

Chinese premier visits Vietnam

John Roberts
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Chinese Premier Li Keqiang conducted a three-day visit to Vietnam in mid-October, as part of a diplomatic offensive by the Chinese leadership in South East Asia that included trips to Thailand, Indonesia and Malaysia and attendance at the Asia Pacific Economic Cooperation (APEC) meeting and East Asia Summit.

Li's trip was of particular significance, as Vietnam had sided with the Philippines, with the backing of the US, in demanding multilateral talks with China over territorial disputes in the South China Sea. In July last year, an Association of Southeast Asian Nations (ASEAN) ministerial summit broke up without issuing a joint communiqué for the first time in its history. This followed a clash between the Philippines and Vietnam with Cambodia, which has close ties with China.

In Vietnam, Li offered a series of economic inducements, signing 12 trade and investment agreements. In return, Vietnam agreed to establish a bilateral working group to discuss the joint exploration of natural resources—including gas, oil and fish stocks—in the Gulf of Tonkin, where the two countries share a disputed maritime border. The agreement could pave the way for joint development in other contested areas of the South China Sea, including the Paracel and Spratly Islands, where there have been clashes in the past.

While the exploration agreement is a tentative first step, it marks a Vietnamese concession to Beijing, which has insisted on resolving maritime disputes with neighbouring countries on a bilateral basis. China is seeking to blunt the efforts of the Obama administration to exploit maritime territorial disputes to drive a wedge between Beijing and its South East Asian neighbours.

In 2010, Secretary of State Hillary Clinton provocatively declared at an ASEAN summit that the US had a “national interest” in ensuring “freedom of navigation” in the South China Sea, and she called on

China to negotiate a code of conduct with ASEAN. Washington has encouraged the Philippines and Vietnam to more aggressively assert their claims against China, raising tensions in the region.

The US intervention in these maritime disputes is part of the Obama administration's broader “pivot to Asia,” which involves a diplomatic offensive and a military build-up throughout the region that is aimed at undermining China's influence. Washington is seeking greater access to Vietnamese ports, as well as basing arrangements in the Philippines, to ensure its continued dominance over key shipping routes through South East Asia.

Both Premier Li and the Chinese Foreign Ministry described the Gulf of Tonkin exploration agreement with Hanoi as a “breakthrough.” Chinese Academy of Social Sciences researcher Zhang Yunling told the media: “The approach that the two countries are taking is to start with the easiest and then to the difficult [in resolving the maritime dispute].”

National Institute for South China Sea Studies president Wu Shicun said: “The agreement reached by China and Vietnam undoubtedly sends a clear message to other claimants that putting aside bickering on sovereignty and sitting at the table for joint development is pragmatic choice. The attempts to internationalise the South China Sea issue will result in the deterioration of bilateral ties and worsen the situation.”

The “internationalisation” of the disputes is a reference both to US involvement and also to the decision of the Philippines to file a case for international arbitration under the United Nations' Convention on the Law of the Sea. Beijing has bitterly opposed the case. Chinese leaders pointedly did not visit the Philippines this month.

At the East Asia Summit, China's National Offshore Oil Corporation signed a joint exploration deal with

Brunei's national petroleum company Sendirian Berhad, representing another diplomatic gain for Beijing.

Like many other countries throughout the region, Vietnam has been seeking to balance between Washington and Beijing. Vietnamese Prime Minister Nguyen Tan Dung signed a civilian nuclear agreement with US Secretary of State John Kerry at the East Asia Summit, allowing for the transfer of nuclear technology for Vietnam's power industry. Hanoi is also a participant in the US-sponsored Trans Pacific Partnership (TPP) and hopes to gain greater access for its manufactured and seafood exports to the US and Japan.

However, faced with slower economic growth and global uncertainty, Vietnam welcomed the economic agreements on offer from China. Among these was a plan to increase bilateral trade, from last year's \$US41.2 billion to \$60 billion by 2015. There was a deal to jointly build a \$2 billion power plant in Binh Thuan province, and an agreement to establish a cross border economic cooperation zone.

The Vietnamese National Assembly, which began its scheduled 40-day meeting last Monday, has set annual gross domestic product (GDP) growth targets of 7-7.5 percent through to 2015. In 2012, however, economic growth was just 5.03 percent, the slowest since 1999. The regime is fearful that slower GDP gains will lead to higher unemployment, worsening poverty and the prospect of social unrest.

The TPP is likely to raise social tensions even further, as it would require the dismantling or restructuring of 1,300 state-owned enterprises (SOEs) that currently generate 40 percent of the country's GDP. The full or partial closure of SOEs will inevitably lead to mass layoffs. The agricultural sector, which employs 48 percent of the national workforce, would also be hit by the new terms of trade.

The US is in no position to match China's economic offers to South East Asian countries. President Barack Obama cancelled his trip to the region and his attendance at the APEC and EAS summits amid the crisis in Washington over the government shutdown. His administration has responded, however, with a military show of force—the presence of the aircraft carrier USS George Washington and its associated battle group in the South China Sea.



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