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Background Brief:

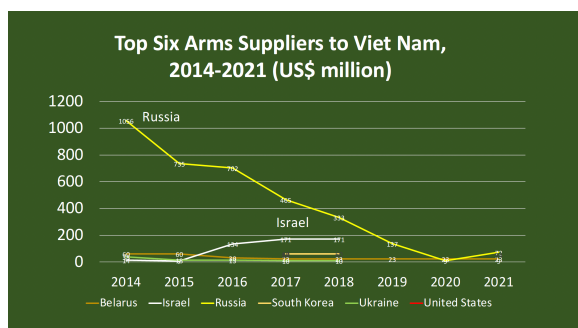
Vietnam's Conundrum: How to Modernise its Military under the Shadow of the Ukraine War

February 1, 2023

We request your input into the following two questions:

Q1. Vietnam's military forces are heavily dependent on Russia's supply. How does the ongoing Russia-Ukraine war affect Vietnam's army and will Vietnam overcome it?

ANSWER: Vietnam's arms procurements in general and from the Russian Federation, its largest provider, in particular, have plummeted since 2014 when Russia annexed the Crimea. Vietnamese arms acquisitions from Russia fell from over a billion U.S. dollars in 2014 to under U.S. 200 million in 2019-2021. Vietnam's largest big ticket purchase was in 2017 for sixty-four T-90SK main battle tanks. The T-90 tank came to grief in the war in Ukraine.



One explanation for the rapid decline in Vietnamese arms acquisitions from Russia after 2014 was the adoption of the Countering America's Adversaries Through Sanctions Act (CAATSA) in 2017 by the U.S. Congress. CAATA threatened sanctions against countries that purchased weapons from Russia.

The then U.S. Secretary of Defense Jim Mattis argued in favour of waivers for India, Vietnam and Indonesia on the grounds that they could not suddenly switch off their reliance on Russian weapons and military technology. A country was ineligible for a waiver if any of its government entities were involved in relations with Russian hackers who interfered in U.S. elections. Also a waiver could only be granted for a limited period of time. It could only be renewed if the recipient country could demonstrate that it was taking steps to end its dependency on Russian weapons.

In 2018, senior members of the Trump Administration reportedly lobbied Vietnam to reduce its dependency on Russia and buy from America instead. In a little publicized incident in September 2018 at the end of the annual U.S.-Vietnam Defence Policy Dialogue, Vietnam informed its guests without explanation that it was cancelling fifteen defence engagement activities scheduled for 2019 involving army, navy and air force exchanges.

In the aftermath of Russia's February 2021 invasion of Ukraine, Vietnam risks sanctions if it should resume large arms purchases from Russia. Also, circumstances have changed and Russia may no longer be in a position to sell big ticket weapons to overseas buyers that are needed for the war in Ukraine. Indeed, Russia appears to be reaching out to reacquire weapons it has sold that are needed urgently on the battlefield. Laos, for example, recently returned thirty T-34 tanks.

In sum, Vietnam has been marking time in modernizing its armed forces since 2014. In late 2020, on the eve of the thirteenth national party congress, Vietnam announced its most major military modernization program in its history to "Build a Streamlined and Strong Army by 2025 and a Revolutionary, Regular, Advanced and Modern People's Army by 2030."

This program appears to have been put on hold even though economic growth has begun to ecover from the downturn during the COVID-19 pandemic.

Q2. Will Vietnam be capable of purchasing non-Russian weaponry in the near future?

ANSWER: Vietnam already purchases weapons and military technology from non-Russian sources. Between 1995 and 2021, sixteen countries, excluding Russia, sold arms to Vietnam. Among the top ten suppliers, Russia topped the list followed by Israel, Ukraine, Belarus, South Korea, United States, Czech, Netherlands, North Korea and Spain.

Since 2014, the top providers after Russia include Belarus, Ukraine, Israel, South Korea and the United States. Ukraine, which provided the turbines for Russia's Gepard-frigates, is no longer an arms exporter.

There are two constraints on Vietnam's purchases of non-Russian weaponry. The first is the legacy of dependency on Russia for spare parts, servicing, maintenance support and language. The second constraint is cost and time. U.S. and European weapons are expensive and Vietnam would need to develop an appropriate logistics support network with technicians trained in the appropriate language. This process would take considerable time to develop.

Vietnam has traditionally allocated about two percent of its Gross Domestic Product on its defence budget. As Vietnam's economy continues to resume pre-COVID growth Vietnam will have increased funds to resume arms acquisitions. If it moves in this direction, Vietnam will face a third constraint – the cost of mixing and matching different weapon systems and technologies.

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