalisation of relations with China after over a decade of mutual antagonism. Frost points out that although suspicion and potential conflict of interests between Vietnam and China still remain, internal and external factors in both countries have encouraged an improvement of relations.\textsuperscript{298}

The Vietnamese attitude towards China has changed. This was clear in that at the 1996 Sixth Congress, as Thayer has stated, all hostile references to China were deleted from the state constitution and tension on the Sino-Vietnamese border was gradually reduced.\textsuperscript{299} In addition, cross-border trade developed extensively in the late 1980s.

4.1.2. Sino-Vietnamese relations after the 1991 normalisation

Politics

The normalisation with China provoked dispute between party leaders whether or not to establish military relations with China. A group centred in the Vietnam People's Army (VPA), on the one hand, advocated going beyond normalisation and re-establishing formal military and security ties. On the other hand, it was argued that Vietnam should continue an omni-directional foreign policy with all countries as the best guarantee of its security.\textsuperscript{300}

\textsuperscript{297} In fact, Vietnam first started withdrawing its troops in 1982. See Gary Klintworth, "Forces of change", \textit{op.cit.}, p.219.


\textsuperscript{299} Thayer, "China's domestic crisis and Vietnamese responses, April-July 1989", \textit{op.cit.}, p.81-97, 90-2.

\textsuperscript{300} For details of discussion of these two groups, see Carlyle Thayer, "Sino-Vietnamese relations: The interplay of ideology and national interest", \textit{op.cit.}, pp. 513-28, Carlyle Thayer, "Vietnam: Coping with China", \textit{op.cit.}, pp. 351-67.
After a 1990 secret summit of party leaders in Chengdu, southern China, Vietnam’s ‘pro-China lobby’ became ascendant within the VCP. Chinese and Vietnamese heads of government and heads of party signalled a move towards mutual self-restraint. Both were ready to settle differences as socialist states’ placing emphasis on solidarity.

At the seventh national party congress in mid-1991, the main opponent of the re-establishment of relations with China, Foreign Minister and Politburo-member Nguyen Co Thach, was dismissed. This congress made crucial steps to promote rapprochement with China. General Le Duc Anh, Minister for National Defence, went to China to press for normalisation. Agreement was reached, and in November 1991 Sino-Vietnamese relations were normalised on a party-to-party basis which ended more than a decade of hostility. The summit between Premier Vo Van Kiet and Party Chief Do Muoi and their Chinese counterparts in Beijing was public and proved to be especially cordial.

At this meeting, Vietnam pressed China to expand the relationship to include security guarantees just short of a formal military alliance. China and Vietnam in the late 1980s have reached an agreement producing a cease fire along the border, the end of hostile media campaigns, the monitoring of military activities along the border, the end of harassment of peasants, and the liberalisation of border exchanges to allow trading and visits.

Most significantly, the Soviet decline in Southeast Asia lessened China’s suspicion of encirclement through Vietnam and Cambodia. The collapse of the Soviet Union, the reduction of US military power in the region and Sino-Vietnamese

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normalisation contributed towards peaceful relations. Also normalisation was not to be hindered by territorial disputes. China’s participation in the 1991 workshop on the South China Sea in Indonesia indicated that this dispute could well be handled by negotiations among all parties concerned. China offered prospects for renewed cooperation with Vietnam in areas such as economics and trade, and a summit in Beijing.\(^{304}\)

Since then, several ministers, foreign ministers, and premiers of both sides have exchanged visits. Many major agreements touching on aid, trade, investment, commercial arrangements, scientific and technological exchange, cultural and educational matters were signed. A framework for bilateral relations was also set out in a joint communique issued in 1991 that included guidelines for Vietnam’s relations with Taiwan - a sensitive subject for Beijing.

Despite the improvement of Sino-Vietnamese relations since 1991, the relations have been described as ‘comrades but not allies’,\(^{305}\) because border disputes in the South China Sea remain. In February 1992, the Chinese National People’s Congress laid claim over the South China Sea. In May 1992, the government signed an agreement with a U.S. firm to explore for oil in an area disputed with Vietnam. In June 1992, Chinese troops set up another outpost on a reef. However, it seems that China and Vietnam believe that it is better to improve their relations. In December 1992 Premier Li Peng visited Vietnam, the first for a Chinese head of government in 21 years. He reassured Hanoi that “the common points between Vietnam and China outweigh and outnumber their disputes.”\(^{306}\)

Following the rapprochement, China’s Defence Minister, Sr. Lt-General, Chi Haotian, visited to Vietnam in May 1993. He stated that ‘friendly relations between the two countries are historic and should be developed’. Vietnam has also maintained its omni-directional foreign relations in particular with the ASEAN countries. However, its membership of ASEAN does not assure that Vietnam’s relations with China will become stronger. ASEAN stands to gain little if Vietnam became a new front-line state.

**Economics and trade**

Sino-Vietnamese economic relations have been strengthened gradually since the 1991 normalisation despite a border dispute and occasional incidents in the Gulf of Tonkin. Cross-border trade increased from US$ 40 million in 1991, to US$ 179 million in 1992, and US$ 330 million in 1993. Sino-Vietnamese trade in 1995 increased markedly to almost 1 billion dollars, up from 534 million dollars in 1994. Vietnam is Guangxi province’s second largest foreign trading partner, illustrating the importance of cross-border trade to the local economies concerned.

While Sino-Vietnamese bilateral relations improve, Vietnam must consider the implications of future developments in China. Vietnam would be badly shaken if China became unstable. To a certain degree, “Vietnamese regime security is indirectly dependent on the longevity of the Chinese Communist Party (CCP) regime.” Thus, in sum, the Sino-Vietnamese normalisation is not only in the world’s and region’s economic interests but it also in the interest of peace in the political sense that the two are gradually integrated into the global arena. However, there are some problems

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308 Thayer, *Beyond Indochina*, op.cit., p.58.
310 Thayer, *Beyond Indochina*, op.cit., p.56.
needing to be addressed including Vietnamese refugees and the smuggling of cheap Chinese goods into the Vietnamese market. Most importantly, there are unresolved territorial disputes over the land and sea border such as the Spratly Islands, which China claims as part of its ‘inland waters’.

4.2. Maritime Disputes

4.2.1. The South China Sea dispute

General background and causes of dispute

The Spratly Islands archipelago is situated in the South China Sea. It comprises hundreds of shoals, reefs, atolls, and small, mostly uninhabited islets. The Spratly Islands lie 900 miles south of Hainan (the Chinese Island), 230 miles east of the Vietnamese coast, 120 miles west of Palawan (the Philippines Island), and 150 miles north-west of Sabah (the Malaysian state). The area of the archipelago is approximately 150,000 square miles.\(^{311}\)

The Spratlys are separated from the continental shelves of China and Taiwan by a 3,000 metre trench to the north and north-east and from the Philippines, Brunei, and Sabah (Malaysia) by the East Palawan Trough. The area is poorly surveyed and marked as “Dangerous Ground” on navigation charts. The largest island, Itu Aba, is 0.4 square miles in area, and Spratly Island is 0.5 square miles.\(^{312}\)

The Spratlys are strategically vital because they are located astride the sea lines of communication that link the Indian and Pacific Oceans via the Malacca, Sunda and Lombok Straits. “Exercise of sovereign control of the Spratlys, with the attendant territorial seas and exclusive economic zones (EEZs), presents a potentially central and commanding position in the region.”\(^{313}\)


\(^{313}\) Ibid.
It was reported that the area was rich in hydrocarbon deposits.\textsuperscript{314} The granting of petroleum and natural gas concession in the disputed areas is a common but provocative means for claimants to exercise their jurisdiction.\textsuperscript{315} China, Taiwan and Vietnam claim all islands in the Spratly area. Malaysia and the Philippines claim several islands, and Brunei claims one reef. The Chinese, Taiwanese and Vietnamese claims are based upon historical reasons. The right of discovery is claimed by the Philippines while continental shelves and the law of the sea are pronounced for their occupations by Malaysia and Brunei.\textsuperscript{316} (See Maps in Appendix A and Appendix B)

China has taken a remarkable role in claiming its sovereignty over the Spratlys. China's approach toward the dispute has changed from a low-profile one in the 1950s and the 1960s, to growing concern in the 1970s and an assertive policy since the 1980s. This concern has grown since the Filipino President, Marcos, claimed that the "Kalayaan Islands" were its extension of Palawan Island, in 1971. South Vietnam claimed the Paracel Island in 1973. Then, Malaysia formally claimed certain islands and reefs within its 200 mile exclusive economic zones.\textsuperscript{317} These claims challenged China to express concern and to adopt a more assertive role towards the area.

