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Economic Security: Vietnam's Cardinal Policy Goal

As the COVID-19 pandemic recedes, Vietnam needs to take concerted action to shore up the foundations of its economy.

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Having contained the coronavirus pandemic with relative success, Vietnam has received international praise for the effectiveness of its response. However, this does little to guarantee a quick resurgence for Vietnam's economy as the contagion begins to recede. Despite controlling the virus, Vietnam has been hit hard economically by COVID-19. In order to bounce back quickly in the post-pandemic era, it is imperative for Vietnam to focus on shoring up key elements of its economy.

After months of struggling with COVID-19, Vietnam is finally beginning to feel the economic repercussions. To be sure, Vietnam witnessed a GDP growth rate of 0.4 percent in the second quarter of 2020, making it one of the few countries in Asia to boast a positive growth rate during the pandemic. This nonetheless represents the country's worst economic performance in 35 years, something that is beginning to be felt by the population at large. According to a survey from Vietnam's General Statistics Office, 30.8 million Vietnamese aged 15 or older have been affected by the economic crisis, either losing their jobs or seeing reductions in their salary. Pending the development of a universal vaccine, the economic risk of COVID-19 remains existential, and Vietnam's economy is very far from a return to "business-as-usual."

In the current domestic landscape, one of the most crucial tasks for the ruling Communist Party of Vietnam (CPV) will be to secure the country's long-term economic prosperity. In January 2021, the CPV will hold the country's pivotal political event when it convenes its 13th National Congress, which usually witnesses the announcement of new economic strategies for Vietnam. According to the Ministry of Public Security, economic security forms an indispensable part of national security, and enhancing economic security is instrumental in sustaining the economic growth upon which the CPV's legitimacy relies.

In general, the CPV's public image has been helped by the efficacy of its response to the COVID-19 crisis. Nonetheless, several recent domestic events suggest that public opinion is more ambivalent. Among the most prominent is the controversial case of a man on death row, who many observers believe to have been wrongly convicted of murder, a case that has been widely followed on social media as an example of the weakness of Vietnam's justice system. Then there was last week's trial of 29 villagers charged over a deadly clash with police in January, in connection with a land dispute south of the capital Hanoi, throwing light on the land tenure problems that have accompanied the rapid growth of Vietnam's economy over the past two decades. Both of these cases suggest that despite the fillip it has enjoyed due to its handling

of COVID-19, the CPV's long term popularity cannot be taken for granted. In these circumstances, taking measures to improve the economic livelihoods of the Vietnamese public could help the Party regain its trust and shore up its legitimacy.

Another factor that necessitates concerted action is Vietnam's increasing level of integration into the global economy. The country's recent ratification of a Free Trade Agreement (FTA) with the European Union brings the number of FTAs to which Vietnam is a party to 13. Thanks to its impressive response to COVID-19 and its position as one of the most promising emerging markets in Asia, Vietnam is likely to be an attractive destination for foreign investment once the pandemic begins to recede.

However, this could be a double-edged sword for Vietnam. On the one hand, Vietnam could attract a substantial amount of FDI from abroad, fueling economic growth. On the other hand, once trade tariffs are reduced in accordance with the various FTAs that Vietnam has signed, domestic firms will face fierce competition from foreign ones. Vietnam's middle class has grown quickly in recent years, ushering in a shift towards greater domestic consumption. This new demographic has bolstered demand for higher quality and more diverse consumer products. As a result, foreign firms employing more advanced technology could have a competitive advantage in Vietnam's market, at least for the foreseeable future. In addition to the opportunities, global economic integration thus also poses threats to Vietnam's economic security, as domestic firms employing less advanced technology face being overwhelmed by foreign companies, especially in manufacturing sectors such as automobiles and smartphones, which could cause severe disruptions to the domestic market.

The above-mentioned developments pose serious challenges to Vietnam's long-term economic security. Nevertheless, they are not insurmountable and there are several ways in which the country and its government can adapt.

First and foremost, Vietnam should strike the right balance between public health and economic growth before a universal vaccine for COVID-19 is available and distributed. Previously, Vietnam sacrificed short-term economic growth to implement stringent quarantine measures against the pandemic. However, because of being hit seriously after the lockdown period, Vietnam has responded to the most recent wave without a national lockdown. The Vietnamese government fully understands that Vietnam's economy might not be able to survive another prolonged phase of national lockdown. Hence, the move toward a cautious opening of the country, accompanied by preventive measures and local lockdowns when necessary, would be a wise course of action for the government to take.

Secondly, Vietnam should step up its crackdown on corruption. Corruption has long been one of the issues that has most hampered Vietnam's economic development. Indeed, widespread graft among high-ranking officials and the executives of state-owned enterprises has markedly weakened Vietnam's economy, causing billions of dollars in losses. Additionally, corruption is an issue that is likely to make foreign firms to think twice before investing in Vietnam. Given the country's growing level of integration with the global economy, as described above, this could be highly detrimental to Vietnam's future economic prosperity. As such, pursuing the present

anti-corruption campaign in a more consistent and institutionalized way could help Vietnam deal with the economic security threat caused by graft.

Thirdly, Vietnam should reform its economic regulations and standards. This has a two-fold meaning for Vietnam: paving the way for foreign investment and creating favorable conditions for domestic firms to compete with international ones in the market. On the one hand, Vietnam has faced many issues in terms of regulations and standards, from forced labor, child labor, and trafficking to sustainability, labeling and environmental protection. This poses a hindrance for Vietnam to the process of fostering economic cooperation with international partners with which it has signed FTAs, because Vietnam could not fully reap benefits from these agreements. On the other hand, as noted previously, Vietnamese firms are vulnerable to strong competition from foreign ones. Meanwhile, the system of regulations in Vietnam is still not effective enough to protect domestic firms, evidenced by the low number of trade remedies that have been introduced by the government. In these respects, reforming regulations and standards is an essential part of Vietnam's long-term economic security.

In a nutshell, both external and internal factors pose a challenge to Vietnam's economic future. Economic security remains a crucial constitutive component of the country's broader national security. If the government could have sound policies towards the aforementioned threats, it has the potential to lay a strong foundation for Vietnam to thrive on economically in the post-pandemic era.

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