

# **VIETNAM IN 2017: Power Consolidation, Domestic Reforms, and Coping with New Geopolitical Challenges**

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Three distinct characteristics of Vietnam's development in 2017 were the consolidation of power in the hands of the Communist Party of Vietnam (CPV) and its leadership, politico-administrative reforms, and fashioning a foreign policy to deal with a worsening external environment.

## **Consolidation of Power**

The process of consolidation of power in the hands of the party and its leadership began after the CPV's Twelfth National Party Congress in January 2016. It picked up steam and led to several high-profile trials and a major purge in 2017.

This process included three elements: a campaign against corruption, efforts to rebuild and strengthen the party, and a crackdown on dissidents.

## ***Anti-corruption Campaign***

The Twelfth National Party Congress of the CPV resulted in a victory for the party's General Secretary Nguyen Phu Trong over Prime Minister Nguyen Tan Dung, and of the party over the state. Immediately after the congress, Trong moved to consolidate his power and that of the party, placing his supporters in the top positions of all the important commissions of the Central Committee, bringing control of the fight against corruption back to the party's Central Committee on

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Corruption Prevention and Fighting (CCCPF), and renewing the anti-corruption campaign.<sup>1</sup> In 2017, Trong's position was further strengthened by the addition of two of his supporters — head of the Central Department of Internal Affairs Phan Dinh Trac and director of Ho Chi Minh National Institute of Politics Nguyen Xuan Thang — to the party secretariat, and the ousting from the Politburo of Dinh La Thang, a powerful protégé of former prime minister Nguyen Tan Dung.

The anti-graft campaign began with a move against the “biggest case” of economic corruption involving Vietnam Construction Joint Stock Commercial Bank (VNCB), where the bank's CEO Pham Cong Danh and his associates were charged with embezzlement and loss totalling over 401 million dollars.

On 24 January, Ho Chi Minh People's High Court upheld the lower court's 30-year prison sentence given to Pham Cong Danh and the prison sentences of between 19 and 22 years given to three other former executives of the bank.

Investigations of Pham Cong Danh eventually led to two major developments. In April, the party Central Control Commission recommended to the Politburo and the Central Committee to consider disciplinary measures against Dinh La Thang, member of the Politburo and party secretary of Ho Chi Minh City. Thang was accused of committing “very serious mistakes and violations” while leading Petro Vietnam between 2009 and 2011. He was subsequently removed from the Politburo and his position in Ho Chi Minh City and was reassigned to the unimportant position of deputy head of the Central Economic Commission.

Thang's demotion from the Politburo was unprecedented. Before Thang, Nguyen Co Thach and Tran Xuan Bach had been removed from the powerful Politburo for political reasons (Thach for his opposition to China, Bach for his demand for political pluralism); Thang was the first to be removed for being implicated in corruption.

After Thang, the Politburo took a decisive and risky action. On 23 May it issued regulations concerning the inspection of supervision over the declarations of assets of about a thousand top officials, including members of the Politburo, the secretariat, the Central Committee, and provincial standing committees, regardless of whether the person held a current position or had retired. This was tantamount to a declaration of war against the ill-gotten assets of most of those associated with former Prime Minister Dung.<sup>2</sup>

On 31 July, at a meeting of the CCCPF, committee chair Nguyen Phu Trong urged the committee to focus on pending cases with a view to bringing them to conclusion, “especially the cases of Ha Van Tham and Trinh Xuan Thanh”.<sup>3</sup> Ha Van Tham, the founder of Ocean Bank, was charged with embezzlement and abuse of power. Trinh Xuan Thanh, former chairman of PetroVietnam Construction Joint Stock Company (PVC), had fled to Germany after being charged of “intentionally

violating regulations on economic management causing serious consequences” and causing around \$150 million in losses at PetroVietnam (PVN), but he was eventually kidnapped and brought back to Vietnam to stand trial.

Thanh’s arrest was expected to lead to further charges and dismissals. His case led to the dismissal of Deputy Trade Minister Ho Thi Kim Thoa, former executive of Dien Quang Lamp Company. She was charged with several wrongdoings at the company and acting against procedures when promoting Thanh from a staff member to the deputy chief of the Party’s Steering Committee at the Ministry of Industry and Trade. Her ex-boss Vu Huy Hoang was also dismissed retroactively for the same reason from his former position as Minister of Industry and Trade as well as former party secretary.<sup>4</sup>

The next day, banking tycoon Tram Be, former vice chairman of Sacombank, and Phan Huy Khang, former general director of the bank, were taken into custody for “deliberately violating state regulations on economic management, causing severe consequences”. Tram Be was accused of colluding with Pham Cong Danh and accomplices in sending money to Sacombank to guarantee and pay off debts for six companies set up by Danh to borrow money from Sacombank, causing total losses of over US\$79 million for VNCB.<sup>5</sup>

The height of the campaign against the banking sector and Petro Vietnam came in September. On 8 September, former deputy governor of the State Bank of Vietnam Dang Thanh Binh was placed under investigation for his alleged negligence in the financial loss at VNCB, which cost the state budget more than US\$401 million. Earlier, the ex-VNCB chairman, Pham Cong Danh, was sentenced to thirty years in jail in January for his major role in the case.<sup>6</sup>

On 28 September, in a high-profile mass trial of fifty-one officials, Ha Van Tham was sentenced to life imprisonment and former Petro Vietnam chairman Nguyen Xuan Son was sentenced to death.