Significantly, China's increasing demand for oil for industrialisation has forced it to show greater concern.\textsuperscript{318} Because of this, China cannot let the Spratlys be occupied by other claimants, in particular its major challenger, Vietnam. In 1986, UNESCO's Ocean Committee cooperated with China to construct two observation posts in the

\textsuperscript{316} Ibid., p.8.
\textsuperscript{318} However, it appears that reports of large oil and gas reserves are based on insufficient information and that the Spratly area is not presently a high priority for major oil companies. See Mark J. Valencia, \textit{China and the South China Sea Disputes}, op.cit., p.11.
Spratlys. Consequently, Shee Poon Kim has pointed out that this assumed Chinese justification to have a greater presence in South China Sea.\textsuperscript{319}

The most serious Chinese action over the South China Sea was the March 1988 naval skirmish over the Spratly Islands near Landsdowne Reef between China and Vietnam.\textsuperscript{320} It was reported that three Vietnamese ships were sunk and about 70 killed.\textsuperscript{321} Apparently, both countries continue to station troops and establish markers on previously unoccupied features.\textsuperscript{322} China has continued to strengthen its blue-water naval and air capacity in the area by deploying its high-technological aircraft\textsuperscript{323} to protect the coastal economy, sea trade and fishing industries, resources in the South China Sea, and control the sea lanes that assumes China’s naval capability to be a major sea power.\textsuperscript{324}

In 1987, China announced that the Spratlys were part of Hainan province. It also passed a Law on Territorial Waters and Their Contiguous Areas which made its sovereignty claim over the Paracel and Spratly Islands more solid.\textsuperscript{325} Importantly, China gave a concession to the Crestone Energy Corporation of the U.S. to search for oil in the Vanguard Bank area; an area which Vietnam has claimed as part of its continental shelf.

\textsuperscript{319} Shee Poon Kim, “China’s changing policies toward the South China Sea”, \textit{op.cit.}, p.305.
\textsuperscript{321} “Intelligence”, \textit{FEER}, 26 April 1990, p.8.
\textsuperscript{322} “China stirs the pot”, \textit{FEER}, 9 July 1992, pp.14-5.
\textsuperscript{323} China decided to build a 260,000 square feet air strip and stationed some troops and artillery unit on the Paracels. For more information, see Shee Poon Kim, “China’s changing policies toward the South China Sea”, \textit{op.cit.}, 1994, pp. 301-321: 306 and Nayan Chanda, “China acquires sensitive military gear”, \textit{Asian Wall Street Journal}, 23 March 1992, p.2.
China reaffirmed and promised to protect the company with force.\textsuperscript{326} Li Peng and Vo Van Kiet then met in Vietnam to find a way to resolve the problem.\textsuperscript{327} China proposed to divide the overlapping area and each separately develop by its own way while Vietnam proposed a joint development idea.

In any case, the disputes are not primarily about oil but rather about the strategic significance of the islands and sovereignty. Thus, access to potential oil is not really the primary objective of such a settlement. It should be considered carefully in long term and in various ways, particularly when ‘territory’ is involved, as it becomes more complex.\textsuperscript{328}

\textit{Claims to the Spratly Islands}

Because the claims to the sovereignty over the Spratly Islands are multilateral, the issue is complicated. Importantly, the claims are incomplete and caution inconsistent historical data, different concepts of ownership and imaginative interpretations of international law of the sea.

There have been various methods used to display and to support their rights over the Spratlys by the claimants. These have included using military force, showing the flag, occupying islets, establishing structures and markers on islands, establishing scientific research station, enacting laws, uniting the area into nearby provinces, publishing maps and releasing historical documents to verify claims, allowing tourists and journalists to visit islands, and granting concessions to oil companies.\textsuperscript{329}

\textsuperscript{326} “China, Vietnam to hold talks to settle dispute over Spratlys”, \textit{The Straits Times}, 3 July 1992; “China’s Spratlys deal has oil firms in Hanoi worried”, \textit{The Straits Times}, 27 June 1992.
\textsuperscript{327} Supapohn Kanwerayotin, “China, Vietnam fail to resolve territorial rows”, \textit{Bangkok Post}, 3 December 1992, p.6.
\textsuperscript{328} Valencia, “Spratlys solution still at sea”, \textit{op.cit.}, p.159.
**Chinese claims**

China has presented historical documents to support the argument that the Spratlys archipelagoes have belonged to China since ancient time. The islands of the South China Sea are collectively described in Chinese mythology as the "Tongue of the Dragon" and are seen as an inseparable part of China.

China claimed that these islands were discovered, developed and administered by China during the Han Dynasty in 206 B.C. to 24 A.D. During the 10th-16th centuries, the South China Sea was used as a principal Chinese transit route for world trade. The Chinese claim to have surveyed, worked and administered the Islands in the period 206-220 A.D. Guoxing has stated that China began to exercise jurisdiction over the Paracels during the Tang Dynasty (AD 618-907), and over the Spratlys during the Ming Dynasty (1368-1644). Historical claim includes a Sino-French treaty on 26 June 1887. Chinese government spokespeople have pointed out that both the Paracels and the Spratlys lie east of the delimitation line as provided and were transferred to China in the 1887 Conventions; therefore, they are a part of Chinese territory.

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330 Since the separation of China and Taiwan in 1947, claims to occupy the area were dealt with separately. However, this chapter focuses only Chinese and Vietnamese claims. For more details of other claimants, see Ji Guoxing, *The Spratlys Disputes and Prospects for Settlement* (Malaysia: Institute of Strategic and International Studies, 1992), pp.8-14, Lee G. Cordner Am Ran, *op. cit.*, pp.35-42 and Mark J. Valencia, *China and the South China Sea Disputes*, *op. cit.*, pp.8-24.

331 The ROC's rule over the Spratly Islands was fully restored after the Second World War. See, "ROC has sovereignty over Spratlys", *The Free China Journal*, 17 November 1992, p.7.

332 Lee G. Cordner Am Ran, *op. cit.*, p.35.

333 It was first recorded that the Chinese used the Spratlys for fishing activities. See "ROC has sovereignty over Spratlys", *The Free China Journal*, 17 November 1992, p.7. And Ji Guoxing, *The Spratlys Disputes: Prospects for Settlement*, *op. cit.*, pp.8-14.


336 After Vietnam became a protectorate of France in 1884, a Convention respecting the Delimitation of the Frontier between China and Tonkin (Vietnam) was signed on 26 June 1887. For more details of claims of historical claims of China over the Spratlys, see Hung Dah Chiu and Choon-Ho Park, "Legal status of the Paracels and Spratly Islands", *Ocean Development and International Law Journal*, Vol.3, No.1, 1975, p.11. However, it is argued that at that time the islands are not named, territorial limits are not specified, and interpretation of the Convention is questionable.
first half of the 20th century, the Chinese government repeatedly reaffirmed its sovereignty over the South China Sea islands.\(^{337}\)

Since its founding, China has continued to administer and develop the Spratly Islands. Over the years, its troops have patrolled the islands; its scientific workers have surveyed them; and large amount of fishermen from Qiongghai County in Guangdong Province have been to the Spratly islands for fishing and other economic activities.\(^{338}\)

Significantly, China reasserted its rights over all of the Spratly Islands by declaring “The Law of the People’s Republic of China on the Territorial Sea and the Contiguous Zone” on 25 February 1992. It is specifically indicated in Article 2 that the Nansha (Spratly) Islands are in Chinese territory.\(^{339}\)

However, according to Cordner Am Ran, the Chinese historical claim of the Spratly Islands is invalid. Evidence is inadequate and disconnected. It does not demonstrate continuous occupation, administration or effective control as occasional transit by marines and infrequent visits made by fishermen. The case for the Treaty of 1887 is vague and non-specific. Rather, it is weakened by the fact that a Chinese official drew a chart excluding the Spratlys in 1928.\(^{340}\) Besides its occasional diplomatic protests, Chinese occupation and effective control in the Spratlys did not occur until 1988 when naval facilities and garrisons were established on a small number of features and when China clashed with Vietnam over the islands in 1988.

