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## Background Brief: If Vietnam's Military Has Grown in Influence, Why Has Defence Expenditure Declined?

Carlyle A. Thayer

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Two recent publications by Vietnamese scholars raise what appears to be a paradox. Le Hong Hiep asserts that since 2016 Vietnam's military has enjoyed a resurgence of influence, while Nguyen The Phuong argues that Vietnam's military modernisation has slowed considerably since 2016.<sup>1</sup>

The paradox comes into sharper focus when the explanations for what appears to be two contrary trends are examined in detail. Hiep argues, *inter alia*, that the military's growing influence is based on the financial success of military-owned enterprises. Phuong attributes the slowing of military modernisation to a fall in the military's budget due to corruption by senior officers involved in arms procurement.

### Resurgence of Military Influence

Hiep argues that the resurgence of military influence in Vietnam is measured by the fact that two of its members were elected to the Vietnam Communist Party's (VCP) Politburo in 2021 marking the first time since 2001 that the military has occupied two seats on this body. Further, Hiep notes that military representation on the Central Committee increased from 20 members (elected at the twelfth national party congress in 2016) to 23 (at the thirteenth national party congress held in early 2021). Significantly, in his view, the head of General Department of Defence Industry was included in this group (see Appendix 1).

According to Hiep, the Vietnam People's Army (VPA) is "the largest bloc in the [Central] Committee." In 2011, military representation on the Central Committee elected at the eleventh national congress totalled 10.3 percent. This figure increased to 11.1 percent at the twelfth national congress held in 2016, and rose to 12.8 percent at the thirteenth national congress in 2021. This represents an increase of 2.5 percent over a decade.

Hiep attributes the resurgence in military influence to two factors: "rising tensions in the South China Sea [that] tend to enhance the VPA's bargaining power" and the

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<sup>1</sup> Le Hong Hiep, "The Military's Resurging Influence in Vietnam," *ISEAS Perspective*, no. 54, April 27, 2021, <https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2021-54-the-militarys-resurging-influence-in-vietnam-by-le-hong-hiep/> and Nguyen The Phuong, "Why is Vietnam's Military Modernisation Slowing?" *ISEAS Perspective*, no. 96, July 22, 2021, <https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2021-96-why-is-vietnams-military-modernisation-slowing-by-nguyen-the-phuong/>.

military's expanding economic role "including manufacturing, telecommunications, information technology, banking, transportation and construction"(see Appendix 2).

Hiep's analysis raises a number of methodological questions. Is there a difference between influence and popular support? Are there other factors that can explain the modest increase in VPA membership on the Central Committee besides tensions in the South China Sea and the expanding role of military-owned enterprises?

For example, the VPA is the only major institution in Vietnam that is organised on a multiprovincial basis into Military Regions. This may be an important factor because delegates to a national party congress elect the new Central Committee and the bulk of delegates come from the provinces. The military may be the beneficiary of its expanded network at provincial level and its interactions with local party and government officials on a daily basis.<sup>2</sup>

Are the military the largest bloc on the Central Committee? Answering this question is problematic because Hiep does not identify the other blocks and who comprises them. Research on the sectoral composition of the Central Committee since the fifth national party congress in 1982<sup>3</sup> suggests there are at least seven blocks: (1) senior party officials holding national posts in the central party organisation (2) senior party officials holding posts in the central government and state institutions, (4) National Assembly officials, (5) local provincial and municipal party and government officials, (6) the military, (7) the Ministry of Public Security and (8) mass organisations under the Vietnam Fatherland Front. The fifth block, provincial and municipal party and government officials (LG in Figure 1 below), is by far the largest on the Central Committee.

Research on the sectoral composition of the VCP Central Committee needs further refinement on how blocks on the Central Committee should be conceptualised. When a new Central Committee is elected at a national congress, should its members be classified into blocks based on their positions at the time of their election, or the new positions they will occupy after the congress? Should National Assembly deputies and Ministry of Public Security officials be treated as separate blocks or subsumed under block 2 above?

Hiep highlights the importance of the election of two active-duty generals to the Politburo. Hiep argues that there was "fierce competition" between the generals – Luong Cuong and Phan Van Giang – for a place on the Politburo that was resolved by the VCP allowing both to stand for election. Other sources, however, report that Luong Cuong informed delegates to the thirteenth congress that he did not seek the post of Minister of National Defence.

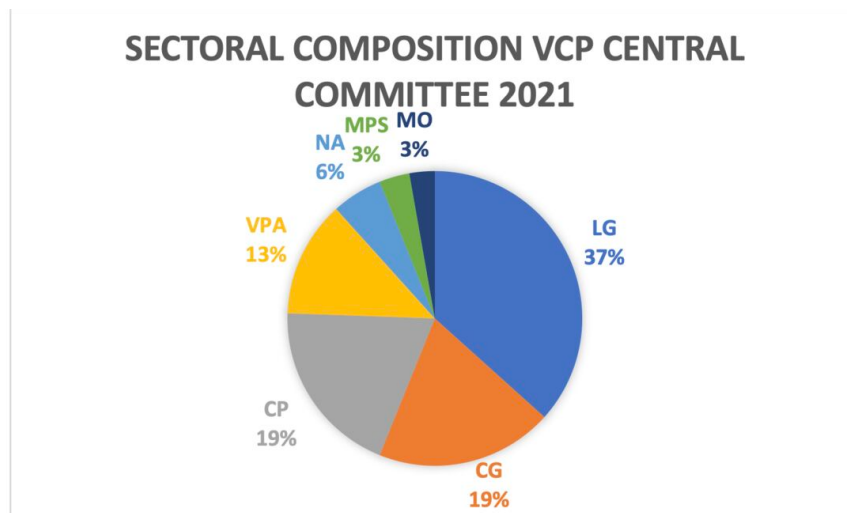
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<sup>2</sup> Military candidates who successfully stand for election to the National Assembly, tend to receive a higher percentage of votes cast than candidates from other institutions. Anecdotal evidence suggests the military are popular because they are viewed as not being corrupt.

