In spring 1989, several thousand Vietnamese living in the northern border region waded across the Beilun River and entered China. This wave of people came carrying such goods as rice, pieces of copper, scrap iron, and the like, which they traded on the streets of their destination, the frontier town of Dongxing located in China's Guangxi Province. These traders were followed soon thereafter by many thousands of more Vietnamese who chose to celebrate the Tet holidays then underway by shopping in Dongxing for a variety of consumer commodities. The Vietnamese at Dongxing were not alone, for many of their compatriots also had taken the holiday occasion to make similar trips across the border and enter Guangxi.

These spring developments were representative of the overall trend in the resumption of economic and trading activities along the border between China and Vietnam that unfolded slowly at the end of 1988 and start of 1989. Such activities had come to a halt 10 years earlier, a casualty of the Sino-Vietnam War. The 1990s would see expanding contact and cooperation along the frontier that culminated in the December 30, 1999, signing of a treaty by the foreign ministers of China and Vietnam that demarcated the land border between the two countries. This was an important symbolic step signifying the attempt by both sides to place the normalization of relations on a stable and permanent footing and the logical outcome of a decade marked by cordial relations in the border regions.

The purpose of this article is to describe the process of normalization on the border during the 1990s. It first outlines the general geography of the

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border area and then reviews the course of normalization between China and Vietnam. The third section details the policy history of border relations with respect to economic cooperation and development, while the fourth comments on the transformational consequences for the border economies. The last two sections will address the problems of the border relationship and prospects for the future.

General Geography of the Sino-Vietnamese Border Area

"Vietnam, China—mountains join mountains, and waters join waters"—so goes a saying that is well-known in both China and Vietnam, for it is these features that typify the topography of the border between the two countries. The border between Vietnam and China's Yunnan Province is mountainous, while that between Guangxi Province and Vietnam features both mountains and water, in the form of the Beilun River. Finally, waters—namely, those of the Gulf of Tonkin—lie between Hainan Province and China's southeastern neighbor. This article will focus on the terrestrial border; hence, when economic cooperation along the border is discussed, the "Chinese side" of the relationship being referred to is Guangxi and Yunnan. The land border between China and Vietnam stretches for 2,363 kilometers. Since most of the 1,343-km long border with Yunnan is mountainous and national transportation is generally more convenient through Guangxi, 80% of border trade occurs over Vietnam's 1,020-km long border with that province.

The combined population of Guangxi and Yunnan Provinces is 88 million, roughly equal to the population of Vietnam. The area of the two provinces is about 610,000 sq. km, with Guangxi accounting for 230,000 sq km and Yunnan 380,000 sq. km. Their combined gross domestic product (GDP) was about 365.9 billion yuan in 1997—almost 5% of China's total—with 201.5 billion yuan ($536 per capita) coming from Guangxi and 164.4 billion yuan ($502 per capita) from its neighbor. On the Vietnam side of the border lie six of Vietnam's 61 provinces. Their total population stood at almost four million in 1999, making up 5.2% of Vietnam's total. Their combined area of 55,584 sq. km accounted for 16.8% of the country's territory. The 1996 GDP of 7.92 trillion dong (about $720 million) for these provinces constituted 2.9% of the national total.

According to official Chinese classification, there are 15 ports designated as national- or provincial-level along the border between China and Vietnam. Four of the five national ports are in Guangxi. These are Dongxing, whose Vietnamese counterpart is Mong Cai; Pingxiang, matched with Dong Dang; Youyiguan, which corresponds to Huu Nghí Quan; and Shuikou, paired with Tuo Long. Yunnan's only national-level port is Hekou, which lies on the Red River and along the Kunming-Haiphong railway; its Vietnamese oppo-
site number is Lao Cai. A similar ratio prevails among the provincial ports—eight of the 10 are in Guangxi.