Trong has claimed that the anti-graft campaign has become “a movement, a trend of the entire society” that no one can resist. He compared the movement to a “blazing furnace” that would burn even the freshest of firewood.<sup>7</sup>

Before the year ended, a bombshell was dropped. On 8 December, Dinh La Thang, a powerful former Politburo member, former secretary of Ho Chi Minh City and close associate of former prime minister Nguyen Tan Dung, was arrested. Interestingly, on the same day, the government announced the publication of *Vung Buoc Tren Con Duong Doi Moi* (Moving steadily on the road of *Doi Moi*), General Secretary Trong’s book on socialist-oriented *doi moi* and strengthening the party.

Trong has reached the point of no return. More heads are expected to roll. If he should stop, he would confirm the suspicion of sceptics that the current

campaign was only designed to “hit corruption from the shoulders down”, and the legitimacy that Trong hoped to restore to the party would be further lost. If he persists, he will meet stronger and more dangerous resistance. But if he succeeds, the power of the party over the state and society will be firmly established, and Trong may become the most powerful general secretary of the CPV since the establishment of the Muoi–Anh–Kiet ruling triumvirate following the 1991 Seventh National Party Congress.

### ***Party Rebuilding and Strengthening***

The campaign to rid the party of incompetent and undesirable elements started with two major decisions. First, on 4 May, as chairman of the CCCPF, General Secretary Trong formed eight inspection groups to investigate twenty provincial party committees where there were denunciation letters regarding corruption and serious economic wrongdoings. Second, to avoid mistakes in personnel matters “like the cases of Trinh Xuan Thanh and Vu Huy Hoang”, on 16 May the Politburo established five inspection teams to examine the processes of appointment, promotion and rotation of officials of ten provincial executive committees and the party personnel committees of five central ministries.<sup>8</sup>

On 14 August the Politburo, for the first time, issued concrete criteria for holding leadership positions, as well as criteria to evaluate them. According to the Politburo, top officials must display “no corruption or opportunism ... and be determined to push back against the degeneration in political ideology”; they must have “absolutely no ambition for power”, “not let relatives and acquaintances benefit from their positions” and should lead “an honest, modest, sincere, transparent, simple and generous life”.<sup>9</sup> It is difficult to believe that such an ideal model of officials could be achieved.

The campaign led, in addition to those of Vu Huy Hoang and Ho Thi Kim Thoa, to the dismissal of Vo Kim Cu, former party secretary and provincial chief of Ha Tinh province. It also imposed disciplinary measures on Nguyen Xuan Thien, member of the Central Committee and former party secretary of Binh Dinh City; Le Huu Loc, Thien’s deputy and city mayor; Tran Cong Chanh, party secretary of Hau Giang province; Huynh Minh Chac, former member of the Central Committee and Hau Giang’s party secretary; Tran Xuan Anh, party secretary; and Huynh Duc Tho, mayor of Danang City.

### ***Suppressing Dissent***

The year 2017 was not a good one for human rights activists in Vietnam. A report of Human Rights Watch on 18 June said Vietnamese bloggers and rights activists

were being “beaten, threatened and intimidated with impunity”. It highlighted thirty-six incidents between January 2015 and April 2017 in which unknown men in civilian clothes beat rights campaigners and bloggers.<sup>10</sup>

In the 2017 World Press Freedom Index, Reporters Without Borders described Vietnam (175th) and China (176th) as “the world’s biggest prisons for journalists and bloggers”. Vietnam was only five places ahead of North Korea in the index, the world’s worst violator of press freedom.<sup>11</sup>

This prompted U.S State Department spokesperson Heather Nauert to complain, in a press briefing on 29 June, that the trend of increased arrests and convictions of peaceful protests was “deeply troubling”.

The CPV has been battling political dissidents who have demanded democracy and questioned the legitimacy of the communist system since the Seventh National Party Congress in 1991, after the collapse of communist regimes in Eastern Europe and Russia. The first generation of dissidents was led by disillusioned legendary revolutionaries such as Tran Do, former head of the CPV Commission on Culture, Literature and the Arts; and Hoang Minh Chinh, former director of the Institute of Marxism-Leninism. Those leaders had political base in the party and were more dangerous, but now they have gone. Next came party intellectuals and experts, many of whom banded together in the Institute of Development Studies (IDS). After the dissolution of the IDS in 2009 they operated as lone voices and saw their impact weakened. With the advent of the Internet, blogging and Facebook, a new group of younger, tech-savvy bloggers and political activists emerged to advocate human rights and democracy. This was the group that the new CPV leadership had to deal with.

