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Sino-Vietnamese Relations: A Cambodian Perspective

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About the Author

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Abstract

This paper addresses a variety of political issues in the Southeast Asia region—the South China Sea conflict, the Mekong River dam debate, the impact of foreign direct investment, and Cambodia’s upcoming leadership position in ASEAN in 2012—and examines their impact on modern Sino-Vietnamese relations from a Cambodian perspective. As two of the major political powers in the region, China and Vietnam are often at the forefront of discussions and debates on political incidences in Southeast Asia. However, an examination of Sino-Vietnamese relations from the viewpoint of Cambodia has not been undertaken, and will offer a novel lens through which to examine regional political issues.

I. INTRODUCTION

Historically contentious for hundreds of years, Sino-Vietnamese relations have balanced between heated aggression and robust political, economic, and social cooperation. Today, territorial disputes in the South China Sea and other international issues, such as the building of dams along the Mekong River, have strained these relations and have exacerbated the rhetoric between the two nations, yet both countries have also pledged to enhance economic cooperation. Socially, migration between the two countries has entrenched relations, with millions of Chinese residing in Vietnam, and thousands of Vietnamese living in mainland China. Therefore, both China and Vietnam are continuing to maintain this push-pull type of relationship, one that attempts to pursue policies that will benefit each nation under an umbrella of suspicion and distrust.

The nation of Cambodia, however, must observe these two countries from the sidelines. As one of the poorest nations in Southeast Asia, it heavily depends on financial assistance from both China and Vietnam, and in an increasingly globalized world, Cambodia is affected by the decisions China and Vietnam make. Thus, Cambodia must try to ensure that Sino-Vietnamese relations remain healthy in order to maintain the regional balance of power, while posturing itself to be as powerful as possible.

In this paper, I will discuss the motivations behind national self-interest, investigate two modern thorny issues that impact Sino-Vietnamese relations, and finally present and analyze Chinese and Vietnamese outward foreign direct investment and its impacts and implications. I will conclude by offering suggestions on how Cambodia can advance its regional standing with respect to Sino-Vietnamese relations and where I see these relations heading during this decade.

II. NATIONAL SELF-INTEREST

Both China and Vietnam possess distinct motivations behind their political rhetoric and actions. While China is approaching its relationship with Vietnam from a primarily realist perspective, especially in dealing with the South China Sea conflict, Vietnam constructs its foreign policy through a combination of both a realist and neo-liberalist lens. China's actions can be boiled down to one idea: fierce promotion of national self-interest and core beliefs. Due to the absence of a strong supranational governing authority (both the United Nations and

ASEAN have a limited scope in defining authority), states are guided by national interest in the pursuit of relative gains, and thus logic guides that state behavior is driven by self-interest and shaped by the structure of the international system and ultimately, considerations of power politics.¹

Motivated by rationality and competition, China has prioritized its national aims over that of the region by focusing solely on what is best and most advantageous for its own citizens. This realistic approach though is slightly complimented by liberalist tendencies to engage in bilateral talks and forums, which signals cooperation and international interconnectedness. With a population of 1.3 billion and an economy that is posting spectacular growth, China has elected to approach its foreign policy with Vietnam bent on flexing China's strength and showcasing its power not only to Vietnam but also to a larger worldwide audience.

By posturing itself as strong, unyielding, and steadfast, China presents a message to other nations that it holds a significant amount of power and influence, and in the realm of international relations, the image of power is sometimes more paramount than the amount of power itself. While not entirely a show of direct physical power, China can intimidate Vietnam and subtly threaten them by reminding them of its massive military strength. It is noteworthy to report that military might carries the most weight in this intimidation tactic, not economic strength or financial punishments or social pressure. Rather, military might and the threat of aggression primarily dictate the relationship. Most notably, it has showcased this strength most recently by detaining several Vietnamese sailors in the South China Sea in September 2011.

Vietnam, on the other hand, does not possess the same clout that China enjoys in terms of political strength, international influence, or economic prowess. Rather, it is categorized a minor world player that must rely on its neighbors and remain conscious that it does not upturn the regional balance of power without risking serious consequences. China, which holds a coveted position in the United Nations Security Council and is considered to be a world leader, can act as the bigger bully if it so desires. Vietnam cannot match China in terms of economic output, culture exportation, political influence, military strength, and sense of cohesion in terms of identity. Simply, Vietnam cannot afford to act alone. Yet, Vietnam is not a helpless victim nation. It has been involved in several wars and skirmishes and successfully removed invaders

¹ Carter, Neil. *Politics of the Environment: Ideas, Activism, Policy*. Cambridge, UK: Cambridge UP, 2001.

starting in the mid 20th century; its economy is skyrocketing and it has strengthened ties with many regional and world powers, including the United States, the European Union, and Australia as indicated by multiple economic agreements, embassy openings, visiting delegations, and pledges of further cooperation. Thus, Vietnam is able to occasionally act in a realist manner for its national self-interest, but is still constrained to international collaboration.

Cambodia, unlike either China or Vietnam, possesses very little international power and is thus limited in its policy decisions. Most nations do not pay attention to its domestic politics, nor do they turn to Cambodia as a country who crafts solutions or solves problematic issues. Cambodia does not have nuclear weapons, nor a massively integrated economy, or even a large population. Therefore, while it still has self-interests like China and Vietnam, it does not hold the power or even a vehicle or mechanism to carry out, or even express, its desires. However, because it will function as the host country of ASEAN in 2012, Cambodia can possibly shape regional foreign policy and be a conduit for nations to speak directly to one another, which marks a change from its inability to greatly influence dialogue or actions from its neighbors.