Most of the transportation links that had existed across the border were restored and improved during the 1990s. There are two rail links. The major one, the Nanning-Hanoi railway, is 418-km long. The cross-border segment between Lang Son and Pingxiang was finished in June 1993 and opened two years later. The second link is formed by the Yunnan-Vietnam railroad. Completed by the French in 1910, it stretches from Haiphong to Kunming through Hanoi. Though it has been modernized somewhat on the Chinese side, it remains an uneven route at best, with narrow gauge tracks that occasionally skip as they move from tunnels to bridges. Relevant to the discussion here is the Kunming-Hanoi section of the railway, which is 761-km long. The rail connection was reopened to international traffic in April 1997 after 12 years of hostility between China and Vietnam and a further six years of negotiation. However, the amount of freight that can be carried on the route is low and as a consequence the link gets relatively little use.

As for roads, 10 connect China and Vietnam. Two of these provide convenient access for trunk routes on both sides of the border. While the shortest and most convenient route between Nanning and Hanoi is through Pingxiang (419 km), the upgrading of the road that goes from Nanning to the border by way of Dongxing to a six-lane tollway for most of the way makes it the more rapid journey to Vietnam. The other roads could generously be described as two-lane, paved, local throughfares.

River transport on the Red River is insignificant, but coastal traffic is fast and thick. The Gulf of Tonkin is a relatively protected body of water—somewhat isolated from the high seas and hence calmer. There are tourist hydrofoils running between Fangcheng and Halong Bay, and there are innumerable locations where coastal craft can dock from Hainan all the way down to the Mekong Delta.

Normalization of Sino-Vietnamese Relations

As Christopher Roper makes clear, the 1980s were a period of confrontation between two states.¹ The major turning point in Sino-Vietnamese relations was the secret summit meeting in Chengdu in September 1990 (officially revealed in 1999) that was followed by formal normalization in November 1991. That month, at the invitation of China’s General-Secretary Jiang Zemin and Prime Minister Li Peng, the Vietnamese summit delegation, led by General-Secretary Do Muoi and President of Council of Ministers Vo Van

Kiet, paid an official visit to China during which the countries would issue a joint statement calling on both to develop good-neighborly and friendly relations.

Since 1991, political and diplomatic bilateral relations have developed quickly. The two states have developed a routine of summit visits every year, giving the top leaders the chance to regularly discuss reform, opening to foreign countries, and developing the economies of both countries. In 1998, 148 delegations from both sides exchanged visits discussing cooperation possibilities. Landmarks in the bilateral relationship came that year in the form of Prime Minister Phan Van Khai’s visit to China and Vice-President Hu Jintao’s to Vietnam. These visits were followed by a sooner-than-usual trip by Secretary Le Kha Phieu to Beijing, Sichuan, and Guangdong in February–March 1999. During this visit, China and Vietnam confirmed plans, first announced in July 1997, to formalize an agreement on the land border in 1999 and on the Gulf of Tonkin by the end of 2000. The agreement, originally expected to be reached during Premier Zhu Rongji’s visit to Vietnam in early December 1999, was concluded on December 30 (its text has not been made public).

Economic relations have been developing steadily. Since normalization, the two countries have signed more than 20 documents covering trade and economic cooperation matters. These agreements have covered a range of matters, including economic and trade issues; air, sea, and rail transportation; cultural affairs; public security questions; customs and taxation matters; and other subjects. In 1997, mutual trade totaled $1.44 billion. China had 41 investment projects in Vietnam that year with a contracted value of $102 million. Both sides sought to raise the value of two-way trade to $2 billion by the turn of the century, though in the end this goal was not achieved.

Policies for Developing the Border Area
Normalization marked a new era in border policies for both China and Vietnam; they did not simply return to the policies of the 1970s. The primary border policy goal during that decade was to facilitate China’s assistance to Vietnam’s war effort, not to develop the commercial economy of either side. But during the period of mutual hostility in the 1980s, the national policy frameworks of both sides changed dramatically. China’s policies of openness and market-based reform transformed the priority and policy context of international trade during that decade. In Vietnam, development of exports was elevated to one of what the government designated as the three great national tasks in 1986, though the embargos that continued into the 1990s

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limited the practical effects of the change in policy. Consequently, by 1991 both China and Vietnam were ready to apply their new interest in trade to the opportunities on the border created by normalization.

