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**The Implementation of Vietnam-China  
Land Border Treaty:  
Bilateral and Regional Implications**

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## ABSTRACT

In 1991, Vietnam and China normalized their relations, ending more than a decade of hostilities that culminated in the 1979 brief but devastating border war. Eight years later, the two states successfully negotiated and concluded their land border treaty (30 December 1999). Though there was some scepticism about its fairness when the treaty was introduced to the public, most people would deem it a major landmark event in the bilateral relations given such long and complicated history between the two countries.

With the land border treaty (LBT), the two countries have resolved one of the thorniest territory issues in their relationship. So far, the implementation process has shown very positive results and the two states have just completed the border demarcation process in the very last days of 2008—a historic event marking the fact that Vietnam and China, for the first time in history, have a permanent, clear and precise borderline. Currently, border cooperation between Vietnam and China is not just limited to bilateral framework but has extended to the wider regional cooperation patterns. These rapid developments, however, do not mean an end to all border-related issues. The implementation of the treaty also reveals lingering and potential issues that may continue to dwell on the relations in the future.

By identifying factors influencing the settlement and implementation of the LBT, this paper aims to explore the implications of the LBT on the overall bilateral relationship, thus to answer the central research question as to whether the border settlement has become a true win-win game for both Vietnam and China. Besides, the dimension of regional implications, examined primarily from the perspective of how the implementation of the Vietnam-China LBT contributes to the enhancement of China-ASEAN cooperation in the broader context of economic development and security in the region, is also addressed.

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# **THE IMPLEMENTATION OF THE VIETNAM-CHINA LAND BORDER TREATY: BILATERAL AND REGIONAL IMPLICATIONS<sup>1</sup>**

## **Introduction**

Territorial disputes, including border issues left behind by history between neighbouring countries, are a popular phenomenon in international relations. If mishandled, these issues usually lead to wars and conflicts, since they are intimately related to sacred territory sovereignty and nationalist sentiment of every nation. History has witnessed notable examples, such as the 1964 Sino-Indian, 1969 Sino-Russian and 1979 Sino-Vietnamese border wars or lingering unresolved border disputes between India and Pakistan, India and China, and Cambodia and Thailand. Border settlement is thus a very sensitive and complicated mission. In the Sino-Viet case, the problem is even more complicated as the two countries have a long history of wars and conflicts, most recently their 1979 border war. As a small country once annexed to Chinese territory for nearly ten decades, and naturally adjacent to this huge northern power with a 1,400-kilometres long joint border, Vietnam has been definitely sensitive in preserving its territorial sovereignty. Border disputes have therefore been the most serious source of tension in the relations since their full normalization in 1991.

However, within only ten years, Vietnam and China have successively concluded and ratified the land border treaty (1999), the Agreement on the Demarcation of Waters, Exclusive Economic Zones and Continental Shelves in the Beibu (Tokin) Gulf and the Agreement on Fishing Cooperation in the Beibu Gulf (2000). This was undoubtedly a success story and a landmark event, given the complicated history between Vietnam and China. The way the two countries have concluded and introduced the documents to their public, nevertheless, created a lot of debate, especially in Vietnam, where not a small number of people hold that the government had made concessions and suffered loss of territory to China.

Right after the introduction of the treaty in late 1999, there have been several research works by Chinese, Vietnamese and foreign scholars studying the Sino-

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\* The views of the paper are of the author's own and do not necessarily reflect those of RSIS or of the Institution where she is working, namely the Diplomatic Academy of Vietnam.

Vietnamese management of border disputes. Most of them regard the treaty as a great achievement in Sino-Vietnamese relations and a contribution to regional stability (Ramses Amer, Brantly Womack and Alexander Vuving). The minority, mainly from the Vietnamese overseas community, however, questioned its fairness.<sup>2</sup> To ease these disagreements, the Vietnamese government publicized the entire treaty, with explanations of the controversial points. The political will of the leaders both countries has helped put the Treaty into force as scheduled with the aim of turning their joint border into one of peace and friendship.

Nearly ten years after the conclusion of the treaty, bilateral border cooperation has been very positive. Against this backdrop, it is necessary to review the implementation process of the land border treaty and its implications on the bilateral relations and the wider regional cooperation in the past decade, particularly as the two countries have just successfully completed their border demarcation.

The structure of this paper is as follows. First, the paper identifies factors influencing the settlement and implementation of the LBT through which the key guiding factors in the process are outlined. The main part then aims to explore the implications of the LBT on the overall bilateral relationship, answering the central research question as to whether the border settlement is a true win-win solution for both Vietnam and China. Lastly, the dimension of regional implications, examined primarily from the perspective of how the implementation of the Vietnam-China LBT has contributed to the enhancement of China-ASEAN cooperation in the broader context of economic development and security in the region, is also addressed.

## **Deciding Factors**

### ***A sense of insecurity in the new environment***

The end of the Cold War opened a new era for Sino-Vietnamese relations. Two of the major events, namely the Soviet Union's collapse and the resolve of the Cambodian conflict, which had been "thorny issues" for the China-Vietnam deteriorated

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<sup>2</sup> See, for example, Alexander Vuving, "Power shift and grand strategic fit: Explaining turning points in China-Vietnam relations", a paper presented at the conference "Living with China: Dynamic Interactions between Regional states and China", organized by RSIS, NTU, Singapore, 8–9 March 2007, p. 437, and interviews of Vietnam's Vice Foreign Minister Le Cong Phung with the press in April 2002. More on this point will be discussed in the later parts of the paper.

relationship during the previous decade, created favourable conditions for them to end hostilities. Together with the Soviet demise were the entire Eastern European Socialist bloc and their development models, leaving the remaining socialist-oriented countries, including China and Vietnam, at a loss of direction. Worse still, this happened when both countries were facing a particularly difficult time—for China, the Tiananmen Square incident and Western isolation; and for Vietnam, economic stagnation after decades suffering from foreign embargos due to its involvement in the Cambodian conflict. Understandably, the sense of insecurity in a new and different world nudged the two neighbouring states towards cooperation.

In post-Cold War foreign relations, Vietnam placed a significant role in its relations with China, which was increasingly occupying a considerable status in the world arena. As it learnt from the past, China was not just a neighbour, but a big power with which Vietnam should have good ties. China, meanwhile, also saw Vietnam as an important bridge to engage Southeast Asia and prevent other great power's influence in its southern border. Furthermore, both China and Vietnam had to adjust their foreign policies to adapt to the new global and regional environment, which increasingly highlighted peace, stability and economic development. While the two countries were adopting domestic reforms and inward-looking policies that they deemed was the utmost goal for the immediate future, they both wanted to maintain a peaceful surrounding environment for mutual developments (*mulin, anlin, fulin*). More importantly, the two states' leaders also learnt that they were facing many similar problems that required joint efforts: coping with economic risks posed by decades of over-heating development; responding to social risks (i.e. widening the rich-poor gap, the rise of radical nationalism and environment issues); guarding against security threats posed by opposition forces and Western intervention; and exploring how to take the socialist road with respective characteristics of their own both in theory and practice. A good bilateral relation hence is in both countries' interests.

Against this backdrop, right after the full normalization in 1999, the two countries quickly identified the framework for their bilateral relations as relying on the 16-golden-word guideline of “friendly neighbourhood, all-round cooperation, long-term stability and future orientation” and the four-good-point spirit of “good friends, good neighbours, good partners, and good comrades”. As stressed in these

mottos, Vietnam and China seek to be not just each other's good neighbours, friends and partners, but more importantly, "good comrades", meaning sharing common ideals and goals. The saying by Vietnam's Prime Minister Nguyen Tan Dung in his reception for Chinese Foreign Minister Yang Jiechi in April 2008, "The mountains and rivers of Vietnam and China are adjacent, cultures similar, ideologies shared, and destinies interrelated," has profound implications in this regard. Particularly, the last point, "destinies are interrelated" (*mingyun xiangguan*), implies mutual national survival. It can thus be said without any doubt that although the relationship can hardly come back to the "lip-and-teeth" one of the 1950s, the Chinese and Vietnamese leaderships do perceive bilateral relationship as an important aspect of their foreign policy,<sup>3</sup> although China, given the asymmetry in size, population and economic strength, is a greater foreign-policy concern to Vietnam than Vietnam is to China.<sup>4</sup> In short, rapid development in their bilateral relationship after normalization has created favourable conditions for the two countries to settle their land border disputes. It is in this context that the conclusion and implementation of the LBT should be understood and assessed.

### ***Looking at the big picture***

As noted earlier, in the settlement and implementation of the Sino-Vietnamese LBT, the key guiding factor is the political will of the leaders of the two countries. Their strategic thinking is that a good overall bilateral relationship is the significant foundation for the two countries to settle minor points (looking at the big picture) and to resolve, once and for all, lingering differences on border issues on the basis of international laws. In return, the settlement of border issues may create favourable

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<sup>3</sup> As declared by two countries' leaders, post-Cold War Vietnam and China are "comrades but not allies". For further insights into the Sino-Vietnamese relations in the post-Cold War era, see Ang Cheng Guan, "Vietnam-China relations since the end of the Cold War", *Asian Survey*, Vol. 38 No. 12 (December 1998); Chang Pao Min, "Vietnam and China: New Opportunities and New Challenges", *Contemporary Southeast Asia*, Vol. 19 No. 2 (September 1997); Carlyle A. Thayer, "Sino-Vietnamese relations: The Interplay of Ideology and National Interest", *Asian Survey*, Vol. 34 No. 6 (June 1994); and Do Thi Thuy, "China and Vietnam: From friendly neighbours to comprehensive partners", *RSIS Commentaries*, 9 July 2008, reprinted as "Positive moves in Sino-Viet relations", *The Straits Times*, 14 July 2008.