A new crackdown took place in January 2017. Between 11 and 21 January, police arrested three human rights activists on charges ranging from “conducting propaganda against the state” under article 88 of the penal code to “abusing the rights to freedom and democracy to infringe upon the interests of the State” under article 258.<sup>12</sup>

As of August, at least fifteen people have been arrested — “more than any year since a crackdown on youth activists in 2011”.<sup>13</sup>

The 30 July crackdown involved the arrest of four human rights defenders, all members of the Brotherhood for Democracy and former prisoners of conscience: Nguyen Trung Ton, Nguyen Bac Truyen, Pham Van Troi and Truong Minh Duc. While all had previously been convicted and jailed for conducting propaganda against the state, this time they were charged under article 79 of the Penal Code for “carrying out activities aimed at overthrowing the people’s administration”, which could carry the death penalty.<sup>14</sup>

With harsh measures in the face of weakened international condemnation, the CPV in 2017 has succeeded in its efforts to contain political dissent. There were no big demonstrations, a lot of arrests, and silence from well-known activists, such as worker's rights activist Le Thi Cong Nhan and human rights lawyer Le Quoc Quan, since their releases.

## Political and Administrative Reforms

Vietnam's economy grew just 5.1 per cent in the first three months of the year, prompting many economists to maintain that the 6.7 per cent growth target set by the government for 2017 was unrealistic.<sup>15</sup> This gloomy prediction was contradicted by the surge to 7.46 per cent growth by the third quarter of the year and the government's relative success in reducing the state budget deficit.<sup>16</sup> However, continued budget deficit and public debt estimated to be close to 65 per cent of GDP for the 2017–18 period remained serious problems for Vietnam's economy.<sup>17</sup> These problems were compounded by the fact that from July 2017 Vietnam has not been able to draw on official development aid at preferential terms, while those loans accounted for a whopping 98 per cent of its foreign loans.<sup>18</sup>

To deal with these problems, the government took measures to cut red tape, streamline the bureaucracy, clean up the banking system, reform the state-owned enterprises (SOEs), and carry out political reform.

### *Setting the Stage*

As soon as he was elected, Prime Minister Nguyen Xuân Phúc, in his inaugural address on 7 April 2016, committed to transform the “command government into an enabling government (*chính phủ kiến tạo*)” which was “honest (*liêm chính*) and worked for the people and for businesses”.<sup>19</sup> The concept of *chính phủ kiến tạo* was first introduced by former prime minister Nguyen Tan Dung in 2014, aimed at specifying the “relationship between the state and the market” in a socialist-oriented market economy, but the policy was never seriously implemented.

As prime minister, Phúc moved rapidly to carry out his commitment to create favourable conditions for business development. The first meeting between the prime minister and businesses, with the theme “Vietnamese Businesses – Driving Force in National Economic Development”, was held in Ho Chi Minh City on 29 April 2017 with the participation of five hundred businessmen. Two weeks later, on 16 May, the government issued resolution number 35/NQ-CP to support and develop businesses to the year 2020. Ministries and other government agencies were instructed to modify regulations to help business to develop.

Despite problems in the economy that Phuc's supporters blamed on the previous administration, the new administration persisted in setting the 6.7 per cent growth rate as the goal of the economy for 2017. To achieve this goal, a series of highly publicized conferences and meetings — attended by hundreds of businesses and experts from both home and abroad — were organized to showcase the government's determination and to mobilize the support and participation of the private sector in developing the economy.

At the fifth plenum of the CCP, on 5–10 May, the Central Committee resolved to pursue three objectives: “completing the socialist-oriented market economy institution; continuing to re-organize, renovate and improve the efficiency of State-owned enterprises; and develop the private economy into an important driving force of the socialist-oriented market economy”. Following the plenum, a meeting between the prime minister and private businesses was held on 17 May 2017 in Hanoi on the theme “Walking together with Private Business”. This meeting was followed by a seminar on “Economic Management toward an Enabling Government” on 23 June, and the Vietnam Private Sector Forum (VPSF) on 31 July.

In addition to promotional efforts, on 28 July Prime Minister Phuc formed an Economic Advisory Board, consisting of prominent experts currently working in Vietnam as well as in foreign countries, to advise him on economic development strategy, plans, projects and policy for the medium and long term.

### ***Cutting Red Tape***

To provide a favourable environment for investment, one of the most important factors is the reduction of regulations and paperwork. In June, Prime Minister Phuc instructed various government ministries and offices to create the “most favourable conditions” for investment and eliminate “unnecessary investment requirements”.<sup>20</sup>

Pursuant to the prime minister's instruction, the Ministry of Industry and Trade decided, in September, to reduce and simplify investment requirements within the jurisdiction of the ministry for the 2017–18 period. This decision cut 675 investment requirements, the largest cut in the history of the ministry. After the cut, only 541 investment requirements remained.<sup>21</sup>

Perhaps the most important measure to simplify paperwork was government resolution 112/NQ-CP tabled on 30 October 2017 abolishing the registration book (*so ho khau*) to manage and control people's place of residence. If implemented, this resolution would give the people greater freedom of movement, save them the burden of paperwork, and significantly reduce opportunities for corruption.