III. HISTORICAL BACKGROUND

The relationships among China, Vietnam, and Cambodia have been characterized by deep-seeded mistrust, bouts of conflict, showy displays of cooperation veiling hidden disagreements, and fragile alliances. Suspicion runs deep and I argue that it has influenced and guided foreign policy for decades. China has occupied Vietnam four times over the past several hundred years, which has generated suspicion, ill-will, and resentment on the behalf of the Vietnamese people. Even though the Chinese tried on multiple occasions to conquer the people and land, the Vietnamese has successfully defended its territory and has remained an independent nation. However, in 1884 France fought the Chinese for control of Vietnam and the Indochina region, and eventually defeated the Chinese, marking the inception of French dominance and the conclusion of the Chinese rule. From the Vietnamese perspective, one foreign occupier was replacing another, albeit with a new language and ethnicity. In reality, though, Vietnam still felt China's presence despite French dominance, and tensions increased after World War II with a shifting balance of power in the region, culminating during the 1970s which coincided with the Khmer Rouge regime in Cambodia.

An ally of the Khmer Rouge, China aligned itself with Democratic Kampuchea, which was led by the Khmer Rouge, while Vietnam remained the regime's most vocal critic and enemy. Instead of fighting directly with one another, China and Vietnam opted to use Cambodia as its ideological battleground and as a home base of its rhetorical attacks on one another. As the Khmer Rouge received assistance from China, Vietnam stepped up its condemnation of Cambodia, causing Pol Pot, the leader of the Regime, to become even more suspicious of Vietnam's true intentions. Border skirmishes between Cambodia and Vietnam were common during the late 1970s, but they culminated in one large battle in the end of the decade; believing Cambodia was facing an imminent attack from its neighbor, Pol Pot ordered troops to launch a pre-emptive attack against Vietnam, who then retaliated by invading Cambodia and quickly taking over the country in January 1979. Tired of the showy, fake displays of cooperation in public with Cambodia and then the behind-the-scenes antagonism, Vietnam finally retaliated against Cambodia, which it also considered had shifted to too pro-Chinese and too anti-Vietnam.

This binary thinking has persisted to modern day, where both China and Vietnam do not tend to think in regional or international terms, but rather in an "us vs. them" attitude, which by nature pits the two nations against one another and assumes that they are constantly enemies and that no cooperation exists. Consequently, it forces outlying nations, such as Cambodia, to feel as though they must pick sides, to favor one state over the other, and every action is categorized not only as either pro-Chinese or anti-Chinese, but simultaneously also as anti-Other which adds to this tit-for-tat method of thinking. Therefore, every gain equates to another's loss, which only heightens competition between China and Vietnam and enhances stress on the regional level.

In 1979, the binary thinking and suspicion concerning all its neighbors propelled Vietnam to take over Phnom Penh and control the Cambodian government, which rattled China and generated anger and additional ill will. Just as Cambodia feared that Vietnam was attempting to expand into their territory, Vietnam held suspicion that China was also trying to expand into their land in the northern tier of the country. China, therefore, launched an attack and invaded North Vietnam and held a few cities and later retreated, but the conflict resulted in over 60,000 casualties, with both China and Vietnam claiming victory. However, this border war did not simply reflect territorial disagreements, but rather it was a clear representation of power politics and an attempt to display power. China proved to Vietnam that it still possessed considerable control of the region, that it still held influence in Cambodia, and that it remained perhaps more

powerful than the Soviet Union, who was allied with Vietnam at the time. In short, China demonstrated its perceived superiority in the region, and flexed its military might, which sent a message to all the countries in the region that it was a force that demanded respect. Following the '79 border war, cooperation between the two states has increased and the heated rhetoric which once dominated political speeches has cooled, and talks of integration, closeness, and mutual support have replaced once divisive words or comments.

All three nations are intertwined with a history rich with conflict and shifting alliances, where they readjusted their allegiances with each other in order to not allow any country to gain too much power regionally. The cost has been high, however, with hundreds of thousands being killed, economies stunted from the detriments of war, and an attitude of suspicion that has been cultivated deep within the cultures of all three nations. Consequently, modern day politics are rooted in this suspicion; in fact, I argue that suspicion supersedes any notion of cooperation, as both politicians and citizens cannot shake decades of mistrust and the appearance of “frenemies.” However, with time, alliances shift and former enemies can evolve into trusted allies. For example, the United States and Vietnam have moved closer together, forging an alignment based upon mutual cooperation, economic possibilities, and political compatibilities. At the same time, Cambodia has been turning towards China, due to its historical ties and increase in economic influence. Therefore, both Cambodia and Vietnam must be weary not to divide further due to opposing alliances, and should actively work to quell any fears that China may hold due to this shakeup in regional ties. In fact, Cambodia may even be able to actively reassure and warm Sino-Vietnamese relations due to its neutral position and its dependence on both nations. Regardless, marked by this ever-present wariness of each other, China, Vietnam, and Cambodia will have to make a conscious effort to overcome political quibbling and faux cooperation in order to solidify relations and ease tension in the region, especially as a myriad of other issues arise.