<sup>4</sup> Amer, Ramses, "The China-Vietnam Relationship: Assessing a Turbulent Quarter of a Century, 1975–2000", Chap. 26, in Amitav Acharya and Lee Lai To (Eds.), *Asia in The New Millennium*. APISA First Congress Proceedings, 27–30 November 2003. Singapore: Marshall Cavendish International, 2004. See more at Brantly Womack, *China and Vietnam: The Politics of Asymmetry*. Cambridge and NY: Cambridge University Press, 2006.

conditions for the increasingly developing bilateral relations, thus furthering the long-standing friendship between the two peoples. Towards this end, Hanoi and Beijing has agreed that the conclusion and implementation of the LBT should be conducted on the principle of mutual agreement on preserving each other's sovereignty and stability, not taking action to complicate the disputes and not using or threatening to use force. On specific matters, the two governments will assign the relevant authorities to resolve in the principle of "tackle the easy things first, leave the difficult ones later" and on the spirit of "mutual complement, mutual benefit and win-win solutions".<sup>5</sup>

As such, through annual reciprocating high-ranking visits, the leaders of the two countries constantly create springboards for the relations, including the LBT conclusion and implementation, by frequently putting deadlines and roadmaps for reaching certain objectives. For example, during the visit by Vietnamese leader Do Muoi to China in November–December 1995, the leaders of the two countries agreed that "in the immediate future, the two sides will accelerate the negotiation process to early sign a LBT and an agreement on the Tonkin Gulf so that when we enter the new century, we have a land and maritime border of peace, friendship, and long-term stability".<sup>6</sup> Put differently, the leaders of the two countries had outlined a roadmap for reaching the land border treaty before the twenty-first century. The fact that both the LBT and the agreement on the Tonkin Gulf demarcation and fishing cooperation were concluded in the very last days of 1999 and 2000, respectively, somehow manifests their efforts in keeping with the schedule. Similarly, in the visit by Secretary General Nong Duc Manh to China in June 2008, the two leaders stated that they would do their best to complete the delimitation and landmark-planting process along their land border by the end of 2008 and sign a new regulation on border management. The task was, indeed, completed ahead of schedule.

### ***Objective obstacles***

Previously, Vietnam and China had a legal borderline under the 1887 French-Qing agreement, with about 300 landmarks planted on site. However, after a century of

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<sup>5</sup> News by Vietnam's Ministry of Foreign Affairs following Chinese President Hu Jintao's visit to Vietnam in November 2006, available at [www.mofa.gov.vn](http://www.mofa.gov.vn).

<sup>6</sup> Amer, 2004.

undergoing many upheavals—natural changes, human impact and the 1979 border war—this borderline had become unclear and some landmarks had been ruined or moved away, resulting in the two sides having different approaches in the direction of the borderline and, consequently, regular border skirmishes.<sup>7</sup> Defining a clear borderline was an urgent, if not compulsory, task to maintain stability in the region. Due attention, hence, was attached to the implementation of the treaty, particularly the demarcation work. While signing the agreement was a daunting task, the precise demarcation and planting of the landmarks was a no less difficult one. The borderline in the map was just a line drawn with a pen but on site, with the 1/50.000 ratio, a small adjustment could result in a big difference. This is, therefore, by no mean a simple task, given the geographical complexities of the border areas, which mostly encompass mountainous terrains not easily accessible. Other parts, made up of rivers and springs, present their own sets of issues to be settled. Adding to the natural difficulties are the movements of border landmarks over the decades and activities by the population and local authorities in the border area that have impinged on the borderline.

On the whole borderline, the two countries needed to plant about 2,000 landmarks (including main and auxiliary ones), divided into half for each. To implement this, 12 groups of delimiting and landmark planting were set up. The common understanding was that the border demarcation should be precisely, clearly and completely fixed, and marked by a full and sustainable system of landmarks on the field. Furthermore, the demarcation results must be approved by both sides. The Vietnam-China land border runs about 1,400 kilometres, connecting the seven northern provinces of Vietnam (Lai Chau, Dien Bien, Lao Cai, Ha Giang, Cao Bang, Lang Son and Quang Ninh) with two southern provinces of China (Yunnan and Guangxi).<sup>8</sup> Its terrain is mainly steep mountains (some 1,000 kilometres above sea

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<sup>7</sup> This was clearly displayed by incidents and the tension in late 1997 and early 1998. Also, military clashes along the border during the second half of the 1970s—in particular in connection with the Chinese attack on Vietnam in 1979—had left some areas in dispute along the border. Among the more notable areas were some 300 meters between the provinces of Guangxi and Lang Son, which prevented the re-opening of a railway between the two countries during the first half of the 1990s. Eventually, an agreement was reached to do so in February 1996. The area had been under Chinese control since early 1979 and Vietnam had accused China of occupying it, including Vietnam's pre-1979 end-station. See Amer, 2003, op. cit.

<sup>8</sup> The combined population of Guangxi and Yunnan is 88 million, roughly equal to the population of Vietnam. The area of the two provinces is about 610,000 square kilometres, with Quangxi accounting for 230,000 square kilometres and Yunnan, 380,000 square kilometres. The six border provinces of

level), rivers and springs (nearly 400 kilometres), mostly in very remote regions, while some particular areas are densely populated. Many parts along the border are also filled with mines and weapons left behind during the 1979 border war. Some areas, though settled in the LBT, continue to be regarded as “sensitive” due to their historical background, such as the division of Ban Gioc Waterfall and Bac Luan Estuary. Natural disasters—floods and the fact that one country has built stone embankments that changed the current of rivers and springs—have also complicated the delimitation and landmark-planting process.

Although these natural difficulties have been overcome, they did prolong the schedule. At first, Hanoi and Beijing expected to complete the whole demarcation work within three years, by 2005. The deadline has since been extended to the end of 2008. Moreover, both sides have also suffered some casualties and losses. For example, in 2001–2002, the two sides detected and deactivated mines in 721.7 hectares of borderland left behind during their 1979 border war. In the process, dozens of soldiers and workers were killed or injured in action.<sup>9</sup>

To address all these issues, the two countries established a Joint Committee for the Demarcation of the Land Border (MCD). It held its first meeting in Beijing between 19 November and 1 December 2000 and continued to meet annually to review the process. The Joint Committee would work with the demarcation of the border and with the plating of landmarks. The function of the MCD is to build a master plan, do mapping (paper and electronic); design, position and fix border pillars; settle technical disputes; and draft the final protocol on demarcation. Planting on site officially started on 27 December 2001 when the two Heads of Negotiation Delegation on Territorial Issues between Vietnam and China inaugurated the two first national border landmarks—No. 1369/1 and No. 1369/2—at the Mong Cai-Dongxing International Border Gate.

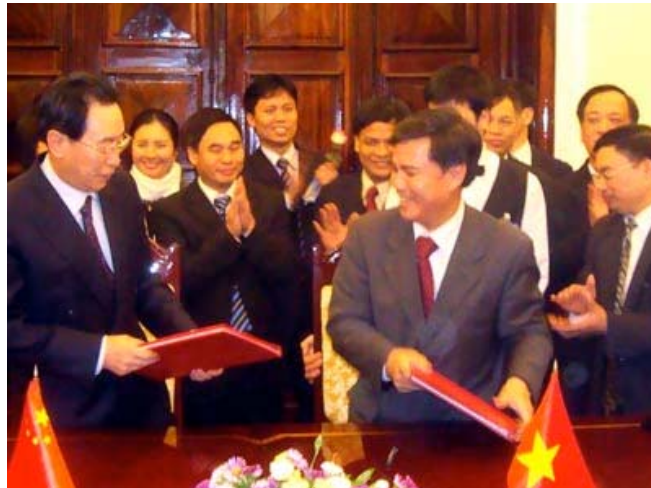
So far, border management has been generally well implemented. The delimiting and planting tasks have witnessed positive progress. As of 31 May 2007, the two sides had defined 1,017 positions of main landmarks and 197 auxiliary ones

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Vietnam combine an area of 55,584 square kilometres, accounting for 16.8% of the country's territory with a population of about four million. See Gu Xiaosong and Brantly Womack, 2000, p. 103.

<sup>9</sup> The National Committee of Border Affairs, Ministry of Foreign Affairs of Vietnam.

(accounting for about 80% of the total work).<sup>10</sup> At the 13th round of governmental level talks (January 2007) and the 19th round of talks at the Joint Committee Chairman level (February 2007) both sides demonstrated their determination to complete all the work of border landmark planting by the end of 2008 and sign a new document on “Border Control Regulation”. The wrap-up demarcation tasks had been accelerated as the deadline was approaching and the two sides agreed to settle the last outstanding disputed points (Ban Gioc Waterfall and Bac Luan Estuary) with a “packet solution”. As a result, the whole landmark-planting process ended as scheduled. The task assigned for 2009 will be the early conclusion of a protocol on the demarcation and landmark-planting process, an agreement on a new border control regulation, an agreement on the management of international border gates, and other relevant documents to bring the LBT to life.



*Vietnam's Vice Foreign Minister and Head of the Negotiation on border issues, Vu Dung, and his Chinese counterpart Wu Dawei signed the aide memoir on the completion of land border demarcation on 1 January 2009. Source: Vietnamnet*

### ***Social factors and public pressure***

Last but not least are social factors and public pressure, which posed one of the greatest challenges to the implementation of the LBT. China and Vietnam each has more than 50 different ethnics, including about more than 10 ethnics living sporadically along the border region. Due to the Qing-Franco border agreement and

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<sup>10</sup> Ibid.

the 1979 border war, a considerable number of ethnic Vietnamese were left inside Chinese territory, known as the Jing in Guangxi province, while many Chinese also inhabited in the Vietnamese northern provinces as a result of many waves of migration. The ethnic factor had been a sensitive issue and a point of contention for a long time, particularly the tension during the late 1970s over the treatment of ethnic Chinese in Vietnam—one of the excuses China used for waging its “punitive” border war against Vietnam. As the result of this border conflict, almost 280,000 ethnic Chinese left Vietnam for China, most of whom were living in the northern region. The key debate was how to address their fate. Beijing persisted in bringing up its demand for their repatriation to Vietnam whereas Hanoi continued to oppose such an idea. Understandably, Vietnam could not absorb such a large number of people, as it would have big economic and security implications on its social stability. Hanoi then argued that the ethnic Chinese had settled in China and integrated into Chinese society, and therefore a repatriation process would disrupt their lives.<sup>11</sup> Although currently the two sides tacitly accepted the status quo, the issue remained a potential source of tension.

Furthermore, due to the previous ill-defined border, Vietnam and China’s tribal minorities live and have relatives on both sides of the border. The degree of intermarriages between Vietnamese and Chinese had been exceptionally high and this had no doubt contributed, over the years, to the unusually close cultural affinity between them.<sup>12</sup> According to the new LBT, a number of residences and government offices had to be moved away from their original locations in order to return the land for the other side. An important task, therefore, was to reasonably address two states’ property as well as the issue of nationality, re-location and property of these boundary inhabitants that had arose in the process of delimitating and planting landmarks (graves, crops, real estate, etc). Education and propaganda for the boundary residents to understand and follow the LBT is not an easy task as they have age-old traditions and customs that are difficult to change. Another issue of concern is how to ensure economic benefits in the development of the border region without detriment to other long-term social interests such as employment, income, poverty reduction, cultural and ethnic issues and ecological environment protection (forestation, prevention of erosion, water sources, biological diversity, etc).

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<sup>11</sup> Amer, 2004, p. 499–500.

<sup>12</sup> Theresa C. Carino, “Vietnam’s Chinese Minority and the Politics of Sino-Vietnamese Relations”, *Praxis*, January–April, 1980.