### ***Streamlining the Bureaucracy***

Streamlining the bureaucracy began with restructuring the SOEs and reducing their number and importance in the national economy through privatization. For the 2017–10 period, the government set the goal of privatizing 127 SOEs, 44 of which were to be completed in 2017. The result was disappointing. According to the Ministry of Finance, by the end of September, approvals of privatization programmes had been given to only 34 SOEs, of which a mere 11 had completed their privatization programmes.<sup>22</sup> The chairman of the SOE Reform and Renovation Committee, Central Institute for Economic Management, Pham Duc Trung, singled out “nepotism and self-interests” as the major causes blocking the privatization process.<sup>23</sup>

More sensitive was the need to streamline the political system. An article in *Quan Doi Nhan Dan* (People’s Army) on 30 March highlighted the resolution of the Twelfth National Party Congress to “renovate and complete the reorganization of the party ... merging into one a number of positions and streamlining the whole political system”. It complained that “our administrative system is too cumbersome and overlapping with 2.7 million salaried employees” whose number should be reduced.<sup>24</sup>

The goal of streamlining and reorganization was not only to avoid duplication and waste and save money but was also to make the government more efficient and strengthen the leadership of the party over the government.<sup>25</sup>

At the local level, Quang Ninh province began a pilot project to merge the positions of party secretary and chairman of the people’s committees at the district and village levels, as well as the merging of party and government functions at various agencies and offices.<sup>26</sup>

At the cabinet level, the Interior Ministry was in the process of drafting a decree regulating the reorganization of offices and agencies under provincial and city people’s committees, and making suggestions for merging a number of offices.<sup>27</sup>

Previously, on 4 March 2017, in an online conference on Party Organizing and Building which saw the participation of many Politburo and Central Committee members, “several participants” suggested experimenting with merging the position of party secretary and people’s committee chairman in several provinces.<sup>28</sup>

More important was the proposal to merge the positions of general secretary and state president. Former deputy director of the National Assembly Office, Nguyen Si Dung, argued that the merging of those positions would end the overlap of functions between the party and the state.<sup>29</sup>

The sixth plenum meeting in October decided reorganization on the safe side. In a closing speech, General Secretary Nguyen Phu Trong stated that the party



should “give priority to develop and implement issues that have received clear and strong approval by the Central Committee”, and insisted on implementing the model whereby the party secretary also cumulated the position of chairman of the people’s committee “at districts and villages where conditions permitted”.<sup>30</sup>

### ***Call for Concurrent Political Reform***

Steps taken so far have been limited to administrative reform. Commenting on the need for political reform, Dr Pham Quy Tho of the Institute of Policy and Development, Ministry of Planning and Investment, insisted that the key issue was the “transition from collective to individual ownership”. An enabling government could only succeed if its institutional reform in the economy was carried out in parallel with institutional reform in politics. To him, laws must be changed to guarantee private ownership, equality between economic sectors and components, and “civil, economic and political rights, such as freedom of association, freedom of information, the right to demonstrate and peaceful expression ... together with personal responsibilities must be regulated by law in a civilized manner”.<sup>31</sup>

Even bolder was the demand of Nguyen Trung, former president of the Vietnam Academy of Social Sciences and member of the advisory boards of former prime ministers Vo Van Kiet and Pham Van Khai. In “A Heart-Felt Petition” on 27 September 2017, he argued that “the CPV as it is has failed in every reform attempt, even only partial reforms”; that the CPV must abandon Marxism-Leninism, for “totalitarianism will lead to the danger of ‘being overthrown by the people, or social alienation leading to system collapse and disaster for the country;’ that the party must battle alienation, corruption, and foreign influence; it must transform itself into a party of the people to carry out peaceful and democratic reform to save the country from current dangers”.<sup>32</sup>

So far, Trung’s appeal has fallen on deaf ears.

### **Coping with the New Geopolitical Environment**

Vietnam continued to carry out its proclaimed policy of “multilateralization and diversification” of its foreign relations and practice a soft balancing act among the major powers, particularly between the United States and China, to protect its national sovereignty and territorial integrity as well as to promote economic development.

The success of this policy depends on two important factors: the presence and credible commitment of the United States to serve as a counterweight to the

increasing assertiveness of China, and ASEAN unity to provide Vietnam with some sort of bargaining power in dealing with major powers.

Both these factors were put to serious test by the accession to power of President Rodrigo Duterte in the Philippines and President Donald Trump in the United States.