Roughly speaking the post-normalization period featured two phases of policy development on both sides. The first, which lasted from 1991–92, saw the incorporation of the border areas into national trade policy frameworks. The second, which unfolded in 1996, addressed issues of regularization of trade and the further development of cooperation. The first policy phase began with the signing of an interim agreement on border management questions in 1991. This was followed on March 25, 1992, when Vietnam issued Instruction No. 94 of the president of the Council of Ministers of Vietnam “[O]n management of markets at border areas between Vietnam and China in the new situation.” Dealing with such issues as import and export trade, exchange of goods between border inhabitants, settling accounts and currency, and markets for border trade, its goal was to strengthen management of border trade. The initial regulation was expanded upon two days later with Instruction No. 98, “To open ports at [the] border line between China and Vietnam.”

China’s implementation began with Document No. 62, promulgated by the State Council on June 9, 1992. It opened five cities and towns in the border area—Nanning, Kunming, Dongxing, Pingxiang, and Hekou—and subjected them to the same preferential policies as had been applied to the coastal areas. These policies granted local governments the rights to examine and approve investment projects; reduce or remit tariffs; reduce or remit taxes; and make loans for investment in fixed assets. That September, the State Council’s Office of Special Districts approved establishing economic districts for border cooperation at Dongxing, Pingxiang, and Hekou. The policies governing these districts are more preferential than those laid down in Document No. 62.

After the rapid development of border trade in the early 1990s, both sides felt that more specific regulation was needed as well as a policy framework that would permit expansion of cooperation. For China, the new regulations fulfilled part of the general need for specific border policies created by an upswing of border commerce all along its perimeter, from Siberia to Vietnam. In 1996, the State Council promulgated the “Circular of the State Council Concerning Some Issues of Border Trade.” It includes some stipulations on trade for inhabitants of border areas, trade of small volume, and

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4. The texts of the Vietnamese documents can be found in *Nhung van ban can biet ve hop tac Viet Nam Trung Quoc* [Some important documents regarding cooperation between Vietnam and China] (Hanoi: Nha Xuat Ban Cong An Nhan Dan [People’s security publishing house], 1992).
economic cooperation with foreign countries. This document provided more detailed definitions and policies at the national level. In addition to these national level policies, local governments in the border region at the provincial, district, and county levels have also adopted many preferential policies of their own aimed at advancing development of the border areas.

In Vietnam the effects of border trade were more mixed, as Christopher Roper’s article suggests. The flood of Chinese goods tended to bankrupt Vietnamese producers, leading to an unsuccessful attempt in 1992–93 to ban 17 categories of Chinese imports. Despite these concerns and the growing trade deficit, Vietnam remained willing to expand its border cooperation. On September 18, 1996, Prime Minister of Vietnam Vo Van Kiet signed and promulgated “Decision No. 675 to carry out some preferential policies at Mong Cai port area.” Vietnam plans to create a Mong Cai, a special economic district similar to China’s Shenzhen Special Economic Zone next to Hong Kong. The preferential policies include a 50% reduction of land-use tax, a four-year tax holiday for new enterprises, relaxing restrictions of entry and departure of foreigners, and reserving 50% of revenue to reinvest in local areas. These policies are intended to advance investment from outside and promote major efforts to developing trade and tourism. In 1998, permission was granted for Lang Son and Lao Cai to implement the same policies as Mong Cai.

Economic Cooperation and Development

Policy has struggled to keep up with the rapid and multifaceted development of the border region. The small-scale trade that began the economic relationship was soon overshadowed by large-scale commerce, and that in turn produced a chronic trade imbalance that has limited the rate of growth. Nevertheless, the relationship has continued to develop in the new directions of tourism, investment and contracting, economic cooperation districts, and infrastructural improvements.