Last but not least is public opinion. When the treaty was signed in 1999, it was not immediately released to the public. When news about its contents spread, it stirred up vehement protests, especially among the Vietnamese but also among the Chinese. The Chinese government was accused of handing over to Vietnam the Laoshan and Fakashan mountains, two of the most contested strategic heights on the Sino-Vietnamese border during and after the border war of 1979. The Vietnamese government was accused of making concessions to China, particularly for “giving away as many as 2,000 square kilometres, including half of Ban Gioc Waterfall, the most famous and biggest waterfall in northern Vietnam, and up to 4 kilometres at the Friendship Gate (*Youyi guan*), the most important checkpoint on the border line”.<sup>13</sup> As such, there had been several calls for a revision of the treaty.

Despite public pressure, largely through the Internet and mostly from overseas Vietnamese—deemed as intentionally distorting the LBT for anti-government purposes—the LBT was ratified in 2000.<sup>14</sup> In August 2002, Vietnam published the text of the treaty, although it did not include any map. In September 2002, Vice Foreign Minister Le Cong Phung provided information about the treaty.<sup>15</sup> He outlined the background to the negotiation process, the process itself, the mechanism and principles used in settling disputed areas along the border. Opposition accusations were thus dismissed as “groundless”. According to Phung, the core disputed areas in fact only cover 227 square kilometres, in which some 113 square kilometres were defined as belonging to Vietnam and around 114 square kilometres to China. He stated that the negotiation outcome conformed to principles agreed upon, thus “ensuring fairness and satisfaction from both sides”.<sup>16</sup> Despite the official explanation, public anger remained for quite some time. The implementation of the LBT was thus made under strict public observation, particularly the demarcation of “sensitive” sites, such as Ban Gioc Waterfall, Friendship Gate and Bac Luan Estuary.

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<sup>13</sup> See Vuving, 2007.

<sup>14</sup> First, the Standing Committee of the National People’s Congress in China ratified it on 29 April and then Vietnam did likewise on 9 June through a decision by the National Assembly. This was followed by the exchange of letters of ratification in Beijing and the treaty took effect on 6 July. See Amer, 2003.

<sup>15</sup> The Vietnam’s People Newspaper ([www.nhandan.org.vn](http://www.nhandan.org.vn)), 4 April 2002, and an interview with Vietnam’s Deputy Minister of Foreign Affairs, Le Cong Phung, with the press. Vice Minister Phung was in charge of territorial issues at the Ministry of Foreign Affairs of Vietnam and Head of the Vietnamese Negotiation Delegation in the Vietnam-China border settlement. See more in Amer, 2000, and Vuving, 2007. See also Nguyen Hong Thao, “The China-Vietnam Border Delimitation Treaty of 30 December 1999”, *Boundary and Security Bulletin*, Vol. 8 No. 1 (Spring 2000).

<sup>16</sup> For more information on this point, see Amer, 2003, p. 493–494, and Vuving, 2007.

When they were completed on the very last days of 2008, Vietnam's Vice Foreign Minister in charge of border issues, Vu Dung, once again affirmed the fairness and historic implications of the demarcation process and dismissed opposition charges.

In short, the conclusion and implementation of the LBT were influenced by many factors, both objectively and subjectively. However, the main driving force guiding the process is the political will shared by the common understanding between the leaders of the two countries that the settlement of the land border would greatly help further their stable and good relationship. Whether the conclusion of the LBT is a good or bad outcome is subject to interpretation. What is beyond dispute, as many scholars (Vuving, Amer and Thao) have pointed out, is that this event is a landmark of international cooperation in China and Vietnam's foreign relations.<sup>17</sup>

## **Implications of the Land Border Treaty on the Bilateral Relations**

### ***Political ties and overall bilateral relations***

First, it should be noted that the 1999 LBT settled one of the oldest disputes between Vietnam and China. It is the result of long-term negotiations, showing both sides' efforts, with full consideration of international laws, international practices and concessions from both sides. In general, the settlement of the land border creates a momentum for the two countries to conclude the Agreement on Demarcation and Fishing cooperation in the Tonkin Gulf one year later, thus completely resolving two out of three existing territorial disputes between Vietnam and China.

Another point for emphasis is that, in comparison to the Franco-Qing Treaty, and thanks to modern technology, the 1999 LBT identifies more clearly and exactly the Vietnam-China borderline. The demarcation of a clear borderline facilitates the management and stability maintenance of the border region as well as creates a favourable stable environment for economic cooperation between Vietnam and China, especially in the border region. All military commanding positions along the borderline left over since the 1979 war have been removed. This development helps to build the Sino-Viet border into one of peace, friendship and stability, which definitely contributes to the enhancement of two countries' credibility and creates the necessary

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<sup>17</sup> See Vuving, 2007, Amer, 2003, and Amer & Nguyen Hong Thao, 2000.

momentum to push up all-round cooperation within the 16-golden-word framework. The settlement of border issues between China and Vietnam is, therefore, a significant and historic event of their bilateral relationship, and also a contributing factor to regional peace and stability. More importantly, as Ramses Amer has pointed out, the settlement of both land and maritime disputes between Vietnam and China contribute positively to the two countries' capacity to safeguard and exercise their sovereignty in the border region, particularly Vietnam.<sup>18</sup>



Map 1: Sino-Viet land border after demarcation<sup>19</sup>

### Security implications

The terrains of the border region, which are mostly remote mountains, springs and rivers, create a “haven” for trans-boundary criminals, particularly smugglers and human traffickers. The issue of the smuggling of Chinese goods, drug trafficking and its negative impact on Vietnam’s economy has also been a source of contention

<sup>18</sup> See Ramses Amer and Nguyen Hong Thao, “The Management of Vietnam’s Border Disputes: What Impact on Its Sovereignty and Regional Integration?” *Contemporary Southeast Asia* Vol 27 No. 3 (2005). For more information on the history of the land border settlement, see Ramses Amer, *The Sino-Vietnamese Approach to Managing Boundary Disputes*, *Maritime Briefing*, Vol. 3 No. 5 (Durham: International Boundaries Research Unit, University of Durham, 2002); Gu Xiaosong and Brantly Womack, “Border cooperation between China and Vietnam in the 1990s”, *Asian Survey*, Vol. 40 No. 6 (November–December 2000). Goscha, Christopher E., “The borders of Vietnam’s early wartime trade with Southern China”, *Asian Survey*, Vol. 40 No. 6 (November–December 2000); Christopher T. Roper, “Sino-Vietnamese relations and the Economy of Vietnam’s Border Region”, *Asian Survey*, Vol. 40 No. 6 (November–December 2000); and Brantly Womack, “International Relationships at the border of China and Vietnam”, *Asian Survey*, Vol. 40 No. 6 (November–December 2000).

<sup>19</sup> Source: Ministry of Foreign Affair of Vietnam and Vietnamnet

before the two countries concluded the LBT. As it seems, the smuggling and the flooding of the Vietnamese market with Chinese goods was most controversial during the earlier part of the 1990s, which led to Hanoi's unsuccessful attempt in 1992–93 to ban 17 categories of Chinese imports.<sup>20</sup> Although China had also taken measures to curb smuggling later, they were not effective. The October 1997 agreement to initiate negotiations aiming at reaching an agreement on the regulation of cross border economic activities was a clear indication that both parties were eager to cooperate in order to bring smuggling along their common border under control. These efforts eventually led to a formal agreement on cross-border trade between the two countries signed on 19 October 1998 in connection with a visit by the Vietnamese Prime Minister to China. Other measures to boost official trade and other aspects of economic cooperation also continued into the year 2000.<sup>21</sup>

Another security concern is trans-boundary human trafficking, which in the recent years has become very complicated as this is the key route for their operation. Due to the Chinese one-child policy, which has resulted in the relative shortage of women in China, women and little boys from Vietnam, especially in the border region, has become a “hot deal” for human traffickers. A survey in the ten northern cities and provinces by Vietnam's Ministry of Public Security showed that in 2002 there were 1,088 cases of Vietnamese women and children being kidnapped and trafficked to China, among which 1,066 cases were women (98%) and 22 cases were children (mostly boys under 10 years old). In 2005 alone, there were about 15,000 Vietnamese women migrating to China (mainly across the border region) to become prostitutes or wives of Chinese men. According to a report by Guangxi province's Security Department, there are currently 30,000 to 40,000 Vietnamese in Guangxi, including women and children born in China, among whom 80% are Chinese wives and 20% are prostitutes. China expelled and returned to Vietnam about 6,667 cases from 1996 to 2002 and about 3,000 cases in 2003 alone.<sup>22</sup> Till today, there have been

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<sup>20</sup> Gu Xiaosong and Brantly Womack, 2000, p. 1047.

<sup>21</sup> Amer, 2003, p. 499–500.

<sup>22</sup> Truong Nhu Vuong (Colonel), Head of V21 Institute, Ministry of Public Security of Vietnam, “*Kiến nghị các giải pháp về phòng, chống tội phạm mua bán phụ nữ, trẻ em qua biên giới Việt Nam-Trung Quốc*” (Recommendations to prevent women and children trafficking along the Vietnam-China border). Paper presented at the conference entitled, “Measures to develop Vietnam-China two economic corridors and one belt in new contexts”, Sapa, Vietnam, 2 Decemebr 2007. See also Gu Xiaosong and Brantly Womack, 2000, p. 1057.

thousands of women voluntarily returning to Vietnam, bringing along hundreds of mixed-blood children.

To address these issues, Chinese and Vietnamese border police and army (in cooperation with Interpol) have fostered joint actions, particularly in sharing information and conducting joint border patrol and control. The new regulation on border management to be signed between the two countries in 2009 is expected to open more room for cooperation in the struggle against trans-boundary crimes in the time to come. Undoubtedly, a clearly demarcated borderline will be easier to control and patrol. Security cooperation can also be stepped up, expanded and made more efficient. An additional potential benefit is that more efficient measures could be implemented to combat smuggling across the land border. In the long term, the fact that borders are settled ought to prevent them from becoming disputed issues such as during the second half of the 1970s between Vietnam and China. Seen from Vietnam's experience, effective, demarcated land borders will enable its armed forces and armed personnel to better protect the country and control activities of the borders.<sup>23</sup>

### *People-to-people exchanges*

Relations between the two countries' border provinces have also been pushed forward with frequent exchange of visits by local leaders to negotiate cooperation on investment, trade, tourism as well as maintenance of security along the borderline. The locals have also enhanced direct relations under diversified and practical forms, including exchanging delegations for study tours, signing cooperation documents, organizing workshops and exhibitions. These activities have helped step up economic-social development in these localities, especially in Yunnan and Guangxi in China, and the northern border provinces of Vietnam. In early 2007, the Ministry of Foreign Affairs of Vietnam led a delegation of seven northern provinces of Vietnam and Haiphong city to conduct economic and trade promotion in Yunnan, Guangdong and Guangxi provinces of China. On that occasion, they signed an accord with their Yunnan and Guangxi counterparts on the establishment of a joint committee and working group between the two countries' border provinces.