### ***Duterte's Bombshell***

In recent years the Philippines had been Vietnam's strongest ally and supporter among the ASEAN countries in opposing China's aggressiveness in the South China Sea. The Philippines had the advantage of being a treaty ally of the United States. And it had won the case it had brought to the Permanent Court of Arbitration (PCA) against China's "nine-dash line". These two factors indirectly benefited and strengthened Vietnam's bargaining position. The election of Duterte to the presidency in the Philippines changed this favourable situation dramatically.

To the disappointment of many, Duterte decided to ignore the Philippines' legal victory at The Hague and set aside the PCA award. Worse yet, he distanced the Philippines from the United State and leaned towards China in the hope of gaining economic benefits and possible concession in its territorial dispute with China.

Duterte's policy had a negative effect on ASEAN unity, another goal of Vietnam's foreign policy. When the 30th ASEAN Summit met in Manila in April 2017 under the chairmanship of the Philippines, Vietnam had to fight hard to have included in the final communiqué the terms "concerns expressed by some ministers" on land reclamation and militarization in the South China Sea, but failed to get the mention of the need for a "legally binding" code of conduct in the disputed waters to put a stop to "unilateral actions".

There was also no mention of the international tribunal ruling in The Hague which dismissed most of China's claims to the South China Sea. Even the phrase "serious concern", which has repeatedly appeared in ASEAN statements regarding maritime spats in previous years, was visibly absent.<sup>33</sup>

Having lost the support of Cambodia, Laos and the Philippines on the issue of the South China Sea, Vietnam turned increasingly to other Southeast Asian countries for support, particularly Indonesia for its size and Singapore for its diplomatic skill and influence within ASEAN and among the big powers.

### ***The Trump Surprise***

Relations between Vietnam and the United States had improved markedly under the Obama administration. The Obama administration's pivot to Asia and its military

deployment in the Asia-Pacific emboldened ASEAN and Vietnam to stand up to Chinese aggressiveness in the South China Sea. Vietnam increasingly looked to the United States not only as an important factor in its economic development but particularly as a reliable partner and a restraining force against China's aggressive activities in the South China Sea.

The election of Donald Trump to the presidency of the United States put a temporary hold on such progress and introduced uncertainty in the future of U.S.–Vietnam relations. In the beginning, the Trump administration seemed to take a tougher stand on the South China Sea. Whilst campaigning for the presidency, Trump criticized China over island building, currency manipulation, and trade. His secretary-of-state designate Rex Tillerson, during his confirmation hearing, declared that China's building of islands and putting military assets on those islands was “akin to Russia's taking of Crimea”. He further added: “We're going to have to send China a clear signal that, first, the island-building stops and, second, your access to those islands also is not going to be allowed.”<sup>34</sup>

On the military side, U.S. freedom of navigation operations (FONOP's) were conducted in a more aggressive manner, inside twelve miles of the islands, and in the form of “freedom of navigation operations”, not as “innocent passages”.<sup>35</sup>

However, subsequent statements and actions of the administration gave Vietnam concerns about U.S. intentions. First, it was difficult to make sense of the discrepancy between the statements of Trump's policy advisers and those of the president himself. While his military advisers tried to assure its Asian allies and partners of U.S. commitment, the president decided to pull out of the Trans-Pacific Partnership (TPP) and complained about unfair trade deals. While Tillerson visited China and talked about the need to build “mutual respect” and strive for “win-win” cooperation, the president was tweeting criticism of China. But when Tillerson criticized China for “undermining the international rule-based system” and its “provocative actions in the South China Sea”, this hard position was undermined by Trump's actions during his own visit to China where he lavished praise on Chinese President Xi and cited the “special chemistry” between him and Xi.

Then there was concern that Trump's seeming lack of attention to or deep understanding of Asia, and his overemphasis on North Korea and his attempt to cajole China into helping to resolve the North Korean nuclear issue, may lead him to neglect other issues in Asia. This was evidenced by the fact that as of November 2017, eleven months into his presidency, Trump has not appointed an assistant secretary for East Asian and Pacific Affairs, and the position of U.S. ambassador to South Korea remained unfulfilled. This neglect emboldened China and resulted in a tepid U.S. reaction when China forced Vietnam to stop

oil drilling at the Vanguard bank, which falls clearly within Vietnam's exclusive economic zone and continental shelf and barely touches China's nine-dash line.

American failure to react to a clear violation by China of international law, which America had vocally supported, led Bill Hayton to complain about "The week Donald Trump lost the South China Sea".<sup>36</sup> Before Trump's trip to China, a FONOP conducted by USS *Chafee* on 3 October only came "close to but not within" the disputed Paracel Islands, an apparent de-escalation of FONOPs.<sup>37</sup> This apparent deference to China prompted Panos Mourdoukoutas to suggest "To Stop Kim Jong-Un, China Needs a Big Price: The South China Sea".<sup>38</sup>

In addition to Trump's well-known unpredictability, his administration's policy towards China introduced uncertainty in the future of U.S.–Vietnam relations and renewed Vietnam's fear of possible collusion between the United States and China at its expense.<sup>39</sup>

### ***Adjusting to New Realities***

The changing regional and international environment created by the policies of Duterte and Trump presented a new strategic challenge to Vietnam's foreign policy. While the external environment has changed, China remains a constant threat to Vietnam's national sovereignty and territorial integrity, particularly in the South China Sea. Given the power asymmetry between China and Vietnam, the only way to deal with this threat is for Vietnam to improve its own defence capability and seek a counterweight to China, particularly from the United States and, failing that, from other powers.