On the other hand, some writers have argued that the Chinese claims are valid and well-founded. For example, Guoxing has argued that judging from the international

\(^{337}\) For more details of Chinese claims, see Ji Guoxing, *The Spratlys Disputes and Prospects for Settlement*, op.cit., pp.4-5.


laws, the Chinese claims are stronger as they meet the requirements of ‘acquisition by
discovery’ (the earliest discoverer of the Spratlys). 341

Vietnamese claims

The Vietnamese claim over all the Spratly Islands comes from its historical
arguments based upon events before, during and after French occupation. Recent official
Vietnamese documents claim that ownership can be traced back to 1650-53. 342 The
Spratlys under the name of “Van Ly Troup Sa” were claimed as part of Vietnamese
territory under Emperor Gia-Long’s governance from 1816, and in 1838. 343 When the
Philippines first claimed to the Spratlys in June 1956, the Republic of Vietnam (RVN)
protested. As a result of this action, Vietnam declared that it reaffirmed its ownership of
the Spratlys. Later on, after issuing a communiqué in June 1956, Saigon sent troops to
occupy Spratly Island in August 1956. On 22 October 1956 the islands were assigned,
by the RVN, for governance by Phuoc Tuy Province. 344

Vietnam’s activity in the Spratlys was non existent over the next 15 years due to
civil war. After the oil crisis in 1973, Saigon started to place more attention on oil
development. In July 1973, Saigon began to issue oil exploration permits to foreign
companies in the areas near the Spratlys and in September 1973, it went further by
announcing the formal incorporation of the 11 main islands in the Spratlys into Phuc
Tuy Province and occupied five. 345 When Vietnam was reclaimed by the North in 1975,

341 Some more reasons have been raised to support an argument of Chinese stronger claim. For more
details of the argument, see Ji Guoxing, The Spratlys Disputes and Prospects for Settlement, op.cit.,
342 Nevertheless, the basis for this claim is not identified. See, Haller-Trost, “The Spratly Islands: A study
343 Hungdah Chiu and Choon-Ho Park, op.cit., p.11.
344 In fact, before the reunification of Vietnam, there were some contradictions over the Spratlys claim
between the North and the South. The North-Vietnam government supported China for the ownership of
the Spratlys that was against the South government claim.
the sovereignty claims over the Spratlys were reaffirmed although the North previously supported the Chinese claim. This led to the deterioration of Sino-Vietnamese ties.\footnote{\textsuperscript{346} Vietnam has been maintaining precarious garrisons on up to 22 features in the Spratlys and has been supporting a claim to effective occupation of the Spratlys since 1973.}

In addition, since the adoption of the 1982 UN convention on the Law of the Sea, Vietnam has stepped up its occupation of the Spratlys to gain the best benefits and declared that its territorial waters included the Spratlys and Paracels. After June 1989, taking advantage of China’s domestic difficulties, Vietnam seized three more reefs, increasing its number of occupied islands and reefs to twenty four.\footnote{\textsuperscript{347} Three of them are Bombay Castle, Prince of Wales Bank and Vanguard Bank. See Ji Guoxing, \textit{The Spratlys Disputes and Prospects for Settlement}, op.cit., p.10.}

However, Vietnam’s historical claim for ownership is weakened because of the absence of Vietnam’s exercise of sovereignty over the disputed area before and during the French occupation of Vietnam. Vietnam asserts that the occupation by King Gia Long in 1816 has been recorded. Nonetheless, no record of the ‘occupation’ is found in history books.\footnote{\textsuperscript{348} \textit{Ibid.}, pp.10-1.} The claims are more deficient when France pronounced that the Spratlys were never transferred to Vietnam in 1933. Moreover, North Vietnam had backed China’s claim which was against South Vietnam in 1956 and 1958. Subsequently, the reversal of that position in 1975 weakened Vietnam’s historical claim. Despite the deficiencies in its historical claims, Vietnam has occupied several islets and other insular features since 1973. This may give more recent claims some validity.\footnote{\textsuperscript{349} Lee G. Cordner Am Ran, \textit{op.cit.}, p.39-41.}

\textit{Utility of the Law of the Sea}

For centuries, there have been disputes over the scope of extension of jurisdiction to the outer sea. The continental shelf concept was brought about mainly by the need to accommodate technological innovations, anticipation of the existence of seabed resources and the capacity to exploit them. Due to this concept, the United
Nations Conference on the Law of the Sea was first held in 1958 in Geneva. Four conventions, relating to the high seas, territorial sea, fishery and the continental shelf, were drafted, however, no agreement was reached.350 The most crucial conference on the Law of the Sea was the third one in 1982 (The United Nations Conference on the LOS). It includes the traditional form of ‘complete jurisdiction’ which is identified as territorial sea and adds the notion of ‘partial jurisdiction’.351

The main conflict in the Spratlys dispute is that of sovereignty over the islands, islets and cays of the archipelago. The 1982 LOS Convention poses little help, “as it begins with an unstated premise that sovereignty of land territory is established prior to consideration of maritime issues.”352 Application of the relevant Articles in the Convention and the UN mediatory agencies, which were established to resolve of these conflicts, can only be of use if the sovereignty issues are resolved. Following the underlying principle, each state makes some reference to the law of the sea to justify its sovereignty claims. Observations on the apparent strengths and weaknesses of respective sovereignty claims are made, the provisions of the 1982 Law of the Sea Convention are considered and the strength and weakness of sovereignty claims are discussed.353

According to Valencia, the United Nations Convention on the LOS provides only a guide for solutions. It indicates that islands are naturally formed features that are above water at high tide.354

350 The Second UN Conference on the LOS was held in 1960 and also fail because of disagreement on the territorial sea. The third one was held from 1973-1982. In 1982, it was called the United Nations Convention on the LOS. For more information, see Ji Guoxing, The Spratlys Disputes and Prospects for Settlement, op.cit., p.19-20.
351 For example, Article 3 stipulates that every state has the right to establish the breadth of its territorial sea up to a limit not exceeding 12 nm. See details of the agreements of the 1982 LOS Convention in Ji Guoxing, Ibid., op.cit., p.20.
352 Lee G. Cordner Am Ran, op.cit., p.42.
353 Ibid.
They are entitled to 200 nm EEZs and continental shelves. Rocks which cannot sustain human habitation or economic life of their own may only have 12 nm territorial seas and 12 nm contiguous zones. Discovery in and of itself does not create permanent title to such features. It must be followed by long, continuous, peaceful occupation and effective jurisdiction by a state authority. But this applies only if the feature is claimed by another state or if another claimant state fails to publicly oppose the granting of title.\textsuperscript{355}

It can be concluded that the historical sovereignty claims of China, Taiwan, and Vietnam are incomplete, intermittent and unconvincing as none of them support a concept of “effective control, administration and governance” of sovereign territory. Permanent occupation by citizens of any state was notably lacking and administration consisted primarily of lodging occasional diplomatic protests if another nation’s dalliance in the Spratlys was deemed to be too long. In fact, the first effective control of the Spratlys was the 1939 Japanese occupation. Naval garrisons were established on some islands. The 1951 San Francisco Peace Treaty and the 1952 Japan-Taiwan Treaty offered the resolution in the sense of contemporary international law.\textsuperscript{356}

It seems that China had issued a legal sovereignty claim in 1958 and 1992. Chinese occupation has been continuous since 1988. Nevertheless, Cordner Am Ran points out that “photographs of PLA-N troops standing thigh deep in water, guarding some of the claimed territory, bring to question Article 13 of the 1982 LOS Convention on low-tide elevations, and Article 121 on islands. Such features do not qualify as islands nor are they ‘low-tide elevations’ within the meaning of the Convention. To qualify, they must be at a distance not exceeding the breadth of the territorial sea from the mainland or an island.”\textsuperscript{357} Although the Chinese claim is likely to be legally weak, it cannot be ignored because of its great power status as well as its recent physically-persistent presence in the Spratlys.