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<sup>23</sup> See Ramses Amer and Nguyen Hong Thao, 2002.

Cooperation in the fields of education, training, culture and sports has also been strongly promoted. Every year, China receives a considerable number of Vietnamese students, interns and sports delegations for study and training.<sup>24</sup> At the same time, Chinese experts and trainers come to Vietnam to help train in some sport fields. The two sides have also exchanged performing troupes, organized many cultural and sport exchanges, all contributing to strengthening the friendship between the two peoples.<sup>25</sup>

At the provincial level, Laocai and Yunnan have committed to foster cooperation in education. Presently, Laocai coordinates with Yunnan University and Honghe Institute to organize courses in Chinese language and specialized skills for its staff, students and enterprises. In 2005, Laocai established its Chinese-language training centre, where students will be granted HSK certificates issued by the Chinese Ministry of Education upon graduation. Besides, thousands of Vietnamese students are currently studying in China, mostly in nearby cities like Nanning, Guilin, Kunming and Guangzhou, while Hanoi also hosts an increasing number of Chinese students studying Vietnamese languages, culture and other subjects.

Tourism cooperation in the border region also has great potential for development as the area boasts many famous landscapes that can be exploited to boost tourism, such as China's Kunming, Dali, Lijiang, Xianggelila, Xixiangbana, Beihai, Guilin, Nanning, Hainan, Hongkong, Macao, Guangzhou and Shenzhen, and Vietnam's Sapa, Bacha, Mongcai, Langson, Halong Bay, Doson, Haiphong and Hanoi. The two countries hope to attract tourists from Europe, China's mainland, Vietnam and Southeast Asia with tours highlighting their original culture and ecological features. It takes less than three hours to travel from Nanning, the capital of Guangxi, via the Southeast Asian highway to the border gate in Lang Son and another three hours to Vietnam's capital, Hanoi. From here, tourists can reach numerous destinations in Vietnam and Southeast Asia and vice versa.

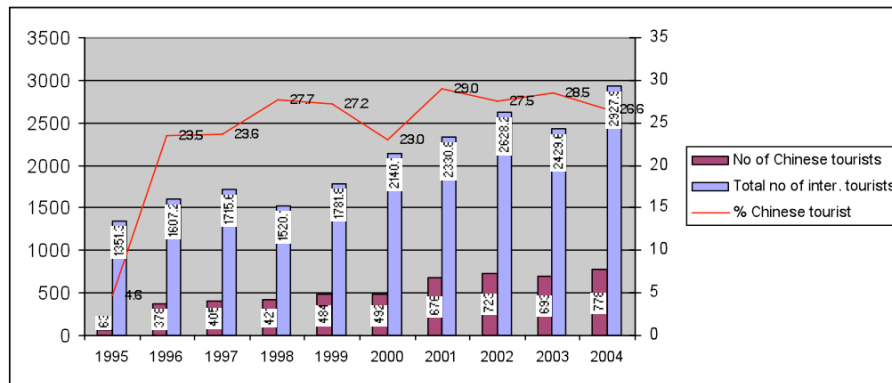
These positive developments can be illustrated in the number of tourism exchange in recent years. Chinese tourists to Vietnam increased rapidly year on year,

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<sup>24</sup> Every year, China provides about 130 scholarships for Vietnamese students, most of whom study on Chinese literature, history, arts, traditional medical treatment, agriculture and sports.

<sup>25</sup> Research papers at the Vietnam-China's conference on "Solutions for the development of Vietnam-China's two economic corridors, one belt in the new situation", held at Sapa, Lao Cai, Vietnam, on 2 December 2007.

except 2003 due to SARS. On average, during 2000–2004, Chinese tourists accounted for 26.5% of the total international tourists visiting Vietnam. The number of Chinese tourists visiting Vietnam is much higher than that of visitors from other East Asian countries and has reached a record of 778,000 in 2004. Vietnamese are also keen in sightseeing tours to China’s southern region—Nanning, Guilin, Beihai, Guangzhou, Shenzhen and Kunming. In 2004, the number of Vietnamese tourists visiting China was 167,700, a 30% year-on-year increase in comparison to 2003.<sup>26</sup>



**Table 1: Number of Chinese tourists to Vietnam from 1995 to 2004<sup>27</sup>**

Since 2006, the two states have simplified custom procedures for visitors and used the tourism card to replace the visa. However, tourism-card holders can only visit sites adjacent to the border. They cannot travel further than China’s southern region and Vietnam’s northern region within a specific duration of time. To reach destinations further than these regions or stay longer, they still have to apply for a visa. Most recently, the Vietnamese side has revised this regulation to facilitate Chinese tourism-card holders to travel to its nation-wide tourism attractions. In order to further boost tourism in the future, the two countries should adopt “single-window” customs and consider visa-waiver for their citizens.<sup>28</sup> In addition, an agreement on mutual recognition would be signed. Thanks to the just completed demarcation of “sensitive” sites (Ban Gioc Waterfall, Friendship Gate and Bac Luan Estuary), the

<sup>26</sup> Dinh Van An, President of Vietnam’s Central Institute for Economic Management, “Vietnam-China economic relations: Progress and Problems”. Paper presented at the 9th Academic Forum on East Asian economy on “Economic integration in East Asia: New opportunity for the furtherance of regional economic development”, Nanning, 24–25 November 2005.

<sup>27</sup> Source: Dinh Van An, 2005.

<sup>28</sup> Currently, only Vietnam and China apply the visa waiver for their citizens holding official and diplomatic passports. A number of boundary inhabitants are granted a cross-border booklet that facilitates their cross-border passage. Citizens holding normal passports have to apply for a visa with relative high fee (US\$30–40 per application) and long waiting time.

Hanoi-Nanning railway has resumed operations and the two sides are considering tourism cooperation in Ban Gioc Waterfall and establishing a free boat-travelling zone for border dwellers at Bac Luan Estuary. With these changes, there is still much potential to be exploited in cultural and tourism cooperation.

***“Two Corridors, One Economic Belt” – a successful model of trans-boundary cooperation***

Stability and security in the border region has helped promote economic exchanges in both the border region and the overall bilateral economic relations. There has been a surge in Vietnam-China border economic exchanges since the LBT's conclusion (from US\$1.417 billion to US\$6.74 billion in 2004.)<sup>29</sup> Recognizing the unexplored potentials for trans-boundary cooperation, Hanoi and Beijing introduced “Two Corridors, One Economic Belt” (TCOEB) between China's southern region and Vietnam's northern provinces, which have a total natural area and population of about 869,000 square kilometres and 184 million, respectively.<sup>30</sup> This took place during Vietnam's Prime Minister Phan Van Khai visit to China in May 2004. The initiative is in line with major grand development plans of the two governments towards ethnic and low-developed rural regions, specifically Vietnam's strategy of social-economic development of its northern mountainous provinces and China's strategy to “open up” its west as well as their trade and economic integration policies with the ASEAN countries.

The two corridors involve China's Yunnan, Guangxi, Guangdong and Hainan provinces and Vietnam's five northern provinces, namely, Laoai, Langson, Quangninh, Hanoi and Haiphong. The first corridor, running from Kunming to Vietnam's Laoai, Hanoi and Haiphong, covers an area of 80,000 square kilometres with total population of 19 million people. Another economic corridor will connect China's Nanning with Vietnam's Lang Son, Hanoi, Haiphong and Quang Ninh provinces. This corridor will cover a total of 60,000 square kilometres, with total population of 20 million and total GDP of US\$13 billion.<sup>31</sup>

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<sup>29</sup> Vietnamese Ministry of Trade and Industry.

<sup>30</sup> Joint Statement and Memorandum on cooperation for development of “Two Corridors, One Economic Belt”, signed in Hanoi in Nov. 2006.

<sup>31</sup> Dinh Van An, 2005.



Map 2: Two economic corridors<sup>32</sup>

Meanwhile, the Beibu Gulf economic belt, circled by the northeastern coast of Vietnam, southern Guangxi coast's Leizhou Peninsula and Hainan Island of China with its 1,595-kilometres coast and an area of over 26,000 square kilometres, is one of the largest gulfs in Southeast Asia and the world.<sup>33</sup> Currently, it embraces China's Guangxi, Guangdong, Hainan (and even extends to Hong Kong and Macao), and 10 coastal localities of Vietnam. It is advantageous for the construction, expansion and operation of many sea ports such as Qinzhou and Fangcheng ports in Guangxi, China, and Cailan and Haiphong ports in Vietnam.



Map 3: The Beibu Rim economic belt<sup>34</sup>

It can thus be seen that the TCOEB is one of the unofficial regional cooperation models akin to the “development triangle” in ASEAN’s sub-regional cooperation. In contrast to the China-ASEAN Free Trade Area (CAFTA) with its

<sup>32</sup> Map extracted from Lao Cai’s local government website, available at [laocai.gov.vn/home/view.asp?id=101&id\\_tin=20543](http://laocai.gov.vn/home/view.asp?id=101&id_tin=20543)

<sup>33</sup> More specifically, this economic belt comprises of Guangxi’s Beihai, Qinzhou and Fangcheng cities, Guangzhou’s Zhanjiang city, Hainan Island and 10 northern coastal provinces of Vietnam, namely, Quangninh, Haiphong, Thaingbinh, Namdinh, Ninhbinh, Thanhhoa, Nghean, Hatinh, Quangbinh and Quangtri.

<sup>34</sup> Map excerpted from Vietnam’s Wikipedia website on “The Beibu Rim economic belt”, available at [vi.wikipedia.org/wiki/V%C3%A0nh\\_Rim\\_kinh\\_t%E1%BA%BF\\_v%E1%BB%8Bnh\\_B%E1%BA%AFc\\_B%E1%BB%99](http://vi.wikipedia.org/wiki/V%C3%A0nh_Rim_kinh_t%E1%BA%BF_v%E1%BB%8Bnh_B%E1%BA%AFc_B%E1%BB%99)

strict regulations and mechanisms, the TCOEB relies mainly on bilateral efforts without the binding regulations. It is constructed to help maintain security, social stability in the border and the wider region, and to create dynamic development regions that are expected to give momentum to the social and economic development of the mountainous provinces. The building of the TCOEB is conducted on the principle of equality and mutual benefit. It does not affect the independence, sovereignty, territorial integrity, investment environment and cooperation of each country with third parties. These projects have three firm bases for sustainable development: (i) geographical proximity and convenient transportation; (ii) close connection to CAFTA; and (iii) strong political bonds between the two nations.