<sup>3</sup> When the Central Committee elected at the fifth national party congress was announced its members were grouped into sectoral blocs for the first time; see: Carlyle A. Thayer, "The Regularization of Politics: Continuity and Change in the Party's Central Committee, 1951-1986," in David G. Marr and Christine P. White, eds., *Postwar Vietnam: Dilemmas in Socialist Development*. Ithaca, N.Y.: Southeast Asia Program, Cornell University, 1988. 177-193.

Is the election of two military generals to the Politburo a sign of the military's rising influence or a fluke resulting from the party's electoral process? It should be noted that the outgoing Central Committee approved a Politburo of nineteen members from a slate of twenty-three candidates. The new Central Committee, however, elected only eighteen members because none of the other candidates received fifty percent plus one of the votes to qualify.

Figure 1



LEGEND: CG = Central Government, CP = Central Party, LG = Local Government, MO = Mass Organisation, MPS = Ministry of Public Security, NA = National Assembly, VPA = Vietnam People's Army (military)

Finally, there is the question: how does the military's 12.8 percent membership on the Central Committee and 11.1 per cent membership on the Politburo really translate into increased influence? Hiep seemingly undermines his case when he writes that, "There is little evidence that the military's increasing influence will lead to major changes in Vietnam's political, economic and foreign policies. However, minor or gradual shifts may be possible."

Hiep's second factor the military's expanding economic role needs further analysis and elaboration because the VCP has continually put pressure on the military to divest itself of enterprises that are not directly related to national security. In June 2018, for example, the National Assembly amended a law that would require the military to reduce the number of its enterprises from eighty-eight to seventeen.

However, this divestment does not necessarily mean that significantly more funding will flow to the central government as the VPA will retain its high earning enterprises and let go of those that are less profitable. As noted in a *Thayer Consultancy Background Brief*:

The real issue is divesting the VPA of non-essential military-owned enterprises in order to enhance military professionalism. Diverting military personnel to non-core functions detracts from the focus on national defence and war fighting. On the face of it, the trade-off involves giving up military-owned enterprises that are marginal in financial terms in exchange for secure

funding based on GDP growth. The VPA will still retain key profitable enterprises that have a national security/defence function.<sup>4</sup>

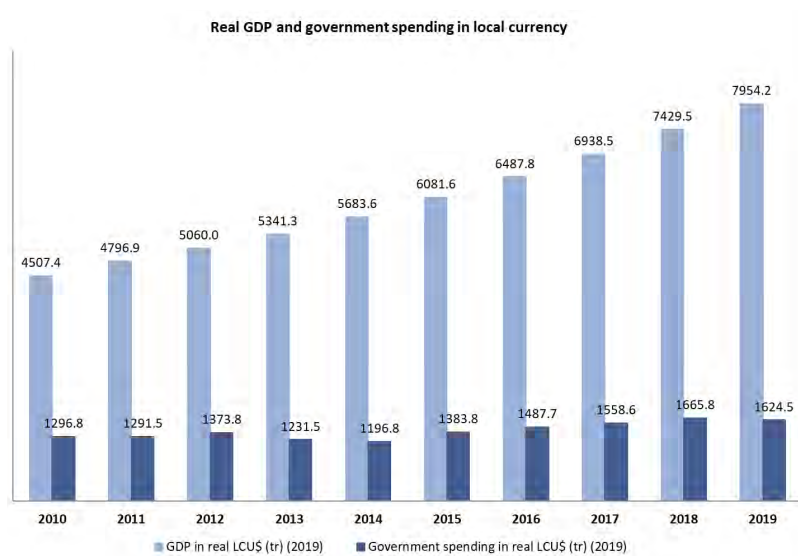
Hiep's argument that the military's influence in Vietnam is "resurging" is based on a metric of questionable efficacy increase in membership on the VCP Central Committee and Politburo. Also, Hiep's assertion that the military's increased influence is based on the commercial success of military-owned enterprises needs further elaboration. The sources of military influence and popular support are varied and range from anti-China patriotism/nationalism, universal conscription, compulsory defence education courses in schools and universities, disaster relief (floods), humanitarian assistance (against the COVID-19 pandemic), and leadership role in twenty-eight economic-defence zones (khu kinh tế quân sự).

In summary, the question of how to measure the military's influence in Vietnamese society in general and in the VCP in particular is an important methodological one that deserves to be studied in greater depth.

### Slowing Military Modernisation

Nguyen The Phuong argues that Vietnam's military modernisation program "virtually ground to a halt" after the political demise of Prime Minister Nguyen Tan Dung in 2016. Phuong attributes the post-2016 slow-down to three factors: (1) budget constraints, (2) a deep-rooted mindset in the VPA that "political action [is] more important than military action, and propaganda [is] more important than fighting," and (3) an anti-corruption campaign launched by the VCP's Secretary General Nguyen Phu Trong that "weakened the network of military officers who engaged in rent-seeking activities, directly affecting the military procurement process."

Chart 1



Source: Australian Government, Department of Defence, Defence Intelligence Organisation, *Defence Economic Trends in the Asia-Pacific 2020*, DIO Reference Aid 20-508 (September 2020). p. 27.