Border Trade

The single most important economic reality of normal border relations is trade. Without trade, a border region suffers the disadvantage of being on the edge of a closed national economy. With it, location becomes an advantage and the border region becomes the most convenient place to buy and sell goods with the neighboring country.

With respect to trading patterns across the Sino-Vietnamese border since normalization, the first tendency to be noted is that small-scale trade, i.e.,

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trade restricted to border areas, has been displaced by large-scale trade, i.e.,
regular trade between the two countries that happens to be routed in part
through the border regions. The opening of the border led to a one-time spurt
in small-scale trade in 1992, but in general the trading relationship increas-
ingly has been defined by large-scale trade. Smuggling, which is not in-
cluded in official statistics, is informally estimated by some experts to exceed
regular trade in volume. Smuggling on this scale is likely to be more similar
to large-scale trade than border exchange. Regardless, small-scale trade does
continue to grow and remains important to border areas, especially those re-
gions that are not on national trade routes.

In concrete terms, Guangxi Province saw the value of its total trade with
Vietnam increase rapidly from 450 million yuan in 1988 to 2.6 billion yuan
in 1992, an almost six-fold jump. Trade has since flattened out; in 1999, the
province’s trade with Vietnam was 2.864 billion yuan, only a 10% increase
over seven years. All provinces saw small- and large-scale trade affected by
the onset of the Asian financial crisis, which was hard on the entire region.
China’s total trade with Vietnam dropped 13% in 1998, and Guangxi and
Yunnan saw their trade with all destinations fall that year by 3%. Exports to
many Southeast Asian destinations fell by more than half.6

Vietnam has had a trade imbalance with China since commercial relations
were reopened. Imbalanced trade has a tendency to become self-limiting.
Until 1998, Vietnam’s overall trade with China was marked by a steep in-
crease in imports and much flatter growth of exports. This led to an increase
in Vietnam’s balance of payments deficit with China. The deficit, along with
the threat that Chinese imports have posed to domestic production, prompted
Vietnam to adopt protective embargos to reduce the trade deficit in 1992.
Such measures could not be sustained in the face of consumer demand and
the ease of smuggling, and 1995 saw a leap forward in imports. Neverthe-
less, the gross imbalance of trade is in itself a major limit to the growth of
trade, because Vietnam has to pay for what it buys and does not earn nearly
enough from what it sells. Trade with China is only 10% of its total trade,
but Vietnam runs deficits with other trading partners as well.

The overall effects of imbalanced trade on trade growth can be seen in
Figures 1 and 2. Figure 1 gives the more pessimistic picture because it charts
annual rates of growth. The chart looks like the bouncing of a dead tennis
ball about to roll to a stop. It should be noted, however, that the top of the
figure is defined by an export growth of almost 600% in 1992—had Vietnam
maintained that rate of export growth, its exports to China in 1999 would

6. China Statistical Yearbook 1999 (Beijing: China Statistics Press, 1999), pp. 583, 592; and
Tan Pichuang, “Zong shijiejingji di jiaodu kan Guangxi” [Guangxi from the perspective of the
4–6.
Figure 1: Vietnam’s China Trade (annual % change)


Figure 2: Vietnam’s Trade with China (annual increment)

Source: Ibid.
have approached $45 trillion! The 1995 growth rates of almost 100% are remarkable and should not be overshadowed by the early years. Nevertheless, trade between China and Vietnam clearly is not likely to be transformed by great percentage increases in the foreseeable future.

Figure 2 is somewhat more optimistic because it shows the amount of annual increment, that is, the material rather than percentage increase in the volume of trade. Here, the trade increases of 1995 and 1997 are shown as larger than those of the early years. However, this figure also highlights the massiveness of the trade downturn of 1998, undoubtedly a result of the Asian financial crisis, though an indirect one. Together, Figures 1 and 2 highlight complementary dimensions of the growing trade imbalance. One shows the diminishing transformation of trade, the other shows its generally increasing volume.