The “Two Corridors, One Economic Belt” model has opened a new development direction for economic and trade cooperation between Vietnam and China, taking advantage of exports from both sides. These include rubber, fisheries, fruits and vegetables, coal, crude oil and furniture from Vietnam, and petrol, agricultural products, steel and other equipment from China. The TCOEB also facilitates the transport of Chinese exports to other countries through Vietnam’s ports. Laocai, Hanoi and Haiphong have a transport system going to the sea, with an abundant, inexpensive labour force and a vast market, although these provinces have yet had adequate capital, knowledge and production technology.

Through these corridors, the two regions are also expected to complement each other in mutual economic development. Kunming and Nanning are fairly developed areas, in comparison to the northern Vietnam region. The production factors of Yunnan and Guangxi provinces are concentrated in these two cities. Economic cooperation between the two regions focuses on developing three different levels of industrial division of labours: (i) the Pearl (Zhu) River Delta, electronics, telecommunications and services; (ii) Yunnan and Guangxi, labour and capital-intensive industries; and (iii) Vietnam, consumer markets linking China’s southern provinces of Yunnan and Guangxi with Vietnam.<sup>35</sup>

It can be seen that the greatest advantage of cooperation in the TCOEB is that adjacent geography and convenient transportation will considerably reduce travel time from the mainland to the sea and the outside market. It takes only 35 minutes to get to

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<sup>35</sup> Dinh Van An, 2005.

Nanning from Hanoi, the capital of Vietnam, by air and only six hours by bus. The railroad from Kunming, the capital of Yunnan, to Haiphong port in Vietnam via Lao Cai, is only 854 kilometres while the shortest domestic railway from Kunming to Guangxi's Fangcheng port is more than 1,800 kilometres.<sup>36</sup> The Kunming-Laocai-Hanoi-Haiphong route is also the shortest one for the transportation of imported and exported goods from Yunnan to Vietnam and to a third country. Due to Chinese security concerns, the Hanoi-Kunming flight currently still has to fly over Nanning. If China allows a direct flight in the future, the travel time can be shortened to only an hour.



*Map 4: The Kunming-Laocai-Hanoi-Haiphong corridor, the shortest route to the sea from China's southwestern region<sup>37</sup>*

Developing a transport infrastructure is thus an important task. China has improved and constructed necessary infrastructure networks along the two corridors. The Southeast Asian highway connecting Nanning to Langson has been put into use for a long time while a new highway connecting Kunming to Hekou and Vietnam's Laocai is also operational. It is most important for Vietnam to improve its transport systems. "The most important measure is speeding up cooperation on building socio-economic infrastructure, including expressways, rail routes, seaports, power plants, telecommunications networks, wastewater treatment plants and the infrastructure of border areas", Nguyen Ba An, vice director of the Development Strategy Institute under Vietnam's Ministry of Planning and Investment, said in a seminar on the

<sup>36</sup> Research papers at the Vietnam-China's conference on "Solutions for the Development of Vietnam-China's Two Economic Corridors, One Belt in the new situation", held at Sapa, Lao Cai, Vietnam, on 2 December 2007.

<sup>37</sup> Map excerpted from Vietnam's Wikipedia website on "Two Corridors, One Economic Belt", available at [vi.wikipedia.org/wiki/H%C3%A0nh\\_l%C3%A0ng\\_kinh\\_t%C3%A9%BA%BF\\_C%C3%B4n\\_Minh\\_-H%C3%A0\\_N%C3%A9%BB%99i\\_-H%C3%A9%BA%A3i\\_Ph%C3%B2ng](http://vi.wikipedia.org/wiki/H%C3%A0nh_l%C3%A0ng_kinh_t%C3%A9%BA%BF_C%C3%B4n_Minh_-H%C3%A0_N%C3%A9%BB%99i_-H%C3%A9%BA%A3i_Ph%C3%B2ng)

TCOEB held in Sapa in late 2007, adding that the two sides should prioritize the construction of the expressways of Kunming-Laocai-Hanoi-Haiphong and Nanning-Langson-Hanoi-Haiphong.<sup>38</sup> In 2008, with ADB's funding, railways and roads connecting Kunming with Laocai, Hanoi and Haiphong will be upgraded and a new highway linking Kunming to Laocai, Hanoi, Haiphong and Quangninh will be built, followed by a trans-Asian railway line. Similarly, the Friendship Highway connecting Langson to Nanning should also be improved.

The economic zones at some border gates (Laocai, Haiphong and Quangninh) will also be formed and put into operation in 2011. At the end of 2007, the United Nations Development Program (UNDP) announced its funding to promote the construction of two China-Vietnam cross-border economic cooperation zones. One of the zones will be built across Pingxiang of Guangxi, south China, and Langson province in Vietnam. The other will be across Honghe of Yunnan, southwest China and Laocai, Vietnam. Renaud Meyer, the UNDP's deputy representative to China, said that it is of great influence to establish China-Vietnam cross-border economic cooperation zones. The project will not only promote local economic development, but also help reduce poverty in the region.<sup>39</sup>

Furthermore, the two sides are coordinating to promote cross-border trade and transit trade with the hope to further boost the current good economic relations. Admittedly, thanks to the resolution of border issues and the implementation of the TCOEB, Vietnam-China economic ties have constantly witnessed new records. So far, with nearly 500 projects, China now ranks 14th among countries and regions pouring investment into Vietnam. These projects have created more than 53,000 jobs for Vietnamese workers with a turnover of more than one billion USD.<sup>40</sup> Two-way trade has jumped from a modest US\$30 million in 1991, to US\$4.87 billion in 2004 and to a record US\$15.85 billion in 2007, making China Vietnam's biggest trading partner in which border trade makes up not a small part. Noticeably, Vietnam has been Guangxi's largest and Yunnan's third largest trading partners over the past decade. The bilateral trade volume between Vietnam and these two provinces is

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<sup>38</sup> "China, Vietnam meet to discuss economic corridor development". *Xinhua News*, 3 December 2007.

<sup>39</sup> "UNDP to fund China-Vietnam cross-border economic cooperation zones". Chinese government website, available at [english.gov.cn/chinatoday/2007-10/30/content\\_790628.htm](http://english.gov.cn/chinatoday/2007-10/30/content_790628.htm)

<sup>40</sup> Website of Vietnam's Trade Information Centre – Ministry of Trade and Industry of Vietnam, available at [vinanet.com.vn](http://vinanet.com.vn)

considerable . In 2007, the Guangxi-Vietnam trade volume reached US\$2.370 billion, accounting for 15% of the total bilateral trade turnover, while that between Yunnan and Vietnam is about 4% and is expected to rise to at least 10 per cent of the total import-export turnover of China and Vietnam in the near future.<sup>41</sup>

With the construction of the TCOEB, border trade exchange will continue to show an increasing trend. According to many economists, once completed, the economic corridors will help Vietnam boost exports to China, especially to its western and southwestern regions. It is also in line with China's strategy on encouraging its enterprises to do businesses abroad, enhancing trade and investment ties between China and Vietnam as well as other Southeast Asian countries. In 2007, with a total trade turnover of US\$15.85 billion, the two countries were three years ahead of their the target of reaching US\$15 billion by 2010. Following the trend, the Ministry of Trade and Industry of Vietnam estimates that bilateral trade may witness even further leaps, projecting US\$17.6 billion in 2010; US\$30 billion by 2015 and US\$50 billion by 2020 (see table below).

<b>Year</b>	<b>Total value (US\$ million)</b>	<b>Year</b>	<b>Total value (US\$ million)</b>
1991	30	2004	6,740
1995	361.9	2005	7,200
1999	1,417	2006	10,420
2000	1,538	2007	15,850
2001	1,518.3	2010	17,600
2002	2,668	2015	30,000
2003	4,870	2020	50,000

**Table 2: Vietnam-China's trade volume from 1991 to 2020<sup>42</sup>**

In short, the TCOEB is a major achievement in the implementation of the LBT between Vietnam and China. It is expected that the TCOEB will form a triangle with three vertices at the three most developed cities and areas of the regions. All these

<sup>41</sup> news.xinhuanet.com/english/2007-07/27/content\_6438470.htm, accessed on 24 April 2008

<sup>42</sup> Source: Ministry of Trade and Industry and Ministry of Foreign Affairs of Vietnam. Data from 2010 onwards are estimated by Vietnam's Ministry of Trade and Industry.

vertices have the potential to create significant spillover effects in their own regions, albeit in a different location.<sup>43</sup>

### ***Remaining issues and solutions***

Currently, imbalance may be the biggest problem in Sino-Vietnamese economic relations in general and border trade in particular. In 2006, two-way trade turnover is US\$10.42 billion. Yet, while the value of two-way trade accounts for 12% of Vietnam's total trade turnover, it represents only 0.6% that of China's. The fact that Vietnam has exported mainly raw material while China equipment, electronic appliances, garment and textile somehow reflect the competitive weaknesses of Vietnam's manufacturing goods. On the one hand, Vietnam is not yet effective in the regional production network, meaning low level of intra-industry trade. On the other hand, the payment mechanism for the Vietnam-China trade is yet effective, especially at the border, thus increasing trade risks.<sup>44</sup> Moreover, since 2001, Vietnam has continuous trade deficits with China with widening extent, from US\$211 million in 2001, to \$1.7 billion in 2004, and to US\$3.5 billion in 2006. Thirty-two Vietnamese imports with the highest import turnover (\$3.66 billion, or 82.2% of Vietnam's total import value from China) were from China.<sup>45</sup> As forecasted by the Ministry of Commerce and Industry of Vietnam, Vietnam's trade deficit with China in 2008 may reach \$13 billion—up from \$9 billion in 2007—and is expected to continue increasing over the next five years. One should note that Vietnam's trade turnover with Yunnan and Guangxi makes up only 20% of the total impressive trade turnover, implying that there are still some obstacles impinging border trade. Therefore, one of the focal points for trade cooperation in the future is to reduce Vietnam's trade deficit with China and increase the contribution of border trade.

In terms of investment, FDI from China stands at 14th among 70 countries and territories. This means an under-exploitation of its potential, likely due to limited

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<sup>43</sup> Dinh Van An, 2005. See more Pham Van Linh, *Các khu kinh tế trên biên giới Việt-Trung và tác động đối với sự phát triển kinh tế của Việt Nam* (Economic regions along Vietnam-China's border gates and its implications toward Vietnam's economic development). Hanoi: National Political Publishing House, 2001.

<sup>44</sup> Ibid.

