The economic relation between China and Vietnam in 90s
---Focus on border trade---

This dissertation discusses the process of the development of Sino-Vietnam border trade after the 1990s, the related trade policies carried out by both sides, the economic and social changes in the border areas of both countries brought about by the trade, and the development of regional economic cooperation. It consists of 5 chapters.

Chapter 1 examines the notion and historical background of Sino-Vietnam border trade. In this chapter, we start by outlining the scale of Sino-Vietnam border areas and their economic conditions before defining the trading bases of such areas. After which, we examine the Sino-Vietnam border trade in pre-modern times and the trade from the 50s to the 60s. We also clarify the notion of Sino-Vietnam border trade. China and Vietnam interpret border trade in slightly different ways. The Chinese regard border trade solely as the private trading between Guangxi's Chiwanese self-government areas, an adjacent city to Vietnam, and Yunnan prefecture. Thus, international trading between China and Vietnam is not included in this context. Meanwhile, although the phrase ‘border trade’ exists in Vietnam, however, when it comes to Sino-Vietnam border trade, the Vietnamese define it as any form of trading at the border areas of China and Vietnam; including formal trading, small trading, activities that consist of cross-border trading of goods and transit trade that uses Vietnam as the transit point.

Chapter 2 analyses China and Vietnam’s policies on border trade. At the earlier stages when the border trade was revived, the Vietnamese government announced its policy on border trade in 1988 through Notice No.118. This was followed by the release of the Cabinet Meeting Instruction No.09 on the opening of Sino-Vietnam border. In this notice, the Vietnamese government declared unilaterally that the trade base at the Sino-Vietnam border would be opened to the residents. Such measure has thus legalized the once illegal trading activities, making them legal and open activities. The reasons behind the change in Vietnamese government policies not only
include the strategy to seek new market for international trade; intentions of improving Sino-Vietnam relationship and reviving of trade were also behind Vietnamese government’s change in its policy. At that time, the Vietnamese government concentrated solely on gaining the merits that could be expected from the re-normalization of Sino-Vietnam trading. In the face of economy difficulties, the Vietnamese government simply could not afford detailed consideration on the demerits of border trade and the prospects of its economy after the re-normalization of such border trade. Thus, due to this policy, Vietnam was troubled by problems right after the re-opening of the border trade. Consequently, in the later years when border trade began to go off track and expanded rapidly, Vietnamese government was confronted by new problems in trade management. Meanwhile, on the Chinese side, the Chinese government in 1992 announced the Ministry of State Affairs Notice on Initiative Promotion of Trade between China and the Former Soviet States. Following the announcement, China’s border trade with former socialist states developed tremendously, and distribution network formed through border trade expanded to the whole country. As a result, border areas, which were initially the limited traditional regional trading spheres, were transformed into a transit area of international trade between local markets and adjacent countries. In the meantime, the Chinese government attaches greater importance to developments in border trade with Southeast Asian countries including Vietnam and subsequently, areas of Guangxi’s Chinese self-government that are linked to Vietnam and border cities of Yunnan prefecture were given a series of special treatment. During this period of rapid expansion of border trade, economic conditions of the border areas improved. However, problems inherent to border trade also surfaced. In order to solve these problems, rules and regulations were prescribed to strengthen control of the trade. In January 1996, the Ministry of State Affairs Notice Regarding the Problems of Border Trade was announced. Under the influence of incentives given by the central government on border trade, Guangxi’s Chinese self-government area started to take a positive attitude towards trade and economic cooperation with Vietnam. The Guangxi government encouraged citizens living in trade areas to take part in trade so as to improve poverty problems. On the other hand, the administrative government regards border trade as a tractor that has the potential to revive the backward regional economics, and hence promotes external economic exchange in border regions.

The third chapter discusses transition of Sino-Vietnam border trade, and the problems encountered in each stage of development. When discussing the transition of Sino-Vietnam border trade after the 1980s Chinese researchers usually divide the entire process into 3 different stages. This dissertation also employs this classification method. In other words, the first stage stretches from 1983 after the breakout of the Sino-Vietnam war which starts in 1979, to 1988 when the war has calmed down; the second stage being the period from 1988 to 1991 and the third from 1992 till now. In the first stage of border trade, being held under military confrontations, trading between countries was regarded as illegal. In the second stage after 1989, with the improvements in
relations with neighboring countries, China’s relationship with Vietnam too develops, and the scale of border trade enlarges rapidly. During this period, the number of people involved in cross-border trade and the total value of such trade reaches a peak. In this stage, although Sino-Vietnam trade develops rapidly, due to the incomplete management system, numerous problems occurred. In the third stage, with the normalization of Sino-Vietnam diplomatic relations, trade between these two countries was resumed. Also, the regulations and management of border trade was strengthened. Subsequently, the problem of adjustment of benefits between regular trade that was controlled by the central government and border trade that was led by the local authorities was raised. In this third stage of development, the relation between border trade and inter-countries trade turned competitive. Moreover, as border trade was placed under control, the rate of expansion of the scale of trade slowed down, and the amount of trade at one time even showed signs of reduction. However, border trade still plays an important role in the economic exchange between China and Vietnam. On the other hand, when we discuss Sino-Vietnam border trade, we cannot ignore the issue of smuggling among legal trade. Hence, in this chapter, we survey the smuggling phenomenon that has occurred with the development of border trade.