\textsuperscript{356} Lee G. Cordner Am Ran, \textit{op.cit.}, pp.42-3.
In fact, Vietnam may be able to claim the western part of the Spratlys as its continental shelf because it seems to be a “natural prolongation” of the Vietnamese land territory, as prescribed in Article 76.1 of the 1982 LOS Convention. Indeed, the sedimentary deposits that formed this area stemmed from the Mekong River outflow and another great river that was submerged about 10,000 years ago.\footnote{358}

A country can extend its continental shelf throughout the national prolongation of its land territory to the outer edge of the continental margin to a maximum of 350 nm or to 200 nm from its baselines if the continental margin does not extend that far. The continental margin is defined as the submerged prolongation of the land mass consisting of the shelf, slope and rise. Malaysia and Vietnam could claim parts of the area as extensions of their continental shelves. Nonetheless, Valencia noted that such claims would contradict shelf claims based on the islands themselves.\footnote{359} Although the Crestone concession is clearly on Vietnam’s \textit{geological} continental shelf and within 350 nm of its coast, China may argue that “the area is within its EEZ because it falls on its side of a median line between its westernmost claimed island and the nearest Vietnamese territory.”\footnote{360}

\textbf{4.2.2. The Gulf of Tonkin}

This dispute has deep historical origins. After Vietnam became a French colony, China signed a boundary agreement that formed the frontier between China and Tonkin (French Vietnam). With the end of Vietnam War and the development of Vietnam-Soviet relations, the delineation of the Gulf of Tonkin is one of the main maritime concerns between China and Vietnam. The hydrocarbon and marine-resources are so

\footnote{357} The nearest Chinese island, Hainan, is 900 miles away. For more details of the legal claims over the Spratlys, see Lee G. Cordner Am Ran, \textit{Ibid.}, p. 43.
\footnote{360} \textit{Ibid.}
rich that both China and Vietnam have assertively advanced their sovereignty claims in the Gulf of Tonkin. In June 1992, for example, China sent a drill ship to Vietnamese territorial waters.\textsuperscript{361} Thayer has added that in August-September 1993, the Chinese ship ‘Nan Hai Five’ sailed into Vietnamese-claimed waters and engaged in exploration activities. Vietnam made verbal protests and threatened to use force to expel it.\textsuperscript{362}

Later, China agreed to negotiate the issue. In 1993, China and Vietnam discussed the situation in the Gulf of Tonkin at high-level talks in Beijing. Both sides announced the formation of two working groups with responsibility for the Gulf of Tonkin and the land border.

Despite progressive negotiation, some conflicts remain. China still prohibits all maritime activities in the area extending to within 20 nm of Vietnam’s coast so that China could carry out pre-exploration activities in areas claimed by Vietnam.\textsuperscript{363} In 1994, the Vietnamese Navy detained three Chinese fishing boats in the vicinity of Bach Long Vi island. China protested and claimed that those fishing boats were in ‘traditional fishing waters’.\textsuperscript{364} The Gulf of Tonkin dispute is unlike the South China Sea conflict as there are only two claimants, China and Vietnam. However, it is a part of the South China Sea. Therefore, if the bilateral talks on this issue progress, they may contribute to the bilateral or multilateral talks on the Spratly settlement.\textsuperscript{365}

\textsuperscript{361} In 1887, a boundary convention was signed in Beijing stipulating that longitude 108°3’ 18’E formed the ‘frontier’ between China and Tonkin. See, Mark J. Valencia, \textit{China and the South China Sea Disputes}, op.cit., p.33.

\textsuperscript{362} Thayer, \textit{Beyond Indochina}, op.cit., p.36.

\textsuperscript{363} Valencia, \textit{China and the South China Sea Disputes}, op.cit., p.34.

\textsuperscript{364} Thayer, \textit{Beyond Indochina}, op.cit., p.36.

\textsuperscript{365} Apparently, China initiates to solve the dispute through bilateral talks. It views as a concession its offer to share the Gulf Tonkin fifty-fifty with Vietnam. For more information, see Mark J. Valencia, \textit{China and the South China Sea Disputes}, op.cit., p.34-35.
4.3. Other Sino-Vietnamese disputes

Although the amount of land in dispute is comparatively small, most involved are concerned about the technical issue of border delineation such as constructing the exact placement of border markers. Border-dispute settlement remains complicated because it also deals with sovereignty and national prestige.

4.3.1. Border conflicts

In February-March 1979, China and Vietnam fought a frontier war. In 1987, “both sides reached a modus vivendi and permitted cross-border trade.” They have withdrawn military forces since then. In 1993, four border posts were officially opened, increasing the number of official crossing points to five (an additional 31 unofficial crossings were also reported to be operating). These new border posts joined Yunnan with Lao Cai, Ha Giang and Cao Bang.

However, despite the 1991 Sino-Vietnamese rapprochement, some border conflicts have occurred. In 1992, Vietnam alleged that the Chinese guards at the Guangxi border post ousted Vietnamese farmers from the disputed area, burned their huts and used firearms to fight Vietnamese border guards. In addition, in the same year, Vietnam accused China of a military occupation of 8,400 hectares of land at 15 disputed areas along the border. The Sino-Vietnamese border is marked by 314 markers of which about 70% are still in place. Vietnam claims that the People’s Liberation Army has moved forward 142 border markers and occupied 80 km² of land.

In May 1992, Chinese workers began constructing a railway signal box at Friendship Pass 500m inside Vietnamese claimed territory, causing the postponement of the railway reopening between the two countries. Furthermore, Chinese workers

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resumed road building in the same area. Vietnam added that the Chinese moved the boundary marker at Friendship Pass 400m inside Vietnam.\textsuperscript{370}

4.3.2. Cross-border smuggling

Another concern about border conflict is the remarkable growth of cross-border smuggling. Because of the increasing volume of traffic between China and Vietnam, the flow of illegal goods into Vietnam is causing serious harm to Vietnam’s local industry. Despite the senior-official discussions between both sides and their political normalisation in 1991, progress appears to have been little in resolving these territorial disputes.

In September 1993, Vietnam’s Minister of Commerce, Le Van Triet, held talks with his counterpart in Beijing. Later, two Chinese firms opened representative offices in Hanoi. Significantly, in late November 1993, China and Vietnam signed agreements on customs and anti-smuggling co-operation. During 1993 Vietnam kept on repairing and expanding its rail service to the border including the vital lines between Lang Son and Dong Dang, and between Hanoi and Lao Cai. It has been reported by the Anti-Corruption and Smuggling Central Committee that after five months of implementation of the prime minister’s instruction No. 701 on suppressing sea smuggling, 8,903 cases of smuggling and seizures of goods worth 174 billion dong and 38,812 dollars have been recorded by various anti-smuggling units.\textsuperscript{371} Thus, the number of smuggling cases per month has dropped compared to the early months of 1995. Rice smuggling has basically ceased.\textsuperscript{372}

However, Thayer has pointed out that despite these positive developments, the cross-border rail service was not resumed due to a continuing dispute over where to

\textsuperscript{370} \textit{Ibid.}, p.37-8.
\textsuperscript{371} “Smuggling much reduced after prime ministerial instruction”, \textit{BBC Monitoring Service}, 10 May 1996.
\textsuperscript{372} \textit{Ibid.}
place border markers and customs posts.\textsuperscript{373} The railway lines between China and Vietnam were only reopened in February 1996 that has caused a Sino-Vietnamese trade boom worth about US$ 900 million.\textsuperscript{374} In 1996, the most important task has been stopping the smuggling of over 10 tonnes of drugs into Vietnam each year. It was reported that much of it was being smuggled from the north, north-west and south-west of the country, a clear reference to China, Laos and Cambodia.\textsuperscript{375}

4.3.3. Vietnamese refugees

As a result of the upheavals in Indochina in the 1970s, thousands fled Southeast Asia as refugees and economic migrants, particularly from Vietnam. During this period, it was estimated that one million Vietnamese migrated from Vietnam to the West and about 250,000 Vietnamese, mainly Hoa people, are currently living in southern China. Some Vietnamese form an ethnic community in Cambodia. Several Vietnamese refugees who left Vietnam for economic reasons have returned to Vietnam. It is estimated that about two million Vietnamese live overseas.\textsuperscript{376} The massive amount of refugees from Indochina has prompted a variety of international responses. In the late 1980s, the United Nations High Commissioner for Refugees (UNHCR) set up a programme to manage Vietnamese repatriation. Over 40,000 Vietnamese have participated in the ‘voluntary repatriation programme’ from Hong Kong which began in September 1991.\textsuperscript{377}

\textsuperscript{373} Thayer, “Vietnam: Coping with China”, in Daljit Singh, ed., \textit{op.cit.}, p.362.

\textsuperscript{374} James Pringle, “Vietnam and China reopen raillines to extend trade links”, \textit{The Times}, 15 February 1996. Importantly, as a Chinese official stressed, as long as both countries follow international practices, other problems can be smoothly resolved. See Achara Ashayagachat, “Rail link restored in bid to give Vietnam-China relations a boost”, \textit{Bangkok Post}, 15 February 1996.

\textsuperscript{375} For more details, see “Vietnam grapples with growth in heroin smuggling”, \textit{Reuter News Service}, 15 May 1996.

\textsuperscript{376} Several thousands of Vietnamese who were sent to the former Soviet Union and Central Europe as guest-workers still live there. For more information of Vietnamese refugees, see Carlyle Thayer, “Vietnamese refugees: Why the outflow continues”, in Amin Saikal, ed., \textit{Refugees in the Modern World}. (Canberra: The Australian National University, 1989), pp.45-96.
Some 30,000 Vietnamese refugees remain in camps in Southeast Asia, with the largest number in Hong Kong. The United Nations will end financial aid to the host countries in 1996. This has forced the immediate repatriation of Vietnamese refugees. The Vietnamese refugees in Hong Kong have been a trouble for the Chinese government as Hong Kong will be governed and administered by China from 1997.

