



Vietnam Is on a Roll, but Will the Party Hold It Back?

David Brown | Monday, March 1, 2021

2020 was the year that Vietnam gained widespread recognition as a substantial player in the global economy and as a model “developmental state (https://en.wikipedia.org/wiki/Developmental_state).”

The world noticed because Vietnam effectively contained COVID-19 (</articles/28770/in-vietnam-economy-could-be-hit-hard-despite-an-effective-covid-19-response>) even while the disease wreaked havoc on the populations and economies of much wealthier nations. International media outlets normally pay Vietnam scant attention; the war that ravaged it ended nearly half a century ago, and the one-party regime in Hanoi discourages investigative reporting. However, its strikingly successful mobilization against the pandemic has prompted a spate of essays hailing Vietnam’s “breakout moment.”

(<https://www.ft.com/content/ffa50623-b86f-4456-a6f0-9abceeb1ef7a>)

As Richard Heydarian wrote recently in *Nikkei Asia* (<https://asia.nikkei.com/Opinion/What-Taiwan-and-Vietnam-taught-the-world-about-governance-in-2020>), Hanoi has lately delivered remarkably good governance to a nation blessed with a high degree of social cohesion. Along with Taiwan—another top performer against the pandemic—Vietnam has shown “the importance of competent political leadership, social capital and state capacity.” Along similar lines, investor and development guru Ruchir Sharma judges correctly (<http://www.nytimes.com/2020/10/13/opinion/vietnam-economy.html>) that Vietnam “is making autocratic capitalism work unusually well.” However, political risk analyst Nguyen Phu Linh is also right in pointing out that Vietnam’s current success rests on a fragile political foundation.

“As long as average incomes and living standards continue to rise,” she writes in a *Nikkei* op-ed (<https://asia.nikkei.com/Opinion/Vietnam-s-gray-old-men-are-losing-touch-with-the-new-generation>), “people are likely to remain optimistic about the future of the country, but at the same time maintain mixed feelings about their political system.”

2020 was coincidentally a very political year in this nation of nearly 100 million. Behind closed doors, factions within Vietnam’s ruling Communist Party wrestled for dominance in advance of the latest party congress, held in late January. Given his near-flawless management of Vietnam’s government since 2016, Prime Minister Nguyen Xuan Phuc seemed the top choice to succeed the wily but increasingly frail Nguyen Phu Trong as general secretary of the party.



Vietnamese Communist Party General Secretary Nguyen Phu Trong, center, at the closing ceremony of the 13th party congress in Hanoi, Feb. 1, 2021 (AP photo by Minh Hoang).

Failing that, Phuc was at least seen as likely to serve a second five-year term as prime minister. He enjoyed broad support from party officials, particularly those from central and southern provinces

(<http://www.asiasentinel.com/p/ho-chi-minh-city-seeks-to-make-up>) where economic activity is concentrated. Significantly, the business community also backed his advancement in recognition of his far-sighted, steady and largely scandal-free tenure.

Instead, Trong decided to hang on to the top job himself for an unprecedented third term after he was unable to advance a favorite to succeed him. The aging theoretician further maneuvered a protégé from party headquarters, Pham Minh Chinh, into the prime minister's office.

Phuc has been forced to settle for the prestigious but insubstantial post of state president. Vuong Dinh Hue had been the odds-on favorite to succeed Phuc as prime minister after performing strongly as his deputy for economic matters. Instead, Hue found himself shunted to the prestigious but also low-clout job of leading Vietnam's National Assembly.

It is hard to imagine an outcome that is less likely to sustain the political and economic momentum of the past five years, especially given the Communist Party's past emphasis on regularly sending aging leaders into retirement and promoting successors. Trong is 76 and in poor health, while Prime Minister-designate Chinh, who first came to prominence as the head of the intelligence branch of Vietnam's sprawling Ministry of Public Security, has no experience in government above the provincial level.

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Phuc's tenure as prime minister will be hard to top. He inherited an administration reeling under debts run up by state-owned companies. As he took office in April 2016, a toxic spill at a steel mill in north-central Ha Tinh province caused one of the country's worst environmental disasters, devastating fisheries along a 180-mile stretch of coastline (<http://www.asiasentinel.com/politics/vietnam-steel-mill-acknowledge-fish-kill/>). With time, bad debts were brought under good management and a quarter of a million fishers were compensated

(<https://www.theguardian.com/global-development/2017/aug/14/vietnamese-fishermen-jobless-fish-poisoning-battle-justice>) by funds wrested from the mill's Taiwanese owners. Since then, Phuc and his team have been on a roll.