IV. MODERN CONTENTIOUS ISSUES

a) South China Sea

One of the most volatile issues in Southeast Asia today revolves around a small group of islands scattered in the South China Sea, and it holds the possibility to fracture the spirit of cooperation in the region and increase regional tensions. Both China and Vietnam split control

of the Paracel Islands until 1974 until the two nations fought each other, with China winning control of the islands. However, Vietnam still argues that the islands still belong to them and points to hundreds of years of Vietnamese occupation as evidence; unfortunately for Vietnam, China also points to historical documents which claim the Chinese have settled there for several centuries as well.² Therefore, the two have reached a stalemate in terms of jointly finding a solution that will solve the dispute.

Figure 1

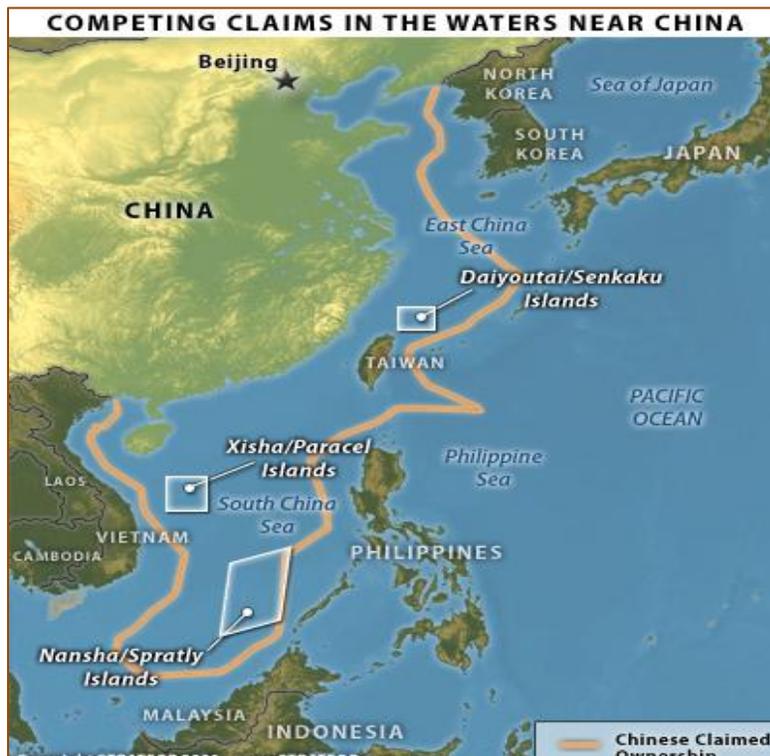


Image taken from Cpt. Nhem Boraden in a presentation given in Phnom Penh concerning ASEAN-China relations on 11 Aug. 2011

Essentially, as shown in Figure 1, China has declared that it owns the waters surrounding the nation, encompassing Taiwan, swinging past the Philippines, and jutting close to the Vietnamese border. Within this area lies both the Paracel and Spratley Islands, so China argues that those islands belong to solely them, and are therefore in their right to defend their own

² [Chemillier-Gendreau](#), Monique, *Sovereignty over the Paracel and Spratly Islands*. Martinus Nijhoff Publishers, 2000.

territory. From the Chinese perspective, there is no discussion; boundary lines clearly mark their territory and they hold the right to defend that region.

Figure 2

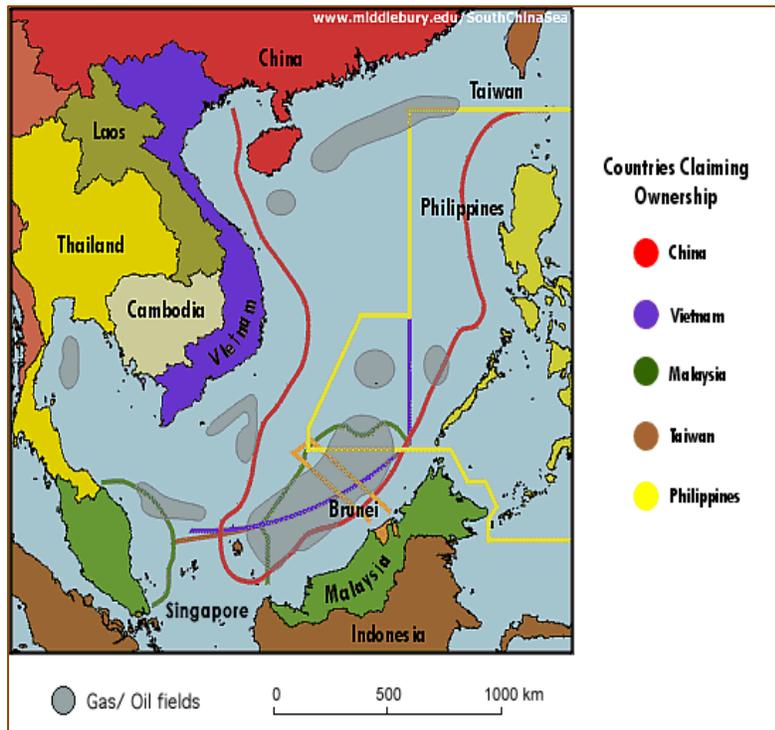


Image taken from Cpt. Nhem Boraden in a presentation given in Phnom Penh concerning ASEAN-China relations on 11 Aug. 2011