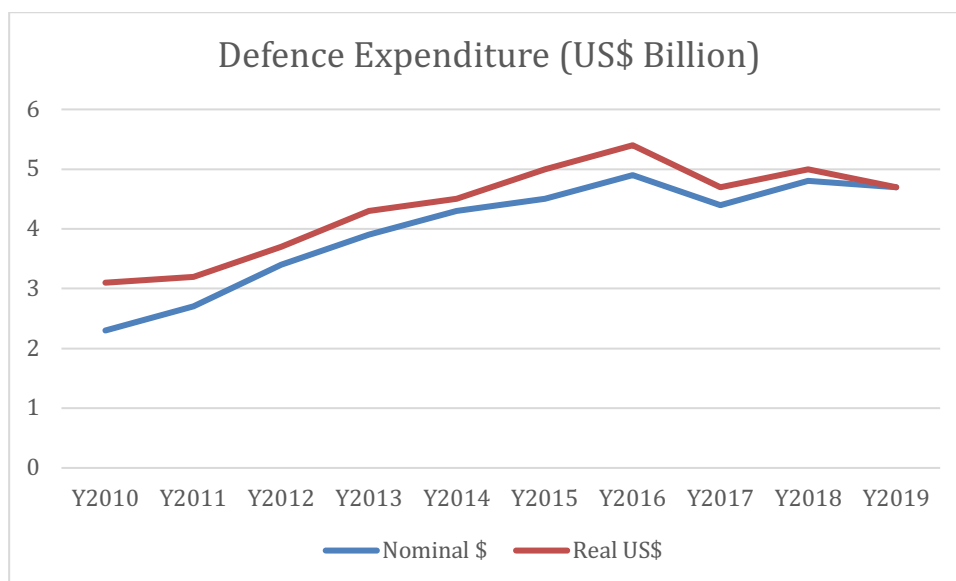
<sup>4</sup> Carlyle A. Thayer, "Vietnam: Divestment of Military-Owned Enterprises," *Thayer Consultancy Background Brief*, June 13, 2018. See Appendix II for a list of major military-owned enterprises.

*Budget Constraints.* There are several ways to view Vietnam’s defence spending – in local currency terms (đồng), in U.S. dollar terms, as a percentage of government expenditure, and as a percentage of Gross Domestic Product (GDP). The figures discussed in the charts below, as well as official Vietnamese figures in the Defence White Paper, should be used with caution. It is suspected that Vietnam engages in substantial off-budget spending for arms acquisitions. Off-budget spending reportedly accounted for much of the \$4 billion in weapon procurements by Vietnam from Russia in the years up to 2016.<sup>5</sup>

As Chart 1 above illustrates, Vietnam’s GDP, as measured in real local currency rose every year from 2010 to 2019. Real government spending fluctuated between 2010-2014, before rising steadily from 2015 to 2018, and then declining slightly in 2019 by 51.3 trillion đồng.

When real and nominal defence expenditure measured in U.S. dollars are compared for the period 2010-2019 (see Chart 2), it is noticeable that the general trend lines are similar. Defence expenditure rose from 2010 to an all-time high in 2016. Defence expenditure declined in 2017, rose slightly in 2018, and declined in 2019 when the trend lines for nominal and real defence expenditure converged. In sum, defence expenditure measured in U.S. dollars declined after 2016.

Chart 2



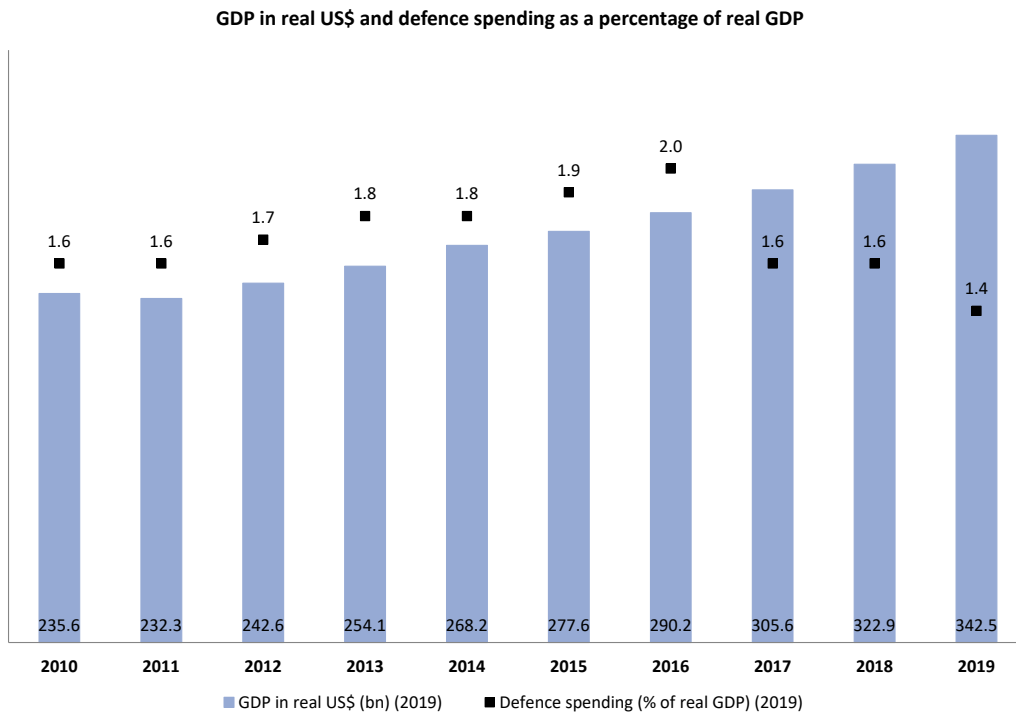
Source: Australian Government, Department of Defence, Defence Intelligence Organisation, *Defence Economic Trends in the Asia-Pacific 2020*, DIO Reference Aid 20-508 (September 2020), p. 28.

When defence expenditure is measured in real U.S. dollars as a percentage of real GDP for the period 2010-2019 (see Chart 3), it is noticeable that except for 2011, real GDP rose steadily to an all-time high in 2019. Real defence expenditure rose from 1.6% in 2010 to an all-time high of 2.0% in 2016, declined to 1.6% in 2017 and 2018 before dropping to an all-time low of 1.4% in 2019.