### ***Vietnam and the United States***

The electoral victory of Donald Trump in November 2016 was a shock to many experts and leaders of the world, including those in Vietnam. Concerns over the reliability and credibility of the new U.S. administration did not negate the indispensability of U.S. presence and commitment to peace, security, and the rule of law in the South China Sea. Vietnam has to do its best to maintain good relations with the United States, elicit its support, and encourage it to engage in the Asia-Pacific region. In this area, Vietnam has achieved some small successes.

After intensive lobbying efforts, Vietnam's prime minister Nguyen Xuan Phuc was among the first of world leaders to make a congratulatory phone call to the newly elected U.S. president, and the first ASEAN leader to be invited to meet with Trump in the United States, where he announced the signing of commercial

agreements worth US\$12 billion with U.S. companies.<sup>40</sup> In return, Trump hailed Vietnam for helping to create jobs for Americans and Phuc for doing a “fantastic” job as prime minister of Vietnam.

The joint U.S.–Vietnam statement declared,

As a Pacific power with widespread interests and commitments throughout the Asia Pacific, the United States shares many important interests with Vietnam. The two leaders emphasized that many opportunities lie ahead for United States–Vietnam relations, including increasingly enhanced political, diplomatic, economic and trade ties, and ever-growing cooperation in the areas of science and technology, national defense and security, education, people-to-people exchange, humanitarian and war legacy issues, as well as regional and international issues of mutual concern.

Phuc also received a pledge from Trump of “support for ... Vietnam in successfully hosting APEC 2017” and “to visit Vietnam and [to attend] the APEC Leaders’ meeting in November”, which ultimately he did.

In the field of military cooperation, the joint statement announced

The two leaders pledged to strengthen bilateral defense ties under the 2011 Memorandum of Understanding (MOU) on Advancing Bilateral Defense Cooperation and the 2015 Joint Vision Statement on Defense Relations. Prime Minister Nguyen Xuan Phuc expressed interest in acquiring more defense equipment from the United States, including additional Coast Guard cutters.

When Vietnam’s Defence Minister Ngo Xuan Lich visited the United States in August following a spat with China two months earlier and met with his counterpart, General Mattis, he was promised a strong defence relationship, shared interest in freedom of navigation in the South China Sea and, more importantly, a visit of an aircraft carrier to Vietnam the following year — the first such visit since the end of the Vietnam War in 1975.<sup>41</sup>

### ***Vietnam and Japan***

To hedge against the lack of strong U.S. commitment, Vietnam has tried to strengthen relations with other regional powers which share its concerns about Chinese behaviour in the South China Sea, such as India and particularly Japan, whose prime minister was among the first leaders in East Asia to visit Trump and whose country is the most important ally of the United States in Asia.

In 2017, Vietnam–Japan relations picked up speed and there seemed to be some coordination between the two countries to engage the United States and save the TPP.

Prime Minister Shinzo Abe was the first world leader to meet and play golf with Donald Trump after his election as president of the United States. His visit was followed three months later by Vietnam’s Prime Minister Nguyen Xuan Phuc as the first ASEAN leader to be invited to meet with Trump in the United States.

One month before Abe’s visit to the United States, he visited Vietnam, where he declared support for Vietnam’s efforts to “enhance its maritime law enforcement capability” and promised concessionary loans for Vietnam to buy six new patrol boats. He also stressed the importance of the TPP. Almost immediately after Phuc met with Trump in the United States he went to Japan to talk with Abe, where he declared Vietnam always gave “top priority” to cooperative relations with Japan and will do its best to “elevate the ties to new height”.<sup>42</sup> They both agreed to “bolster their security ties through Japanese-funded projects including the upgrading of Vietnamese coastal patrol capabilities, defense equipment and technology transfer” amid concerns about China’s increasingly assertive activity in regional seas. They declared that they share a “deep concern over the complex developments” involving China in the South China Sea. They urged China — without referring to it by name — to avoid taking action to change the status quo and escalate regional tensions.<sup>43</sup>

In a joint statement, Japan and Vietnam reaffirmed the importance of the TPP trade pact and agreed to pursue it despite the withdrawal of the United States. The two leaders agreed to cooperate in discussions among the eleven remaining TPP members to bring the agreement into force. Their labour eventually resulted in the announcement at the APEC summit of an agreement on “core elements” of a revised multilateral trade agreement among the eleven original countries minus the United States, known as TTP-11, or Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

### ***Vietnam and India***

India is the only major power whose relations with Vietnam are not tainted by past conflicts. For years, India has been a loyal supporter of Vietnam, but her military relations with Vietnam had been limited by India’s policy of non-alignment. The rise of China and her aggressive behaviour in the South China Sea and around India’s periphery has brought India and Vietnam closer.

