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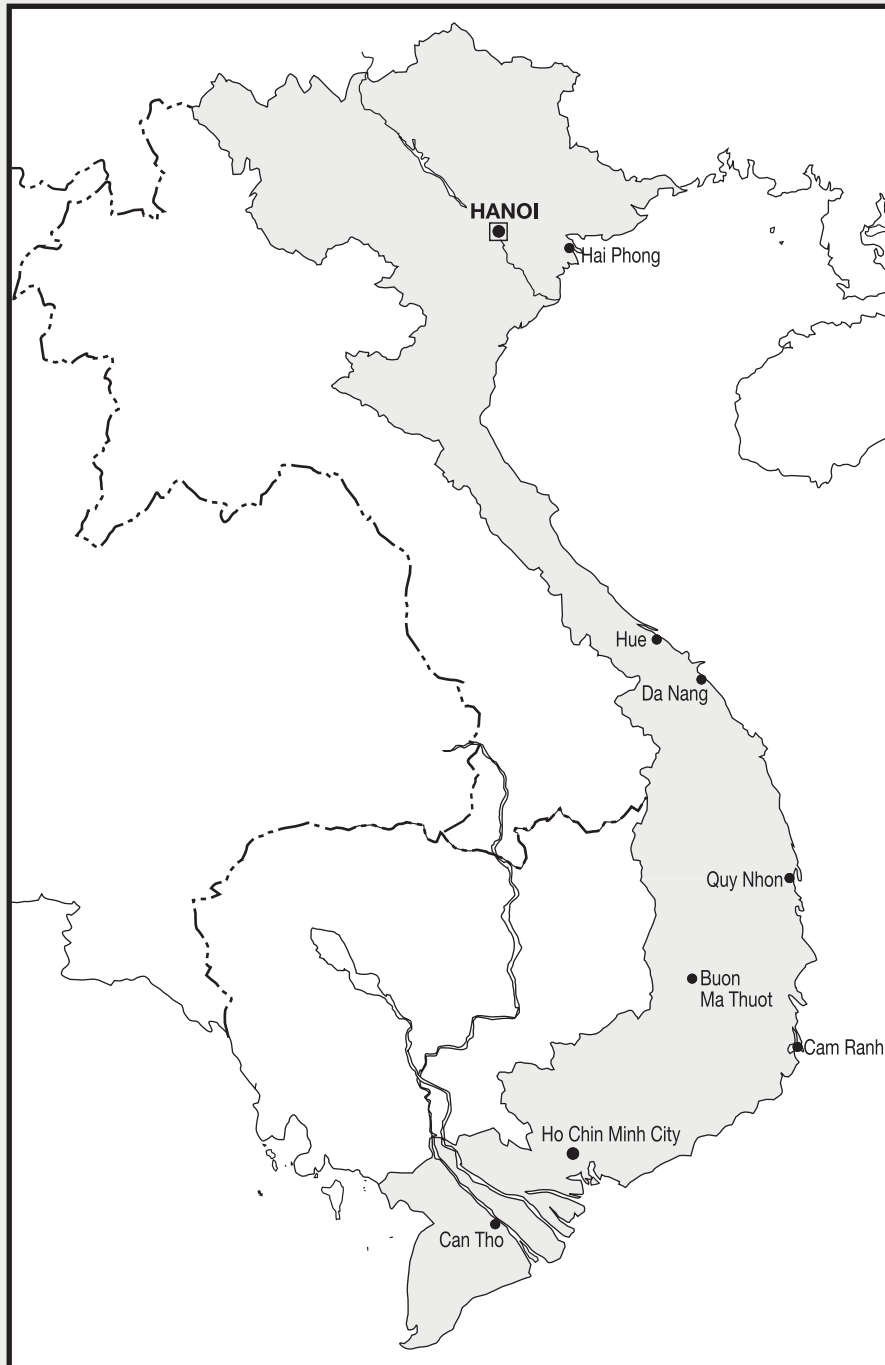
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# Vietnam





# VIETNAM

## Familiar Patterns and New Developments Ahead of the 11th Party Congress

Edmund Malesky, Paul Schuler,  
and Anh Tran

The year preceding a Communist Party congress in Vietnam always has an incongruent nature to it. On the surface, political and economic activity is cautious and deliberate. Elite lawmakers and officials, with prospects of election to Vietnam's top decision-making body, the Central Committee, are especially careful, knowing that a wrong move in this year could cost them critical votes needed to reach the top echelon. Lower-level bureaucrats hedge their bets about policy implementation until they have a better idea of who their new bosses will be, and economic actors delay some of their long-term plans while they wait for a signal that the year ahead will not bring radical changes in the legal or regulatory environment. Behind the scenes, however, activity can be frenetic, as elites jockey for top positions and party officials struggle to prepare and win support for the policy road maps, such as the Political Report and 10-Year Socio-Economic Plan, which will parameterize policymaking for the next five years.

The intense elite activity would be almost invisible to the casual observer in Vietnam, save for the gossipy whispers in Hanoi coffee shops of amateur

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Kremlinologists (or “Ba Dinhologists” as the case may be). Sometimes, however, the elite maneuvering spills into the public realm and influences the lives of average citizens in real and important ways. The most obvious manifestation of this is the crest of Vietnam’s unique five-year political-business cycle, as state investment pours into Vietnamese provinces in an attempt to shore up votes before the congresses.<sup>1</sup> A second manifestation is the tactical political maneuvers ahead of a congress, such as exposing corruption scandals in mass media to subvert political opponents and associating oneself positively with policy changes. The year 2010 has also seen its share of such elite gamesmanship.

A couple of whispers consumed the Hanoi coffee class. First, two clear candidates emerged for the position of Vietnamese Communist Party (VCP) General Secretary. A group of elites threw support behind Truong Tan Sang, the head of the VCP Central Committee for Economic Affairs and former party secretary of Ho Chi Minh City. Despite excellent credentials, Sang was an unusual choice, as he was born in Long An, and thus his election would violate the informal convention that southerners assume the role of Prime Minister, rather than General Secretary. Others called for the election of the current National Assembly chairman, Nguyen Phu Trong, who has been seen as a neutral arbiter of the National Assembly, and is rumoured to be a favourite of Vietnam’s Chinese interlocutors. His election would mark the second time in a row the position of the General Secretary has been assumed by a former assembly chairman. A second whisper revolved around the survival of Prime Minister Nguyen Tan Dung, who was eligible for another term, but whose chances, despite some policy successes, were damaged by a series of revelations that have not reflected well on his personnel management, particularly the financial crisis of Vietnam Shipbuilding Industry Group (Vinashin), the state-owned ship building conglomerate. At the time of this writing, the political winds appear to have shifted in favour of both Trong and Dung, who will continue on as Prime Minister but was considered for General Secretary as well, with Sang awarded the presidency as a consolation prize.

