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The End of the Obama Era in Asia

Edited by
Michelguglielmo Torri
and Nicola Mocci

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CONTENTS

- 7 MICHELGUGLIELMO TORRI & NICOLA MOCCI, *Foreword: Asia Maior in 2016*
- 17 FRANCESCA CONGIU & ALESSANDRO URAS, *China 2016: Defending the legitimacy of the party-state's authority*
- 53 AURELIO INSISA, *Taiwan 2012-2016: From consolidation to the collapse of cross-strait rapprochement*
- 89 MARCO MILANI, *Korean Peninsula 2016: The never-ending crisis*
- 121 GIULIO PUGLIESE, *Japan 2016: Political stability amidst maritime contestation and historical reconciliation*
- 143 CARMINA YU UNTALAN, *The Philippines 2016: Democracy in dispute?*
- 167 ELENA VALDAMERI, *Indonesia 2016: A difficult equilibrium amid global anxiety*
- 199 MICHELA CERIMELE, *Vietnam 2016: The aftermath of the 12th congress, between continuities and changes*
- 221 NICOLA MOCCI, *Laos 2016: The 10th congress of the Lao People's Revolutionary Party (Lprp) and its domestic and international aftermath*
- 243 PIETRO MASINA, *Thailand 2016: The death of King Bhumibol and the deepening of the political crisis*
- 261 MATTEO FUMAGALLI, *Myanmar 2016: From enthusiasm to disillusionment*
- 277 MARZIA CASOLARI, *Bangladesh 2016: A laboratory for Islamic radicalism*
- 297 FABIO LEONE, *Sri Lanka 2016: Does the new era continue?*
- 315 MICHELGUGLIELMO TORRI & DIEGO MAIORANO, *India 2016: Reforming the economy and tightening the connection with the US (with an Appendix by MARCO VALERIO CORVINO, A brutal and violent year in the Kashmir Valley)*
- 385 MARCO CORSI, *Pakistan 2016: Economic features*
- 403 DIEGO ABENANTE, *Afghanistan 2016: Military crisis and contested reforms*
- 417 LUCIANO ZACCARA, *Iran 2016: From the Saudi embassy attack to the demise of Rafsanjani*
- 439 ADELE DEL SORDI, *Kazakhstan 2015-2016: Balancing regime stability amidst local and global challenges*
- 463 *Reviews*
- 483 *Appendix*

VIETNAM IN 2016: THE AFTERMATH OF THE 12TH CONGRESS,
BETWEEN CONTINUITIES AND CHANGES*

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In the aftermath of the heated January 2016 12th Congress of the Communist Party of Vietnam (CPV), Vietnam seemed face multiple challenges, both at the domestic and at the international level. For what concerns domestic affairs, this paper argues that one major challenge for the newly elected Vietnamese leadership (and one major stake for Vietnam in the coming years) was one of gaining back control over the country's development pattern – and responding to raising bottom-up discontent and demands. Concerning foreign relations, the paper highlights the growing challenges and sources of uncertainty for Vietnam – and its attempt at balancing between major (and smaller) powers' foreign strategies – emerging out of the already-fluid and thorny Asia-Pacific geopolitics.

1. Introduction

The year 2016 opened in Vietnam with the 12th National Congress of the Communist Party of Vietnam (CPV) – the ruling and sole legally recognized political party in the country. The congress paved the way for an unusually quick transition in Vietnam's leadership, which was basically completed by April 2016. Given its relevance, the central sections of this paper (sections 2, 3 and 4) will concentrate on this event, focusing on some major challenges the newly elected leadership seemed due to face in the coming years, especially concerning domestic affairs. More specifically, in the following section (section 2), I will sketch some main congress' outcomes and provide examples – which I consider particularly telling of a more general orientation – of the analyses of the congress itself and its potential aftermath provided by media and experts. In sections 3 and 4, I endeavour to offer an additional perspective on the stakes and challenges entailed by the 2016 transition in Vietnamese leadership, contextualizing it in some wider political-economic developments that have characterized the country over the last ten years. Finally, in the last section of the paper (5), I briefly turn to foreign policy developments, (selectively) focusing on the

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rising challenges that accompany Vietnam's consistent attempt at balancing relations with major powers. Here, I take a particular look at the 2016 state of the art of Vietnam's relations with US, India and China, given both the interesting developments they showed and the prominent challenges they raised.