Tourism

With the opening of the border areas between China and Vietnam and the flourishing trade between them, tourism across the frontier is also showing significant growth. During the 1980s, there had been almost no cross-border contact between China and Vietnam except for occasional furtive expeditions by border residents. With the 1990s, not only did the border situation become more normal, but China’s prosperity has led to a growth in tourism. Travel in Vietnam has become inexpensive for Chinese and many have been taking the opportunity to see the country with their own eyes. Many of those visiting Vietnam come from the border cities of Dongxing and Pingxiang, with such destinations as Mong Cai, Lang Son, Halong Bay, Hanoi, Hai Phong, and even as far south as Ho Chi Minh City. Given the origins of these travelers, the phenomenon has been described as “border tourism.”

Many Vietnamese have been reciprocating with tourist trips to China, with Guangxi Province as their entry point. From 1993 to 1998, there were 12.77 million border crossings between China and Vietnam—8.18 million from China and 4.59 million from Vietnam. While no figures are available from Vietnam, China’s estimated earnings from Vietnamese tourism were 745 million yuan.7 Further improvements to the tourism infrastructure should promote continued rapid growth in this area.

Investment and Service Contracts

Owing to different levels of economic development between the two countries, investment has been for all intents and purposes unidirectional from

China to Vietnam. In contrast to the factories that China donated to Vietnam in the 1960s, its current investments are often related to facilitating trade. The number of joint Sino-Vietnamese projects in Vietnam has been increasing. Initially, many of these were being carried out in the border provinces, but by the end of the 1990s numerous projects were also being advanced in Vietnam’s interior.

The principal agents behind these investment projects have been Guangxi enterprises and individuals of all levels, from large state-owned enterprises to private merchants. The first economic and technological cooperation project undertaken by a Guangxi interest in Vietnam was the technological refurbishment of the integrated chemical and nitrogenous fertilizer manufacturing complex in Ha Bac. Since then, a variety of efforts have taken place. China offered 17.5 million yuan in interest-free loans to import equipment and spare parts into Vietnam. Dongxing’s leading border trade company contracted to improve a highway in the vicinity of Mong Cai, which lies across the border from Dongxing. The Dongxing firm provided labor and materials, and the Vietnamese paid in rubber. The project was a form of barter. China exported the goods and imported materials it needed itself. And Vietnam bought technology and equipment, and built the projects without using foreign exchange.

**Economic Cooperation Districts**

To reduce tedious and unnecessary formalities, promote exchange and trade, bring about progress in local economies, and promote friendly intercourse between the peoples of the two countries, tentative plans have been put forward by local governments, provincial and national institutes, and academics to establish districts for economic cooperation at appropriate places along the border. Of these, two plans are particularly well-developed and will be discussed below.

The first is the Beilun River economic cooperation district. This district would include Dongxing and Mong Cai, with an area of approximately 1,000 sq. km and a population of 160,000. Dongxing and Mong Cai are the largest and closest pair of border port cities, separated only by the relatively narrow Beilun River. The cities lie on the coast of the Gulf of Tonkin. The terrain is level, the district covers a vast area, transportation on both land and the water is convenient, and the proposed district is rich with fresh water resources. The conditions are right for the creation and development of a truly international metropolitan area. There also are ethnic commonalities. The Jiaoping District of Dongxing is home to a 15,000-strong community of people of the Jing nationality, a Chinese minority that is ethnically the same as Vietnam’s majority Kinh nationality. For all of these reasons, China and Vietnam attach great importance to constructing and developing the two cities, both of which were upgraded from town- to city-level administrative status in the late
1990s. The economies of both cities are developing quickly and they are being transformed by construction projects.

The second economic cooperation district plan is one covering Pingxiang and Lang Son. This 10 sq. km trade district is located inland. Though small, it is only 150 kilometers from Hanoi and there is a railway port, so transportation is convenient. Its location has made it a center for the accumulation and distribution of goods, as well as for trade and information exchange. In the future, it may become an entryway to China not only for Vietnam but for other Southeast Asian countries as well.