Vietnam had already emerged as a preferred destination for corporations aiming to diversify their supply chains away from neighboring China. Flows of foreign direct investment strengthened further after 2016, when trade relations between Beijing and Washington turned testy. To turn these gains into permanent competitive advantage, Phuc's government focused its efforts (<https://www.vietnam-briefing.com/news/vietnam-sets-ambitious-goals-in-new-national-industrial-policy.html/>) on reducing regulatory barriers and building out the infrastructure—digital as well as physical—needed to support high-tech value chains and improve opportunities for homegrown suppliers.

Coordination across government ministries, historically weak, now appears to be considerably improved. With strong support from the party's Economic Commission, Phuc and his team have charted a sweeping overhaul of Vietnam's energy sector (<http://news.mongabay.com/2020/08/analysis-vietnams-leadership-flex-shows-how-to-drive-electricity-reform>) that prioritizes development of the nation's extraordinary endowment of solar and wind energy resources. They also built a consensus (<http://news.mongabay.com/2020/12/analysis-how-vietnam-came-to-embrace-a-new-vision-of-the-mekong-deltas-future>) on measures urgently needed to relieve stresses on the legendary fertility of the Mekong Delta.

All of this seems to demonstrate that it is possible to build prosperity with a globally integrated market economy, even without democracy. Vietnam is a middle-income nation now, an accomplishment that would amaze a time traveler from 1996. A goal adopted at last month's party congress—that Vietnam will be a high-income country by 2045, with per capita income of about \$25,000 in current dollars—no longer seems impossible. All Hanoi has to do, according to a recent report from the Brookings Institution (<https://www.brookings.edu/blog/future-development/2019/05/16/how-can-vietnam-avoid-the-middle-income-trap/>), is sustain the 7 percent annual growth rate that it enjoyed in the two years before the pandemic hit.

Brookings' analysis contends that continuing to hit that mark will depend on Vietnam accelerating productivity gains, teaching its workforce 21st-century skills, fostering innovation and giving priority to the private sector. These are all good recommendations, but may not be enough. To really free up the nation's creative capacity, the Communist Party needs to give more than lip service to the notion of bottom-up innovation and take the fetters off Vietnam's civil society.

The nature of the political system matters, too. Discerning the inner thoughts of regular Vietnamese people—other than the odd taxi driver who seizes an opportunity to vent his frustrations to a foreign passenger—is not easy. The party's monopoly on public decision-making is absolute; the process is opaque, and the ubiquity of the state security apparatus makes it risky to utter contrary opinions. The most that can be said with assurance is that as long as the pie is growing steadily larger for most Vietnamese, albeit unevenly, anti-regime activity will remain quixotic and upheaval very unlikely.

Still, social justice issues cry out for greater emphasis and consistent attention. Like most developing nations, Vietnam faces a crisis in environmental governance. The public schools and health care system that were properly the pride of socialist Vietnam are now institutions where only those who can pay well—usually off the books—are well served. Farmers are still denied ownership of the land they till, while the gulf between the haves and have-nots continues to widen.

One issue worth watching right now is whether Vietnam will carry out the pledges it has made to improve labor rights (<http://www.dw.com/en/vietnams-labor-rights-make-two-steps-forward-one-step-back/a-56653076>) and protections for unions. As part of recent trade deals with the European Union and with the 10 other members of the Comprehensive and Progressive Trans-Pacific Partnership, Vietnam agreed to allow independent “worker representative organizations” to negotiate with employers over wages and working conditions. A new Labor Code was issued on the eve of the party congress that appears to have higher standards, but as always in Vietnam, the implementing directives will tell whether Hanoi's commitment is genuine. Skepticism is warranted, for the party-state has a history of not living up to the many human rights commitments it has made at the United Nations.

If Hanoi does what it takes to secure Vietnam's place in the global economy by allowing workers a genuine measure of independence, it would have huge implications for domestic policy. After all, the Communist Party's default setting has been to squash any grassroots initiative it does not control. Justice in Vietnam is not impartial. Facebook and YouTube now submit to censorship. National media must tread very softly when tempted to point out scandals. While the Communist Party is not as repressive as Freedom House or Human Rights Watch would have one think, it has also not yet reached a true "breakout moment" where state authority can be challenged.

This system works very well when Vietnam confronts a clear and present threat like COVID-19. It won't serve at all, however, if Hanoi seeks going forward to tap the creativity of its citizens or foster institutions that serve local needs. Securing Vietnam's place in an interconnected world now seems to depend greatly on allowing Vietnamese citizens to break outside the box the party has built for them.

David Brown is a freelance writer on contemporary Vietnam, covering its political and economic life, international relations, media culture and environmental challenges. His commentary frequently appears in Asia Sentinel, East Asia Forum and other regional publications, and he has written for Foreign Affairs, Yale Global and the Brookings Institution. His reportage also appears in translation in Vietnam's leading independent journal of news and opinion, Tieng Dan.

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