Chapter 4 outlines the changes of social and economic conditions of the border cities brought on by the Sino-Vietnam border trade. We have looked into the changes in economic conditions of Dongxing: Monkai and Pingxiang: Ranson, the biggest bases at both sides of the Sino-Vietnam border, after the development of border trade. The development of border trade not only brings both cities huge increments in trade revenues; it also promotes the building of infrastructure, and even changes both cities’ economic structure. The changes brought about by border trade did not stop here; it also widened the prospect of achieving regional economic cooperation between regions that were formerly the battlefields of border disputes in the late 70s and regional economic growth based on regional economic cooperation. Due to these changes, the locals realized that in order to escape from the backwardness of the living conditions, the relationship of economic cooperation between China and Vietnam is indispensable. Hence the people and the local government of the border cities consciously proposed economic cooperation between China and Vietnam. One of the proposals that became the center of public attention was the conception of the construction of “2 countries – 1 city”, the free trade area between Tongxing and Monkai. The reason why the local governments would come up with such proposals was due to the efforts put in by the central government of both countries, especially that of Vietnam. In recent years, the Vietnamese government put in extra efforts so as to allow the development of border areas and the economic cooperation of both countries to be carried out smoothly. It is thought that with such movements in both the central and local governments, the economic exchange between both sides would be furthermore quickened, and economic cooperation between the local areas would be even more certain.
Chapter 5 analyzes the prospects of future development of Sino-Vietnam border trade. In this chapter, we emphasize on the policies implemented by governments of both countries in order to enhance development of border area, and also on both countries’ economic and political connections that are closely linked to the development of Sino-Vietnam border trade. First, we look at the development policies of both countries concerning border areas. On the Chinese side, due to the rapid development of border trade revived in the late 80s, the once closed and lagged-behind economic conditions of the border areas have improved. At the same time, economic exchange between surrounding countries expanded. Based on this point, we can thus predict that the Chinese government will use this achievement as a stepping-stone to continue implementing policies on border trade. The currently announced ‘Massive Development of the Middle East Region’ strategy by the Chinese government also supported this prediction. Meanwhile, the Vietnamese government, while giving weight to its own abilities in enhancing economic development, is also targeting promotion of regional economic development through economic exchange with Southern China regions. These intentions can be seen by examining the Communist government’s projects announced in the 90s to develop the mountainous northern regions of Vietnam including the border areas and its five-year economic development plan in recent years. It is expected that Vietnam will continue to involve actively in economic exchange with China in future. However, judging from the current economic development in Vietnam’s northern region, further expansion of this region’s economic development through border trade should also be considered. For that reason, it is also reasonable to predict that the Vietnamese government will soon put in order its management on the border trade. The smooth development of border trade is a result of stability in Sino-Vietnam’s economic and political relations. Taking a glance at the bilateral economic connections in the past few years, the amount of trade between the two nations has increased significantly and Chinese investments in Vietnam have also increased. Furthermore, after the Asian financial crisis in 1997, expansion of economic exchange between the two countries has shown a tendency towards acceleration. In the meantime, the political ties between the two nations are also showing signs of stability. Although the potential dispute over marine boundary on the South China Sea remains a threat to the bilateral ties, the settlement of territorial boundary that had been the cause of disputes between the two nations was finally resolved in the 90s. In addition, in the year 2000, the two nations also spelled out four fundamental principles, namely good neighborhood and friendship, full-scale cooperation, long term stability, and future intentions, aimed at maintaining stability in the relationship of both countries. With steady bilateral tie in place, doubtless to say, room for development in Sino-Vietnam border trade will expand. Moreover, shifting towards international trends, the agreement between China and ASEAN countries on the establishment of ‘ASEAN-China Free Trade Zone’ in November 2001 should become one of the noteworthy developments. Under such circumstances, Sino-Vietnam border area, which is located between China and ASEAN, will
attract more attention and the border trade will be expanded, in various ways, as a crucial part of economic development in the border areas. Keeping an eye on the direction of this new trend, namely the connection between Sino-Vietnam border trade and the surrounding regions, will become one of the themes for research in future.