It is likely that the Vietnamese government will be hesitant and slow to receive the refugees. More importantly, the Vietnamese refugees do not want to go back to Vietnam because of the socialist political system. Thus, China has tried to step up pressure to force them back to Vietnam. While the repatriation process is continuing, clashes have broken out as police and guards round up migrants for removal from the centre in Hong Kong.\(^\text{378}\) Cui Tiankai, the Chinese Foreign Ministry spokesman, expressed that the incident has adversely affected Hong Kong’s social stability, and the Chinese government is greatly concerned about it.\(^\text{379}\)

Currently, there are approximately 84,000 Vietnamese refugees living in overseas camps. More than half of them are in Southeast Asian centres and the rest in Hong Kong. The repatriation issue has been high on the agenda. China, Hong Kong, Indonesia, Malaysia and the Philippines have repeatedly pressed Vietnam to accept all refugees for repatriation.\(^\text{380}\)

4.4. Seeking settlements and recent Sino-Vietnamese relationship development

The resolution of the Spratly dispute has been mentioned in the 1982 Law of the Sea Convention. For example, Article 279 following the Charter of the United Nations

\(^{377}\) Thayer, Beyond Indochina, op.cit., p.40.

\(^{378}\) For more information, see Peter Humphrey, “Second day of riots at Hong Kong Vietnamese Centre”, Reuter News Service, 11 May 1996 and Peter Humphrey, “Fresh violence erupts in Hong Kong boatpeople camp”, BBC Monitoring Service, 11 May 1996.

\(^{379}\) “China says HK riots a danger to social stability”, Reuter News Service, 14 May 1996.

\(^{380}\) Ibid.
encourages all concerned parties to settle disputes by peaceful means, without force. Part XV of the Convention introduces guidance and suggests forums to address maritime disputes by the Law of the Sea. Article 298 emphasises optional exceptions to “Compulsory and Binding Decisions” over interpretation of Convention provisions.

Ran has noted that countries can make written declaration that they do not accept rulings on disputes involving delimitations of EEZs (Article 74) and continental shelves (Article 83), where the dispute involves concurrent consideration of any unsettled sovereignty dispute over continental or insular land territory which shall be excluded from such submissions. This Article rules out the jurisdiction of Convention instrumentalities in the Spratlys dispute, until territorial claims are resolved. Several of the protagonists have had bilateral and multilateral discussions in recent years.\(^{381}\)

While China has emphasised bilateral negotiations on the Spratlys, Vietnam has preferred multilateral talks concerning all the claimants. However, some multilateral talks have been held, with varying levels of success. Since the 1991 normalisation of relations between China and Vietnam, there have been negotiations on border problems. Although the negotiations have been slow, there have been some progress. The regional-security concerns over the Spratlys dispute seemed to be more easy to resolve when China offered a more co-operative line on the region’s other flashpoint. In June 1991, Chinese President Yang Shangkun proposed a joint exploration programme of the area exploration and suggested cordial consultations to resolve the conflict.\(^{382}\)

The Sino-Vietnamese expert-level talks on boundary delineation in the Gulf of Tonkin were held in late February 1993.\(^{383}\) Their desire to continue this process was clearly demonstrated in October 1993, when they signed a crucial accord on basic

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\(^{381}\) Lee G. Cordner Am Ran, *op.cit.*, p.43.


\(^{383}\) Valencia, *China and the South China Sea Disputes*, *op.cit.*, p.36.
principles for peaceful resolution of territorial and border issues.\(^{384}\) Both sides agreed to settle disputes over the land and sea boundaries in the Gulf of Tonkin and the South China Sea and refrain from using force. Although it seems that the settlement has not been adhered to seriously, it has had a positive impact on relations between Vietnam and China.\(^{385}\)

For the South China Sea resolutions, the South China Sea multilateral workshop series were originally set up as an unofficial process to explore the conflicting claims in the area. The first workshop was held in Bali in July 1990.\(^{386}\) The workshops are neither formal nor informal negotiations. They are hosted and co-chaired by the Indonesian Foreign Ministry and financially supported by the Canadian International Development Agency. The participants are academics and officials from the seven ASEAN economies, as well as China, Taiwan and Laos. A few academics from Canadian universities have also participated in the process as ‘resource persons’. The agendas covered merely the dispute in the South China Sea.

Fu Ying, a Chinese deputy division chief in the Asian section of the Foreign Ministry, mentioned at the 1992 Jogjakarta informal workshop on the South China Sea that “we’re aware that there are differences, so we’ve suggested shelving the dispute and establishing joint cooperation first.”\(^{387}\) In light of 1992 ASEAN Declaration on the South China Sea the dispute was called for a resolution by peaceful means.\(^{388}\)

\(^{385}\) Valencia, *China and the South China Sea Disputes*, op.cit., p.35.
\(^{386}\) Since 1990, a series of workshops on Managing Potential Conflicts in the South China Sea have been held in Indonesia under the auspices of the Research and Development Agency with its Department of Foreign Affairs. These unofficial meetings were attended by government officials and some invited academic experts from each concerned country (including Canada). The first meeting was held in Bali, 1990; the second in Bandung, 1991; the third in Jogjakarta, 1992; the fourth in Surabaya, 1993; the fifth in Bukittinggi, 1994 and the sixth workshop in 1995. See Mark J. Valencia, *China and the South China Sea Disputes*, op.cit., p.50.
It seemed that the disputes would be resolved easier because of the Sino-Vietnamese development of relations. Thayer has added that, in 1994, Vietnam’s Chief-of-Staff, Sr. Lt-General Dao Dinh Luyen, met General Zhang Wannina in Beijing. They reiterated the agreement on the friendly relations between the two peoples and the two armies.389 In 1994, Chinese President Jiang Zemin visited Do Muoi, the leader of the Communist Party of Vietnam. They agreed to put the differences aside and focus on improving relations. More importantly, they agreed to find out a long-term solution to the South China Sea disputes. They also agreed to establishment of a separate joint working group to recommend solutions for the Spratly disputes. The third and fourth round of talks were held in Hanoi in December 1994 and in April 1995.390

Sino-Vietnamese relations have grown greatly. High-ranking officials of both sides have exchanged visits on more frequent occasions. In November 1995, Do Muoi held an official visit to meet Li Peng in China to promote the good relationship and traditional cooperation between the two countries. Both of them agreed on the further development of bilateral relations.391

Apparently, both sides exchanged views on related issues and made positive progress at another round of talks of the joint Vietnam-China working group on their land border which took place in Beijing from 6th-11th May 1996.392 China has expressed a willingness to negotiate peacefully with Vietnam to resolve territorial disputes. It has urged that both sides must be patient because this dispute is very

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389 Thayer, Beyond Indochina, op.cit.
390 Valencia, China and the South China Sea Disputes, op.cit., p.38.
391 Do Muoi and Li Peng also expressed that the two sides would increase exchanges in every field, especially in scientific and technological cooperation and trade. See “China: Premier Li Peng meet Do Muoi”, BBC Monitoring Service, 30 November 1995.
392 Minutes of the meeting was signed on 10th May 1996 in the presence of Chinese Deputy Foreign Minister Wang Yingfan and Vietnamese Ambassador to China Dang Ngiem Hoanh. See, “Vietnam-China working group on land border meets in Beijing”, BBC Monitoring Service, 22 May 1996.
complicated. Moreover, they both agreed to use the principles of international law for territorial settlement.\footnote{Lee G. Cordner Am Ran, \textit{op.cit.}, p.39.}

However, the dispute over the South China Sea is long-running and very complicated. It appears that the tension between China and Vietnam over the Spratlys remains high. Vietnam continues to construct lighthouses and scientific research stations on the land features it occupies. The Soviet-Vietnamese cooperation in scientific research in the Spratlys provoked China.\footnote{"Russia helps Vietnam in Spratlys surveys", \textit{Reuters}, 26 December 1994.} In 1995, Mobil started drilling its second exploration well in the Blue Dragon field.\footnote{"Mobil drills second Vietnam well", \textit{Associated Press}, 7 August 1995. Quoted in Mark J. Valencia, \textit{China and South China Sea Disputes}, \textit{op.cit.}, p.39.} In addition, Vietnam said in 1996 that it had discovered archaeological relics from the 15th century proving the validity of its sovereignty claim over the South China Sea.\footnote{"Vietnam makes historical claim to disputed islands", \textit{Reuter News Service}, 9 May 1996.} The situation further worsened when Vietnam signed an offshore exploration and production deal with the U.S. firm Conoco Inc. in an area near the Spratlys. China, in reply, rejected it. Vietnam reiterated its sovereignty over the area and issued statements to support its position and reject China.\footnote{"Vietnam sounds off over Chinese territorial claim", \textit{Reuter News Service}, 17 May 1996.}