2. *The 12th Party Congress and its narratives*

Held in Hanoi between 20 and 28 January, with the participation of 1,510 delegates representing 4.5 million party members across the country,¹ the 12th Congress of the Communist Party of Vietnam has attracted worldwide attention, not the least due to the alleged competition over the party's leadership between Prime Minister Nguyen Tan Dung and Party Secretary General Nguyen Phu Trong. Undoubtedly, the congress has been a heated one, with Vietnamese politics unusually «reduced» to a confrontation between two individuals² and with unpredictable results. Eventually, Trong surprisingly gained the upper hand. Although well past the party-set age limit for top leaders, the 72-year-old secretary general was re-elected for a second term, basically putting an end to the career of former Prime Minister Dung, who even failed to get himself elected as a Central Committee member. The congress opened the way to an unusually smooth and quick transition in Vietnamese leadership.³ By 7 April, Nguyen Thi Kim Ngan, a Politburo member and former Deputy Chairperson to the National Assembly, was appointed head of the legislative body;⁴ the Politburo member Tran Dai Quang, former Minister of Public Security and police general, was elected as the new state president;⁵ and former Deputy Prime Minister Nguyen Xuan Phuc was confirmed as prime minister.⁶ By 9 April 2016 – three months ahead of the initially scheduled date – a new government was formed and approved,⁷ comprised of five deputy prime

1. 'Khai mạc trọng thể Đại hội đại biểu toàn quốc lần thứ XII của Đảng' ('Inauguration of the 12th National Party Congress'), *Đảng Cộng sản Việt Nam*, 1 January 2016 (<http://daihoi12.dangcongsan.vn>).

2. Alexander L. Vuving, 'Why Trong's re-election doesn't spell the end for reform in Vietnam', *East Asia Forum*, 5 April 2016.

3. See, e.g., Nguyen Manh Hung, 'Continuity and Change under Vietnam's New Leadership', *ISEAS Perspective*, No. 50, 13 September 2016.

4. She became the first Vietnamese woman to chair the country's parliament; 'Vietnam has first chairwoman of parliament', *Thanh Nien News*, 31 March 2016.

5. 'Tân Chủ tịch nước, ông Trần Đại Quang' ('New State President, Mr. Tran Dai Quang'), *VnEconomy*, 2 April 2016.

6. 'Nguyen Xuan Phuc appointed prime minister', *VnExpress*, 7 April 2016.

7. The government should have been voted after the May 22 election of the National Assembly; in fact, both the country's three top leadership positions and government members were then «re-elected» by the first plenum of the 14th National

ministers and 21 ministers (18 heads of ministries plus the Head of the Government Office, the State Bank Governor and the Inspector General).⁸

Two major overlapping narratives have dominated most of the evaluations (especially Western media analyses) of the 12th National Congress of the CPV: a «power struggle» narrative and a «conservative» *versus* «reformist» one. Here, Dung usually features as a «reformist», «pro-Western» leader, opposed to the «conservative», «pro-China» Trong. Comments have often hovered around the possibility that Trong's re-election could halt the pace of market reforms and integration into the global economy, while tilting the country towards the Chinese camp in foreign relations.⁹ More generally, analyses seem to have shared a common concern for the alleged revival of «ideological orthodoxy»¹⁰ associated with Trong's re-election – one taking the shape of something that could be defined, if coarsely, as a concern for a potential «regressive turn» in Vietnam's overall orientation. As has been widely emphasized, Trong's reconfirmation as the CPV's secretary general has been accompanied by a strong reassertion of the virtues of one-party rule and «collective leadership».¹¹ Congress' documents have reiterated the party's long-term concerns with older «dangers», such as «peaceful evolution», while highlighting newer ones, such as «self-evolution» and «self-transformation» of party members.¹² Great clamour was raised by the following passage of Trong's closing speech at the Congress:

The principle of the Communist Party of Vietnam is collective leadership with accountability and responsibility of the individual, which can never become authoritarian. Elsewhere in the world, there are examples where they say they follow democracy but decisions are made by one person.¹³

Assembly in late July. See on this: 'Vì sao bầu Chủ tịch nước, Thủ tướng ở cuối nhiệm kỳ quốc hội 13?' ('Why the State President, Prime Minister are elected at the last meeting of 13th National Assembly session'), *Infonet*, 23 March 2016; 'Vietnam to re-elect leadership posts for 2016-20 tenure later this year', *Tuoi Tre News*, 12 April 2016; 'Vietnam parliament to put new leadership to work early', *Reuters*, 21 March 2016.