<sup>5</sup> Jon Grevatt, “Inroads into Indochina: Vietnam as an emerging market,” *Jane’s Defence Weekly*, July 12, 2017, online edition.

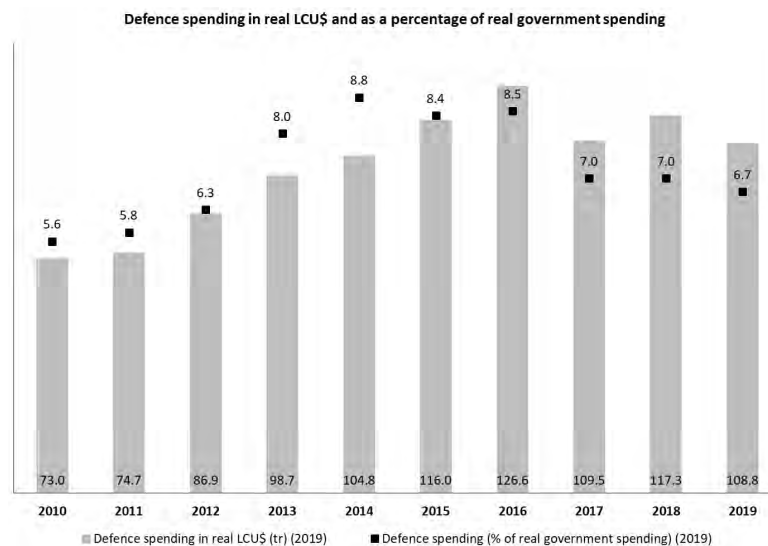
Chart 4 shows that defence expenditure, measured as a percentage of real government spending, rose steadily from 5.6% in 2010 to an all-time high of 8.8% in 2014 before dropping to 8.4% in 2015. The year 2016 witnessed a slight increase to 8.5% before dropping in the following three years, 2017-2019.

Chart 3



Source: Australian Government, Department of Defence, Defence Intelligence Organisation, *Defence Economic Trends in the Asia-Pacific 2020*, DIO Reference Aid 20-508 (September 2020), p.28.

Chart 4



Source: Australian Government, Department of Defence, Defence Intelligence Organisation, *Defence Economic Trends in the Asia-Pacific 2020*, DIO Reference Aid 20-508 (September 2020), p. 28.

Defence spending, measured in real local currency unit (đồng), as a percentage of real government expenditure, rose steadily from 2010 to 2016 before taking a roller coaster ride dipping in 2017, rising in 2018 and dipping in 2019.

Phuong's argument that military modernisation "slowed down over the past five years" (2016-2021) and "virtually ground to a halt" due to budget constraints is problematic because he equates force modernisation with the acquisition of "big ticket" military platforms.

It is clear from the above charts that Vietnam's defence spending (whether measured in U.S. dollars, as a percentage of GDP in U.S. dollars, and in local currency) declined from 2016 to 2019. But this does not mean that force modernisation "ground to a halt" because Vietnam did not procure any "big ticket" armaments. As Australia's Defence Intelligence Agency noted, despite a real decrease in the 2019 defence budget of 7.2% as measured by local currency:

Vietnam sought procurement of fighter and multi-role aircraft, armoured vehicles and tanks, naval vessels, patrol ships, maritime patrol aircraft and surveillance equipment. Vietnam also sought to modernise its arms stockpile.<sup>6</sup>

The Stockholm International Peace Research Institute's (SIPRI) data base on arms transfers reveals that since 2016 Vietnam procured twelve L-39NG combat trainer aircraft from the Czech Republic in 2020; three Heron Unmanned Aerial Vehicles (UAV) from Israel in 2018; sixty-four T-90 tanks and twelve Yak-130 combat trainer aircraft from Russia in 2017 and 2019, respectively; and one Hamilton-class cutter, six ScanEagle UAVs and twelve FJ44-4 turboprop jet engines from the United States in 2019.<sup>7</sup>

In May 2021, Vietnam reportedly decided to stand up a UAV unit.<sup>8</sup> In June 2021, the United States agreed to sell three Beechcraft T-06 Texan II turboprop light-attack trainer aircraft to Vietnam. This sale included support packages for logistics, spare-parts, ground equipment and technical support.<sup>9</sup> In sum, force modernisation proceeded after 2016 and involved specialised weapon platforms and systems and advanced technology.

As noted above, Phuong identified budget constraints as one three factors impacting on force modernisation. He estimated that one-fifth of Vietnam's future defence budget would be spent on replacing old and introducing newer more modern

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<sup>6</sup> Australian Government, Department of Defence, Defence Intelligence Organisation, *Defence Economic Trends in the Asia-Pacific 2020*, DIO Reference Aid 20-508 (September 2020), p. 29.

<sup>7</sup> U.S. Defense Attaché Thomas Stevenson recently revealed that the United States had not received an offer from Vietnam for a third Hamilton-class Coast Guard ship. Stevenson said the U.S. is willing to consider such an offer from Vietnam; Vietnam News Brief Service, "Vietnam-U.S. Ties Await New Achievements, per VP Harris' Visit," *Viet Nam News*, August 9, 2021.

<sup>8</sup> Carlyle A. Thayer, "Vietnam to Stand Up UAV Reconnaissance Unit," *Thayer Consultancy Background Brief*, May 15, 2021. <https://www.scribd.com/document/508036818/Thayer-Vietnam-to-Stand-Up-UAV-Reconnaissance-Unit>.