<sup>45</sup> Dinh Van An, *ibid.*

financial and technical capabilities, inexperience in international investment and its lower development level than China. Vietnam's investment into China is tiny, mostly concentrated on Yunnan and Guangxi, with a total amount of US\$240,000.<sup>46</sup> Moreover, Vietnam and China are both FDI recipients, leading to competition between the two countries in attracting FDI from the more developed economies such as the EU, Japan and the U.S. Manufacturing in all provinces in both Vietnam and China is rather similar—low-tech products and low value-added—although some hi-tech ones are manufactured in two provinces of China. This, on the one hand, leads to fierce competition in good exports and investment attraction between the two regions. On the other hand, it also forces the two sides to study measures to increase their competitiveness, particularly as both nations have already joined the WTO and CAFTA.

Furthermore, although Yunnan and Guangxi are more developed than the provinces in northern Vietnam, they are still the poorest regions within their countries. The local people's living and intellectual standards are low, resulting in a lack of specialized workers. Moreover, there is a big gap between the regions in terms of economic development. Human resources and infrastructure development are thus one of the key concerns, particularly for the Vietnamese government.<sup>47</sup> As noted by Vietnamese economist Dinh Van An, this type of cooperation is a type of weak-weak linkages, which is rare in the world (i.e. very little experience in coordinating a weak-weak cooperation).<sup>48</sup> The "Two Corridors, One Economic Belt" development, therefore, should receive due attention from the two central governments to give it the momentum to thrive.

Currently, Hanoi and Beijing attach great importance to strengthening and developing their neighbourliness and comprehensive cooperation, hoping that it would substantially boost win-win cooperation in all fields, including the TCOEB. As such, each government has designed a concrete national strategy for developing the

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<sup>46</sup> Sino-Vietnamese economic cooperation website, available at [www.vietnamchina.gov.vn/cvweb/vcc/info/Article.jsp?a\\_no=112165&col\\_no=553](http://www.vietnamchina.gov.vn/cvweb/vcc/info/Article.jsp?a_no=112165&col_no=553)

<sup>47</sup> With relative large area and population, the combined gross domestic product (GDP) of Guangxi and Yunnan constitutes only about 5% of China's total while that of the six northern border provinces of Vietnam contribute 3% of Vietnam's total (Gu Xiaosong and Brantly Womack, 2000, p. 1,043). It is estimated that Guangxi still has some 3.6 million people in need of "basic living necessities". See more at R. James Ferguson, "Nanning and Guangxi: China's gateway to the South-West". *The Culture Mandala*, Vol. 4 No. 1, Millennium Issue 2000.

<sup>48</sup> Dinh Van An, 2005.

border region and cooperation in the TCOEB. Competition is encouraged to increase the competitiveness of businesses and their products. However, this competition should be conducted in the spirit of assuring both equality and mutual benefit to avoid unhealthy competition that diminishes cooperation priorities.

Hitherto, Beijing has assigned the relevant provinces (Yunnan, Guangxi, Hainan and Guangdong) to develop necessary facilities for the development of the TCOEB with Vietnam. Necessary investment and authority have been given to the local governments to enhance these programmes. Guangxi has been particularly active in taking up the chance with quite a few initiatives put forward, such as the Pan-Tonkin Gulf Cooperation and the M-Shaped Strategy. To keep up with Guangxi's dynamism, Yunnan province is also trying to accelerate cooperation with North Vietnamese cities within both the bilateral and GMS frameworks for positive and useful exploration in promoting "one belt" construction. Yunnan and Vietnam's Hanoi, Laocai, Haiphong and Quangninh cities and provinces have also established many economic cooperation consultations, and the two sides have made positive progress in trade, transportation, mines, energy, technology, education and other areas of cooperation. Furthermore, taking the construction of railway between Yunnan and Vietnam and a highway between Yunnan and Red River water cooperate as the focus, Yunnan is striving to improve transport infrastructure, focusing on strengthening access, trade, telecommunications and customs with northern Vietnam to build a solid foundation and create favourable conditions for the construction of the Kunming-Hanoi economic corridor.

For its part, Hanoi also attaches great importance to the construction and exploitation of the TCOEB. On 17 July 2008, Prime Minister Nguyen Tan Dung ratified two significant planning schemes for the Langson-Hanoi-Haiphong-Quangninh Economic Corridor to 2020 and the northern coastal region to 2050 with a view to building the TCOEB between Vietnam and China into an international and national-scale economic hub. Accordingly, the economic corridor will become a new growth hub for northern Vietnamese provinces in 2020. It will have a GDP growth rate of 1.2 to 1.4 times higher than the country's average and a total trade turnover growth 20% annually, reaching US\$2 billion by 2010, US\$4.5–5 billion by 2015 and

over US\$10 billion by 2020.<sup>49</sup> Meanwhile, the northern coastal region (Beibu Rim), consisting of Haiphong city and four provinces (Quangninh, Thaibinh, Namdinh and Ninhbinh), having a natural area of over 12,000 square kilometres and a population of 8.65 million (2015) will be developed into an economic complex that will play an important role in the country's socio-economic development. It will become the national centre of culture, history, education and tourism by 2050 and an urban concentration of industries and services with the Haiphong-Halong-Mongcai axis as its backbone. Haiphong and Halong will be the centres of industries, seaports and tourism, linking closely with the whole southern region of China. In this scheme, Hanoi will function as an international city and a big economic hub of the Nanning-Langson-Hanoi-Haiphong Economic Corridor. Meanwhile, an important gateway to the corridor is Haiphong and Quangninh, forming the main economic corridor linked with the Hanoi Capital Area through National Highways No. 5, 18 and 10.<sup>50</sup>

The major fields for cooperation are identified to include trade, tourism, industry, cargo and passenger transportation, agriculture, forestry, culture, health, education, science and technology. There will be three international border gates, four main ones and 13 border markets along the Nanning-Hanoi corridor. Several highways will be built, including the Hanoi-Friendship Border Gate, Hanoi-Haiphong and Noibai-Halong. An international railway route will be invested by both Vietnam and China while the Phalai Port will become a major hub for waterways. National parks and nature reserves as Catba, Cucphuong, Halong and Bachlongvi will be upgraded. Some trade centres, high-quality clinics and training centres will be built in Haiphong, Quangninh, Namdinh and Ninhbinh to boost tourism cooperation. The transport network will be constructed and upgraded to connect the region with South China.<sup>51</sup>

Regarding the Kunming-Hanoi corridor, in early 2008, Vietnam launched the building of the Hanoi-Laocai Highway to link with Kunming. With the total investment for the first stage to rise to US\$770 million, this is the biggest highway

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<sup>49</sup> Vietnamese Government website

[www.chinhphu.vn/portal/page?\\_pageid=439,1091444&\\_dad=portal&\\_schema=PORTAL&pers\\_id=1091186&item\\_id=7904048&p\\_details=1](http://www.chinhphu.vn/portal/page?_pageid=439,1091444&_dad=portal&_schema=PORTAL&pers_id=1091186&item_id=7904048&p_details=1)

<sup>50</sup> Ibid

<sup>51</sup> *Vietnam's Government Website*, news by Phung Loi, available at

[www.chinhphu.vn/portal/page?\\_pageid=439,1090462&\\_dad=portal&\\_schema=PORTAL&pers\\_id=1091147&item\\_id=7943970&p\\_details=1](http://www.chinhphu.vn/portal/page?_pageid=439,1090462&_dad=portal&_schema=PORTAL&pers_id=1091147&item_id=7943970&p_details=1)

project in Vietnam.<sup>52</sup> The project is within the GMS framework and funded by ADB. Once completed in 2011, it will greatly serve economic development along this corridor. In the strategy, Lao Cai will serve as a major focal point. The Vietnamese government has adopted a number of policies to develop Lao Cai into a new “Shenzhen” of Vietnam, by moving all local administrative buildings to an area seven kilometres away from the current location to give up land for the construction of economic zones. Currently, a 17-storey trade centre near the border has been completed and another trade site about 1.5 kilometres northwest of the border will be built soon and is expected to have all the necessary facilities such as storehouses, restaurants, hotels, recreation centres and exhibition halls.<sup>53</sup>

In another move to boost free trade and cargo circulation along the corridor, Vietnam and China have decided to pilot the “one-stop customs clearance” at the border gate of Huonghi-Youyiguan,<sup>54</sup> which will soon be multiplied to other important border gates such as Lao Cai-Hekou. It will help simplify procedures and facilitate the flow of tourists and entrepreneurs via border gates. In terms of trade facilitation, the two countries have also agreed to allow international payment in the mode of letters of credit (L/C) in local currencies. In the near future, the two sides are expected to take new measures to strengthen bilateral trade through the international border gates, such as the establishment of trade centres and supermarkets adjacent to bordering areas, the organization of fairs, forums and exhibitions, and the exchange of trade information. It is also necessary to establish parallel-city border gates along the border to create strong linkages to serve as a nexus for the whole economic corridor.<sup>55</sup> Also, there should be a joint operating mechanism between Vietnam and China to govern the development of the TCOEB with a reasonable scale, substance and roadmap.

With these efforts from both sides, it is believed that cooperation in building the TCOEB will create a strong drive for economic development of the two countries

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<sup>52</sup> *Vietnam's News Agency*, available at [vietnamnews.vnagency.com.vn/](http://vietnamnews.vnagency.com.vn/)

<sup>53</sup> Chen Gang, “Nghiên cứu định vị chức năng khu hợp tác kinh tế Hồng Hà—Lào Cai trong khuôn khổ “Hai hành lang, một vành đai” (Studies on the functions of the Honghe-Lao Cai economic cooperation region within the TCOEB framework), Honghe Institute, Yunnan, China.

<sup>54</sup> News by Phung Loi, op.cit.

<sup>55</sup> Pham Van Linh, *Các khu kinh tế trên biên giới Việt-Trung và tác động đối với sự phát triển kinh tế của Việt Nam* (Economic regions along Vietnam-China's border gates and its implications toward Vietnam's economic development), National Political Publishing House, Hanoi, 2001.

in general and the whole border region in particular, thus transforming the region into a gateway linking China with the ASEAN countries and the world. More specifically, the TCOEB is quite likely to become a bridge for ASEAN to enter into the extensive Mainland Chinese market and vice versa. It can thus be said that the TCOEB cooperation will complement the CAFTA to make full use of each country's advantages and the integrated strength of the whole region.

### **“One Axis, Two Wings” or the China-ASEAN M-Shaped Strategy**

With its profound impact, the TCOEB has, in practice, moved beyond the Vietnam-China bilateral cooperation framework to embrace greater regional ones of the Greater Mekong Sub-region (ADB), WTO and CAFTA.