4.5. ASEAN and China

After the end of the Cambodian conflict, it is necessary to seek ways to avoid South China Sea disputes and transform them into cooperation because any recurrence of the dispute could cause instability in the region. The 25th ASEAN Ministerial Meeting in Manila in 1992 noted that the workshop on managing potential conflicts in the South China Sea initiated and hosted by Indonesia had called for dispute resolution by peaceful means, without resort to force and recommended all concerned
parties use the principles contained in the TAC in Southeast Asia as the basis for establishing a code of international conduct in the South China Sea.\textsuperscript{398}

The workshop at Jogjakarta in 1992 also issued a joint economic development programme by the establishment of ‘growth triangles’ between some ASEAN members and Vietnam, Lao and China. There seemed to be the prospect of joint development of resources in the South China Sea. The 1992 AMM recognised that the workshops had contributed to a better understanding of the issues of concern. Subsequently, in June 1993, a marine research workshop was held in Manila.\textsuperscript{399} Later on, at the 1993 AMM, the Chinese Foreign Minister Qian emphasised that China would not impose hegemony and power politics on others and would not threaten any countries, and furthermore believes that the dispute can be addressed through friendly negotiations.\textsuperscript{400}

However, while the 1992 Indonesian-sponsored workshop was meeting in Jogjakarta to seek solutions to the dispute, China sent more troops to six islands it occupies.\textsuperscript{401} This indicates that the informal multilateral talks were not as effective as originally expected. Valencia stresses that China has since shown its strong preference for bilateral negotiations on the issue and may try to play some ASEAN claimants off against Vietnam.\textsuperscript{402} Awanohara adds that China may attempt to use certain tactics to gain advantages ahead of negotiations.\textsuperscript{403} However, judging from past experiences, one

\textsuperscript{398} The ASEAN economies urged all parties concerned to exercise restraint with the view to create a positive climate for the eventual resolution of all disputes. For more details of ASEAN Declaration on the South China Sea, see “Twenty-Fifth ASEAN Ministerial Meeting, Manila, 21-22 July 1992, Joint Communique”, \textit{op.cit.}, pp.240-1.

\textsuperscript{399} In fact, the Indonesian workshops are separated from other ASEAN meeting that were hosted and sponsored by Indonesia. A series of technical working-group meeting have also been organised, including: Marine Scientific Research (Manila 1993 and Singapore 1994); Resource Assessment (Jakarta 1993); Protection of the Marine Environment (China, July 1995); and Legal Issues (Phuket, July 1995).

\textsuperscript{400} Raphael Pura, “Beijing pursues good-neighbour image at ASEAN meeting”, \textit{Asian Wall Street Journal Weekly}, 2 August 1993, p.4.

\textsuperscript{401} Moreover, China landed troops to erect a sovereignty marker on the Vietnamese-claimed Da Lac Reef, the nearest feature to the Crestone concession area. See Mark. J. Valencia, \textit{China and the South China Sea Disputes}, \textit{op.cit.}, p.14.


cannot assume that China will not use force as an instrument to achieve its objectives. Although China has repeatedly assured the ASEAN states that it believes in peace, its use of force in February 1979 and also in 1988 have discredited its image as a peace-loving nation. However, it may be argued that economic cooperation and economic imperative in the 1980s and the 1990s affected China's perspective of Southeast Asia, as economic cooperation between China and the ASEAN economies has increased greatly.

In July 1994, ASEAN established the ARF as a multilateral security consultative forum (as previously discussed in Chapter 3). A code of conduct for the Spratlyls was also proposed by representatives. This code is designed to help contribute to the promotion of stable regional order in the South China Sea. The fundamental principles of the code are the existing multilateral agreements such as United Nations conventions and other ASEAN treaties. They include the "renunciation of the use of force, and the need for self-restraint so that no more expansionist attempts are made in the area. It should also explore cooperation on peaceful uses of the South China Sea and agreement that disputes would not affect the development of normal bilateral relations."  

ASEAN’s statement on the Spratlyls, and subsequent pressures mounted by individual member, put China on the defensive. At the 27th AMM in 1994, China, Vietnam and the Philippines all had bilateral discussions on the Spratlyls. ASEAN and China also discussed this issue at a meeting in Hangzhou in April 1995.

The Spratly disputes have been a striking topic for discussion in AMM, and a focus of debate in both the 1994 and 1995 ARF meetings. The ministers agreed that the ARF process should move at a pace comfortable to all. China stated at the 1995 ARF meeting that it was prepared to settle the disputes on the basis of UNCLOS and also

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404 Shee Poon Kim, "China’s changing policies toward the South China Sea", op.cit., pp.315-6.
406 Thayer, Beyond Indochina, op.cit., p.33.
assured the peaceful resolutions and commitment to the ‘safety and freedom of navigation’ within the contested waters.\textsuperscript{408} However, in a change of policy, China occupied Mischief Reef in the Spratlys, claimed by the Philippines.\textsuperscript{409}

The dispute remains unsolved. In May 1996, China also announced that it was expanding the area of sea under its jurisdiction by extending its 200 miles off its coast (by more than 965,000 square miles) and repeated that this move ensured it abided by a UN maritime convention on LOS.\textsuperscript{410} China stressed that all concerned parties should refrain from any activity which would cause the situation to deteriorate further. Importantly, the People’s Liberation Army, Navy (PLAN) of China is gradually improving its operational capabilities, including its ability to employ attack submarines. The PLAN has also added to its ‘force inventories new Luhu-class destroyers and Jiangwei-class missile frigates with fire control systems, mine warfare ships and electronic countermeasures’.\textsuperscript{411}

Vietnam, as a new member of ASEAN may use ASEAN to mobilise the international community to restrain China in this conflict. Importantly, it appears that none of the ASEAN countries have wanted to do anything to provoke China\textsuperscript{412} when China has maintained that the conflict must be resolved bilaterally.

U.S. involvement in the region is another factor which has influenced ASEAN foreign policy towards China as the U.S. attention towards the region are still

\textsuperscript{407} This information of the second ASEAN Regional Forum (ARF) is from the Ministry of Foreign Affairs of Thailand.


\textsuperscript{409} In deference to Chinese wishes, the Spratly Islands were not mentioned among the eight points in the Chairman’s report on discussed issues. See Carlyle Thayer, \textit{Beyond Indochina}, op.cit., p.35.

\textsuperscript{410} For more information, see John Gittings, “China: Alarm as China charts an ocean takeover”, \textit{Guardian}, 17 May 1996 and “Vietnam sounds off over Chinese territorial claim”, \textit{Reuter News Service}, 17 May 1996.

\textsuperscript{411} This would allow China to undertake naval operations at greater capacity. See Douglas T. Stuart and William T. Tow, \textit{A US Strategy for the Asia-Pacific}, op.cit., p.36.
uncertain. It is clear that the U.S. strategic objective in the post-Cold War era is economic, which has replaced political ideology. For example, the U.S. has separated China’s MFN status from human rights issues and lifted the trade embargo on Vietnam in order to get American business support.

There are glimmers of hope. “ASEAN’s leaders pay attention on not letting the controversy block its goal of creating a Zone of Peace, Freedom and Neutrality in Southeast Asia and the economic development. ASEAN should take a united stand against China to persuade China to resolve the issue peacefully and multilaterally. At the AMM in Brunei in July 1995, ASEAN Foreign Ministers urged all claimants to ‘refrain from taking actions that could destabilise the region, including possibly undermining the freedom of navigation and aviation in the affected areas’. At the least, as Valencia notes:

Such a united front could moderate China’s future actions in the area and push the dispute towards an interim solution. There was some urgency about taking a united stand before Vietnam joined ASEAN in order to avoid China’s viewing ASEAN as a vehicle for Vietnam’s agenda. There still may be a need to take a stand before Deng’s death and the inevitable uncertainty it would bring.

It may be risky if ASEAN (with Vietnam) confronts China as a group, because this may worsen the situation. In fact, there are differing views among ASEAN members toward China. Since ASEAN makes decisions by consensus, this divergence could reappear under stress. If Sino-Vietnamese relations deteriorate, other ASEAN members will try to prevent the organisation from being dragged into the Vietnam-

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417 Valencia, China and the South China Sea Disputes, op.cit., p.42.
China rivalry. Malaysia and Singapore prefer to encourage China’s participation in a network of regional organisations. Nevertheless, if China’s strategy is clearly to divide and dominate, ASEAN may yet see the wisdom of jointly proposing a multilateral solution.