8. 'Danh sách 27 thành viên chính phủ' ('List of 21 cabinet members'), *VnExpress*, 9 April 2016.

9. David Camroux & Laëtitia Do Benoit, 'Il 12° Congresso del Partito Comunista del Vietnam: l'immutabile e l'effimero', *RISE*, 3 Luglio 2016.

10. Carlyle A. Thayer, 'How will Vietnam's leadership reshuffle affect the country?', *Southeast Asia Globe*, 1 March 2016.

11. 'Party chief chairs press conference after conclusion of 12th Party Congress', *Nhan Dan Online*, 29 January 2016 (<http://en.nhandan.com.vn>).

12. See Đảng Cộng sản Việt Nam, *Văn kiện Đại hội Đảng toàn quốc lần thứ 12 (Documents of the 12th Party's National Congress)*, Văn phòng Trung ương Đảng, Hà Nội, 2016.

13. 'Victorious Trong justifies one-party rule', *Vietnam Right Now*, 28 January 2016.

Indeed, while dismissing the idea that the newly elected leadership would slow down market reforms, some experts have highlighted that the congress «was far more about the primacy of the party».¹⁴ It should be mentioned in this respect that all the main party organs elected in January saw an increase in the number of members with a background in both public security and the military. The Politburo – which was extended to 19 members – and the three-member Secretariat included four and two members from public security, respectively, while the 200-member Central Committee saw an increase of members coming from the Ministry of National Defence (from 17 to 22).¹⁵ The newly elected Tran Dai Quang was himself the first Vietnamese Minister of Public Security – and a country’s «top cop»¹⁶ – to be named State President. Yet, at the same time, the Politburo included an unprecedented number of young technocrats highly skilled in fields such as finance and foreign affairs.¹⁷ The coexistence in party’s organs of technocrats and figures with backgrounds in public security and the military has been said to well reflect the actual party’s double (and contradictory) objective for the years to come.¹⁸ The first is maintaining economic growth. It’s worth mentioning in this regard that since the launch of *Doi Moi* (Renovation) – namely the economic reforms initiated by the 6th Party Congress in 1986 – economic performance has been one of the most important sources of legitimation and resilience capacity of the Communist Party of Vietnam.¹⁹ The second party’s objective is keeping the guard up against any threat to its monopoly on power.²⁰ Along with any movement perceived to be «hostile» to the party, arguably, the perceived threats also include any concentration of high levels of personal power and any subordination of the party to the executive, such as those that have characterized Prime Minister Dung’s years (2006-2016).

14. Zachary Abuza, ‘Vietnam’s 12th Party Congress’, *The Diplomat*, 1 March 2016.

15. Nguyen Manh Hung, ‘Continuity and Change under Vietnam’s New Leadership’.

16. Jonathan London, ‘Where to from here for Vietnam?’, *East Asia Forum*, 4 February 2016.

17. See ‘Chân dung 19 Ủy viên Bộ chính trị Khóa XII’ (‘The Portrait of the 19 members of the XII Politburo’), *Thanh Niên Online*, 29 January 2016.

18. Zachary Abuza & Nguyen Nhat Anh, ‘Little Fallout: Vietnam’s Security Policy after the 12th Congress of the Vietnam Communist Party’, *Centre for International Maritime Security*, 8 February 2016 (www.cimsec.org).

19. See, e.g., Hai Hong Nguyen, ‘Resilience of the Communist Party of Vietnam’s Authoritarian Regime since *Doi Moi*’, *Journal of Current Southeast Asian Affairs*, Vol. 35, No. 2, 2016, pp. 31-55 and Le Hong Hiep, ‘Performance-based Legitimacy: The Case of the Communist Party of Vietnam and *Doi Moi*’, *Contemporary Southeast Asia*, Vol. 34, No. 2, 2012, pp. 145-172.