Development of Border Area Infrastructure and Municipal Administrations

Prior to the thawing of Sino-Vietnam relations, the socioeconomy of the border areas was primitive. Transportation, post, and telecommunications infrastructure was underdeveloped, as was the degree of municipal administration. This situation was not suited to the needs of reform and openness.

In the 1990s, China and Vietnam increased investment in their respective border areas, targeting the development of infrastructure in particular, with the goal of speeding development there. In 1992, the Guangxi provincial government decided at separate meetings in Dongxing and Pingxiang to invest more than 200 million yuan in numerous infrastructure projects in the border areas. Fourteen of these projects worth 123 million yuan of investment are intended to be in or aid Dongxing. So far, a second-class highway from Fangcheng to Dongxing has been constructed; power lines with a capacity of 110 kV have been stretched between those same cities; a bridge from Dongxing over into Vietnam has been built over the Beilun River; Dongxing has received a new waterworks that supplies 40,000 tons of water per day, and some 5,000 direct-dial telephones have been installed. Numerous other facilities of various sorts have been constructed as well, including the Zhushan port, Dongxing International Hotel, and a department store as well as a school, hospital, and new city hall building. Pingxiang, Hekou, and other border counties also have experienced rapid development of such infrastructural elements as water supply, electric power, roads, communication, service industries (e.g., banking, insurance, and transportation), and municipal administration (e.g., higher budgets, more personnel, and upgrades in status such as Dongxing's shift from town to city).

Vietnam, too, has also pursued projects aimed at building up the infrastructure of its border area. These projects have included the modernization of the Hanoi-to-Lang Son and Hanoi-to-Mong Cai highways; the erection of power transmission lines from Hanoi to both of those cities; the construction of direct-dial telephones in these areas; and the building of the Van Gia port and a heliport at Mong Cai. Furthermore, municipal administration at Mong Cai,
Lang Son, and Lao Cai have been greatly developed in order to cope with the added burdens of border commerce.

**Transformation of the Border Areas**

Trade, tourism, and investment on both sides of the border area produced a golden era of high-speed development in the 1990s. However, the gold has not been distributed evenly on both sides of the border nor within each region. In general, the Chinese side has been developing more rapidly than the Vietnamese, and urban centers with national transportation links likewise are advancing more rapidly than relatively poor and isolated places.

As Table 1 shows, the per capita GDPs of the counties in the two Chinese border provinces vary widely. Pingxiang’s per capita GDP, for example, is 180% of the average for Guangxi Province, while the Yunnan counties of Jinping and Luchun have low GDPs compared to the provincial average (and Yunnan is not a rich province). Within their respective districts, some of the disparities are even greater. Pingxiang’s GDP is almost three times the border group average, while Luchun and Jinping are around one-third. The chief factor that differentiates the richer (GDP above 100% of border group average) and poorer localities is the presence of towns with long-distance communications and transport capabilities.

Although every county in China’s two border provinces showed impressive GDP growth in 1995–96, only two of the poorer counties—those with per capita GDPs below 50% of their respective provincial averages—managed to grow as fast as the provincial average in the longer period of 1993–96. This reflects a general problem with market-based growth. Markets reward surplus and surpluses are difficult for the really poor to achieve. Moreover, to the extent that a locality is relatively isolated from its own domestic market, it can only benefit from localized trade. Localized trade (and the cessation of hostilities) was important to maintaining quality of life in mountainous areas along the border, but it could not create new opportunities. As might be expected, opening the border was a tremendous advantage for such relatively well-connected areas as Pingxiang because they could benefit from national as well as from local trade.