<sup>9</sup> Gareth Jennings, "US to help Vietnam set up pilot training capability," *Jane's Defence Weekly*, February 19, 2021, online edition and Jon Grevatt, "Vietnam to procure T-6 to boost pilot training," *Jane's Defence Weekly*, June 7, 2021, online edition.

capabilities. But this metric fails to take into account a third factor – the huge costs of maintaining six *Varshavyanka*-class submarines and other high-end military equipment such as *Gepard*-class frigates and advanced *Sukhoi* aircraft. According to Admiral James Goldrick (Royal Australian Navy retired), “(t)he Vietnamese are trying to do something very quickly that no navy in recent times has managed successfully on such a scale from such a limited base...”<sup>10</sup>

In 2019, with the publication of Vietnam’s most recent Defence White Paper, it became clear that the modernisation of the VPA will be selective and gradual. The White Paper stated, for example:

Viet Nam advocates building the revolutionary, regular, high-skilled, gradually modernised VPA with some forces advancing straight to modernity and gradually formulating the Army as an independent Service, meeting requirements of safeguarding the Homeland and responding to hi-tech wars. On the basis of the country’s conditions and potentialities, Viet Nam strives, from 2030 onward, to build the VPA into a modern military both in personnel, organisation and equipment, unceasingly improving military and political knowledge and professional skills, the military art, modes of warfare, weapons and technical equipment and support work.<sup>11</sup>

*Political Mindset.* Phuong’s second factor, a deep-rooted mindset that “political action is more important than military action (chính trị trọng hơn quân sự),” needs further documentation, elaboration, and analysis. For example, Phuong cites a single source, an article in *Quân Đội Nhân Dân* (People’s Army newspaper) published in 2014. This article is entirely focused on the establishment of the Vietnam Propaganda and Liberation Army Team (Đội Việt Nam Tuyên truyền giải phóng quân) on 22 December 1944. This team was tasked with mobilizing the Vietnamese people to overthrow French colonial rule.

The expression “chính trị trọng hơn quân sự” is attributed to Ho Chi Minh and is regularly cited in contemporary provincial newspapers, publications issued in Vietnam’s eight military regions, and various websites including the Defence Ministry’s General Department of Defence Industry (Bộ Quốc phòng Tổng Cục Công Nghiệp Quốc Phòng). The expression “politics is more important than military” is invoked to reinforce the party’s control over the military, to oppose the depoliticization of the army, and to guard against the plot of peaceful evolution.

Political action has always played a part in Vietnam’s military strategy but more evidence is needed to support the assertion that “political action is more important than military action” has carried over to the present and is taken literally to such an extent that it was one of the major factors in slowing Vietnam’s force modernisation program after 2016. Politics and the military are not dichotomous terms, they are dialectically linked as noted by Vietnam’s 2019 Defence White Paper:

Viet Nam focuses on building the VPA *strong in politics*, laying a solid foundation for improving comprehensive quality, *strength and combat readiness* as well as completing the construction of

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<sup>10</sup> James Goldrick, “Vietnam’s Submarine Fleet,” *United States Naval Institute Proceedings*, 139(9), September 2013.

<sup>11</sup> Socialist Republic of Viet Nam, Ministry of National Defence, *2019 Viet Nam National Defence* (Hanoi: National Political Publishing House, 2019), 95-96.



the modes and mechanisms to enhance the comprehensive leadership and combat strength of the Military Party Committee (emphasis added).<sup>12</sup>

In 2021, for example, General Luong Cuong, the head of the General Political Department (Chủ nhiệm Tổng cục Chính trị), wrote an article in *Tạp chí Quốc phòng toàn dân* following the thirteenth national party congress. The sub-title of his article was “Continue to Build the Vietnam People’s Army politically strong to meet the new requirements and tasks.” Cuong thesis, however, linked political loyalty to Vietnam’s one-party state with the gradual modernisation of the VPA. He cited the 13<sup>th</sup> Congress’ Resolution that it is necessary to

build revolutionary, regular, elite, gradually modern People’s Army and People’s Public Security with a number of services, corps, and forces moving straight to modernity. By 2030, the People’s Army and the People’s Public Security will be made compact and strong as a solid foundation for building revolutionary, regular, elite, modern, and politically, ideologically, morally, organisationally strong armed force.<sup>13</sup>

Phuong’s argument is undercut by Hiep’s analysis of military in-fighting at the thirteenth national party congress between Luong Cuong and Phan Van Giang. Cuong, in addition to being head of the General Political Department, was also a member of the party Secretariat and more senior in rank than Giang. Giang was VPA Chief of Staff. According to Hiep, both vied for the single seat on the Politburo normally reserved for the Minister of National Defence. The outgoing minister, Ngo Xuan Lich, it should be recalled, was the former head of the General Political Department before being elevated to Minister of National Defence in 2016.

If “political action is more important than military action,” as Phuong asserts, it follows that Cuong should have been elected to the Politburo and become the new Minister of National Defence following his predecessor, General Lich. Hiep argues that because of a “growing consensus within the VPA leadership that the minister position should be given to a commander rather than a political general” party leaders decided to accommodate both sides. Giang’s election to the Politburo and his subsequent appointment as Minister of National Defence indicates that military professionalism trumped political/ideological proficiency. It is notable that of the twenty-three military members on the VCP Central Committee, 74 percent are military professionals and 26 percent are political officers (see Appendix I).

*Anti-Corruption Campaign.* Phuong’s third factor, the impact of the anti-corruption campaign on the military’s procurement process, is problematic because Phuong treats institutional corruption and rent-seeking as the same phenomenon.<sup>14</sup> For example, Phuong cites a 480-word foreign media report about possible corruption related to research and development and “VPA’s defense deals worth billions of

<sup>12</sup> Socialist Republic of Viet Nam, 2019 *Viet Nam National Defence*, 96.

<sup>13</sup> Lương Cường, “Quán triệt nghị quyết Đại hội XIII của Đảng, tiếp tục xây dựng Quân đội nhân dân Việt Nam vững mạnh về chính trị, đáp ứng yêu cầu, nhiệm vụ mới,” *Tạp chí Quốc phòng toàn dân*, May 2021, <http://m.tapchiquptd.vn/vi/nhung-chu-truong-cong-tac-lon/quan-triet-nghi-quyet-dai-hoi-xiii-cua-dang-tiep-tuc-xay-dung-quan-doi-nhan-dan-viet-nam-v-16928.html>.

