



Vietnam: Old Guard, New Tack

By David Brown



Nguyen Phu Trong wins out

A bitter and unprecedentedly public contest for leadership of Vietnam's all-powerful Communist party ended in late January with two-term Prime Minister Nguyen Tan Dung's forced retirement. The party's 12th Congress awarded the man Dung aimed to unseat, Nguyen Phu Trong, another five years as the party's general secretary. As the Congress adjourned, Trong was asked by a reporter if Vietnam would become more democratic.

"We favor collective leadership and individual responsibility," Trong replied. "In some countries, top leaders call themselves democrats but decide everything in an arbitrary and despotic way," but "we favor collective leadership and individual responsibility. I ask you – which system is more democratic?"

Though Trong located the "arbitrary and despotic top leaders" in other countries, most likely he was thinking of his vanquished rival. During Dung's decade as prime minister (2006-16) the government side of the regime grew in relative power and status because it, and not the party institutions, had the experience and expertise that globalization demanded. To most reform-minded Vietnamese outside the party as well as in, the prime minister looked like the best hope of leading Vietnam into the world's upper middle tier of nations. To party conservatives, however, Dung looked far too chummy with opportunists, far too dismissive of the Politburo's views, and far too ready to compromise the party's claim to rule. Pushback was inevitable. An "anybody but Dung" movement coalesced behind Trong, and it prevailed. Confirming the resurgence of "party men," the 12th Congress also approved a 19 member Politburo that's stacked with Trong's ideological allies, men who have made their careers in the party bureaucracy or the internal security agencies. This too augurs for more coherent party-state relations than in recent years. Vietnam's new government will be installed this month, following pro-forma votes by the National Assembly to confirm the party's candidates for the top state positions. Nguyen Xuan Phuc will be Prime Minister. In Dung's second term, Phuc first coordinated cabinet business and then served as one of five deputy prime ministers. He is regarded as a capable executive, and, apparently, as one not likely to buck the party line. The former Minister of National Security, police general Tran Dai Quang, will fill the largely ceremonial job of State President. Nguyen Thi Kim Ngan, the National Assembly's new chair, regularly tops political popularity polls. She was an effective Minister of Social Welfare.

For most of 2015, smart money bet that Dung would succeed in his audacious bid to oust his rival and, some said, punch through overdue reforms that would put Vietnam squarely on the path to permanent prosperity. Trong, however, mounted an effective whispering campaign. Cataloguing the prime minister's alliances with "opportunists," Trong argued that the party's integrity had been thoroughly compromised on Dung's watch. In his pursuit of the top party job, Dung had courted reform advocates inside and outside the party.

Commentators on Vietnam's lively cybersphere still debate whether he was the real thing or simply an opportunist in reformer clothing. Now that Dung has gone, party stalwarts no longer have to worry that he might have been a Vietnamese Gorbachev. As 2015 ended, Trong had planted serious doubts about Dung's friends and his ethics, in particular his tolerance of his friends' unsavory business dealings.

In 2012 and 2013, the party's 200 member Central Committee had backed Dung when Trong tried to take him down. Now, in December 2015 and again on the eve of the Congress, the Central Committee tilted to Trong. In

effect, the party's senior members contemplated an uncertain future under Dung and, rejecting his bid to lead it, not only voted Trong another term as General Secretary but also restored the primacy of the party.

Virtue at the Helm

The General Secretary is tougher than his modest, grandfatherly public persona might suggest. For Trong, Marxism-Leninism is a living creed and guide to action. Just like his northern Communist neighbor Xi Jinping, he is intent on purging Vietnam's Communist Party of "bad elements," steeled by his belief that under proper leadership the party is uniquely able to steer Vietnam in the correct direction.

For Trong and many other idealists inside and outside the party, the über-issue is corruption. "Vietnam is not alone in having influential vested interests," say the authors of Vietnam 2035, a recent study co-produced by the World Bank and Vietnam's Ministry of Planning and Investment, "but the degree to which relationships with the state are integral to economic success appears to be unusually high."

Extra-legal collusion between party members and business interests is endemic. With Dung no longer able to protect them, his cronies' days are numbered. By the end of the year, a slew of bankers and real estate promoters will likely be facing criminal charges. However, it is an open question whether the party-state under Nguyen Phu Trong will be any more capable of effecting systemic reforms.

Along with very considerable power to shape Vietnam as he sees fit in the years going forward, Trong has paradoxically inherited Dung's reform agenda. It is a road map to upper middle income status for Vietnam by the time its "demographic dividend" (a large and young workforce) ages out circa 2035.

Shades of Xi but leaning westward

Armed with ideological clarity and the World Bank's road map, can virtue manage the big issues that now confront Vietnam?

To put a real dent in corruption, the party must abandon its "socialist market economy" doctrine, the notion that state ownership of the "commanding heights" – that is, of the heavy industry, infrastructure and energy sectors – is superior to unalloyed capitalism.

Market socialism enables the state to ensure social justice or so the theory goes. In practice, the state enterprise sector remains a heavy burden on the economy, bloated, inefficient and rife with opportunity for public officials and enterprise managers to profit from collusion.

Again, according to the Vietnam 2035 report, "SOEs and state banks suck too much oxygen out of the business environment, undermining economy-wide efficiency and crowding out the productive parts of the private sector. The state also wields too much influence in allocating land and capital, giving rise [not only] to opportunities for corruption but also economy-wide inefficiencies."