The publication of Vietnam’s *Socio-Economic Statistical Data of 61 Provinces and Cities* in October 1999 has made it possible to compare recent provincial growth on that side of the border. Data from this source form the basis of Table 2. The data are not perfect—for example, Lai Châu Province recorded an unlikely 76% increase in GDP in 1997. Nonetheless, it is far more complete than any previous set of official data. As the data show, the income disparities among the border region counties on the Vietnamese side are less extreme than they are on the Chinese (though it should be noted that
<table>
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<th>Province</th>
<th>District</th>
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<th>1996 Population (1,000)</th>
<th>1996 GDP (1 million yuan)</th>
<th>GDP Growth, 1995–96 (%)**</th>
<th>GDP Per Capita</th>
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*Dongxing was raised to the status of a county-level city in 1996 but is still reported as part of Fangcheng.

**Adjusted for inflation.
the Vietnamese units are fewer and larger, which would affect the comparison.

It is more difficult to get a picture of development trends. One or two years of annual changes cannot be taken to represent a long-term tendency. However, it is reasonable to suppose that GDP in all border areas was lower and more equal before normalization, and that part of the disparity in per capita GDP in the late 1990s is a reflection of the differences in rates of growth since 1989. Anecdotal evidence bears out this supposition. Revenue of Quang Ninh’s Hai Ninh County (now Mong Cai City) reached 180 billion dong in 1996, making it the county with the highest revenue in all of Vietnam. Mong Cai’s growth has come as a direct result of border trade and tourism.

There are clear economic disparities between the two sides of the border. Ranking all 20 border localities in terms of their per capita GDPs, only Quang Ninh (6th) and Lang Son (8th) of Vietnam appear in the top 10. The lower rankings appear to be better distributed, with China’s Luchun being the poorest unit for both countries. A more appropriate comparison might be between the units opposite one another across the border. This reveals that the GDP per capita of the Vietnamese partner is generally around half that of its Chinese counterpart, with the closest match (two-thirds) coming between
the poorest counties, i.e., Lai Châu and its Chinese neighbors at the western end of the border.

GDP per capita provides a useful bottom line of comparison, but the comprehensive effects of economic development should also be recalled. The average income per person in Guangxi’s Dongxing and Pingxiang in 1997 reached 2,466 yuan and 2,172 yuan, respectively, while the provincial average income per person stood at 1,875 yuan. A further indicator of relative wealth in both cities is that the average per capita size of savings deposits and number of telephones are the highest in Guangxi. On the Vietnamese side, field survey data comparing 1990 figures with those of 1993 show that 54% of families in the border areas of northern Vietnam had raised their standard of living, 31% remained at existing levels, and only 15% experienced declines.

**Current Problems**

In the 1990s, economic cooperation along the border area between China and Vietnam produced considerable success. However, the rate of growth and the adjustments called for by the newly open relationship have produced new problems of their own.

First, at the national level the emphasis in Sino-Vietnamese relations was on political normalization rather than economic cooperation. Vietnam has been worried about Chinese domination of its economy, more so than it worries about the presence of other foreign influences. For its part, China remembers the $20 billion in aid it dispensed during Vietnam’s war with the U.S. and does not feel obligated to be generous again.

Second, due to the 10-year estrangement, there are many mistaken notions on both sides. There is much room for confidence-building among both government officials and business entrepreneurs, and there is ignorance of existing opportunities. For instance, Mekong rice is noted for being of high quality, but little of it is sold to China at present. Chinese businesspersons have many problems with investment in Vietnam because they are unfamiliar with its regulations, while Vietnamese officials are often overly anxious about investment from China. As a consequence, there are few big Chinese firms engaged in trade and investment activities in Vietnam.

Third, although a decade has passed since the resumption of economic activities, the two sides have not discussed in earnest the broader issues of economic cooperation at the border. There is no joint long-range plan, nor is there a coordinated structure of laws and procedures for regulating activities in and developing the border region. Constant changes to national and local regulations and policies produce an ebb in economic activity at the border when the official mood is one of control and regulation and a flood when officials change their minds and encourage development.
Fourth, in the process of cooperation and exchange, China and Vietnam have paid too much attention to trade and given scant attention to cooperation over developing technology, tourism, and industrial activities in the border area. Also, cooperation in finance and transportation has not caught up with the expansion of trade. Some entrepreneurs and government officials in both countries pay attention to large-scale and small-volume trade, but look down on small-scale border market trade because it does not generate significant profits or revenues. This oversight is a serious problem for the poor border areas in particular because such small-scale trade is all they have and it needs to be encouraged.

