LAST JANUARY, in a brutal and diplomatically inflammatory incident largely overlooked by the Western media, members of the Chinese coast guard operating in the Gulf of Tonkin shot nine Vietnamese fishermen to death and took eight others into custody. Initially, the governments of both Vietnam and China were strangely silent on this matter. Only after a Vietnamese newspaper broke the story, which resulted in angry denunciations of China and fiery, nationalistic calls for protest, did Hanoi lodge a formal diplomatic complaint—a full six days after the incident occurred. Beijing responded, claiming the fishermen were pirates.

Arrests of foreign fishermen for violating territorial waters are fairly common in this fiercely contested maritime region, but for many years actual bloodshed has been rare. Despite a history of animosity that dates back to the first century, Vietnam and China have recently cooperated on numerous fronts. What really happened on that January day may never be known, but this violent clash between two communist nations indicates that their relationship—which has evolved from one of historic bellicosity to one of regional, if competitive, economic promise—is still fraught with danger.

Despite Vietnam’s desire to share in its northern neighbor’s meteoric economic growth, this incident revived among some Vietnamese a long-held pessimism about prospects for lasting peace and prosperity in the region in general, and in Vietnam in particular. They increasingly question their country’s future in China’s growing sphere of economic influence. Still others optimistically believe that

Forever Red

Vietnam’s leadership wants economic reform, but only to the extent that it can control the process.

By Tuong Vu

Chinese President Hu Jintao (left) accompanies his Vietnamese counterpart, Tran Duc Luong, to review honor guards during a July ceremony in Beijing. Vietnam and China share a love-hate relationship.
the ruling Vietnamese Communist Party (VCP) may now be forced to push for closer ties with another traditional foe (and Vietnam’s largest trading partner)—the United States—in the hope that America’s markets and military could serve as a buffer against Beijing’s unpredictability.

Yet the leadership of this war-weary nation, like that of China, remains communist, and almost reflexively suspicious of America and its global economic and political agendas. Though it has instituted far-reaching economic reforms that have transformed the nation, the VCP remains fundamentally true to its socialist origins. Consequently, today Vietnam—widely regarded as the next Asian economic dragon—finds itself in the odd position of limiting its own economic potential to ensure the political survival of its rulers.

For their part, the Vietnamese people have shown they are much more interested in making money than playing politics. Since the mid-1980s, Vietnam has achieved remarkable success in reforming its socialist economy. Annual economic growth has averaged more than 7 percent since the mid-1990s, and its gross domestic product has reached $227 billion. Annual exports have risen from a few hundred million in the early 1990s to $24 billion. Foreign direct investment since 1988 has exceeded $45 billion with companies from Singapore, Taiwan, Japan and South Korea topping the list of investors.

Within a few years of dismantling agricultural collectivization, Vietnam has become the world’s second largest exporter of rice and coffee. The country has a large domestic market of more than 83 million people; its population is relatively young and its literacy rate tops 90 percent. Labor costs are among the lowest in the world. Furthermore, Vietnam holds a distinct geographic advantage over many other developing nations: It is surrounded by the fast-growing economies of China, Taiwan, Singapore, Thailand, Malaysia and India.

While these economic statistics are impressive, they cannot obscure the fact that Vietnam’s economy also bears many typical features of an underdeveloped country. While export growth has been impressive, crude oil, textile and footwear products account for only about half of all exports. The rest are mostly unprocessed, low-quality agricultural products subject to unpredictable weather changes and fluctuations in the global market. And though cheap labor has attracted armies of foreign investors to Vietnam, it remains to be seen if the country can produce more technologically complex or value-added goods.

RED RED TAPE

Vietnam often boasts to foreign investors that its greatest asset is political stability. By initiating reforms while consolidating its rule, the VCP has remained firmly in charge since the unification of the country in 1975. There have been occasional peasant protests and workers’ strikes, but none of the political upheavals that have shaken neighboring countries such as Indonesia and the Philippines. However, the stability of its political class is also the underlying cause of numerous intractable problems. The government comprises layers of bureaucracy (party, state, military and state-sponsored mass organizations) that gobble up huge portions of the national budget. The legal system is poorly developed. Notorious government red tape offers fertile opportunities for poorly paid bureaucrats to engage in corruption. Last year, Transparency International’s surveys gave Vietnam a score of 2.6 out of 10, indicating rampant corruption. (The Philippines, Uganda and Zambia had this same score.)

Still, the most formidable challenge to reform may be less economic than political and ideological in nature. Increasingly, the VCP feels threatened by what it calls “domestic and international reactionary and hostile forces.” As it has elsewhere, economic liberalization in Vietnam has generated new demands for multiparty democracy and intellectual freedom. Additionally, to expand trade and attract foreign investment, Vietnam has been forced—not always successfully—to adhere to certain international norms of democracy and human rights. Party leaders often feel bitter when Western governments and media comment on unrest by ethnic minorities and join domestic dissidents in their criticism of the government.