The Greater Mekong Sub-region (GMS) comprises Cambodia, China, Lao, Myanmar, Thailand and Vietnam. In 1992, with ADB's assistance, the six countries entered into a programme of sub-regional economic cooperation designed to enhance economic relations among the countries. The programme has contributed to the development of infrastructure to enable the development and sharing of the resource base, and promote the freer flow of goods and people in the sub-region. It has also led to the international recognition of the sub-region as a growth area.<sup>56</sup>

The GMS agreement has set a deep cooperation framework and involved important specialized areas for its participating countries, including China and Vietnam. Particularly, it will help build many infrastructure projects in the two corridors along the Vietnam-China border as well as transport routes from China to and within the ASEAN countries. Moreover, it will also widen economic cooperation between China, Vietnam and ASEAN, especially now that CAFTA has been formed.

CAFTA calls for China and the ASEAN-6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) to impose zero tariff on most goods by 2010, followed by Cambodia, Laos, Burma and Vietnam by 2015. The CAFTA region will include over 1.7 billion people with an estimated GDP of over US\$2 trillion dollars.<sup>57</sup>

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<sup>56</sup> [www.adb.org/gms/](http://www.adb.org/gms/)

<sup>57</sup> Ian Storey, China-ASEAN Summit: Beijing's Charm Offensive Continues, The Jamestown Foundation, *China Brief*, 28 December 2006. See also Kevin G. Cai, "The ASEAN-China Free Trade Agreement and East Asian Regional Grouping", *Contemporary Southeast Asia* Vol. 25 No. 3 (2003).

In time to come, China-ASEAN cooperation will be more effective if it is organized along the direction of taking the Gulf of Tonkin coastal area with the models of coastal industry to make full use of the best qualified and cheapest natural resources, thus increasing competitiveness. At the same time, it also provides the opportunity for attracting and reasonably exploiting international capitals and outside resources, heightening and deepening regional cooperation. More particularly, it will create many jobs for the whole regions, including China's southern region and Vietnam's northern provinces.<sup>58</sup>

Connecting the TCOEB with the East-West Corridor (GMS) and the South China Sea economic belt (Pan Tonkin Gulf Belt) in the future will shape the strategy of "One Axis, Two Wings" (OATW). The China-ASEAN OATW initiative, inspired by the success of the China-Vietnam TCOEB programme, came into being two years after the latter's introduction. In the initiative, "one axis" refers to the Nanning-Singapore economic corridor. Of the "two wings", one of them refers to the Pan Beibu (Tonkin) Gulf economic cooperation and the other refers to GMS cooperation. As stated by the Secretary of the CPC Guangxi Committee, Liu Qibao, "the one axis and two wings China-ASEAN regional economic cooperation framework proposed by Guangxi fully complies with China's diplomatic strategy for neighboring countries."

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Of the one axis and two wings, the Pan-Tonkin Gulf Cooperation component receives great attention. At the first Forum on Economic Cooperation of Beibu Gulf Rim held in July 2006, Guangxi, for the first time, put forward the proposal on building the Pan Beibu Gulf economic cooperation zone, an area surrounded by South China's Guangdong, Hainan provinces and Guangxi, as well as the six ASEAN members of Singapore, Malaysia, Indonesia, the Philippines, Vietnam and Brunei. At the forum, Mr. Liu Qibao described to the 160 participants from relevant countries the "M-shaped" China-ASEAN regional economic cooperation strategy. The geographic locations of the Nanning-Singapore Economic Passage, the Pan-Beibu Gulf Rim Economic Cooperation Region and GMS happen to form a big "M" on the map. In

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<sup>58</sup> Ho Viet Luong. Paper presented at the Vietnam-China's conference on "Solutions for the development of Vietnam-China's two economic corridors, one belt in the new situation", held at Sapa, Lao Cai, Vietnam, on 2 December 2007.

<sup>59</sup> Website of Chinese Ministry of Commerce, [english.mofcom.gov.cn/aarticle/subject/chinaasean/lanmua/200710/20071005189696.html](http://english.mofcom.gov.cn/aarticle/subject/chinaasean/lanmua/200710/20071005189696.html)

addition to this, the initials of the major cooperation of the above mentioned regions (Mainland economic cooperation, Marine time economic cooperation and Mekong sub-region cooperation) all start with the letter “M”.<sup>60</sup> This initiative is thus also called the China-ASEAN “M-shaped Strategy”, which, accordingly, should, in the future, work on (i) extending sea links between China with Malaysia, Singapore, Indonesia, Brunei, the Philippines and Vietnam; (ii) constructing a Nanning-Singapore economic corridor through highway and railway projects linking Nanning, Hanoi, Phnom Penh, Bangkok, Kuala Lumpur and Singapore; and (iii) deepening GMS cooperation among all member states and enhancing communication and cooperation between China’s southern provinces and the Southeast Asian countries.<sup>61</sup>

It can be seen that Guangxi’s initiative aims to bring into full play its strategic location as a gateway to China’s southeast region. The Guangxi Zhuang Autonomous Region, which adjoins Hong Kong, Guangdong and Macao to the east, the Beibu Gulf to the south and Vietnam to the southwest, lies in the centre of the China-ASEAN Free Trade Area and acts as the convergent point of the Zhu (Pearl) River Region, the western region’s economic belt and the ASEAN economic belt. It is the only area in China that adjoins both land and sea of the ASEAN countries. All natural and man-made favourable conditions not only reinforce the close ties between Guangxi and the other Chinese localities but also help expand the good economic and trade relations between Guangxi and the Southeast Asian countries. Having coastal areas and an autonomous region, Guangxi enjoys three national policy groups that are to lure foreign investment in the coastal region, develop the western region and prioritize the autonomous region, making it a strategic component of the OATW programme.<sup>62</sup>

Many experts pointed out that the OATW programme enjoys many advantages in geographical location, transportation, power resources and human resources. There exist great potentials for cooperation because of the complementarities in social and economic development in this region. Major areas for future cooperation are port construction, energy resources, tourism and human resources.<sup>63</sup> The main favourable

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<sup>60</sup> New Development Strategy Raised by Beibu Gulf Rim, 2006–08–05, available at Nanning government website [jgsw.nanning.gov.cn/2419/2006\\_8\\_5/2419\\_139932\\_1154708701666.html](http://jgsw.nanning.gov.cn/2419/2006_8_5/2419_139932_1154708701666.html)

<sup>61</sup> Fu-kuo Liu, China’s embrace leaves US in cold, *Asia Times Online*, 16 May 2008, available at [www.atimes.com/atimes/China\\_Business/JE16Cb01.html](http://www.atimes.com/atimes/China_Business/JE16Cb01.html)

<sup>62</sup> Huang Haimin and Bui Minhlong, *China’s Guangxi steps into ASEAN arena*. Available at [www.chinaview.cn](http://www.chinaview.cn)

<sup>63</sup> [http://jgsw.nanning.gov.cn/2419/2006\\_8\\_5/2419\\_139932\\_1154708701666.html](http://jgsw.nanning.gov.cn/2419/2006_8_5/2419_139932_1154708701666.html)

condition for this cooperation is that it is based on land transportation and waterways. A smooth and scenic road and sea trip from Singapore to southern China, driving through 4,000 kilometres and six countries may not be a far-fetched idea if the proposal by China is taken up by ASEAN. So far, apart from Vietnam, some regional countries— Singapore, Malaysia, and the Philippines—have expressed their interest in joining this initiative. As Mr. Liu told Singapore's Prime Minister Lee Hsien Loong during the China-ASEAN Summit in Nanning, "I can see that countries along the Beibu Gulf are full of dynamism."<sup>64</sup>

Building the OATW will not only benefit China but all relevant ASEAN countries as well, particularly Vietnam. In terms of geography, northern Vietnam is adjacent to southern China, its central and southern regions to Indochina and the other maritime Southeast Asian countries. Vietnam is the only component that embraces both the one axis (Guangxi-Singapore) and two wings (Yunnan-GMS and Pan-Tonkin Gulf). In the Guangxi-proposed M-Shaped strategy, Vietnam can also participate in all three M cooperation (mainland, maritime and Mekong). This places Vietnam in a new and interesting position between China and the remaining Southeast Asian countries. Most of Chinese goods exported to ASEAN, especially Vietnam, go through Guangxi. A large volume of ASEAN goods entering China via road and air pass the region before penetrating deeper into the mainland.

With these favourable conditions, Vietnam can play the role of a "bridgehead" between China and the Southeast Asia countries. Northern Vietnam can receive goods from China for consumption in southern Vietnam and the ASEAN market. Meanwhile, southern Vietnam can receive raw materials from ASEAN and transport them to the north for sale in China. It is the biggest advantage of a "bridgehead".<sup>65</sup>

Recognizing this strategic role, Vietnamese leaders have constantly reaffirmed its determination to serve as an important bridge between China and ASEAN, and that Hanoi will make every effort to the development of economic relations between ASEAN and China in general and with Guangxi and Yunnan in particular. In 2006, Vietnam-ASEAN's turnover was more than US\$20 billion, representing a 40% growth rate as compared to 2005. ASEAN countries has to date invested in more than

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<sup>64</sup> Peh Shing Huei, "China Wants Economic Corridor from Guangxi to Singapore. Proposal calls for six ASEAN countries and southern China to be linked by rail and road", *The Straits Times*, 30 October 2006.

<sup>65</sup> Le Van Sang, 2007.

1,000 projects in Vietnam with the total capital of US\$13 billion, accounting for 20% of foreign investment in Vietnam. Vietnam also has more than 120 projects in the ASEAN countries with a total capital of one billion USD. In the same year, Vietnam-China's trade turnover reached US\$10.4 billion, a 20% growth from 2005. According to Xinhua News, in the first quarter of 2008, two-way trade turnover between Guangxi and ASEAN reached US\$1.07 billion, 2.3 times more than the same period last year, making it the highest rate ever. Its trade turnover with Vietnam is US\$890 million, accounting for more than 90% of Guangxi-ASEAN trade turnover.<sup>66</sup> As Guangxi and Yunnan's important trading partners, Vietnam can play a big role in furthering these two provinces' economic relations with other ASEAN countries. In the near future, once the TCOEB and its "two highways, two railways" component are built and put into use, it will reduce the transport line and time remarkably, facilitating significantly to improve China-Vietnam as well as China-ASEAN economic cooperation into a new height.