In this chapter, we review the events of 2010, showing that in many ways the year resembled other preparatory years for the congress. The important events we discuss such as economic policy choices, the jailing of dissidents, corruption scandals, and an increase in criticism and ideas circulating through the media and internal party circles, fit the general pattern of competing interests vying for power and policy change that has preceded previous party congresses.<sup>2</sup>

Nevertheless, we will demonstrate that a fascinating change has been evident throughout the various episodes, which augurs well for Vietnam’s future political

development. The slow liberalization of the state institutions has now shifted the forum for much of this elite contestation. Rather than occurring exclusively in secluded party institutions and leaked into the public realm only through targeted state-media revelations, some contestation is occurring within the state's representative institutions, and in particular, the Vietnamese National Assembly (VNA). In 2010, delegates used the VNA as a forum to criticize the regime policy on Chinese-run bauxite mines in the Central Highlands and the bankruptcy of Vinashin. One delegate even took the unprecedented step of proposing a vote of no confidence (unsuccessfully) in Prime Minister Dung during the November session of the VNA, the first time a delegate had ever done so.

The altered role of the VNA does not come as a surprise. Rather, it results from deliberate changes made by Vietnamese leaders in: (1) electoral rules that increased participation and competition for seats; (2) institutional rules, which have steadily increased the number of full-time members and functional expertise in the body; and (3) the query sessions, which ostensibly are meant to hold top officials accountable, but also serve the role of allowing regime leaders to gather critical information on local problems before they spill over into national crises and co-opt potential opponents by giving them limited policy influence.

It is too early to say whether this increased policy relevance will last beyond the party congress when the regime leaders for the next five years will be finally identified. However, even if the VNA is only used as a proxy for top-level power struggles ahead of party congresses, this is a significant development. When compared to other central-level institutions, the VNA is Vietnam's most rule-bound, transparent, and democratically elected. If contestation over top-level policy and leadership changes occurs within that body, the risks could increase that the party will be unable to contain and manage disputes and that ambitious political entrepreneurs from outside the party hierarchy could use it as a forum to mobilize a following.

## **Economic Policy and Development**

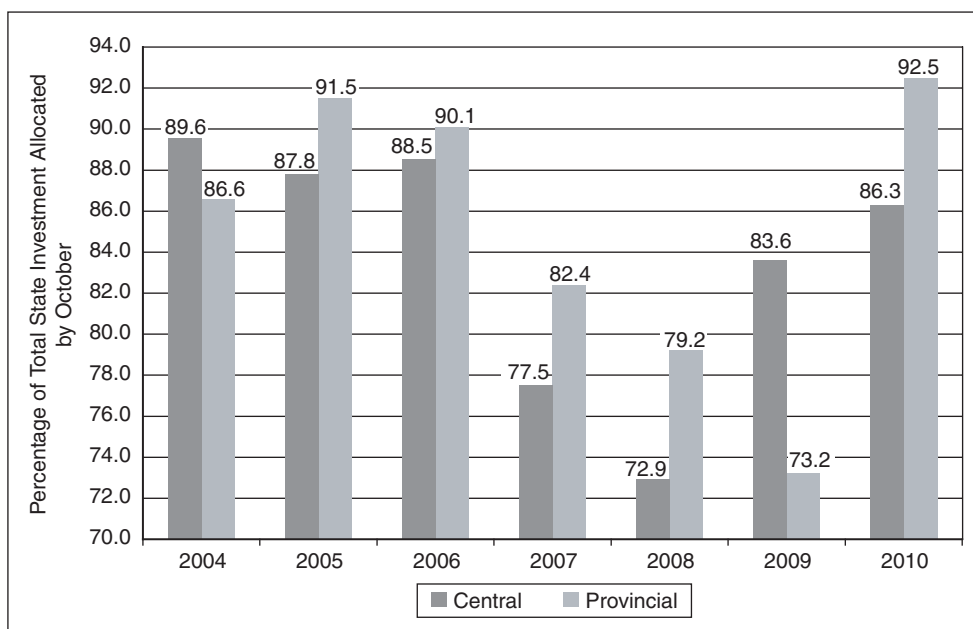
The year before a VCP congress is usually subdued in terms of economic activity, because both policymakers and investors take a cautious approach. Policymakers await the VCP guidelines that frame the party line and parameterize the issues to be considered for legislation in the next five years. Consequently, until those guidelines are delivered, investors hold back on new, long-term plans and concentrate on squeezing the most out of their existing ventures.

The year 2010 certainly fit this pattern. New foreign direct investment by the end of October was US\$12.8 billion, equal to only 58.1 per cent of licensed investment compared to the same period in 2009. The downturn in investment attraction was seen both in the total number of projects (759, down 19.1 per cent from this point in 2009) and capital size (\$11.6 billion, down 28.8 per cent). On the other hand, implementation of previous licensed projects increased by \$9 billion, a 7.1 per cent increase from 2009.<sup>3</sup> Private domestic investment registration is updated annually and not monthly, so a similar comparison with 2009 is not possible.<sup>4</sup> Nevertheless, the Provincial Competitiveness Index (PCI), an annual survey of almost 10,000 private domestic companies, demonstrates the same pattern. When asked about their plans for the next two years, only 60 per cent of entrepreneurs answered that they were planning to expand their businesses. This figure is roughly the same as in 2009, but significantly down from the 73 per cent planning to expand their businesses in 2007 and 2008.<sup>5</sup>

The Vietnamese stock market also reflected investor caution. The VN Index, which began the year at 500 points, held relatively constant until a decline to 450 at the end of August, and between August and the end of November inched downward to 420, for a net decline of 16 per cent.<sup>6</sup> The market spiked upwards in late December as the Vietnamese leadership selection became clear. Some might blame this on investor hesitance after the global financial crisis, but this does not appear to be the case. In fact, the lackluster performance of the VN Index was a clear anomaly. Over the same time period, the general Emerging Markets Index grew 12 per cent, while a similar index of Southeast Asian markets grew by 17 per cent.<sup>7</sup>

Although foreign and private investment activity is generally subdued in the year before a party congress, state investment shows a remarkably different pattern. As Figure 1 shows, state investment always spikes in this period (2005 and 2010), as elite actors funnel money to localities in the hopes of shoring up support for elections to the Central Committee and Politburo. At the end of October, the government had already allocated 92.5 per cent of the \$6.6 billion dollars planned for state investment in the provinces by 2010. By way of comparison, at the end of October in 2009, only 73.2 per cent of the planned state investment for provinces had been dispersed. Additional evidence can be found in the nature of the government overruns. Two ministries (Transportation and Education), where the effects of state spending are most visible, along with ten provinces had already received their entire 2010 allotments, with some receiving well over 200 per cent of their scheduled amount. Certainly, the Vietnamese Government does not plan to eliminate services in these ministries or provinces by the end of the year, so the final national state investment is likely to be far greater than planned overall.

