While the West was preoccupied with the Gulf crisis, and America especially was concerned over its 'second Vietnam', major realignments have been occurring in Southeast Asia. China and Vietnam are ending the mutual hostility that has defined regional politics for the past decade. Some observers fear that they will move into a tight and exclusive socialist alliance, but this is highly unlikely. The reconciliation makes sense for both countries as part of their continued pursuit of a more open economic policy. So the prospect of Sino-Vietnamese normalisation has not raised great fears and, in any case, it seems hung up on the unbelievably slow pace of the Cambodia negotiations. But normalisation is imminent: regardless of the rate of progress in negotiations, Cambodia as an issue has gradually moved out of the forefront of Sino-Vietnamese relations and both sides are now exerting strong pressure on their clients to settle. So China and Vietnam are
moving closer together—the combination that inspired America’s “first Vietnam”—but their neighbours and the world are unconcerned or even relieved.

But “normalisation” is a strange word for the looming phase of peaceful relations. Vietnam and China have never had normal relations. They have been “as close as lips and teeth” in friendship during the liberation wars and in hostility afterwards, but the relationship has never been the arm’s-length one of sovereign states. Moreover, the economic relations of the two have never been governed by market or mutual benefit. So the prognosis for the new era cannot be derived from previous experience, and the non-hostile economic relations are in some respects more complicated than the simple dichotomies of hostility.

Of course a dozen years of bitter enmity will not vanish overnight. Discussions of bilateral relations in Vietnam and China are rife with disparaging and suspicious remarks about the other country. The Chinese use the expression “anyone with milk is my mother” to describe Vietnamese fidelity and gratitude. In China every attempt to discuss the future of Sino-Vietnamese relations drifts back to such current questions as how many Vietnamese troops really remain in Cambodia.

Although no one has questioned the advent of normalisation, the remaining points of contention are more vividly present in China than are the pros and cons of the future. The Vietnamese are more aware of the possibilities of normalisation, but they remain deeply suspicious of China’s motives and behaviour. There is a view that the Chinese will not feel comfortable unless Vietnamese economic development is at least 10 years behind that of China. Those who think this way are concerned that China’s new strategy of international openness is but a new form of its traditional drive for hegemony in Asia. For both countries, peace means non-hostility rather than friendship, and it has not yet been achieved.

Nevertheless, both countries have shifted their policies sufficiently in the past few years to provide a basis for normalisation. There have been many general factors influencing the thaw, including the improvement in relations between China and the Soviet Union, Vietnam’s desperate need to break out of international economic isolation, the stabilisation of the military situation in Cambodia, and so forth.

Vietnam’s initiatives

The thaw began with Vietnamese actions to lessen border tensions. In March 1987 Vietnam withdrew 10 divisions from the border, and by May of that year there were no field army troops on the Vietnamese side of the border. Anti-Chinese propaganda disappeared from the Vietnamese press in December 1987, and propaganda loudspeakers broadcasting to Vietnamese border troops were halted from the beginning of 1988. Beginning in November 1987, the Vietnamese began to encourage informal border trade. Despite sharp naval conflicts over the Spratly Islands in March 1988, such trade has mushroomed and military confrontation has been replaced by considerable cooperation among border officials. In 1989 the Vietnamese revived the term “our Chinese comrades”, and in March 1990 the General Secretary of the Vietnamese Communist Party, Nguyen Van Linh, ordered that the Chinese be sold anything they want to buy, including coal and metals.

This border trade has gone well beyond confidence-building measures to become a major part of the economics of Vietnam and of southern China. Given the informal nature of the trade, there are no official statistics, but Chinese estimates place its total value as high as $190m and suggest that it is still rising rapidly. On the Chinese side 20 (of 30) provinces are involved, but the greatest beneficiaries are the two border provinces, Yunnan and Guanxi. Vietnam is Guanxi’s largest external trading partner after Hong Kong, and Yunnan’s trade with Vietnam equals its trade with the United States. Moreover, the restoration of road and rail connections with Vietnam would add a major new dimension to southern China’s international commercial potential.

Border trade is even more important for the Vietnamese economy because the convenience and price of Chinese goods cannot be matched by Vietnam’s other trading partners. Chinese products have flooded Vietnamese markets, bankrupting some Vietnamese factories but also satisfying a commodity-starved economy. Vietnam sells primarily agricultural, seafood and mining products to China; one of Vietnam’s most typical handicrafts, the conical hat (non), can now be seen as far north as Beijing. A Vietnamese producer who can compete with Chinese products can now dream of a virtually unlimited market.

On the Cambodian front, the situation has moved in the past two years from stalemate to glacier under the pressure of policy shifts by both China and Vietnam. Vietnam’s change has been the most dramatic. In 1985 it announced that it would unilaterally withdraw its troops from Cambodia by 1990, and it did so in September 1989. Although estimates of Vietnamese military personnel remaining in Cambodia range from 4,000 to 20,000—30,000 (China), there is no question that the Cambodian army is the primary military force, and it has done quite well since the Vietnamese left.

The Vietnamese pullout created a context in which many countries began to normalise their relations with Vietnam. This has in its turn put pressure on the United States and China. On the other hand, the pullout reduced Vietnam’s influence in Cambodia, and the government in Phnom Penh will be reluctant to put its power at risk in an international settlement. As a result, the final resolution of the Cambodian problem may hang on indefinitely despite earlier agreements to the United Nations framework proposed in 1990.