*Map 5: Vietnam as a bridgehead, linking China-Vietnam's two economic corridors, one belt with China-ASEAN's One Axis, Two Wings.<sup>67</sup>*

Although Vietnam acknowledges the potential benefits, it undoubtedly remains concerned about Chinese political intentions in proposing these cooperation models. The fear may come from the fact that it has been suffering from increasing trade deficits with China since the border was re-opened or that it does not want to see

<sup>66</sup> news.xinhuanet.com/english/2007-07/27/content\_6438470.htm, accessed on 24 April 2008

<sup>67</sup> Gareth Powell, "China, Vietnam discuss economic corridor". *China Economic Review*, 7 Dec. 2007, available [www.chinaeconomicreview.com/logistics/2007/12/07/china-vietnam-discuss-economic-corridor.html](http://www.chinaeconomicreview.com/logistics/2007/12/07/china-vietnam-discuss-economic-corridor.html)

Chinese influence increase too fast in its neighbourhood. Therefore, if China wants to boost these schemes, it should be more sensitive to Vietnamese concerns.

So far, Chinese leaders have viewed the “One Axis, Two Wings” as a China-ASEAN regional economic cooperation strategy with the following objectives: (i) to form a new economic growth belt in the western rim of the Pacific, focusing on developing the Pan-Tonkin Gulf cooperation into a new sub-regional cooperation project between China and ASEAN and placing it into China-ASEAN’s general cooperation framework; (ii) to create stability for both the land and maritime border regions, opening new development space for China, especially opening up and developing China’s western region, via GMS through the Indian Ocean, to the world market; and (iii) to add more substances and efficiencies to China-ASEAN cooperation, thus enhancing the wider East Asian overall cooperation and at the same time ensuring energy security for China in the South China Sea. This strategy reflects (i) domestic demand of the Chinese economy; (ii) the big vision of the Chinese leadership and greater proactiveness of China in regional and international integration; (iii) a combination of the Vietnam-China “Two Corridors, One Economic Belt” (TCOEB) with CAFTA; and (iv) generally, it combines five major strategies that China is adopting currently, namely, maritime strategy, energy strategy, western region development strategy, CAFTA strategy and sub-regional cooperation enhancement strategy with surrounding countries.<sup>68</sup>

With the OATW strategy, China will have an opportunity to do three things vis-à-vis its relations with the ASEAN countries: reaffirm, recommit and reassure.<sup>69</sup> China reaffirmed its ties to the ASEAN states, emphasizing shared interests and the benefits of “win-win cooperation” over the past 15 years. As Premier Wen remarked in his keynote speech at the 2006 China-ASEAN Summit in Nanning, “Our cooperation has facilitated regional integration, raised the competitiveness and international profile of our region, and promoted peace and prosperity in Asia.”<sup>70</sup>

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<sup>68</sup> Le Van Sang, “Cooperation on two corridors, one economic belt in the new contexts”, Research papers at the Vietnam-China’s conference on “Solutions for the development of Vietnam-China’s two economic corridors, one belt in the new situation”, held at Sapa, Lao Cai, Vietnam, on 2 December 2007, and Li Luoli, Vice Chairman of the institutional reform research association, news in Xinhuanet, dated 29 November 2006.

<sup>69</sup> Storey, 2006.

<sup>70</sup> Premier Wen Jiabao’s speech at China-ASEAN summit, “Join Hands to Create A Better Future for China-ASEAN Relations”, on 30 October 2006, available at China’s Ministry of Foreign Affairs website [wcm.fmprc.gov.cn/zd/jn/eng/fhhd/t278048.htm](http://wcm.fmprc.gov.cn/zd/jn/eng/fhhd/t278048.htm), accessed on 15 July 2008.

China also used the initiative to recommit itself to the agreed Sino-ASEAN projects, especially the CAFTA, which both sides see as crucial to deepening economic integration between China and ASEAN. Nanning also enabled Beijing to provide further reassurance that its rising power presents the ASEAN states with a historic economic opportunity rather than a strategic threat. Enhanced security and defence ties with China are meant to assuage strategic anxieties in Southeast Asia.<sup>71</sup> At the 2005 Nanning Summit, Premier Wen announced that by the end of the year China would provide \$5 billion in preferential loans to Chinese companies that start business ventures in ASEAN countries. Other proposals to advance economic ties include a China-ASEAN Open Skies Agreement, a railway linking Singapore with Kunming and the China-ASEAN M-Shaped Regional Economic Cooperation Strategy.

The OATW initiative is expected to further enhance good bilateral trade between China and ASEAN, which has grown 15-fold since 1991. According to Chinese statistics, the volume of bilateral trade in 2005 reached \$130 billion; in 2007, it hit \$202.6 billion, a 26% increase on a year-on-year basis, making China ASEAN's largest overall trade partner.<sup>72</sup> With this record, the two sides reached their target to achieve \$200 billion in trade by 2010 three years ahead of time.<sup>73</sup> The OATW, therefore, will greatly boost economic cooperation and trade exchanges between China and ASEAN.

Looking from the strategic perspective, the settlement of border disputes between China and Vietnam not only helps boost bilateral relations but also, to a larger extent, serves as a useful sample for them to settle other territorial disputes with neighbouring countries. So far, Vietnam has signed land border treaties with all its three neighbours, China, Laos and Cambodia. Regarding maritime disputes, it has resolved disputes with China (Gulf of Tonkin), Thailand (Gulf of Thailand) and Malaysia (overlapping maritime area). Currently, Hanoi continues to negotiate with Cambodia over existing maritime disputes and with Indonesia over overlapping continental shelf. For China, Beijing has resolved its land border disputes with all neighbouring countries except India, which it is trying to settle outstanding territorial disputes through negotiation. This tendency will help produce a peaceful and stable

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<sup>71</sup> Storey, *ibid.*

<sup>72</sup> *China Daily*, 2 November 2007.

<sup>73</sup> Vietnam's News Agency (TTXVN), *Thương mại ASEAN-Trung Quốc đạt 202,6 tỷ USD* (ASEAN-China's trade volume reaches US\$202.6 billion), 24 April 2008.

environment for economic development in the region. Recently, Vietnam, China and Laos set up a joint landmark in the joint border point. With greater linkages through the newly established corridors and economic belts, it is hoped that the TCOEB and the OATW initiatives will help deescalate the tension in these disputes, thus contributing greatly to regional peace and stability.

With the land border and the Tonkin Gulf issues resolved, the only remaining territorial dispute between China and Vietnam is their South China Sea dispute. The issue remains a serious security concern for Vietnam and has profound regional implications as it also involves other ASEAN claimant states. Currently, all sides are exercising self-restraint in the dispute and have reached some general framework, i.e. putting aside the issue of sovereignty for joint exploitation of natural resources, refraining from the use of force, signing the code of conduct with other ASEAN claimants in the SCS disputes (DOC), and agreeing on a programme for joint exploration between Vietnam, China and the Philippines.<sup>74</sup> Some successful principles in the settlement of land border disputes should be studied to apply to that of maritime ones as well, such as “tackle the easy ones first, leave the difficult ones later” or the “packet solution”. If the Pan-Tonkin Gulf Cooperation initiative is accepted and fully implemented by all sides, it will be a major landmark event in the SCS disputes, not just because “the plan requires a high degree of security to function smoothly but more importantly, in the proposed plan, there are many recommendations that directly involve South China Sea, i.e. establishment of a network of ports surrounding the South China Sea or cooperation in fisheries, maritime energy, maritime environment and tourism around the sea”. As Chinese watcher Li Mingjiang argues, this may turn the SCS into “a lake” between China and the Southeast Asian countries, thus having significant implications for regional security.<sup>75</sup>

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<sup>74</sup> See more in Stein Tonnesson, “Vietnam’s Objective in the South China Sea: National or Regional Security?” *Contemporary Southeast Asia*, Vol. 22 No. 1, April 2000.

<sup>75</sup> Li Mingjiang, “Pan-Tonkin Gulf Economic Cooperation Scheme: Making a ‘lake’ of South China Sea”, *Straits Times*, 15 Jan 2008.

### ***Concluding Observations***

Border settlement is not an easy task and is always influenced by many subjective and objective factors, particularly public pressure. In order to reach a land border treaty, both sides normally have to “give and take” or, in other words, make some kind of concessions in order to maintain an overall stable relationship. In the case of China and Vietnam, given the complicated history of the relations and border disputes, the fact that the two sides managed to settle the land and maritime (Tonkin) border disputes should be regarded as a major milestone. During the conclusion and implementation of the LBT, the leadership’s political will is the main factor guiding the process. In general, it can be said that the settlement of the land border serves the interests of both countries. It has become a win-win game.

The reality over the past decade since the conclusion of the LBT shows that land border settlement has created big incentives for bilateral relations in a wide range of aspects that can serve as a model for them to address other territorial disputes. More importantly, with a clear and stable borderline, both countries have become more confident in exercising their sovereignty. It has also contributed to the development of China-ASEAN economic ties, thus bringing peace, stability and economic development to the wider region.

One of the biggest successes in the implementation of the LBT is the establishment of the TCOEB between China and Vietnam, which later extended to the China-ASEAN OATW. In a broader viewpoint, the TCOEB cooperation is not only the cooperation between Vietnam and China but it also plays an active role in developing the CAFTA. These forms of cooperation complement each other and give member countries more favourable conditions to intensify their development. The TCOEB is the source of ideas for the OATW initiative while the OATW is a logical and extended development of the TCOEB. Therefore, the TCOEB will serve as the core for the development of the OATW. It will help enrich the substance of the OATW cooperation and serve as a trial venue for cooperation mechanisms of the OATW. However, as there are many projects under the different frameworks carried out in the border region at the same time (TCOEB, GMS, OATW, CAFTA), it is necessary for the relevant governments to carefully combine, coordinate and make use of each framework to their advantage.

The implementation of the LBT also reveals some obstacles and shortcoming, such as Vietnam's trade deficit with China, the Chinese ethnic factor, smuggling, children and woman kidnapping and custom hindrances. However, it should be noted that the advantages outnumber disadvantages. Moreover, remaining disputes, lingering historical animosity and SCS issues may continue to dwell on the relations but will not put the current dynamics into disarray. This, however, requires an effort from both sides to refrain from behaviour that will worsen the situation and address disputes in the spirit of looking at the big picture (*yi daju weizhong*).

The fact that Hanoi and Beijing strived to complete the landmark planting process before the 30th anniversary of their 1979 border war is truly a “symbolic manifestation” of their thinking of “leaving the past behind” and “looking into the future”. The task assigned for 2009 will be the early conclusion of the protocol on the demarcation and landmark planting process, the agreement on a new border control regulation, the agreement on the management of international border gates and other relevant documents to bring the LBT to reality. With the political will by the leadership of the two countries as necessary guidance, the efforts by central and local governments as well as relevant branches and offices and practical economic benefits brought about by the building of the TCOEB and the OATW, there stands a great chance that China and Vietnam may successfully turn their borders into one of peace, friendship and stability—a model for the settlement of regional land border and maritime disputes, and hopefully the South China Sea.

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