<sup>14</sup> Phuong, “Why is Vietnam’s Military Modernisation Slowing?” 6. Phuong cites Alexander Vuving, “Vietnam in 2018: A Rent-Seeking State on Correction Course,” in Daljit Singh and Malcolm Cook, eds., *Southeast Asian Affairs 2019* (Singapore: Institute of Southeast Asian Affairs, 2019), 375-394.

dollars” in a footnote. This allegation needs further supporting evidence because, as Phuong points out in his text, corruption in the military mainly involved land issues not military procurement per se.

In 2014, the party’s Central Steering Committee for Anti-Corruption, headed by Secretary General Trong, set up teams in seven government ministries, including the Ministry of National Defence, to identify irregularities in contracting. In December 2014, the Ministry of National Defence issued a directive to uncover corruption in procurement and related activities.<sup>15</sup>

The first serious case of corruption in the military since 2014 involved retired Colonel Dinh Ngoc He and four associates, two of whom were retired Colonels. All five officers were employed by the Thai Son Joint Stock Company under the Ministry of National Defence. Dinh Ngoc He was chairman. In 2018, He and his associates were convicted for “abuse of power in the performance of official duties” by violating public asset management rules. Colonel He was sentenced to twelve years in jail.

In April 2019, the party’s Central Inspection Committee published the names of government officials slated to be disciplined for corruption. The list included five high-ranking military officers: Admiral Nguyen Van Hien, former Deputy Minister of National Defence and Commander of the People’s Navy; Vice Admiral Nguyen Van Tinh; Rear Admiral Le Van Dao; Lt. Gen. Nguyen Hoang Huy, Commander of Military Region 9; and Colonel Truong Thanh Nam. All five defendants were convicted of mismanagement of naval land.

The Central Inspection Committee’s list, however, did not include the former Defence Minister General Phung Quang Thanh. Phuong alleges that former Prime Minister Nguyen Tan Dung and General Thanh belonged to

‘the biggest rent-seeking networks in the country’. These networks took advantage of Vietnam’s economic reforms as well as its need to deal with emerging security threats in order to gain personal benefits, including through military modernisation programmes and unauthorised land deals.

The anti-corruption campaign spearheaded by VCP Secretary General Trong netted a current member and a former member of the Politburo, as well as current and former members of the Central Committee who prospered under former Prime Minister Dung. There is no apparent reason why Secretary General Trong would have hesitated in charging General Thanh with abusing his position as Minister of National Defence if he was involved in large-scale corruption. The fact that General Thanh was not charged raises questions about the sources Phuong relied on (see footnote fourteen above).

In late 2019, the Ministry of National Defence issued Directive 102/CT-BQP to “reorganise and improve” the acquisition process of military equipment for the VPA. The Directive aimed “to prevent corruption in defence procurement, accelerate acquisitions, introduce cost savings and promote competition.”<sup>16</sup> To date, no high-

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<sup>15</sup> Jon Grevatt, “Vietnam vows to root out corruption in procurement,” *Jane’s Defence Industry*, December 30, 2014 online edition.

<sup>16</sup> Jon Grevatt, “Vietnam issues defence procurement directive,” *Jane’s Defence Industry*, January 28, 2020, online edition.

profile cases of corruption in foreign arms procurements have been reported in the Vietnamese media.

Phuong's discussion of the slow-down in Vietnam's military modernisation and a widening power gap between Vietnam and China needs critical examination. Phuong equates modernisation to the procurement of "big ticket" military platforms such as submarines, frigates and fifth generation aircraft. This is too narrow a focus as military modernisation also entails refurbishment of existing platforms as well as the acquisition and integration of new technologies that act as force multipliers.<sup>17</sup>

Phuong also argues that "the pace of Vietnam's military modernisation in the past five years has been too slow for the country to deal with the increasing complexity of its external security environment." He assessment concludes:

The slowing of military modernisation drive has given rise to public concerns about its consequences. On the one hand, without strong and capable armed forces, especially the navy, Vietnam would not be able to deploy a comprehensive hedging strategy against China in which 'hard balancing' plays an essential role. The capacity gap between China and Vietnam is steadily widening.

Phuong's general thesis may be valid in the abstract but it needs a reality check. The former commander of the U.S. Indo-Pacific Command revealed in 2019 that China's military was quantitatively superior to the United States and was eroding the qualitative edge held by the U.S.<sup>18</sup> If the U.S., with the largest defence budget in the world, was having difficulty matching China's rising military power, how could Vietnam with more limited resources manage to decrease the power gap with China?

Closing the gap in military power between Vietnam and China begs the question what "big ticket" military platforms could Vietnam have acquired if it had maintained defence expenditure at 2016 levels from then to now? And, would these acquisitions have fundamentally altered the gap in military power vis-à-vis China given the rate and scope of China's military modernization?

In September 2020, the eleventh Military Party Congress approved a resolution that gave priority to the modernisation of several military arms and services and that the entire VPA would embark on a comprehensive modernization program in 2030. The Political Report to the thirteenth national party congress endorsed the eleventh Military Party Congress' proposal to give priority to a select number of units and armed forces to proceed directly to modernisation. In sum, force modernisation does not appear to have "virtually ground to a halt" but is entering a new phase of development.

Finally, Phuong's treatment of military professionalism merits critical examination. For example, Phuong gives short shrift to Vietnam's efforts to promote military professionalism citing the views of those he characterizes as "old thinkers" or

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<sup>17</sup> Carlyle A. Thayer, "Force Modernization: Vietnam," in Malcolm Cook and Daljit Singh, editors, *Southeast Asian Affairs 2018* (Singapore ISEAS Yusof Ishak Institute, 2018), 429. For example, see: Jon Grevatt, "Vietnam air force boosts MRO capability," *Jane's Defence Industry*, June 17, 2021, on line edition. MRO is an abbreviation of maintenance, repair and overall.