However, due to the number of countries bordering the South China Sea, many argue that the “true” ownership of the Paracel and Spratley Islands can be contested. Figure 2 illustrates five varying claims for the same patch of sea, with each nation asserting that its territory extends a certain number of kilometers past its land border. Thus, this conflict is not a bilateral one, between China and Vietnam, but rather a regional issue, with the Philippines, Malaysia, and Brunei becoming involved. China and Vietnam, though, have experienced the most controversy and have been the most proactive in affirming their claims for the islands, and their relative power overshadows the other claimants. It has escalated into a tit-for-tat scenario, where it seems that China asserts its claim, and then Vietnam publically goes on record for defending its stake on the islands, and no end can be predicted.

The islands themselves are almost uninhabited, but geologists have estimated that billions of barrels of undiscovered resources lie under the islands, thus giving the islands an astronomical value and the owner of them an enormous advantage in gross economic terms. China has placed the total to 213 billion barrels, which surpasses both Canada and Iran in terms of production.³ Due to China's increase in the demand of oil, the nation has had to import from other countries in order to satisfy its needs, so obtaining this oil would significantly reduce costs and would spur economic development and allow China to cover its own demands without the help of others. Simply put, it provides self-efficiency and another economic advantage.

Understandably, Vietnam does not want to relinquish control of these islands, as it would lose this economic opportunity and China would once again gain another edge. In other terms, China would profit from more power, both from the political victory and the economic benefits, and Vietnam would lose, which would classify as a multifaceted defeat.

Therefore, the two nations have sparred over the islands, as the islands' importance rises due to the economic needs of China. China's readiness to defend its territory and secure its national interest has clashed with Vietnam's insistence of its ownership, as it clings to its historical assertions. Each side has patrolled the area with its sailors, and China has captured several Vietnamese sailors, stating that they were trespassing on Chinese territory and thus were subject to be detained. Most recently in September 2011, the Chinese held (and have yet to release) several Vietnamese sailors, which has ignited anger from the Vietnamese and regional international community,⁴ as many nations view the detainment as an aggressive act and has threatened to disrupt ties, and no compromise has been reached. Instead, there seems to have been an escalation in the crisis, as they each have refused to budge on the political issue.

However, Vietnam has adopted a new tactic in trying to "solve" this dispute, or more accurately, gain power and erode some of China's advantage in the situation. Seeing China's reluctance to enter multilateral talks, Vietnam decided to call upon the United States to try to mediate the situation, which ignited the fury of China and accusations began to fly of the U.S. meddling in a strictly Asian situation (according to China). By bringing in an outside world

³ Boraden, Nhem. "ASEAN-China Relations: An Example." 11 August 2011. Presented at Sunway Hotel in Phnom Penh, Cambodia. bnehm@udel.edu

⁴ Dosch, Jörn. "The Spratly Islands Dispute: Order-Building on China's terms?" 18 August 2011. <<http://hir.harvard.edu/the-spratly-islands-dispute-order-building-on-china-s-terms>>.

power, Vietnam undoubtedly altered the trajectory in which the talks were heading. Vietnam certainly gained in the short term and perhaps long term by calling on the U.S.

First, Vietnam was able to surprise China and make them adapt to the situation, rather than the one who was forced to react. Vietnam was able to gain the upper hand momentarily, and suddenly achieve temporary power, all while China scrambled to retaliate diplomatically. The shock move opened up new waves of dialogue in the region among the neighbors and reenergized the conversation and brought a fresh new outlook on the discussions. Second, since the United States is considered the world superpower, it further knocks China off its power pedestal and redefines power in the region. Interestingly, the United States has taken a publically neutral position⁵ and advocates that all parties in the region come together in a peaceful process and use dialogue in order to find a solution that appeases all parties. Finally, Vietnam absolutely understands the implications of this decision. China would certainly not agree with this decision, but Vietnam calculated that the risk to bring in another power would be worth the possible retaliations; cleverly, Vietnam can also claim that it will do anything to bring peace to the region by promoting more dialogue, discussions, and forums. The country opted for a peaceful approach rather than one full of heated rhetoric, threats, or empty promises, which creates a favorable impression on Vietnam, and by comparison, China is viewed as not wanting to find a peaceful solution in accordance with its neighbors. By all sides, Vietnam was able to secure this political and PR victory.

South China Sea Impact on Cambodian Politics

Officially, the government of the Kingdom of Cambodia advocates working towards a multilateral, international solution that appeases all parties. Frank discussion, not military power, is favored as the preferred mechanism for resolving the sovereignty issues for the many claimants, but especially geared towards China and Vietnam. Following months and years of escalating tensions, the parties in the region signed a joint statement geared towards cooperation in the South China Sea, which is referred to as the Declaration on the Conduct of Parties in the South China Sea (DoC). With the goal of reducing pressure, the agreement used a

⁵ Of course, the United States does not hold an entirely neutral position; it clearly holds ulterior motives for being in the region, as it is one small way to contain China and ensure that it does not gain too much power in the region. The U.S. can play the role of the neutral outside power while still flexing its muscles and reaffirming to the smaller nations that it is there simply as a measure of peace and for international cooperation and multilateralism, which would function as an excellent public relations move for the country. Therefore, for the U.S., having Vietnam ask for assistance is a win-win situation, one where they win a political victory against China and a social victory where its soft power is flexed, all while asserting its international relevance and influence in the region.

multilateral approach that neither favored nor rebuked any one particular power (i.e. China and Vietnam as the two most influential claimants) and allowed the region to metaphorically relax.