Vietnam's concern over the staying power of the United States and its possible grand bargain with China has motivated it to seek closer relations with India. To Vietnam, the size of India's territory and population and its conflict and rivalry with China makes it an attractive regional counterweight to China. This perspective is strengthened by the fact that India has chosen Japan, another regional power, as its "maritime security partner", and shared its concern with Japan over the importance of the South China Sea shipping lane.<sup>44</sup>

Under Prime Minister Narendra Modi, India's policy of "Look East" turned into "Act East", and its "strategic partnership" with Vietnam was elevated to a "comprehensive strategic partnership" during Modi's visit to Hanoi in September 2016. Since then, India has been expanding its military training, technology sharing, joint exercises, and exchanges of experts with Vietnam. The fact that both India and Vietnam bought Kilo-class submarines and Sukhoi fighters from Russia made India an ideal training centre for Vietnamese sailors and pilots.

In January 2017 it was reported that there was "active discussion" for the possible sale of an Akash surface-to-air missile system to Vietnam. Previously, India has offered Brahmos supersonic cruise missiles and Varunastra anti-submarine torpedoes to Vietnam.<sup>45</sup>

In June, Vietnam granted Indian oil firm ONGC a two-year extension to explore oil bloc 128, part of which was in China's "nine-dash line". A senior official of ONGC was reported as saying that "interest in the bloc was strategic rather than commercial", given that oil development there was seen as "high-risk with only moderate potential". He added, "Vietnam also wants us to be there because of China intervention in the South China Sea."<sup>46</sup>

Towards the end of the year, in October, the ninth political consultation and sixth strategic dialogue at the deputy ministerial level between Vietnam and India was held in Hanoi. Both sides agreed to foster collaboration and committed to "work closely with each other and other countries to ensure a strategic security environment". India affirmed its support for Vietnam in improving defence capability, training in English for soldiers, transferring defence technologies and providing defence credit.

### ***Vietnam and ASEAN***

In August, CPV General Secretary Trong visited Indonesia to mend fences after two recent maritime stand-offs in the waters around the Natuna Islands in the South China Sea. Trong and the Indonesian president agreed "to speed up negotiations on the limits of the EEZs between the two countries". In a keynote speech in

Jakarta, Trong emphasized the need for “consultation and consensus” for “unity and solidarity within ASEAN” and the importance of “ASEAN centrality”.<sup>47</sup>

Vietnam also hosted a three-day visit of Malaysian Foreign Minister Datuk Seri Anifah Aman. The two countries reaffirmed their commitment to the 2015 Malaysia–Vietnam Strategic Partnership. In the area of defence and security cooperation, the two sides stressed the importance of cooperation between navies, including sharing information on strategic, military and security issues.

### ***Vietnam and Singapore***

Among ASEAN countries, Singapore occupies a special place in Vietnam’s foreign policy. Vietnamese leaders admire Singapore’s development model, appreciate its support for Vietnam’s cause, and respect its diplomatic skill and influence among the major powers, as well as its role in promoting ASEAN unity and centrality. After two years under the successive chairmanships of two countries under Chinese influence — Laos and the Philippines — the forthcoming ASEAN chairmanship by Singapore in 2018 provides the hope and opportunity to restore a certain degree of ASEAN centrality and influence.

Vietnam–Singapore relations are perhaps the best and most trusting bilateral relations between a communist and non-communist country in Southeast Asia. In 2017, two events highlighted this trusting and cosy relationship: the five-day visit of the Singapore Navy’s RSS *Endurance* to Cam Ranh Bay from 17 February, followed by the visit of Singapore’s Prime Minister Lee Hsien Loong to Hanoi from 21 to 24 March 2017. The RSS *Endurance* was also the first international naval ship to visit Cam Ranh Bay, on 17 March 2016, after Vietnam’s biggest international seaport went into operation on 8 March that year.

During the visit of PM Lee the two sides pledged to foster cooperation in many fields, including economics, trade, investment, politics, people-to-people exchange, personnel training, and defence and security. Prime Minister Lee promised that Singapore would continue to assist Vietnam in personnel training; support Vietnamese firms in their bid to join the global market and supply chains, while considering the setting up of high technology industrial parks; help Vietnam develop smart cities, facilitate start-up firms, especially in science-technology, capital access and management capacity, and encourage linkages with some major cities of Vietnam, including Ho Chi Minh City and Da Nang.