**FIGURE 1**  
**Proportion of State Investment Allocated by the End of October**  
 (Disaggregated by Central and Provincial Projects)



Source: Calculated from data from the Vietnamese General Statistics Office <[www.gso.gov.vn/](http://www.gso.gov.vn/)>.

This was also the case in 2005.<sup>8</sup> As a result of the increase in state spending's impact on Vietnam's budget deficit and macro-economic conditions, Moody's actually downgraded Vietnam's sovereign bond rating to a B1 ("subject to high credit risk") on 15 December.

Fitting the general pattern, economic policy has also been highly restrained. The year 2010 was not one for major leaps forward in Vietnam's economic reform agenda. In fact, the PCI survey even observed a general decline in transparency with regard to government planning documents (i.e., infrastructure and land use conversion plans), as 2010 approached.<sup>9</sup>

A notable exception, however, was the Prime Minister's Decision 25 in June to move forward with the recommendation to add several new administrative reforms to Project 30. Initiated in 2007, Project 30 is an ambitious effort to create a simpler, more efficient, and more transparent regulatory system. The project has proceeded in three stages: (1) a massive inventory and database construction of all administrative procedures presently in effect throughout the country; (2) a review of those procedures based on their efficacy, public interest, and burden



placed on citizens and businesses; and (3) the implementation stage, which will recommend the removal of 258 procedures deemed to be superfluous and wasteful. The announcement was met with a great deal of excitement by some investors and advocates. However, there were doubters. First, some believed that Project 30 only replicates a previous effort under Prime Minister Phan Van Khai in 2000 that proved ineffective.<sup>10</sup> Another group worried that the endeavour was too closely tied to the fate of the Prime Minister and did not have enough buy-in from other key players. As we noted above, the continuance of the current Prime Minister was not guaranteed, which may mean his non-institutionalized pet projects existed in a similar limbo.

### **Liberalization within the Party and Strengthening of Representative Institutions**

The VCP has incrementally increased the power of its representative institutions, and in particular the VNA. Previously dismissed as a rubber stamp, the VNA changes appear to have enhanced its influence. Substantive committees have been strengthened in order to increase oversight of the government, and laws, which were previously written by government agencies and passed with little debate, now undergo greater scrutiny and are often amended.<sup>11</sup>

The role and selection of the delegates has also changed as part of an effort to increase the professionalism and competence of the body. First, the VCP has slowly widened the level of competition for seats. The 2007 election featured the highest-ever levels of competition, with more than 1.7 candidates per seat, compared to 1.52 in 2002 and 1992, the first election under the current constitution. Additionally, they have increased the number of full-time delegates in the Assembly. Prior to 1992, nearly all of the delegates were part-time members, only attending the VNA for twice-yearly month-long sessions. Today, 140 delegates, more than 25 per cent of the body, work full-time in Hanoi or run the provincial VNA offices. Research has shown that these changes have had an impact on delegate behaviour. An analysis of the VNA's televised query sessions, an example of the increasing visibility of the Assembly on its own, revealed that the full-time delegates from districts with competitive elections are the most active, asking twice as many questions and offering three times as many criticisms of ministers as other delegates.<sup>12</sup>

In June, the VNA appeared to showcase its increased power by rejecting a \$56 billion government proposal to build a high-speed rail line from Hanoi to Ho Chi Minh City. Dung returned from a trip to Japan earlier in the year

promoting the Japanese rail system to a reluctant Assembly. Ultimately, the Assembly, concerned about costs, shot down the proposal in June when only 203 of the 493 delegates supported the measure.<sup>13</sup>

This rejection contrasted quite strongly with the approval by the same body and the same delegates of the unpopular extension of Hanoi in 2008, in which the capital was merged with neighbouring Ha Tay province as well as the most economically successful portions of two other provinces (Vinh Phuc and Hoa Binh). Both proposals received similar levels of resistance within the media, VNA, and in internal party polls. The key difference was that the Hanoi extension proposal was finally approved (with 92.9 per cent of delegates voting in support) while the high-speed rail could only garner 42.3 per cent of the votes. The striking distinction in the resolutions of these two cases sheds light on the dynamics of the VNA within the VCP congress cycle.

The early developments of both proposals are quite comparable. Both received highly critical evaluations from the media, experts, and VNA delegates. The Hanoi extension was justified on two grounds. First, proponents hoped to facilitate the creation of an international-calibre city in the capital. By expanding the borders of Hanoi, the initiative's designers thought they could ease the policymaking apparatus for infrastructure development and land planning by reducing the number of bureaucratic layers involved in the approval process. Second, it was felt that urban sprawl between Hanoi and its surrounding areas had effectively reduced the significance of borders between the areas anyway. Eradicating a border that existed only on paper would reduce bureaucratic hassles in dealing with two provincial administrations for residency permits, business registration, and land acquisition.

The decision was controversial. Beyond the stated goals, some analysts argued that the merger was designed to benefit vested interests close to Hanoi policymakers rather than the citizens of the annexed locations. These critics cited evidence of speculation in land prior to the merger in the targeted districts, as well as damaging over-staffing of key provincial offices at the onset of the transition, as evidence that more pernicious goals were at work in the merger plans. Former Prime Minister Voo Van Kiet even weighed in: "The Hanoi extension proposal only represents the subjective opinion of Ministry of Construction. The capital city is an important issue for the whole country, the whole nation, and our whole history. We should not and must not experiment with Hanoi for any purpose."<sup>14</sup> Online newspaper VietnamNet issued a series of highly unfavourable articles, one of which bluntly advocated that the proposal "should originate from a real need but not from real estate speculators".<sup>15</sup> Criticism was evident in the

VNA as well. Nguyen Van Thuan, the Legal Committee chair, argued that the government should not rush into this important decision.<sup>16</sup> Some of the very same delegates, including the well-known figures, such as Duong Trung Quoc, spoke harshly against this proposal. An interesting sign of responsiveness to underlying constituencies was evident in that many of the most critical local delegates were from provinces bordering Hanoi and Ho Chi Minh City, who feared the loss of their own territories through further annexations.