<sup>18</sup> "Statement of Admiral Philip S. Davidson, U.S. Navy Commander, U.S. Indo-Pacific Command Before the Senate Armed Services Committee on U.S. Indo-Pacific Command Posture (March 9, 2021)."

conservatives. According to Phuong, “in their view, professionalism is an alien concept infested with anti-regime notions, especially the implied idea of ‘separating the military from the Party’... This conservative mindset causes the VPA to adopt a half-hearted approach to force modernisation and professionalism.”

Phuong's assertion on the relationship between conservative “old thinkers” and Vietnam's flagging force modernization program is problematic. He does not provide evidence that military officers in Vietnam who promote military professionalism seek to depoliticize the military. Research on military professionalism in Vietnam does not support Phuong's assertion.<sup>19</sup> This issue bears more in-depth research.

## Conclusion

This Background Brief critically examined what appears to be a paradox: the argument that Vietnam's military establishment has grown in influence since 2016, on the one hand, and the argument that military modernisation slowed if not ground to a halt during the same time period, on the other hand.

This Background Brief argued that the metrics for measuring the resurging influence of the VPA lacked efficacy and did not satisfactorily differentiate between influence and popular support.

This Background Brief also critically examined the thesis that the slowdown in Vietnam's military modernisation may be explained by three factors – budget constraints, a prevailing mindset that politics is more important than the military, and the impact of Vietnam's anti-corruption campaign. Each of these three factors needs more in-depth research, refinement and analysis.

It is commonly assumed by defence analysts that Vietnam's military budget and arms procurements are linked to growth in Vietnam's Gross Domestic Product.<sup>20</sup> But the trend lines after 2016 challenge this assumption. Vietnam's GDP grew steadily from 2017-19 while military expenditure declined. Three additional factors should be considered to explain why this decline occurred.

First, has the era of Vietnam's “big ticket” arms procurements come to an end because of the sheer costs of maintaining existing modern platforms? It should be recalled that between 2012-2016 Vietnam was the tenth largest importer of arms globally, while

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<sup>19</sup> Carlyle A. Thayer, “The Expanding Roles of the Vietnam People's Army, 1975-2018,” in Volker Grabowsky and Frederik Retting, eds., *Armies and Societies in South-East Asia* (Chiang Mai: Silkworm Books, 2019), 305-335, Carlyle A. Thayer, “Military Politics in Contemporary Vietnam: Political Engagement, Corporate Interests and Professionalism,” Marcus Mietzner, ed., *The Political Resurgence of the Military in Southeast Asia: Conflict and Leadership* (London and New York: Routledge, 2011) 63-84, and Carlyle A. Thayer, “Vietnam: The Many Roles of the VPA,” in Muthiah Alagappa, ed., *Military Professionalism in Asia: Conceptual and Empirical Perspectives* (Honolulu: East-West Center, 2001), 137-149.

<sup>20</sup> Siemon T. Wezeman, *Arms Flows to South East Asia* (Stockholm: Stockholm International Peace Research Institute, December 2019), 42 and Carlyle A. Thayer, “Vietnam's Military Budget,” *Thayer Consultancy Background Brief*, May 6, 2020. <https://www.scribd.com/document/460583426/Thayer-Vietnam-s-Military-Budget>. Vietnam's most recent Defence White paper, Socialist Republic of Viet Nam, 2019 *Viet Nam National Defence* p. 38 footnote 1, provides figures for Vietnam's defence budget as a percentage of GDP for the period 2010 to 2018. The average annual defence budget for this period was 2.61 percent of GDP.

ranking 37<sup>th</sup> in GDP (as measured by purchase power parity) and 48<sup>th</sup> in GDP (nominal terms).<sup>21</sup> The cost of maintenance factor could explain the emphasis in Vietnam 2019 Defence White Paper, and underscored by the 13<sup>th</sup> national party congress in 2021, that military modernisation will proceed gradually until 2030 as Vietnam's economy develops.

Second, did a Trump factor dampen Vietnam's arms procurements? During the Trump presidency Vietnam was under the constant threat of economic sanctions (higher tariffs) due to its rising trade surplus with the United States. The Trump Administration rescinded Vietnam's status as a developing country in the World Trade Organisation and threatened punitive action for alleged currency manipulation. It was in this context that Vietnam came under political pressure by the Trump Administration to buy American weapons and military technology.

On 2 August 2017, President Trump signed into law the Countering American Adversaries Through Sanctions Act (CAATSA). Under CAATSA Vietnam could have been sanctioned for procuring weapons and technology from Russian defence entities listed in the Act. James Mattis, then Secretary of Defense, reportedly favoured giving Vietnam a waiver (along with India and Indonesia). A waiver is given for a set period of time during which Vietnam would have to demonstrate that it was taking steps to reduce its dependency on Russian armaments.

Complying with the terms of the waiver would have been highly disruptive for Vietnam because of its long legacy of reliance on Russian military equipment and technology. Between 1999 and 2018, Vietnam purchased eighty-four percent of its military arms from Russia.<sup>22</sup> Also, it would have been prohibitively expensive for Vietnam to purchase "big ticket" military platforms from the United States, not only because of the unit cost but also the expense of maintaining unfamiliar technology.

Vietnamese sensitivities over CAATSA were illustrated in September 2018 when Vietnam hosted the annual Defence Policy Dialogue with the United States. At the end of the Dialogue, American officials were taken aback when Vietnam announced the cancellation of fifteen defence engagement activities scheduled for 2019 involving army, navy and air force exchanges. These engagement activities had been painstakingly negotiated over a period of months.