### ***Vietnam and China***

Despite the talks of “managing and control disputes, expanding military and security cooperation, and coordinating on global issues” during General Secretary Nguyen



Phu Trong's visit to China in January 2017, the South China Sea remained a bone of contention between Vietnam and China, but changes in the international environment have weakened Vietnam's leverage against Chinese pressure.<sup>48</sup>

Vietnam continued its strategy of soft balancing between the major powers to restrain China's further encroachment. In addition, its leaders had to navigate between popular Vietnamese antipathy towards China and the realities of big power geopolitics. They had to accommodate China when needed, but could not afford to be perceived as pro-China.

Duterte's pivot to China and Trump's deference to China gave China greater freedom to impose its will in the South China Sea without effective resistance. China continued to impose unilateral fishing bans. It ignored the PCA award and was bolder in enforcing its claims within the nine-dash line. China succeeded in preventing the Philippines from building shelters for its fishermen on a sandbar at Sandy Cay Bank and in forcing Vietnam to stop drilling for oil at block 136/3 near the Vanguard Bank.

In June, General Fan Changlong, vice chairman of China's Central Military Commission, abruptly cut short his visit to Vietnam, reportedly to protest news of the drilling.<sup>49</sup> He might also have angered Vietnamese leaders by stating to their faces in closed-door meetings that the South China Sea islands were Chinese territory since ancient times.<sup>50</sup> Again, in August, China cancelled a meeting between its foreign minister and the Vietnamese foreign minister on the sidelines of the ASEAN Foreign Ministers Meeting in Manila because of Vietnam's insistence on the inclusion in the joint communiqué of the concern of some countries over "land reclamation on disputed islands". Yet, at the same time, China considered it to be within its right to reinforce launch sites for surface-to-air missiles on three of its man-made atolls in the South China Sea: Fiery Cross, Mischief Reef, and Subi Reef.<sup>51</sup>

Under the circumstances, Vietnam had to resort to a strategy of "cooperating and struggling".<sup>52</sup> In struggling, Vietnam sought but failed to make the "agreed framework" of the code of conduct between ASEAN and China in the South China Sea legally binding to "put a stop to unilateral action".<sup>53</sup> It continued to raise verbal protests against Chinese activities to consolidate its control over disputed territory, such as its decision to start live-fire military drills near the Paracel Islands from 29 August until 4 September. In cooperating, visits to China were made by all three top Vietnamese leaders — party general secretary, state president, prime minister — in 2017; and officials from both countries made regular visits to each other. Trade continued to expand. China was the largest exporter of goods to Vietnam compared to any other country in Southeast Asia. Vietnam's exports to China jumped nearly 43 per cent to \$13 billion in the first half of 2017. Chinese

tourist arrivals soared 60 per cent to nearly 1.9 million in the same period, to account for approximately one third of foreign visitors.<sup>54</sup>

After the spat in June which was resolved by the concession by Vietnam, bilateral relations began to improve. Liu Yunshan, member of the Chinese Politburo Standing Committee, made the first fence-mending visit to Vietnam in September. Liu counselled that the two parties had a “shared destiny”, that there was great potential for bilateral economic cooperation, and that the stable development of bilateral ties would help to “solidify the ruling position of the two parties”. In return, Vietnam’s Prime Minister Nguyen Xuan Phuc suggested that the two countries should strive to maintain peace and stability in the South China Sea and avoid all activities that could increase tension.<sup>55</sup> Between Liu’s visit in September and President Xi’s state visit to Vietnam in November, a meeting to discuss border defence issues was held on 23–24 September at the border of the two countries between the vice chairman of China’s Central Military Commission Fan Changlong and Vietnam’s defence minister Ngo Xuan Lich. On 31 October, Hoang Binh Quan, head of the CPV Central Commission for External Affairs and special envoy to General Secretary Nguyen Phu Trong made a visit to China to congratulate Xi on his re-election as general secretary of the CCP and expressed the wish that both sides would strive to further develop traditional friendship and a comprehensive strategic cooperative partnership.<sup>56</sup> In November, before Xi went to Vietnam to attend the APEC summit, Chinese assistant foreign minister Chen Xiaodong announced that national leaders of the two countries have had many “deep, frank” discussions on maritime issues and that they had reached an “important consensus”. Vietnam’s deputy prime minister Pham Binh Minh put out a statement saying that he had proposed during a meeting with Chinese foreign minister Wang Yi that the two countries “resolve disputes based on common sense and international law”.<sup>57</sup> The year concluded with the first state visit to Vietnam on 12 November by Xi Jinping since his re-election as general secretary of the CCP. On the sidelines of the APEC summit in Danang, the Chinese leader received agreement from Prime Minister Phuc to “align their development initiatives” — the China-proposed Belt and Road Initiative and Vietnam’s “Two Corridors and One Economic Circle” plan. Phuc stressed the upgrading of Vietnam–China relations as the “priority of Vietnam’s foreign policy”, and hoped to enhance cooperation with China in many fields.<sup>58</sup>

Given these economic ties, if the United States gradually retreats from its leadership role in the Asia-Pacific, the prospects of Vietnam escaping from the Chinese embrace (*thoat trung*) does not look very bright.

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