Similarly, the high-speed railway proposal also met with immediate resistance after it surfaced, as the proposal conflicted with the arguments of local transportation experts. Dr Tran Xuan Dung of the Institute for Transport Development Strategies had previously argued that the funding commitment for the new rail project was too large and the country would be better served by simply extending the current rail gauge from 1 to 1.435 meters to meet international standards.<sup>17</sup> At a meeting of the VNA's Standing Committee on 17 April 2010, concerns were raised about the return on investment for the Prime Minister's \$55 billion proposal. Outside experts also raised concerns. The World Bank's resident economist Martin Rama confirmed that his organization would not participate and warned that such a mega project "needs to be considered carefully to avoid a huge debt burden for future generations".<sup>18</sup> Reflecting on the costs relative to the ultimate payoff of the project, delegate Nguyen Minh Thuyet remarked, "Some people say that all countries with high IQs have high speed railways. Well, I must not have a high IQ, because I think this is a very bad idea."<sup>19</sup>

The project, however, also had a large number of supporters, especially among the many provinces who were situated along its route. Leaders of these localities looked forward to the increased opportunities for trade and tourism that the rail might bring. As a result, VNA delegates were deeply divided. An intense debate broke out at a workshop organized by the Ministry of Transport and the Vietnam Union of Science and Technology Association to explain the project to delegates and other stakeholders on 11 May.

Despite similar reactions from the VNA, the media, and the public to these two mega proposals, the VCP and government handled them quite differently. For the Hanoi extension, the party and government showed consistent determination to get the proposal approved. The 6th Plenum of the Vietnamese Central Committee issued a resolution approving the project, prior to the VNA vote. As a result, when VNA delegates demanded additional time to debate and consider this important decision, Hanoi People's Committee Chairman Pham The Thao simply replied, "We already have a resolution for this, why do we need

more time?"<sup>20</sup> In addition, media outlets stopped publishing articles critical of this proposal after 16 May, following an alleged directive by the Prime Minister. Between that date and the ultimate vote, reporters were prohibited by the building's security from accessing the VNA floor and discussing the vote with delegates.

Such determination from the party and government was not as obvious during the debates over the high-speed rail project. Although the Prime Minister and relevant line ministries showed consistent support for this proposal, concerns continued to be raised by high-ranking officials within the VNA. The vice chair of the VNA Financial and Budgetary Committee, Trinh Huy Quach, warned about the costs and benefits of the mega project in an interview with *Tuoi Tre* newspaper.<sup>21</sup> Nguyen Van Thuan, VNA Legal Committee chair, quoted at length from World Bank and Asian Development Bank reports critiquing the project. Indeed, throughout the debate, the media was free to publish critical articles about this project up until it was finally rejected on 19 June.

The spontaneous and effective coordination among the media, experts, and some delegates of the VNA, as highlighted in these policy debates, is a new development in Vietnam's political life. Observing the passage of Hanoi extension and non-passage of the high-speed railway, many watchers praised the rising role of the democratically elected VNA and the assertive role of the media. While the unprecedented "no" vote was indeed exciting, we should be a bit cautious about heralding the rise of democracy in Vietnam. After all, both votes took place within the 12th VNA, elected in 2007, so the composition, membership, and rules of the body did not change at all between the two votes.

The major distinction between the two cases was the point in the VCP congressional cycle at which the vote took place. The 2008 expansion vote was scheduled in the middle of the cycle when the VCP was most unified and thus it was easy to agree on a resolution. The high-speed rail vote, however, took place in 2010, as divisions of the VCP battled for leadership, where the ultimate winner would likely be on the hook for the cost of the railway. Thus, as David Koh has suggested, the no vote reflected an internal division within the party hierarchy over the desirability of the project.<sup>22</sup> Notably, the VCP Central Committee did not issue a resolution on how party members should vote in the VNA, as they had in other critical votes. This allowed the 90 per cent of delegates who were members of the VCP a striking degree of autonomy to vote as they wished without needing to heed the Prime Minister's proposal. If the regime

was truly unified in its support of the project it would have rammed it through the Assembly in the same way it did with the Hanoi extension, after which the delegates quickly fell into line.

Koh is right that ultimately elite politics trump the idea that the VNA has become the democratic voice of the people in Vietnam. Taken together, however, the two cases illustrate a less startling but equally important development. Party leaders are either increasingly using the more public and representative institution as a forum to solve intra-regime disputes, or they are unable to prevent delegates from latching onto issues themselves. Either way, it means that the VNA has become an important forum for the airing and settlement of national issues, whereas earlier these would have been settled behind closed doors and announced *fait accompli* for the rubber stamp VNA to approve.

The liberalization of institutions has not been confined solely to the VNA. The regime has also widened participation, competition, and accountability within top-level party institutions, such as the Central Committee. In 2001, the Central Committee gained the power to directly elect the party General Secretary, leading to the unprecedented rejection of the then General Secretary and Politburo nominee Le Kha Phieu.<sup>23</sup> In 2006, this right was extended to a straw-poll vote for the office that offered a choice of multiple candidates, including the current Prime Minister and President Nguyen Minh Triet, but was ultimately won by Manh.<sup>24</sup> The 2006 Party Congress also set another precedent when the 1,040 participants for the first time gained the ability to nominate and vote for members of the subsequent Central Committee. Although none of the nominees from the floor were ultimately selected, Vietnam watchers anxiously awaited to see whether floor nominees would win positions on the committee in 2011.<sup>25</sup>

The top-level leaders are also serious about reforming VCP institutions at the provincial level. In 2010 the Politburo issued a decision requiring ten provincial party congresses to follow the Central Committee in allowing the congresses to directly elect the provincial Party Secretaries.<sup>26</sup> Preliminary analysis of these experiments suggests that much like the 2006 National Party Congress, the institutional change did not have an immediate impact. There were no surprises in the elections and most of the secretaries won with near unanimous approval. Nevertheless, the impact of the increased electoral competition will likely be felt more directly in subsequent years, in terms of the behaviour and policy orientation of leaders, who must act with the knowledge that they will be held accountable in future provincial VCP elections.<sup>27</sup>

## **Prime Minister Dung, Vinashin, and the National Assembly**

The changes in the VNA also influenced the way corruption scandals and top-level wrongdoing, which occur before every congress, played out. In particular, many issues that simmered in the press throughout the year took on new life in the two month-long full sessions of the VNA.

Vietnamese analysts have long argued that Vinashin was making political and relationship-based investments that made little economic sense. After a sovereign bond issue in 2006 that provided the company with \$750 million in working capital to build fifteen ships for which it had contracts, David Dapice of Harvard Business School noted that the government's investment in the company, by their own calculations, would not yield significant returns to the shipyard.<sup>28</sup> Government projections of the success of the investment were based on total sales and not return to capital. More worrying still was that Vinashin had an expansion strategy that was extremely rapid, capital intensive, and had very little to do with its core mission of building ships. Scott Cheshier and Jonathan Pincus, the chief economist of the United Nations Development Program articulated it vividly: "In 2007 Vinashin established 154 new member companies. Excluding weekends, there are 260 working days in the year. Vinashin therefore created a new subsidiary on average every 1.69 days."<sup>29</sup> These included shipyards and construction companies, of course, but also included insurance, real estate, banking, securities, wholesale and retail trade, and even beer manufacturing.<sup>30</sup> Some analysts noted the fact that the conglomerate had invested in fourteen different provinces and speculated that either this was a form of regional transfers or a strategy to win support in the Central Committee.<sup>31</sup> Most worryingly, according to Cheshier, was the fact that the company possessed its own bank and finance company, allowing it to self-finance a great deal of its follies without needing to appeal to external investors, who might ask for a proper valuation.<sup>32</sup>

Vinashin was certainly not alone in this expansive strategy. A number of economists have pinned Vietnam's 2007–08 balance of payments crisis on reckless state investment by all the state conglomerates. Where Vinashin differed was that eventually its lack of business acumen caught up with it, forcing the conglomerate to announce a \$4.4 billion debt at the beginning of the summer of 2010. While Vinashin's Director Pham Thanh Binh claimed the crisis merely resulted from the global economic crisis in 2008, the timing of the announcement seemed highly suspicious. Vinashin's difficulties did not emerge overnight but resulted from the gradual accumulation of one bad decision on top of another.<sup>33</sup> How was it then that its debt

was not discovered until the summer of 2010, directly before the 11th Party Congress?