While no reason was given for the cancellation, it is likely that Vietnam was reacting to U.S. pressures to buy American defence equipment at the expense of Russia.<sup>23</sup> In sum, Vietnam may have decided to adopt a lower profile in the international arms market by postponing "big ticket" arms procurements from Russia in order to ward off punitive action by the Trump Administration.

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<sup>21</sup> Thayer, "Force Modernization: Vietnam," 429.

<sup>22</sup> Wezeman, *Arms Flows to South East Asia*, 44.

<sup>23</sup> Carlyle A. Thayer, "U.S. Defense Secretary to Visit Vietnam - 1," *Thayer Consultancy Background Brief*, October 15, 2018. <https://www.scribd.com/document/390890776/Thayer-U-S-Defense-Secretary-to-Visit-Vietnam-1>.

Third, have Vietnam's recent attempts to reform its highly bureaucratic, complex and inefficient arms procurement process,<sup>24</sup> and its efforts to develop a modern national defence industry<sup>25</sup> led to a slowdown in arms procurements since 2016? According to a recent assessment:

Public procurement in Vietnam is regarded as being at risk of corruption. Transparency in defence trade is limited and the country's cumbersome bureaucracy is also regarded as an obstacle to doing business. Although there is some evidence of improvements in these issues, progress is slow due mainly to poor implementation of reforms.<sup>26</sup>

Any analysis of trends of arms procurements trends after 2019 will have to take into account the impact of the COVID-19 pandemic on Vietnam's GDP growth, government expenditure and the military's budget.

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<sup>24</sup> Grevatt, "Vietnam issues defence procurement directive," online edition.

<sup>25</sup> Jon Grevatt, "Vietnam prepares defence industrial directives," *Jane's Defence Industry*, June 4, 2020, online edition and Jon Grevatt, "Vietnam outlines industry reform plan," *Jane's Defence Industry*, July 8, 2021, online edition. One outcome of Secretary of Defense Lloyd Austin's official visit to Vietnam in July 2021, was a verbal agreement he reached with his counterpart Minister of National Defence Phan Van Giang to promote "understanding of each other's needs and capabilities in national defence industry."

<sup>26</sup> 'Vietnam – Defence Production and R&D,' *Jane's Sentinel Security Assessment – Southeast Asia*, July 8, 2021, online edition.

## Appendix 1

## Military Representation on the VCP Central Committee (2021)

| Name               | Position  |
|--------------------|---|
| Luong Cuong        | Head, General Political Department and Secretary of the VCP Central Committee |
| Hoang Xuan Chien   | Deputy Minister of National Defence   |
| Nguyen Tan Cuong   | Deputy Minister of National Defence   |
| Phan Van Giang     | Minister of National Defence, former Chief of the General Staff               |
| Tran Viet Khoa     | Lt. Gen., Director National Defence Academy                                   |
| Vo Minh Luong      | Sr Lt. Gen. Deputy Minister of National Defence                               |
| Pham Hoai Nam      | Vice Admiral, Deputy Minister of National Defence                             |
| Nguyen Trong Nghia | Sr Lt. Gen. Deputy Chairman General Political Department                      |
| Tran Quang Phuong  | Sr Lt. Gen. Deputy Chairman General Political Department                      |
| Vu Hai San         | Lt. Gen. Deputy Minister of National Defence                                  |
| Huynh Chien Thang  | Lt. Gen. Deputy Chief of the General Staff                                    |
| Le Huy Vinh        | Sr Lt. Gen. Deputy Minister of National Defence                               |
| Nguyen Doan Anh    | Lt. Gen. Commander of Military Region 4                                       |
| Nguyen Van Gau     | Maj. Gen. Political Officer Military Region 9                                 |
| Nguyen Van Hien    | Maj. Gen. Deputy Commander and Chief of Staff Air Defence-Air Force           |
| Tran Hong Minh     | Head General Department Defence Industry                                      |
| Tran Thanh Nghiem  | Rear Admiral, Commander Vietnam People's Navy                                 |
| Nguyen Quang Ngoc  | Maj. Gen. Commander of Military Region 3                                      |
| Thai Dai Ngoc      | Lt. Gen. Commander of Military Region 5                                       |

|  |  |
|--|--|
| Trinh Van Quyet                            | Secretary of Party Committee and Political Officer<br>Military Region 2            |
| Le Duc Thai                                | Deputy Secretary of the Party Committee and<br>Commander of the Border Guard Force |
| Nguyen Hong Thai                           | Lt. Gen. Commander of Military Region 1  |
| Nguyen Truong Thang                        | Commander of Military Region 7   |
| Political officers are highlighted in red. |  |

Appendix 2  
Major Military-Owned General Corporations 2009

| Name of Corporation                                       | Founding Date | Main Headquarters            |
|---|---------------|------------------------------|
| Truong Son Construction General Corporation               | 19.5.59       | Hanoi                        |
| Military Petrol General Corporation                       | 30.9.65       | Cau Giay, Hanoi              |
| General Corporation No. 28                                | 9.5.75        | Ho Chi Minh City             |
| Thanh An General Corporation                              | 11.6.82       | Dong Da, Hanoi               |
| General Corporation No. 15                                | 20.2.85       | Pleiku, Gia Lai province     |
| Tan Cang General Corporation                              | 15.3.89       | Ho Chi Minh City             |
| Flight Services General Corporation                       | 1.6.89        | Dong Da, Hanoi               |
| Viettel – Military Telecommunications General Corporation | 1.6.89        | Ba Dinh, Hanoi               |
| Military Bank (Military Commercial Joint Stock Bank)      | 4.11.94       | Ba Dinh, Hanoi               |
| Northeast (Dong Bac) General Corporation                  | 24.12.94      | Ha Long, Quang Vinh province |

Source: Socialist Republic of Vietnam, *Vietnam National Defence* (Hanoi: Ministry of National Defence, December 2009), 119.



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