However, in the past few months, tensions have risen again, as China and Vietnam have been more proactive in promoting national sovereignty and have involved their navy or military in performing exercises in the region. Therefore, a schism has developed once more, where the countries in the region are feeling the pulling and tugging of the two nations, and countries like Cambodia are having to choose whether to remain neutral as part of its obligations to the DoC and try not to upset its donor “friends” OR take a position based on their own national strategic interests. In June 2011 the opposition political party, the Sam Rainsy Party (SRP), publically disagreed with Cambodia’s current neutral position. The twenty-eight members of the SRP in Parliament expressed their support to, and solidarity with, China in regards to the sovereignty disputes of the Spratley and Paracel Islands. However, they do not express a clear pro-China viewpoint, but rather an anti-Vietnamese one. On the party’s website, they state the following:

We have been denouncing and condemning Vietnam’s arrogance and groundless claims to territories belonging to neighboring countries.

The continuous violation of Cambodia’s territorial integrity by expansionist Vietnam and the bellicist position Hanoi is adopting in South East Asia and in the South China Sea constitute a serious threat to peace and stability in the region.

We urge Vietnam to stop stirring up tensions with provocative military exercises and to stop using her current position as chair of the Association of South East Asian Nations to try to internationalize any conflict Hanoi wants to exacerbate in the South China Sea.

In the first paragraph, the members use strong language, including the verbs “denouncing” and “condemning” in order to express extreme disapproval, and then describe other negative-laden objects of Vietnam, including its “arrogance” and “groundless claims.” In that sentence alone, the SRP clarifies that Vietnam is unequivocally at fault. They then use national interest as a reason to oppose aggressive, expansionist China, and place the blame squarely on Vietnam and assert that they are disrupting the balance of power and thus have become a threat to Cambodia.

This statement highlights the interconnectedness of the region, as a conflict between two nations can spill over and affect a third party, in this case, Cambodia. Government leaders are

experiencing the pressure to pick sides, which can only exacerbate tensions and I argue make it less likely that a suitable regional agreement can be reached, or one with the minimal amount of consequences. Sino-Vietnamese relations are shaping domestic politics, and forcing the administration to pay broader attention to the region as a whole and look beyond its borders, further solidifying its international importance. This pivotal issue is shaking up the dynamics of the Cambodian government by shuffling around national and international priorities, goals, expectations, and realities, and it should act as a wakeup call to all the government officials to pay careful attention to the South China Sea and other regional issues and analyze how alliances can advance or retard the nation's standing in the region. Aligning with China does offer a multitude of advantages, but it also may increase tensions with Vietnam, perhaps ASEAN and even the United States who has supported a multilateral approach in solving the conflict, and thus this one action could collectively alter the current balance of power. The Cambodian government must be extremely cautious and analytical how they confront this particular issue, and must be careful in responding to the SRP, as the international community will still listen and react.

b) Mekong River Debate

While the South China Sea dispute dominates most of the attention, China and Vietnam have argued over the building of dams along the Mekong River which runs through six nations in Southeast Asia. Millions of Vietnamese (and Cambodian) depend on the river for their livelihood, but China (and other nations) plans to construct the dams in order to produce hydroelectricity in order to satiate its growing energy needs. However, Pou Sothirak, a researcher at the Institute for South Asian studies, argues that the dams could negatively impact the region, including a reduction in sediments, decrease in fish stocks, an increase in the dislocation of people, and alter the way of life for citizens who reside along the river.

Figure 3



Source: Richard Cronin and Timothy Hamlin "Mekong Tipping Point"

<http://www.stimson.org/images/uploads/research-pdfs/Mekong_Tipping_Point-Complete.pdf>

China has built these dams without actively discussing their consequences with the Lower Mekong River Basin, which includes Vietnam, thus augmenting already-present tensions. It has followed its national interests and has pursued policies which benefit the nation itself and not the region as a whole, though this attitude could be evolving as China has started to sit on roundtable committees. It is paramount to note though that they have joined discussions after completing several dams that they had planned for years.

Vietnam holds animosity towards China as it feels somewhat powerless as China makes decisions that negatively impact its own citizens, and it spawns additional suspicion on the true motivations of the Chinese. However, the policy shift of China to be involved in more international roundtable discussions could be a favorable turn for Vietnam and showcases China's willingness to at least listen to its neighbors and mitigate the atmosphere that China is trying to dominate and control the region

V. OUTWARD FOREIGN DIRECT INVESTMENT

a) China

During the past decade, China has also shifted its policy in terms of outward foreign direct investment (FDI). Essentially, the nation has adapted from one that just received millions

of dollars in flows and stocks from other countries around the world to being a nation that proactively invests billions in almost every single nation-state. It currently ranks 5th in terms of outward FDI (in a ranking that separates Hong Kong and China—combined they would skyrocket to the second position, falling behind only the United States). According to official figures from the Ministry of Commerce, its outward flows increased from \$2.7 billion USD in 2002 to \$68.81 billion USD in 2010, an astonishing increase of over 2,448.5%.