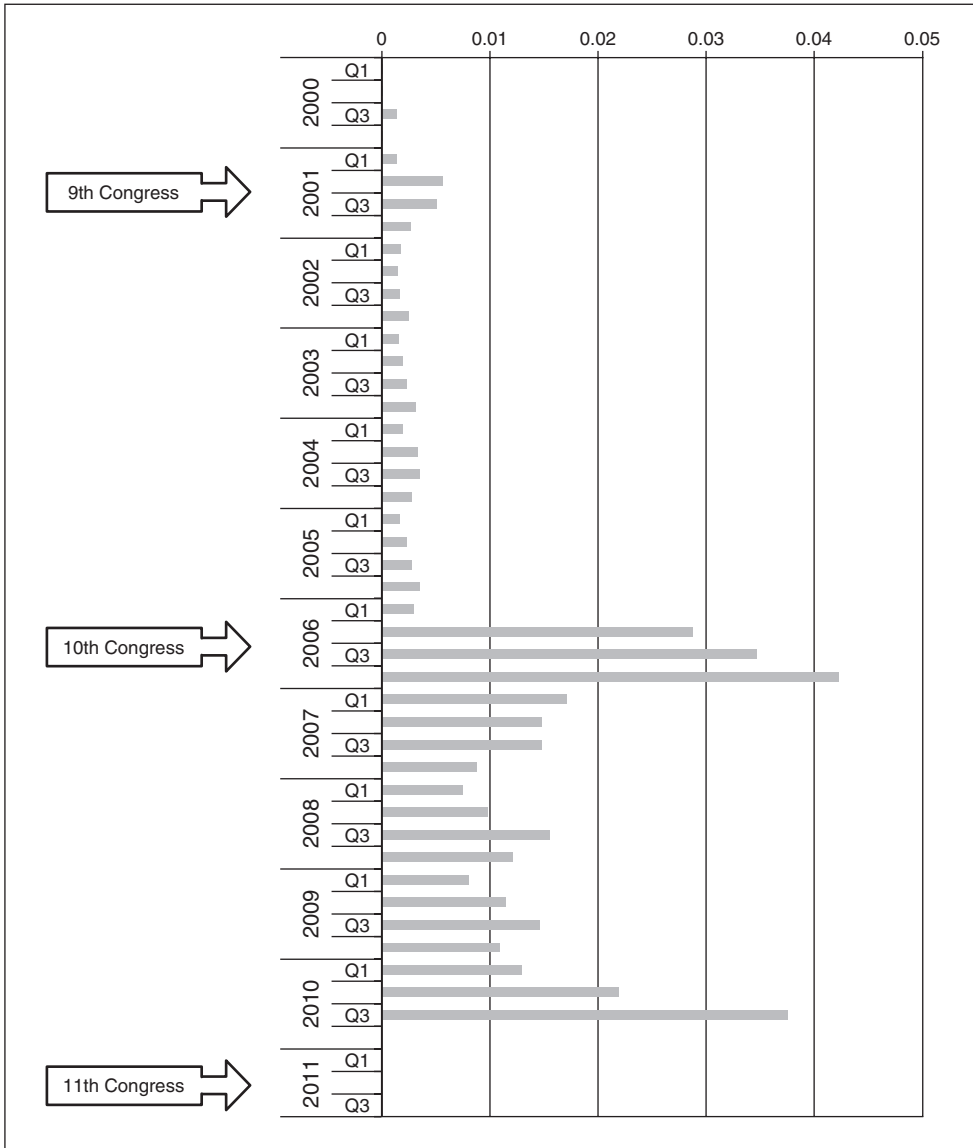
Indeed, a curious pattern has emerged over time with crises mushrooming in the months prior to the VCP congress. The PMU-18 scandal, involving kickbacks on state and aid-funded construction contracts, surfaced immediately before the 10th Congress. The arrest of Nam Cam, a Saigon-based mafia leader with ties to top leaders, took place right before the 9th Congress. And the Tamexco bankruptcy and corruption case erupted in May, just prior to the 8th Party Congress in 1996, and may have contributed to the removal of Politburo member Nguyen Ha Phan.<sup>34</sup>

It is not just the suspicious timing that echoes previous scandals; the sequence of exposures follows local and central party elections closely. Scandals related to lower-VCP officials break out first, before lower-party elections. Then, scandals related to elite VCP officials break out before higher-party elections. As an example, in September, right at the time provinces were having their elections for delegates to the national party congress, Hoang Anh Gia Lai boss Doan Nguyen Durc, one of the richest men in Vietnam, filed a lawsuit against the Lam Dong People Committee chairman.<sup>35</sup> The chairman fought back and alleged that “the fact that he accuses and files a lawsuit at this time is not a coincidence. His timing [of lawsuit] adversely affects the preparation for the party election and public opinion.”<sup>36</sup>

The above may be viewed as mere speculation based on a few selected anecdotes. Certainly, a more systematic test of this pattern is required. To verify whether scandals and congresses are synchronized, we conducted the following analysis. First, we used Google to count the number of webpages containing the keywords “party inspectorate” (*doan thanh tra*) for each quarter from January 2001 until the present. Of course, some of the growth in the word usage might result simply from growth of the Internet and web publishing over time. Thus, we performed a similar search of the word motorcycle (*xe may*), as the word is a standard term commonly used in Vietnamese conversations and media that is unrelated to political events. By dividing the number of times *doan thanh tra* is used by the hits for *xe may*, we can create a standardized metric that tracks the frequency of corruption scandals over time. A spike in the ratio indicates a corruption scandal was picked up by a large number of online newspapers

Results are reported in Figure 2. There are distinct cycles of the use of *doan thanh tra*, which synchronize incredibly well with the congress cycles. Before and during the 9th Congress, there was a relative increase in the use of *doan thanh tra*. However, before and during the 10th Congress, the use of *doan thanh tra* exploded to around ten times compared to its normal level. The new

**FIGURE 2**  
**Ratio of Number of Webpages containing *Doan Thanh Tra* over Number of Webpages containing *Xe May***



development in 2010 is that the use of *doan thanh tra* increased well before the 11th Congress.