Finally, the long border creates opportunities for illegal activities that are difficult to control. Certain lawless elements have taken the opportunity to smuggle second-hand cars, guns, and brides from Vietnam to China. It is estimated that 10,000 Vietnamese women migrated illegally to China in the 1990s, though the number includes the customary pattern of cross-border local marriages as well as a large-scale trafficking based on the relative shortage of women in China.\(^8\) Illegal goods such as drugs move across the border, though most of the narcotics available in Nanning come from Burma rather than from Vietnam. Smuggling of legal commodities in both directions has been a major problem because high tariffs create an opportunity for quick profit. That said, the major 1998 anti-smuggling campaign enacted in China has been effective against large-scale smuggling into that country.

**Prospects**

Despite the tortured history of Sino-Vietnamese relations, the current era of normalization is solidly based, and therefore further development of the cross-border political economy is likely to continue. But relationships at the border will remain a complex part of a complicated international picture. On the one hand, economic integration at the border will affect perceptions of national interests in Beijing and Hanoi. The cost of limiting or reversing the policy prerequisites of border prosperity will rise each year. On the other hand, the border will remain a sensitive barometer of relations between two countries, reacting to mere rustles of leaves in the wind.

The stability of normalization can be expected for three major reasons. First, the benefits of improved bilateral relations clearly exceed the costs. This is most obvious in the border areas, but it is also evident throughout Vietnam. It is less obvious in China only because Vietnam represents a smaller share of the external economy. Second, while the recent experience of hostility has left scars and suspicions, it is also a sobering reminder for

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both sides that hostile confrontation does not yield desirable results. When the frictions of normalization push the relationship to the edge of crisis, the alternative of hostility will be recalled as a familiar and unpromising choice. Third, China and Vietnam’s bilateral normalization fits into the two countries’ regional and global policies of international openness. It is more difficult to make an exception from general policies encouraging external cooperation. For these reasons, though disagreements constantly arise between the two countries it is unlikely that normalization will be faced with any accidental or abrupt changes. The recently concluded border negotiations are important indicators of a mutual commitment to confirm the basic bilateral relationship and put it beyond the range of dispute and risk.

As the diplomatic ties become more secure, the level of border cooperation will inevitably increase. To be sure, there is plenty of competition on the border as well as cooperation. Anxieties on both sides over achieving success can produce suspicions and fragile agreements as well as cooperation. Nevertheless, in the long run the cooperative efforts may create a network of mutual expectations across the border and successful agreements may become the models for new ventures. The rate of growth at the border will undoubtedly fluctuate and the high growth rates of the early 1990s may reflect pent-up demands and initial advantages. That said, there is no reason to expect that the general pattern of development in the 1990s will not hold for the foreseeable future.

Discrepancies between the viewpoints of local governments, who are acutely aware of and personally involved in promoting border opportunities, and their national counterparts, who are less interested in local prosperity and more concerned with maintaining control of external relations, may have a limiting affect on future development along the frontier. Such intergovernmental tensions are present in both China and Vietnam, but they are more acute in Vietnam because Hanoi feels more vulnerable with respect to China and believes its ability to control external relations is more fragile. Thus, the constraints of national policy will constantly pull the leash on what is possible in the border regions on both sides.

Such caveats aside, the future of economic development and trade in the regions around the Sino-Vietnam border looks promising. It may seem strange to be confident of the future in a place that has experienced such abrupt changes in its recent past. But learning through negative example can be quite effective and neither China nor Vietnam accomplished much through confrontation. The normalization of the 1990s presents a promise of prosperity that no one would wish to cast away. As a result, the unseen hands of local officials and entrepreneurs along the border have used national policies of normalization to tie together China and Vietnam through thousands of small bonds of opportunity.