However, Vietnam’s membership of ASEAN seems to have implications for the resolution of territorial disputes in the South China Sea. Thayer has noted that “in terms of realpolitik, what is essentially a bilateral dispute between China and Vietnam might turn into a dispute between ASEAN and China.” Hence, China has to think carefully if it wants to use force to support its claims. Along with constructive engagement, the response from the ASEAN leaders to Chinese actions has been positive. China needs to concentrate on modernising its domestic economy, and a China with peaceful and prosperous neighbours will increase the prospects of growth in the region.

**Conclusion**

Despite the great improvement of Sino-Vietnamese ties since the end of Cambodian conflict, their relationship seems to be one of ‘comrades but not allies’. Currently, the most complex problem is the territorial disputes in South China Sea, over the Spratly Islands. Thayer has pointed out that the Spratlys are of strategic interest for three reasons: marine resource abundance; possible large undersea deposits of oil and natural gas; and strategic lines of communication passing through the South China Sea between the India and Pacific oceans. There is such little commonality among the

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419 Valencia, *China and the South China Sea Disputes*, op.cit., p.43.
420 Thayer, *Beyond Indochina*, op.cit., p.35.
claimants that the Spratlys dispute represents a major security concern to Southeast Asia as a whole.

Each country concerned has its own reasons to claim sovereignty over the disputed area such as historical evidence and the LOS to all or some parts of them. However, their claims are incomplete, intermittent and unconvincing as none of the claims advocate a concept of “effective control, administration and governance” of sovereign territory and permanent occupation by citizens of any state is lacking.\textsuperscript{424}

Sovereign territorial issues require resolutions beyond the scope of the LOS.\textsuperscript{425} Some aspects of the 1982 LOS are relevant variously by all parties concerned to support arguments for territory. Overall, with respect to the dispute resolutions,\textsuperscript{426}

\begin{quote}
The Spratly Islands situation highlights the limitations of the law of the sea and international law in general to provide a framework for the dispute resolution. Patience and conciliation are being urged without tangible evidence of the willingness to compromise. The players are far from finding a common playing field or an agreed game, which must first be achieved, before interpretation of the rules can be considered.
\end{quote}

What will happen if regional security and international diplomacy fail to deter China in the South China Sea? Vietnam is seemingly unwilling to revert to a tributary relationship with China, and also unwilling to become too dependent upon outside powers for security guarantees - such a course might antagonise China. Vietnam clearly is working to build a strong and independent Vietnam that is economically prosperous, and politically and socially cohesive. Vietnam has a tradition of pragmatic accommodation with powerful China and hopes to strengthen its relations with its northern neighbour. The collapse of the Soviet Union and the downgrading of US military power in the region affects the development of relations with China.

\textsuperscript{424} Lee G. Cordner Am Ran, \textit{op.cit.}, p.42.
\textsuperscript{425} \textit{Ibid.}, p.44-5.
\textsuperscript{426} \textit{Ibid.}
It is likely that Vietnam does not want to provoke China. Nevertheless, its different interests and approach to China and those of some other ASEAN economies in the South China Sea dispute may provide some potential conflicts as Vietnam has been involved in this dispute more than any other ASEAN members.

Vietnam has sought to maintain its omni-directional foreign relations in particular with the ASEAN countries. However, membership in ASEAN, as Thayer notes, does not assure that Vietnam’s relations with China will become easier. ASEAN stands to gain little if Vietnam become a new front-line state. Although Vietnam would not expect any direct ASEAN assistance in a possible confrontation with China, it would, at least, gain diplomatic support. Frost has suggested that,

Thus while Vietnam brings to ASEAN substantial military capacities and diplomatic skills, its accession to membership may pose some medium term challenges for ASEAN in maintaining a cohesive approach towards the most important regional security issue the members face, the growing power of China.

In fact, ASEAN has traditionally been unable to formulate a coherent multi-lateral security policy, especially after the Mischief Reef occupation by China. While U.S. support in the South China Sea is not assured, the U.S. might intervene in a high-intensity conflict, but may be unwilling to do so. However, economic interests would not compel the U.S. to defend Vietnam or any other ASEAN country if their garrisons in Spratlys were attacked by China. Announced formally in May 1995, the U.S. position on the Spratly dispute is that the U.S. opposes the use of force as a means of dispute resolution and freedom of navigation throughout the South China Sea should not be affected by whatever solution is reached.

427 Thayer, Beyond Indochina, op.cit., p.58.
At present, it seems that China will not use force to settle the dispute because it needs to promote good relations with its neighbours.\textsuperscript{430} China’s major concern is neither Vietnam nor the Soviet-Vietnamese military alliance. Rather, it needs to focus on rapid global economic development and its own economic improvement.\textsuperscript{431} Thus, China has to focus on its economic improvement. China has no pressure to use an aggressive policy towards other claimants as long as Russia and the U.S. are not directly involved in the dispute.\textsuperscript{432}

It is evident that China wants to promote joint development on the basis of mutual interests. This would be of immense benefits to all parties as a peaceful environment is much better than one of war which can cause the loss of lives and prosperity. However, the Chinese PLAN is still improving its operational capabilities. It is possible that clashes between China and Vietnam, which have happened in 1979 and 1988, could occur again.

\textsuperscript{432} Shee Poon Kim, “China’s changing policies toward the South China Sea”, \textit{op.cit.}, pp.319-21.
Chapter 5

Conclusion

Vietnam was admitted to the Association of Southeast Asia Nations (ASEAN) in July 1995, as the first communist member of the regional grouping. The event marked a turning point in Vietnam’s political and economic history, and will serve to quickly heighten Vietnam’s regional and international profile after years of relative isolation. Vietnam’s admission to ASEAN occurred within a short timeframe...Vietnam and ASEAN partners have put aside the political difference of the past, and have publicly emphasised the potential for regional economic cooperation.\(^{433}\)

5.1. Changes in international political arena during the 1980s

After several years of fighting, the situation in Indochina seems to be stable. The re-emergence of Vietnam has taken place due to the changing strategic environment after the end of Cold War and by Vietnam’s own economic imperatives. China’s role is also a driving force for the re-emergence of Vietnam because of its coercive diplomacy. As a result of the termination of Soviet military support to Vietnam during the late 1980s, Sino-Soviet ties have developed.

It is certain to say that bipolarity in Southeast Asia has ended. The prospects for ASEAN-Indochina integration are good. The integration process is a part of the challenge for ASEAN to maintain its role in a changing world. By expanding ASEAN membership into larger gatherings such as ARF, AFTA and APEC, ASEAN has displayed its determination to maintain the association’s momentum. ASEAN pushed its “The Zone of Peace of Freedom and Neutrality (ZOPFAN)” concept to neutralise the Southeast Asian region in order to insulate it from great power rivalry.\(^{434}\) The approach

includes a balance of external powers in a multi-polar world and one of the means towards the survival of Southeast Asia.

5.2. The re-emergence of Vietnam in the 1990s

The bottom-up pressures for reform pushed Vietnam to industrialise and modernise its country to promote its open door policy which caused the increase of foreign direct investment, economic growth and an improvement in people’s living conditions. Domestic and external pressures for change cause further renovation from central planning to a market economy. It is likely that the mono-organisational socialism or Vietnam’s one-party system will be transformed into ‘soft authoritarianism’.

The collapse of Eastern Europe and the Soviet Union that caused the cut off of aid to Vietnam, Sino-Soviet normalisation in 1989, Gorbachev’s new political thinking on reform, and the end of the Cambodian conflict influenced Vietnam to change its attitude toward foreign policy. Vietnam normalised the relations with China in 1991 and the U.S. in 1995. In 1994, the U.S lifted its trade embargo on Vietnam and dropped its opposition to development aid to Vietnam by international financial agencies such as IMF, WB and ADB. These sources of financial aid improve the prospects for economic development in Vietnam.

However, Vietnam still has some internal problems which need to be solved such as infrastructure, the legal system, the public sector, inflation, smuggling, corruption and other urgent social issues. Education and personal training to create qualified people to meet the requirements of the industrialisation process need special

435 These are stressed in the 1996 Eighth Congress draft. Human resources are emphasised as important factors for the success of industrialisation. “Party Chief Do Muoi stresses importance of industrialisation”, BBC Monitoring Service, 12 January 1996.
attention. The 1996 Eighth Party Congress is an important re-endorsement of ten years of *doi moi* policy. Harmonious economic and social development; and the reduction of poverty are the main priorities.\(^{438}\)

The fundamental solution is to improve the efficiency of the state-managed economic sector and of the economy as a whole.\(^{439}\) It is certain that Vietnam will take a long time to achieve this. Nonetheless, if the legal and political systems are developed to be more effective, Vietnam can expect more foreign investment.