This trend indicates that inspections have become an increasingly popular weapon to discredit opponents before and during congress at different party levels.<sup>37</sup>



Much as the PMU-18 story appeared to have targeted a Politburo member with a family member working in the unit, the debt crisis of Vinashin cast a cloud over an important member of the Politburo, in this case Prime Minister Dung. The idea that the revelations of a corruption scandal could be targeted at a particular leader might seem odd to those less familiar with Vietnam. The state is often thought to be characterized by collective leadership, where a Politburo of fifteen officials serves as the ultimate VCP executive, and a ruling troika of President Triet, General Secretary Manh, and Prime Minister Dung divide up the responsibilities of chief executive and head of state that are often unified in other countries. How is it possible, then, that the fate of a single state-owned enterprise could be tied to a particular member of the collective? Isn't the entire leadership at fault?

In fact, the idea of a collective leadership is an illusion caused by unified announcements of policy at the end of often long drawn-out debates over policy, where clear positions are staked out by the interlocutors. Moreover, relative to other single-party regimes, Vietnam is highly institutionalized with unambiguous responsibilities assigned to actors from low-level bureaucrats to top state and party officials.<sup>38</sup> Consequently, the Vinashin revelations were read as an attack against Dung for three reasons.

First, Dung was the only member of the ruling troika with aspirations to continue after the party congress. Since the beginning of *doi moi* (the renovation era) in the 1980s, Vietnam has adhered to an informal convention of rotating out members of the troika after two five-year terms. So Manh has to be replaced. Triet entered the presidency along with Dung, but at 68, he was past the official retirement age of 65 and was thought to be in poor health.

Second, unlike in China, the 1992 Constitution gave the Prime Minister the constitutional authority to remove and appoint state bureaucrats. Although it was certainly the case that other top VCP officials were involved in the decision to appoint Binh as the general director and he was also subject to VCP cadre evaluation, the official role of the Prime Minister in the appointment process meant the buck stopped with him. In fact, this was not the first time that Dung had been blamed for poor personnel decisions. In March of 2007, when Vietnam faced a short-lived balance of payments crisis, Nguyen Van Giau, the governor of the State Bank, was thought to have been technically ill-prepared and indecisive. Dissatisfaction with Giau's management ultimately was pinned on Dung, who appointed him.

Third, Decisions 90 and 91 in 1994, which set in motion the process of merging Vietnam's numerous state-owned enterprises into large general corporations

(which are often referred to as “conglomerates”, styled on the model of South Korea’s chaebols), officially designated oversight to the Prime Minister, who at the time was Vo Van Kiet. As Dwight Perkins and Vu Thanh Tu Anh described in a recent paper on industrial policy,

The Prime Minister appoints the general manager, and the boards of directors are made up of representatives of the ministries and related agencies that have some supervisory role over these enterprises (the Ministry of Industry, the Ministry of Finance, etc.)... these conglomerates’ head offices and boards of directors still have many of the features of a government supervisory bureau rather than profit oriented bodies.<sup>39</sup>

Thus, the problems at Vinashin, considered the “jewel in the crown” of the state conglomerates, should have been immediately known to Dung and he should have been prepared to act on them. The fact that the problems festered have led some to speculate that either malfeasance or political opportunism were at work in allowing Vinashin to continue with its disastrous investment strategy.

As we noted, the pattern of the Vinashin revelations resembles previous major scandals in Vietnam. As in the past, a key senior figure was implicated, which suggests that in addition to the alleged wrongdoing, there may also be underlying political motives. However, what distinguished this case was the life the scandal took on once the November 2010 session of the VNA session began. As the story had not yet broken publicly during the previous session in June, the November session was the first one in which the details of the case were fully known to most delegates. When the session began, Vinashin immediately became the hot topic among delegates and the media covering the proceedings. Delegates called for the formation of a commission to investigate the causes behind the demise of the company, which was eventually refused, and demanded that the VNA be given increased oversight capabilities over the company’s future operations.

Then, on 1 November, delegate Nguyen Minh Thuyet, who was also a vocal opponent of the high-speed rail project in June, upped the ante by proposing the first ever vote of no confidence in a sitting Prime Minister. He claimed in the foreign press that he wanted to create an “atmosphere of democracy and openness in the National Assembly”.<sup>40</sup> While he acknowledged that many delegates with ties to the security and military opposed his call, he had the support of other active deputies such as Le Van Cuong and Pham Thi Loan.

An analysis of the background of these three delegates indicates that they are precisely the types of delegates the regime had recruited and supported in order to provide a more active and professional oversight role to the Assembly.

Both Thuyet and Cuong are full-time members of the VNA, with Cuong also a locally nominated delegate. This means that while Thuyet was nominated for election by a central party or state institution, Cuong was nominated by a provincial election commission, made up of VCP and state officials, from his home province of Thanh Hoa. Based on previous analysis, full-time delegates in general speak more often in the body than part-time delegates, and of those delegates, the full-time locally nominated delegates speak by far the most of all. Loan is not a full-time delegate, but she is one of the few private business owners on the VNA and among the nine per cent of delegates who are not party members.

The assertiveness of the delegates who decided to speak up was predictable from the regime's standpoint. Not only did the regime vet and nominate these delegates, but it actually specifically designs its ideal VNA to include these voices.<sup>41</sup> Prior to each election, the party leadership draws up the demographic and sectoral balance they aim to achieve in each Assembly. Using an electoral forensics approach, Malesky and Schuler have shown that these targets are not reached by electoral fraud, but by clever electioneering that would be familiar to political consultants in Western democracies, particularly the placement of candidates in easier-to-win districts, as measured by the candidate-to-seat ratio and calibre of the competition. In 2007, as in previous elections, they came very close to achieving their targets.<sup>42</sup> As part of this effort, the regime targeted 10 per cent non-party members and a small number of business people, which explains the inclusion of these three delegates in the body. Errors in achieving the targets result from the uncertainty brought by the fact that the candidates must compete against other notables in somewhat competitive elections.

One could argue that the contestation within the VNA is not significant. The no confidence vote never took place, and Dung may yet survive the attacks and the 2011 congress. While he continues on, higher level officials implicated in the scandal may be rehabilitated. Additionally, through internal channels the party could attempt to silence potentially disruptive delegates. However, even if these things come to pass, the increased activity of the VNA is not entirely inconsequential. First, the proceedings of the VNA are public and the identities of the critics are widely known, elected figures. As such, they carry some degree of democratic legitimacy and serve as a unique megaphone. Furthermore, because most of them were nominated and vetted by the party it is difficult for the regime to silence them should they choose to increase their level of criticism.