I argue that China began investing heavily for two reasons: possible long term economic gains and closer ties that can strengthen and improve relations, while giving them leverage in terms of soft power. First, high outward FDI can earn long term gains and make smart sense for China, and it also provides much needed assistance to countries, most notably developing nations. The return on investments can jump into millions of dollars. Roads, railroads, and other forms of infrastructure immediately improve the quality of life, and it can immediately reduce costs in transportation and increase efficiency. Therefore, both China and the receiving nation feel as though they win—China will most likely gain money in the long term and the receiving nation is able to use the much-needed assistance to generate further economic growth.

At the same time, this FDI can produce a positive image of the lending country, in this case China, and feelings of amity can blossom. Fighting off its image of being greedy and overly powerful, China can present an alternative view through its investing practices, especially with its neighbors. In the international arena, actions overtake words.

Figure 4

Outward FDI from China to ASEAN Members (in millions of US dollars)			
	2004	2010	% increase
Vietnam	16.85	305.13	1,710.9%
Cambodia	29.52	466.51	1,480.3%
Thailand	23.43	699.87	2,887.1%
Laos	3.56	315.55	8,763.8%
Burma	4.09	875.61	21,308.6%
Malaysia	8.12	163.54	1,914.0%
Philippines	0.05	244.09	488,080%

Singapore	47.98	1118.50	2,231.2%
Indonesia	61.96	201.31	224.9%
Brunei	--	16.53	165,300%

Table created by author from data taken from the 2010 Statistical Bulletin on China's Outward Foreign Investment from the Ministry of Commerce

Figure 5

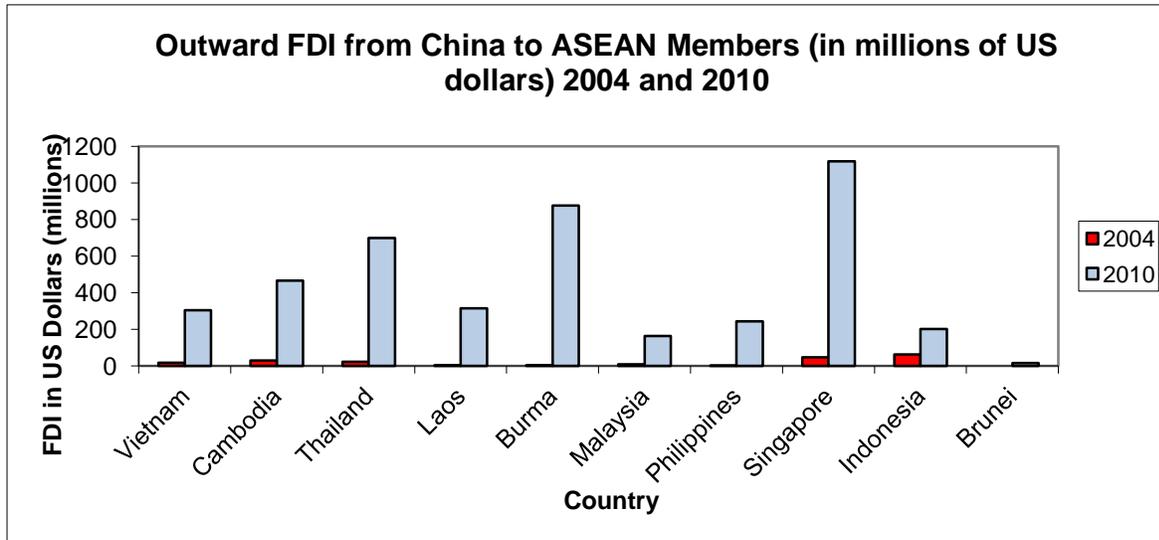


Table created by author from data taken from the 2010 Statistical Bulletin on China's Outward Foreign Investment from the Ministry of Commerce

Figure 6

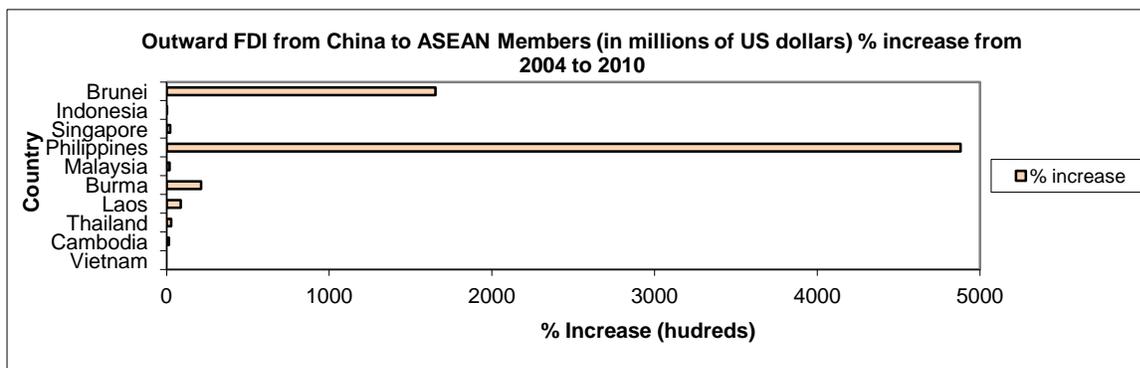


Table created by author from data taken from the 2010 Statistical Bulletin on China's Outward Foreign Investment from the Ministry of Commerce