China’s calculations

The change in China’s position on Cambodia is less obvious but still significant. China originally supported the Khmers Rouges because they were an anti-Vietnamese force, and China’s regional policy in Southeast Asia was essentially based on opposition to Vietnam. Since the Tiananmen massacre in June 1989, however, China has reconsidered its regional policy towards Southeast Asia. Given the fickleness of the United States and the West, Southeast Asia is now considered an important and more stable market. In 1990 China succeeded in normalising its relations with Indonesia and Singapore. Continuing hostility towards Vietnam is out of step with the new regional policy, so support for the Khmers Rouges has become an inconvenient residue of the earlier policy rather than a useful tool of the new one.

China had considered the problem of Cambodia solved by the acceptance of the UN plan by all four Cambodian factions, and its primary emphasis is now on a rapid settlement consistent with the UN plan. China has also taken steps towards normalisation with Vietnam, including a secret summit in Chengdu in 1990, but official progress towards normalisation still hinges on a comprehensive settlement in Cambodia.

China is putting pressure on the Khmers Rouges to be more flexible, but the relative strength of the Phnom Penh government and the universal antipathy towards the Khmers Rouges may require China to abandon them. This would be hard for China to swallow, especially when it had thought that a solution was at hand with the UN agreement, but it may not have any alternative except delay and diplomatic isolation. Of course China blames Vietnam for the stubbornness of the Cambodian government, and so the delays and frustrations of the final wrangling over Cambodia will undoubtedly leave a fresh taste of bitterness.
Nevertheless, normalisation between China and Vietnam is at hand, and it will mark a new era in the relationship. As the flourishing border trade suggests, economic relations will become more significant for both countries. China's trade with Vietnam should reach the level of its trade with the Philippines within five years, but it will be more important to China than this level would suggest. Trade with Vietnam will benefit essentially from its provinces which are relatively poor and disadvantaged in external relations, and the products sold to Vietnam are likely to be indigenous products. Such trade is more solid and beneficial to China than the sale of export goods assembled from foreign materials by Chinese labour working for foreign-owned factories in special economic zones. Vietnamese demand should be stable and expanding, and Vietnamese imports might play a useful role in the economy of southern China. To take an important example: southern China is relatively deficient in rice production, while thanks to the productivity of the Mekong Delta, Vietnam became the world's third largest rice exporter in 1989. Vietnam would also be able to serve as a ready source of third-country goods for inland China.

Of course, trade with China will be proportionately much more important for Vietnam. Vietnam's population is one-seventeenth that of China's, somewhat less than the combined population of Guangxi and Yunnan. Vietnam should be a ready market for all the kinds of goods which China sells to Southeast Asia, and trade will be encouraged even more by transport advantages, cultural similarities, and inexpensive prices. The Vietnamese hope that their economy will be transformed by Western investment. The trade with China will not transform the economy, but it will make the existing economy more efficient.

It can be expected that trade with China will be more important for the northern part of Vietnam than for the south. The south already has excellent connections with other Southeast Asian and Pacific Rim economies, and its resources will attract overseas investment. Ho Chi Minh City is well located for world trade, and it looks forward to competing again with Bangkok and Hong Kong. Even the overseas Chinese of old Cholon (now Districts Five and Eleven of Ho Chi Minh City) are far more similar in their outlook and economic activities to other Southeast Asian ethnic Chinese communities than to mainland China, and this situation is not likely to change with normalisation.

By contrast, China is the only convenient trading partner for the north, and the structure of the northern economy is quite compatible with China's. From the war years the northerners know Chinese products and brands, and such beloved commodities as Shanghai bicycles have been among the first products to return. The north will not attract the scale of Western investment likely in the south, although the central government will undoubtedly do its best to steer investment towards regional balance and improvements in north-south communications and transport. In short, the internationalisation of the Vietnamese economy may not be homogenous; the north will tend to become more closely integrated with southern China, and the south will have a more rapidly developing, internationally diversified economy, in which China would play an important but not dominant role.

The growing importance of bilateral economic relations as well as greater regional stability imply a moderation in political hostility between China and Vietnam. Even now, a return to isolation would present a serious economic crisis to Guangxi and northern Vietnam. Moreover, it is hard to imagine a situation for either country in which bilateral relations would have to be sacrificed in order to preserve a more important relationship—in other words, a credible 'them or us' situation. For instance, even if China's relations with the United States or with Japan deteriorated seriously, there would be little reason for Vietnam to follow suit. And trade between China and Vietnam should be relatively insulated from world economic fluctuations because it will not depend on third-country investments or markets.

A complicated relationship

Nevertheless, normalisation between China and Vietnam is likely to be stormy, marked by various political and economic micro-crisis. In the transitional period, the most likely points of tension will be continuing disputes and suspicions relating to Cambodia and territorial disputes. Although it is impossible at this point to imagine the future politics of Cambodia, it is predictable that China and Vietnam will be suspicious of each other's activities there. On the territorial front, Vietnam will undoubtedly lead regional opposition to China's claims in the Spratly Islands, and with normalisation China will discover that Vietnam has a list of 170 small places on the border which it claims are illegally occupied by China. In principle the border claims are resolvable, but in practice they will probably involve protracted bureaucratic struggle.

The most gloomy prospect in the 10-year forecast would be the emergence of a separatist tendency in south Vietnam. Given the likely imbalance in China's relationship with the north, and confronted with a complementary imbalance of Western and regional relations with the south, it is quite likely that—as in imperial times— support from China could become a factor in domestic disputes. But this is a frightening prospect that would not work to either side's advantage, least of all Vietnam's, so it can be expected that tendencies in this direction will be counteracted. The possibility is not a far-fetched one, however, and it serves as a reminder that even after normalisation the relationship between China and Vietnam will remain a complicated one.

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