Vietnam has moved to open its door to all new comers both socialist and non-socialist countries. Vietnam needs to adjust its foreign policy outlook to be more practical to the present world. Vietnam’s membership of ASEAN was the first step to integrate into the world economy.

5.3. ASEAN and Vietnam

Since 1967, ASEAN has been able to play a considerable role in stabilising Southeast Asian security. For example, it promotes dialogue over security issues in the region and in the wider Asia-Pacific region through the ARF.\(^{440}\) In the post Cold War era, ASEAN needs an expanded membership. In 1995, Vietnam, the first Indochinese state to join ASEAN, became a full new member. Vietnam also expected to join the wider-regional cooperation to request acceptance in APEC when that group is willing to consider new members.\(^{441}\) Laos and Burma have shown their interest in joining ASEAN


\(^{439}\) Two ways to resolve the problems are suggested. First is enhancing the business efficiency and competitiveness of state businesses by improving business management and modernising technologies. Second is continuing the reorganisation of businesses to improve the competitiveness. For more details, see, *Ibid.*


\(^{441}\) “Vietnam hopes to draw up tariff reduction list on time”, *Bangkok Post*, 29 July 1995.
in 1997.\textsuperscript{442} ASEAN has tried to embrace all ten Southeast Asian countries to bring greater stability to the region and to increase foreign trade and investment.

AFTA is a very important aspect of Vietnam’s membership because there are some problems which Vietnam has to adjust to this new type of economic cooperation. Vietnam also needs to catch up with the other economies. Moreover, Vietnam’s membership of ARF is questioned if it would cause some troubles because of the different political system and unresolved territorial disputes. It might become more difficult to reach a consensus.

Vietnam’s membership may affect the cohesion of ASEAN and the security of Southeast Asia because of the incompatible political and social system of Vietnam with that of ASEAN. The Spratly dispute might cause some troubles for the relations between China and ASEAN as a whole. However, ASEAN with Vietnam would indeed act as a counter-weight to China.\textsuperscript{443}

In the case of conflicts between Vietnam and Thailand, they have begun a new friendly relationship based upon economic interests. Therefore, this relationship reduces historical political animosity between them.\textsuperscript{444} However, the idea that Thailand, Vietnam, Burma and Cambodia would create a new group of cooperation is unlikely to happen because Thailand and Vietnam indeed still have some unresolved problems such as fishing rights. Moreover, the political environment in Cambodia and Burma remain unstable. They must take a long time to develop their economies.

Vietnam has tried to convince ASEAN members that its entry would not obstruct ASEAN’s process and development. Vo Van Kiet, Vietnam’s premier, stated at his first

\begin{itemize}
\item \textsuperscript{442} Cambodia may join ASEAN before 2000. See Saritdet Marukatat and Surapohn Kanwerayotin, “Thailand: Laos signals it wants to become ASEAN member”, \textit{Bangkok Post}, 24 July 1994.
\item \textsuperscript{443} Carlyle Thayer, “Keating’s vision: SE Asia free from China orbit”, \textit{The Australian}, 18 December 1995, p.2.
\item \textsuperscript{444} Surin Maisrikrod, “The peace dividend in Southeast Asia: The political economy of New Thai-Vietnamese relations”, \textit{Contemporary Southeast Asia}, Vol.16, No.1, June 1994, p.46.
\end{itemize}
appearance at the 1995 ASEAN Summit that Vietnam’s integration has affected some of ASEAN’s working mechanisms and may disrupt the grouping’s dynamism. He also said that Hanoi can make a “small but constructive contribution as the youngest member of the ASEAN family.”

Vietnam’s entry into ASEAN would not produce problems for the other members as it joins ASEAN with political goodwill. Vietnam is indeed reforming and has successfully developed its economy. ASEAN with Vietnam, as Yeow has noted, will be an association of greater importance with a larger market, a rich and diversified culture. Importantly, if Vietnam can improve domestic stability and manage the socialist and free-market system, it may become the next Newly-Industrialising Economy of Southeast Asia. The most important challenge for ASEAN is to continue its vitality, international credibility and capacity to continue to contribute to regional stability.

5.4. Towards dispute settlement

Although the development of Sino-Vietnamese relations has been improved greatly, their relationship seems to be one of ‘comrades but not allies’. The most complex problem is the South China Sea disputes because of marine resource abundance, possible large deposits of oil and natural gas and crucial Sea Lines of Communication (SLOCs) passing through the South China Sea between the India and

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446 Jimmy Yeow, “Vietnam outlines 3 keys factors for joining ASEAN”, op.cit.
448 Frost, Vietnam’s Membership of ASEAN, op.cit., p.11.
It remains unresolved as each party concerned has its own reasons to claim sovereignty over the area but none of the claims demonstrates an "effective control, administration and governance" of sovereign territory. The Law of the Sea requires a framework for the dispute resolution. Patience and conciliation are being urged.

The different interests and approach to China and those of some other ASEAN economies in the South China Sea dispute may provide some potential conflicts. Vietnam has been involved in this dispute more than any other ASEAN member. In joining ASEAN, Vietnam’s relations with China may or may not undergo change. Vietnam is no longer alone in its supposed “battles” with its former antagonist. China, on the other hand, may feel threatened by the fact that the Vietnamese are now, by virtue of their membership, backed in their efforts to stand up to China. However, Vietnam realises that it does not stand to be backed militarily in a war, but on the other hand, it may be able to rely on the economic and diplomatic support of other ASEAN members to prevent the use of force to resolve the problem.

The U.S. might also become involved in a high-intensity conflict. In May 1995, the U.S. announced its position on the Spratly dispute that it opposes the use of force to resolve the dispute. Moreover, it stressed that freedom of navigation throughout the South China Sea should not be affected by whatever solution is reached.
China, a military power, is not likely to use force to enforce its claims over the Spratly islands if Russia and the U.S. are not directly involved in the dispute.\textsuperscript{454} The changes in the world’s power balance have necessitated a rapprochement between Vietnam and China. China wants to focus on its own economic improvement and to promote joint development on the basis of mutual interests. This would be of immense benefits to all parties as a peaceful environment is much better than one of war which can cause the loss of lives and prosperity.

However, it must be noted that despite China’s declaration of its desire that peaceful means be used to resolve the Spratly dispute, the Chinese PLAN is still improving its operational capabilities. Vietnam must recognise that a course taken to antagonise China would not be in its best interests. China and Vietnam have fought in the past in 1979 and 1988. If the concerned countries are not careful about this issue, conflagration can occur and destroy the peace in the region again.

In sum, this study argues that it is a must for Vietnam to modernise and industrialise its economy. Therefore, Vietnam has to open the country to everyone to attract foreign trade and investment. Its membership of ASEAN is beneficial for both Vietnam and other ASEAN members. At least, it is the way to strengthen the regional stability through cooperation. ASEAN with Vietnam would not cause too many problems because of political goodwill that may be able to make ASEAN a greater association with a larger market, a rich and diversified culture.

However, the study argues that it is necessary to find means to transform those potential conflicts into potential areas of cooperation. To resolve the disputes, in particular the South China Sea dispute, in a short time, the study agrees with Djalal that regional states have to open free discussion, identify various areas, divide problems into

several subjects such as protection of the maritime environment, safety of navigation, institutional mechanisms for cooperation, and so on.\textsuperscript{455} He also supports the idea of Joint Development or Joint Cooperation to overcome the dispute by studying the various models of Joint Development around the world and applying in the South China Sea dispute.\textsuperscript{456}

Importantly, it is a good idea to resolve the dispute multilaterally. However, the more the other major powers, in particular the U.S., become involved in the issue, the more complicated the problem is. Therefore, cooperation and patience must be urged and a sense of “community” in the region should be developed.


\textsuperscript{456} A special Technical Working Groups (TWG) on Resources Assessment has been formed in 1993 to deal with the problem. However, few details have been made. Djalal has noted that if we know how to define the “JD Zone” for the multiple claim areas in the South China Sea, then it would make substantial progress. For more information, see, Hasjim Djalal, \textit{Ibid}. 

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## Appendix A: Vietnam: Country Fact Sheet

### General Table

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Appendix B: Map 1: Claims, Oil Fields and Concessions

Map 1: Claims, Oil Fields and Concessions
Appendix C: Map 2: Occupation of the Spratly Islands
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