From the beginning of the *doi moi* era more than a quarter century ago, liberal economists have urged the regime to allow uncompetitive state enterprises to die. Like its predecessors, both Dung governments pledged to "equitize" state firms, but accomplished little in the face of passive resistance by both the SOEs and the ministries that supervise them.

Is a Trong-led regime more likely than its predecessor to end the subsidies and preferential treatment that sustain many – some say most – SOEs? Perhaps yes, and not only because the state firms are the epicenter of large-scale corruption. Chapters of the Trans-Pacific Partnership pact oblige Vietnam and other signatories to enforce laws against anticompetitive business practices and to refrain from providing special privileges, protection and preferences to their SOEs.

Vietnamese commentators hope that such provisions will force structural reforms that will enable Vietnamese firms to compete in global markets. The TPP is hugely popular in Vietnam. Even before the Dung-Trong contest was decided a vote by the party's Central Committee declared the trade deal to be "in harmony with the party's viewpoints."

Many see it primarily as a strategic move to escape economic domination by a rising China. It is also well understood that if the pact goes into force, Vietnam's exports are likely to grow by an additional 3 percent and GDP by 1 percent annually.

The TPP is more like a pry bar than a magic bullet, however. It can be invoked to justify strong remedies for Vietnam's economic underperformance but first of all the party-state must choose the right policies and then it must implement them. That's a tall order for a regime which, against the resistance of SOEs and local governments during the Dung decade, found it very difficult to implement change in a coordinated way.

Though there is occasional grumbling that foreign companies get too many tax breaks, substantial adjustments to Vietnam's posture on foreign investment are not likely to be on the new regime's agenda. In the new Politburo lineup are three men who helped steer Vietnam's return to macroeconomic stability after rocky years in the middle of the Dung decade. They are Nguyen Xuan Phuc, the next prime minister, State Bank head Nguyen Van Binh, who has led efforts to unwind a banking sector stacked with non-performing loans, and Vuong Dinh Hue, briefly Finance Minister but chiefly known as the party's top specialist on economic matters.

Vietnam's external relations will continue to center on the problems posed by a resurgent China. Beijing has been clearly intent since 2009 on establishing its hegemony over the South China Sea at the expense of Vietnam and other claimants. For years within party councils, Trong and other conservatives insisted that the huge neighbor to the north was a problem best managed through comrade-to-comrade dialogue.

It was not a popular posture; patriots seethed at what they called the regime's failure to stand up to China. By mid-2014 – the summer that Beijing sent a huge oil drilling vessel into Vietnam's EEZ – a strategy of deference and dialogue was no longer tenable.

The Politburo voted to explore a strategic understanding with the United States, a process that led a year later to Trong's visit with US President Barack Obama. Their 90-minute Oval Office meeting served notice that Vietnam – while avoiding dependence on either power – would position itself further from Beijing and closer to Washington.

Speculation that under Trong the regime might revert to a more deferential posture vis-a-vis China was stilled by the elevation of US-trained Foreign Minister Pham Binh Minh, the architect of Vietnam's geopolitical repositioning, to the new Politburo.

Offshore, the Hanoi regime must make more difficult choices. China has created "facts" that render Vietnam's claims to the Parcel and Spratly island groups precarious, however well-grounded they are in international law. In the years ahead, Vietnam may be hard pressed to defend even the oil, gas and fish in its own continental shelf.

A decade of sustained effort to build up Vietnam's maritime deterrent capability has reinforced Hanoi's diplomacy, and make it an attractive recruit to United States' efforts to defend freedom of navigation and "rule of law" in the South China Sea. Hanoi aims for America's support, not its protection, and remains wary that Washington may yet be tempted to cut a spheres of influence deal with Beijing at Vietnam's expense.

Tighter Curbs Ahead?

The US has its own worries about Vietnam's new regime. Whenever Hanoi detains and prosecutes people who seem simply to be exercising their constitutional rights, attentive segments of the US public argue against lifting restrictions on weapons sales to Vietnam, assisting its nuclear power projects or granting it preferential access to American markets.

In the US Congress, TPP ratification is likely to be decided by just a few votes, yea or nay. American ratification very possibly could be derailed by untimely skirmishes over civil rights between the Vietnamese state and its citizens.

During the Dung decade, Vietnam's citizens became remarkably freer to manage their own lives. The expansion of civil liberties was not a matter of state initiative but rather the inevitable consequence of the nation's globalization policies, the increasing complexity of civic life and, most of all, of the internet-driven information explosion.

However, an illiberal attitude toward dissidents remains part of the party's DNA. Vietnam's internal security agencies are obsessed by the idea that civil society is a cover for subversion. Although it gets harder and harder in the internet age, the state still tries to channel public opinion by controlling newspaper and TV content.

Citizens who agitate for a multiparty system are likely to do jail time. Simply complaining too often about the behavior of the state or its leaders or its local representatives can earn a citizen a lengthy meeting at the local police station. Doing it again may trigger a visit by the local bullyboys that serve as a sort of police auxiliary. Dung was vulnerable to intra-party criticism that he was too tolerant of seditious speech and too keen to build alliances with liberal-leaning non-party elites. Neither Nguyen Phu Trong nor the man he's reportedly grooming to succeed him, Dinh The Huynh, could be accused of either deviation.

Because that's so, Trong and Huynh (formerly the party's Propaganda Commissioner and now head of its secretariat) may paradoxically be better able to bring the internal security agencies to heel. Unlikely as that seems, the party's best hope to stay in power permanently is to become something else – a political institution that's less corrupt, more transparent and delivers more and more freedom.

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