These statistics reveal an extraordinary amount of information in terms of where China sees both need and potential, in both the short and long term. First, even though China has been butting heads with Vietnam in terms of territorial disputes, the political skirmishes have not

eliminated economic cooperation and investment. In just over six years, China has increased its investment over 1,700%, which is a phenomenal increase that indicates that China places value on Vietnam as a trade partner. While China may present a strong image of it being aggressive and unyielding in terms of the South China Sea, it simultaneously has gone behind the political curtain and found dozens of projects worthy of its money. It is essential to note as well that most of China's investment will impact hundreds of thousands, if not millions, of people so China is securing to win the war of the minds of the Vietnamese citizens.

Taking a step back, however, and one notices a somewhat relative lackluster response to investment for Vietnam. In terms of its neighbors, Vietnam ranks 8/10 for percent increase, and more importantly, in terms of the gross total, Vietnam had the sixth largest sum out of its ASEAN members. Due to its dynamic growth, large population, and shared social background, it seemed as though Vietnam was poised to receive more money from China; instead, the money was siphoned to other nations for reasons unknown to those except in the highest government circle.

The country most similar to Vietnam in terms of economic growth and development, Thailand, received almost double Vietnam's amount, though it must be noted that the two countries enjoy stronger relations than China and Vietnam. In short, China can use outward FDI as a tool in building relationships, and I argue that if China invested more in Vietnam, China would gain more leverage in negotiations and could quell fears of regional aggression by showing an extra show of compassion. The act could show the world that while yes, China may have political and territorial aspirations, it also is looking out for the well-being of other nation's citizens. The accuracy of that statement is not important, but rather, the *perception* of that statement could work to China's benefit. Sino-Vietnamese relations could therefore tilt in China's favor.

b) Vietnam

Unfortunately, Vietnam does not release outward FDI data as China does, which therefore makes it impossible to do a side-by-side comparison with China. Instead, Vietnam issues press releases about certain bilateral cooperation or joint projects which detail only snapshots of development and investment which I will mention in section C below.

c) Cambodia

Due to its being a least developed country, Cambodia is heavily dependent upon foreign trade and investment; in fact, over half of its GDP comes from international donors. Therefore, this increased interest in Cambodia has resulted in mostly positive effects for the nation, as it has secured badly-needed infrastructure and has helped create new development projects, especially during the Global Financial Crisis when Cambodia's economic growth rate almost became stagnant for 2008.⁶

Looking back at Figures 4-6 concerning Chinese investment, while its percent increase was not as striking as some of its neighbors, the gross amount still remains impressive and will undoubtedly impact the country. Though there have been criticisms about Chinese investment (that its loans for example have been extraordinarily high)⁷, the benefits cannot be ignored: huge investments in the power industry, military assistance, new garment factories, and paved roads.

However, almost the same argument can be made for Vietnam. Its investments in Cambodia are also significantly growing as Vietnam has increased outward FDI just as China has. The two countries just signed nine memoranda of understanding with projects totaling over \$900 million USD, which try to diversify the economy by dealing with varying aspects, such as hydropower, iron ore mining, and rural development⁸. Two way trade has increased from \$1.8 billion USD in 2010, and is projected to \$2.5 billion USD in 2011, indicating not only that Vietnam sees economic potential in Cambodia, but that Cambodia also recognizes the benefits of a strong relationship with Vietnam. The two nations depend on each other—it is not one sided.

Frankly, Cambodia needs this aid. It cannot afford to reject the money pouring in from its neighbors, and the projects resulting from this aid are directly (and positively) impacting Cambodian citizens. Therefore, Cambodia cannot risk making any rash decisions or use any political rhetoric that would reduce the cash flow; once again, Cambodia is restrained in its actions, not just in its lack of international clout but also in its dependency on the mighty dollar. To a certain extent, Cambodia is a puppet for both China and Vietnam in terms of foreign policy,

⁶ World Bank Trade Indicators 2009/2010 and World Development Indicators Online, April 2011.

⁷ Marks, Simon. "Chinese 'No Strings' Loans Come at at Cost." *The Cambodian Daily*. 14 October 2011.

⁸ Thul, Prak Chan. "Vietnam investment takes off in Cambodia; some wary." < <http://in.reuters.com/article/2010/06/30/idINIndia-49775220100630>>.

and both nations see the value in having Cambodia an ally: not just for having natural resources such as timber or perhaps oil, but maintaining allies can add legitimacy in making decisions.

VI. CAMBODIA'S RESPONSE FORWARD

How can Cambodia possibly soothe Sino-Vietnamese relations when it is restricted economically and politically? First, smoother tensions between the two nations would instantly provide a sense of regional security and a restoration to peace in terms of rhetoric and aggression. Thus, it is in Cambodia's national interest to assist in strengthening Sino-Vietnamese ties. Cambodia needs to ensure that the money keeps flowing into its borders, so it cannot afford to take sides in their conflicts, but they do possess an opportunity to rise up and take a leadership position.