## **Bauxite and the Limits to Contestation**

The Vinashin case was not the only domestic political issue that consumed the attention of the public and the VNA in 2010. In 2009 the media reported that the Politburo and the Prime Minister had approved a series of massive and potentially environmentally destructive bauxite mines in the Central Highlands. Opposition to the decision focused on environmental and nationalist concerns. Environmentally, bauxite mines are destructive for two reasons. First, extracting the mineral requires strip mining, which denudes the landscape. Second, bauxite is the critical input for the production of aluminum, a process that generates as a by-product a toxic red sludge whose spillage into waterways in Hungary recently caused an environmental disaster. Nationalist concerns over the project arose as the mines were owned and operated by a company run by Vietnam's historical rival, China.

Opposition to the mine has been voiced both within and outside the regime, which allows us to examine the different ways in which the regime approaches and tolerates criticism. Internal criticism has been widespread both within the party and within the state institutions. Within the party, national hero General Vo Nguyen Giap has been steadfastly opposed to the project since it surfaced. After the disaster in Hungary he was joined by prominent party officials and intellectuals such as the former Vice President and former Ambassador to the United States, who sent a letter to the regime's top four leaders asking them to temporarily suspend mining activity. This letter was then published by many of the major state-run media outlets.

Within the state institutions, several VNA delegates have raised the issue during the query sessions or within the smaller meetings with individual ministers during the biannual plenary Assembly sessions. Duong Trung Quoc, a professor and a prominent speaker within the Assembly, raised the issue on several occasions in the VNA and in the media. In the most recent November 2010 session, after Minister of Natural Resources and the Environment Pham Khoi Nguyen delivered a report on the site, Trung Quoc, whose name ironically means China, countered that he was not satisfied and reiterated a previous call for the Assembly to have greater oversight powers over the project. The Assembly's call for more power appears to have been heeded, as a delegation consisting of the head and deputy head of the VNA's Science, Technology and Environment Committee travelled to the Central Highlands to observe the project sites.

In fact, delegates in the VNA were particularly agitated by the bauxite issue because it exposed the limits to their power. In 2006 a resolution was passed that the VNA had to approve all projects above 20 trillion dong. In order to avoid this,

the government split the project into smaller pieces, generating public criticism from Thuyet and Trung Quoc when news of the project surfaced in 2009.<sup>43</sup> This incident highlights the fact that the party and government can circumvent the VNA when they wish. Nevertheless, it also shows that the government and party respect the institutional prerogatives of the VNA. If they did not, they would have simply ignored the requirement, rather than going through a costly and lengthy effort to avoid its oversight. The fact that delegates can hold up projects by making them public, and that they have shown a willingness to do so, has made the government wary of the body. The high-speed rail case is a perfect example of why the government may want to avoid the Assembly. While the Politburo did not necessarily suffer from the rebuke, some have suggested that Deputy Prime Minister Nguyen Sinh Hung and Transportation Minister Ho Nghia Dung, who initially supported the proposal, were embarrassed when the vote went against them.<sup>44</sup>

While party members and VNA delegates have appeared to have some impact on altering the leadership's direction in the bauxite case, the same cannot be said of efforts from outside the party and the state. A popular website decrying the mine has survived since 2009 even as hackers that some suspect to be connected with the regime attempt to bring it down. Nguyen Hue Chi, the architect of the website, has been summoned to meet with party officials on several occasions.<sup>45</sup> Also, Pham Minh Hoang, a French and Vietnamese dual citizen and blogger on the banned Viet Tan Party website, was arrested on 13 August. His wife claims his arrest was not due to his membership in Viet Tan but because of his strident opposition to the bauxite mine.

These cases are part of a broader crackdown on external dissent in the past sixteen months. Since October 2009, the VCP dramatically increased the number of dissidents tried and jailed for promoting multiparty democracy or collaborating with foreign organizations. Since then, it has arrested more than twenty political activists, including sixteen in a three-month period.

Among the notable dissidents convicted during this period was lawyer Le Cong Dinh, who successfully represented Vietnamese catfish farmers in a trade dispute with the United States.<sup>46</sup> Dinh, who in addition to earning a law degree from Hanoi University also completed a master's in law in the United States, was arrested in June 2009 for promoting multiparty democracy.<sup>47</sup> In January 2010 he was sentenced to five years in prison. Three others were also tried and convicted with Dinh, including one website operator who received a sixteen-year sentence — the longest sentence for a dissident in more than ten years.<sup>48</sup> Another prominent lawyer was also arrested in November 2010. Cu Huy Ha Vu, who has twice

sued Prime Minister Dung, was arrested in Saigon in November for soliciting a prostitute.<sup>49</sup> He first sued Dung in 2009 for approving the bauxite mines and again in 2010 for Dung's decree that banned groups from filing petitions for clemency.<sup>50</sup>

It is too early to tell whether Vu, who is also the son of famous Vietnamese poet Xuan Dieu, is being held purely for political reasons. However, his arrest fits in with a general trend in 2010 for the regime to crack down on critics operating through channels outside the control of the state. These cases further highlight the fact that while the VCP has opened up considerably channels for official media outlets and party members to criticize the regime, they remain firmly committed to shutting much of the same criticism coming from unofficial channels. In short, in some cases it appears that it is not so much the content or the publicity of the criticism, but rather the source of the criticism that is of most concern.

## Foreign Relations

Vietnam's treatment of dissidents triggered opposition from some in the U.S. Congress. Notably, Senator Barbara Boxer from California, which has a large Vietnamese community, along with seven other senators sent a letter asking the State Department to reclassify Vietnam as a "Country of Particular Concern" regarding its treatment of religious freedoms. Under the Bush Administration, the State Department created tension between the two countries when it placed Vietnam on the list, which complicated Vietnam's plans to join the World Trade Organization.

Despite the pressure from some within Congress, Secretary of State Hillary Clinton visited Hanoi twice during 2010, a notable year, as it represents the 15th Anniversary of U.S.-Vietnam diplomatic relations. Beginning in 1995, the two countries have rapidly registered several key benchmarks, including the exchange of Ambassadors in 1997, a bilateral trade agreement in 2001, and the entry of Vietnam into the World Trade Organization in 2006. On the sidelines of the APEC (Asia-Pacific Economic Cooperation) Summit, Clinton voiced her concern over the jailing of bloggers, dissidents, and other opposition voices. However, she also confirmed her support for deeper engagement with Vietnam, including greater "military-to-military" ties through cooperation on disaster relief efforts.<sup>51</sup> Behind the scenes U.S. trade officials pushed for the next landmark in the bilateral trade relations of the two countries, known as the Trans-Pacific Strategic Economic Partnership, which is a comprehensive trade, investment, and intellectual property agreement that will tie together nine countries in Asia and North and South

America. These initiatives are part of a broader effort on both sides to improve their relationship as a counterweight to China.