The VCP leaders’ paranoia about losing control is exacerbated by their uniring loyalty to Marxism-Leninism and their suspicion of “American imperialism.” In the late 1980s, the collapse of the Soviet bloc—and the consequent end of Soviet financial aid—forced the VCP to set ideology aside and embrace economic liberalization. Even so, the party has never rejected socialism and, in fact, is trying to devise new ideological justifications for its rule. For example, the government’s stated goal is to build “a market economy with socialist orientations.” What this loaded phrase actually
means is: Economic reform, yes! Political reform, no!

The political anxieties of the VCP have profoundly shaped the course of Vietnam’s often troubled integration into the global economy. This can be observed in moves to expand trade with the United States and to apply for membership in the World Trade Organization. In 1995, Vietnam started bilateral negotiations with the U.S. and submitted a formal application to the WTO. Everything was going smoothly on these fronts when, in 1997, the Asian financial crisis struck, crippling many economies and undermining governments in the region. Sensing a threat to its hegemony, VCP leaders began to have second thoughts about the benefits and costs of integration into the global economy. At the last minute, the VCP’s Political Bureau canceled a bilateral trade agreement with the United States and postponed Vietnam’s WTO application indefinitely.

Four years later, plummeting foreign investment, coupled with wariness of China’s intense efforts to join the WTO, caused the VCP to shift gears again. Apparently the fear of being out-competed by China, which joined the WTO in 2001, was a big factor; Vietnamese leaders understood very well that their grip on power depended in part on the ability to expand the economy. Contrary to their fears, thus far Vietnam has reaped only benefits from the bilateral agreement with the U.S., signed in late 2001. Since then Vietnam’s trade with the U.S. has increased fivefold to $5 billion in 2004. Serious negotiations for WTO membership have also borne fruit: Vietnam is poised to become a member in early 2006.

OLD ENEMIES, NEW OPPORTUNITIES
China may be Vietnam’s economic rival, but politically and ideologically, it is still a comrade. The historic antagonism between China and Vietnam is well known: Throughout its history Vietnam fought back numerous Chinese attempts at colonization. Between 1978 and 1989, both countries engaged in a drawn-out border war in which the “chauvinist Chinese” wished to “teach those brash Vietnamese bastards a lesson.” As recently as 1991, Chinese and Vietnamese navies clashed over control of islands in the South China Sea. Yet somehow, Vietnamese communists never forget the assistance China provided during the war against the United States. More recently, China has impressed Vietnamese leaders with its ability to achieve spectacular economic growth while keeping a tight lid on political change.

Despite the qualified nostalgia Vietnam feels for its northern comrade, the United States, not China, is the country’s largest trading partner, which offers Hanoi yet another love-hate relationship with a major global power. Since normalizing relations with the United States, Vietnam has stopped attacking American imperialism, though anti-American sentiment still runs deep. State-owned media regularly call for vigilance against unnamed “hostile foreign forces” that seek to impose their views of democracy and human rights on Vietnam. In military journals, senior generals offer imagined scenarios in which Vietnam must fight a foreign invader with hi-tech, high-precision weapons that attack from the air.

Though trade with the United States has grown, Washington’s efforts to expand military ties with Vietnam have made little headway. U.S. Navy ships have been allowed to call at Vietnamese ports and defense ministers of both countries have met, though collaboration remains largely symbolic. In June, only a few months after the Gulf of Tonkin incident, Vietnamese Prime Minister Phan Van Khai visited Washington for the first time to court support for Vietnam’s WTO bid. During the visit, he agreed to allow two military personnel to attend the U.S. government’s International Military Education and Training (IMET) program.

While those pushing for closer ties with Washington may interpret the IMET agreement as a move in the right direction, one should not expect much more anytime soon. Shortly after Khai left the U.S., Vietnam’s president, Tran Duc Luong, left for Beijing to brief China on the discussions in Washington. Even seasoned observers of Vietnamese politics were surprised at the tone of official press reports from this summit, which lavished praise upon China and its leaders.

While this sequence of diplomatic events may seem somewhat conflicted, the message, for anyone familiar with the mindset of the VCP leadership is clear: Hanoi desires economic growth, but only to the extent that the ruling party can control it. Given this fact, ideological comradeship with China and economic partnership with the U.S. offer the right balance. This is perhaps why Vietnam was initially silent about the fishermen and, when confronted by a public outrage, responded only hesitantly. Many of those who reacted nervously to this most recent flare-up overstated the threat from China. They also underestimated the fear of free-market reform that an increasingly lonely communist government feels in today’s world. Vietnamese leaders dream of their country being the next Asian economic dragon. Yet the dragon must be red, and if that takes longer, then so be it.

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