Cambodian will chair the Association of South East Asian Nations (ASEAN) during 2012 and will be the center point of the ten nation members' meetings. Holding the ability to have its voice finally heard over its dominant or more wealthy neighbors, Cambodia should use this forum to bring up regional concerns about stability and rights. In these meetings, Cambodia should be proactive in bringing up the South China Sea dispute and advocate finding a solution, as it affects every single ASEAN nation.

Aggression and heated rhetoric will get nowhere; it will only exacerbate the heated tensions that already are simmering. Instead, Cambodia should be proactive and offer to host both bilateral and multilateral talks, which would solve the problem of both China's and Vietnam's approach towards dialogue (China always favors bilateral talks, as it can showcase power more easily, and Vietnam favors multilateral talks as it stands to gain more from a cooperation approach). Since Cambodia is not staking claim in the South China Sea and due to its lack of international influence (unlike say, the United States), it offers neutrality which many nations in the region cannot offer. Neither China nor Vietnam has suspicion that Cambodia has any ulterior motives rather than regional stability, and in fact, Cambodia stands to gain with more investment from the other countries. While ASEAN meetings do not hold a perfect record, they are an essential component to regional cooperation in solving regional issues, and it is imperative that Cambodia try, as the situation has evolved from the past several years.

If the current ruling political party wants to remain in power and quell the SRP in relation to the South China Sea, it must project the ideas of international cooperation, dialogue, and

liberalism to the national audience. It cannot risk being caught in a knee-jerk reaction to say the opposite of what the SRP is claiming, as that would pigeonhole them into a pro-Vietnam position and by default, an anti-China one. Consequently, the SRP could launch a political offensive on that basis and the government would have to defend itself on an external international event, rather than advocating specific domestic policies which might be more beneficial. Instead, the government should vocalize Cambodia's neutral position, its desire to see a peaceful solution reached through negotiations, and Cambodia's willingness to help solve regional disputes. While these are all lofty political goals, it simultaneously launches a PR offensive and allows the government to send a peaceful, positive message regardless of its true intentions. In order to remain politically neutral and maintain the balance of power, Cambodia should continue to respect and support the Declaration on the Conduct of Parties in the South China Sea, and advocate working towards a peaceful, agreeable solution.

For the Mekong River debates, Cambodia must vocally advocate its dependence on the river in international forums, and due to its political constraints, work with both China and Vietnam. What Cambodia desperately needs is accurate research from a non-biased third party to tell exactly what the consequences will be on both Cambodia and the region as a whole if China and Laos continue to construct dams. First, since Cambodia depends heavily on fishery as a source of income and as a source of food for its population, and any changes in this supply will affect millions of its citizens. The government (and the population) must know to what extent the levels of fish will change, as many projections presume that they will drastically fall. With a lower yield of fish, workers will be driven from the field, thus pushing many of the workers out of the industry and leaving them unemployed. Since these jobs are low-skilled, low-wage jobs, fishermen may find difficulty in securing another job which will only add to Cambodia's social, political, and economic ills. However, if researchers can prove that the nation would accrue long term gains from the dams, Cambodia needs to be in a position to advocate tough choices to its population and explain long-term benefits in a way that will mitigate the unease that would surely arise from a change in current agricultural policy.

But Cambodia cannot simply focus on the effects from the dams; rather, it must also investigate the impacts of climate change on its environment, and that must be monitored in conjunction with the dams. According to the Ministry of the Environment and scientists, climate change, as well as the dams, can alter the amount of precipitation the country receives, thus

changing expectations of fish yield, soil quality, and an assortment of other pressing issues that would present challenges to both the Cambodian government and the population. Cambodia should continue to work closely with the Mekong River Commission in order to ensure that its voice is heard in the midst of more powerful neighbors, as it depends so heavily on the Mekong. The Mekong River runs through six countries and affects millions of residents, so Cambodia must be proactive and creative in letting its voice be heard.

VII. CONCLUSION

Cambodia holds two options right now: 1. Continue with the status quo, and sit on the sidelines, watching as the conflict escalates and regional stability is questioned. The nation is nothing but a pawn in Sino-Vietnamese relations, and thus it does not possess much control in its fate. 2. Take a risk and advocate a pro-active approach to open dialogue and forums at the upcoming ASEAN meetings in 2012 in Cambodia. Even if nothing spawns from an attempt, Cambodia loses nothing, not even pride. Losing face can be detrimental in Southeast Asia, but I argue that the expectations of crafting a solution are so low that it is impossible that disappointment would arise if the nations cannot agree on a favorable outcome.

However, if a pledge for more international cooperation occurs, or if they agree on a moratorium for detaining sailors or heated rhetoric, Cambodia would be viewed in a favorable light not only by its regional neighbors, but by the international community at large. Cambodia struggles with battling an international perception of being a poverty stricken nation recovering from genocide, so positive press would undoubtedly generate national pride.

Sino-Vietnamese relations during the next five years will be marked by both enhanced economic cooperation and increased political disputes unless more dialogue takes place. The South China Sea dispute will undoubtedly act as the most pressing political issue and has the opportunity to erode the atmosphere of cooperation, and therefore must be dealt with delicately and swiftly. A military response will only add to the layer of suspicion in the region, an increase in fear, more accusations of hostility, and negative economic consequences, all of which aggravate the balance of power; instead, a sharper focus should be placed on enhanced economic cooperation and open dialogue in order to benefit not only China and Vietnam, but also its neighbors, including but not limited to, Cambodia.

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