In March, a U.S. Navy supply ship made a “non-military” stop for repairs at the strategic Cam Ranh port.<sup>52</sup> In November, Prime Minister Dung announced that the port would be open to the navies of all foreign nations, a comment that was also widely interpreted as a signal to China.<sup>53</sup>

Such moves took on increased significance after China stoked global fears over its rapid rise to power, following its decision to halt the export of rare earths to Japan in response to the detention of a Chinese fishing boat by the Japanese. As the world realized the implications of China’s monopoly over these vital resources, the need for a hedge against China became all the more evident. Due to the similar concerns between Vietnam and China over the Spratly Islands, the Vietnamese domestic media covered the dispute between China and Japan extensively, with the media appearing to cast the Chinese side in unfavourable terms.

This followed several events in 2010 that indicated that Vietnam, and Prime Minister Dung in particular, was looking to strengthen relations with Japan, even at the risk of irking its northern neighbour. First, he went to Japan to visit Prime Minister Naoto Kan in January, returning to promote the \$56 billion Japanese bullet train, even though it was substantially more expensive than a \$32 billion Chinese proposal. Vietnamese rail industry officials claimed to support the Japanese option because of their superior safety record. However, some Chinese officials contended that Vietnam had nationalistic concerns. One report from a Chinese trade publication suggested that Vietnamese politicians opposed the Chinese system because the Chinese army could use it to invade Vietnam as it did in 1979.<sup>54</sup>

Second, Kan visited Vietnam in late November seeking to diversify Japan’s sources for rare earths in the wake of China’s refusal to export them after the fishing boat incident. During this visit Kan and Dung agreed to allow Japan to mine for rare earths in Vietnam. They also signed a contract committing Vietnam to purchasing two nuclear reactors from Japan, representing Japan’s first sale of a power plant to a developing economy.<sup>55</sup>

Despite the efforts of the Vietnamese to cultivate the United States and Japan, Vietnam continues to work on its relationship with China. The bauxite and Spratly Islands incidents have raised tensions, but China continues to be among Vietnam’s largest trading partners, and the two countries continue high-level interactions among party and military officials. In short, Vietnam is looking for allies across the waters, while remembering that it cannot ignore the giant to its north.<sup>56</sup>

## Conclusion

The year 2010 in Vietnam showed a recurrent pattern observed over time which helps us understand the underlying rules and informal conventions of the regime. The party congress and the elections to the Central Committee are still the prominent political events around which lower-level bureaucrats and economic actors timed their actions. Similarly, political-business cycles, driven by state investment, and media coverage of major corruption cases are timed conveniently to crest in the months before elites congregate in Hanoi.

On the other hand, however, the forum for elite contestation has slowly begun to change. Institutional changes in both the party and state institutions are beginning to factor into the policymaking calculus. More and more, the VNA, the universally elected and most representative institution, is emerging as a key forum for debate and to hear the voices of notables outside of VCP elites. It is important to remember that this role is by design. Were it not for institutional changes in the amount of electoral competition and professionalism, it would have remained a rubber stamp. In addition, reforms in inner party democracy, such as direct elections at the VCP congresses of the General Secretary and provincial party secretaries, means that avenues are opening up for participation and accountability that have not existed before. A wider cross-section of the population has now been brought into the selectorate, the group of people who choose Vietnam's leaders. To date, these changes have had only marginal impact, but as with the VNA, we may observe their effects a few years down the road.

## Notes

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- <sup>17</sup> Ngoc An, “33 ti USD duong sat cao toc Bac – Nam: Nen dau tu vao luc nay?” [\$33 billion north-south rail: Should we invest right now?] *Tuoi Tre* online, 2008 <<http://diaoc.tuoiitre.vn/Index.aspx?ArticleID=251871&ChannelID=450>>.
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- <sup>22</sup> David Koh, "The Party Will Not be Railroaded", *Straits Times*, 30 June 2010.
- <sup>23</sup> Zachary Abuza, "The Lessons of Le Kha Phieu: Changing Rules in Vietnamese Politics", *Contemporary Southeast Asia* 24 (April 2010): 121–45
- <sup>24</sup> Hy Van Luong, "Vietnam in 2006: Stronger Global Integration and Resolve for Better Governance", *Asian Survey* 47 (January 2006): 168–74.
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- <sup>29</sup> Scott Chesier and Jonathan Pincus, "Minsky au Vietnam: State Corporations, Financial Instability and Industrialisation", in *Minsky, Crisis and Development*, edited by Daniela Tavasci and Jan Toporowski (New York: Palgrave Macmillan, 2010), pp. 188–207.
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- <sup>32</sup> Scott Chesier, "State Corporations, Financial Instability, and Industrialisation in Viet Nam", *UNDP Viet Nam Policy Dialogue Paper* 18 (Hanoi, Vietnam, 2008).
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- <sup>34</sup> Martin Gainsborough, *The Changing Political Economy of Vietnam: The Case of Ho Chi Minh City* (London: RoutledgeCurzon, 2003), pp. 83–91.
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- <sup>37</sup> The results reported here are a preliminary peek at ongoing research that we are conducting about the use of state power (inspectors, auditors, and police) and the media as weapons in disputes and infighting before major political junctures. We will report the comprehensive findings in an upcoming article.
- <sup>38</sup> See Malesky, Abrami, and Zheng, “Institutions and Inequality” for a description of these roles.
- <sup>39</sup> Dwight Perkins and Vu Thanh Tu Anh, “Vietnam’s Industrial Policy Designing Policies for Sustainable Development”, UNDP — Harvard Policy Dialogue Papers Number 3 (2010), p. 41.
- <sup>40</sup> “Vietnam Parliamentarian Proposes First-Ever Vote of No-Confidence”, Deutsche-Press-Agentur, 3 November 2010.
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- <sup>44</sup> See Steinglass, “Vietnam Assembly Derails”.
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- <sup>51</sup> “Political Reform, Rights Essential for Vietnam: Clinton”, Agence France-Presse, 30 October 2010.
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- <sup>53</sup> Greg Torode, “Vietnam, Shares Port Prize to Contain China”, *South China Morning Post*, 1 November 2010.
- <sup>54</sup> Toh Han Shih, “Vietnam Shuns China’s High-Speed Express”, *South China Morning Post*, 19 July 2010.
- <sup>55</sup> “Vietnam N-Deal a Welcome Start”, *Daily Yomiuri*, 2 November 2010.
- <sup>56</sup> Carlyle Thayer, “Vietnam’s Relations with China, the United States, and North Korea”, presented at the City University of Hong Kong Conference on Authoritarianism in Asia, 30 July 2010; Carlyle Thayer, “The United States and Chinese Assertiveness in the South China Sea”, *Security Challenges* 6, no. 2 (2010): 69–84.