20. Zachary Abuza & Nguyen Nhat Anh, ‘Little Fallout: Vietnam’s Security Policy’.

In a partially different vein, other analyses have specifically focused the attention on the high degree of complexity and fluidity of Vietnam's politics as well as top leaders' orientations. As has been highlighted:

Trong [...] can behave like a reformer. He views the survival of the VCP as the primary mission of Vietnamese policies, but he has also promoted many modernisers who place national development before and above Party survival.²¹

Conversely, former Prime Minister Dung – the champion of market reforms and Vietnam's integration into the global economy – also showed «conservative» orientations during his premiership.²² Moreover, Dung is notoriously held responsible for the rise in Vietnam of a widespread system of patronage networks that promoted the interests of State-Owned Enterprises (SOEs) leaders, foreign investors and more generally «well-placed persons».²³ Indeed, in correspondence with Dung's ascendancy as Prime Minister, «Vietnam's rent-seekers reached the apex of their hegemony» in the country.²⁴ It has been noticed that «rent-seeking» factions that supported him have seen their influence limited within the new leadership.²⁵ Indeed, the latter has been commonly credited for being genuinely willing to enhance anti-corruption efforts; with growing intensity since the early 1990s, fighting corruption has been perceived as central to the party's own survival.²⁶ On these premises, the newly elected Vietnamese leadership could be considered even keener than the previous one towards greater liberalization in economic and also political matters.²⁷

While the above interpretations contain important elements of truth, a useful exercise seems to more specifically contextualize the 2016 Party Congress in the wider political-economic developments that have characterized Vietnam in the last decade. This may help provide an

21. Alexander L. Vuving, 'Why Trong's re-election doesn't spell the end for reform'.

22. *Ibid.*

23. Jonathan London, 'Where to from here for Vietnam?'.

24. Alexander L. Vuving, 'Vietnam 2012. A Rent-seeking State on the Verge of a Crisis', in Singh Daljit (ed.), *Southeast Asian Affairs 2013*, Singapore: Institute of Southeast Asian Studies, 2013, p. 326.

25. Alexander L. Vuving, 'Why Trong's re-election doesn't spell the end for reform'.

26. See, e.g., 'Vietnam's uphill battle against corruption', *East Asia Forum*, 11 February 2016; on the anti-corruption campaign launched by Trong upon his ascendancy as the party secretary general in 2011, and the following political confrontation between Trong and Dung, see the already-mentioned Alexander L. Vuving, 'Vietnam 2012. A Rent-Seeking State'.

27. See, e.g, Alexander L. Vuving, 'Why Trong's re-election doesn't spell the end for reform'.

additional perspective on some key issues raised by the 2016 transition in Vietnam's leadership – and on some of the country's major stakes and challenges for the years to come. In the following sections, I attempt to point out two questions that here seem of particular relevance and that somewhat crosscut the analytical approaches briefly sketched above.

First, the reassertion of «collective leadership» and the issue of «party primacy» marked by Trong's re-election need to be assessed (also) against the loss of political (party) control on economic/development processes that has characterized Vietnam with particular intensity in the last ten years. Such a loss of control has created severe imbalances in the country, which urgently need to be fixed. Indeed, in the months following the congress, the CPV speedily reasserted its leadership in the definition of the economic strategy (entrusted to the Central Committee's Economic Commission), (re) limiting the government role to the implementation of the party's strategy.²⁸ Second, and closely linked with the first point, beyond the question of whether «market reforms» will continue or not, their very meaning seems to deserve critical scrutiny. The notion of so-called «market reforms» mostly overlaps with «neoliberal recipes» and with a neoliberal model of integration into the global economy.²⁹ In Vietnam and elsewhere, the neoliberal form of capitalism creates severe economic imbalances, entails major (not necessarily transitory) social costs³⁰ and has a tense relationship with any substantive expansion of democracy.³¹ From this standpoint, and however provocative it may be, it seems fair to say that one major (normally overlooked) stake for Vietnam in the coming years is whether the party will be willing and capable to gain back control over and redress the country's neoliberal development pattern, and in what direction, namely, with what «class content».

28. Michela Cerimele & Pietro Masina 'Patterns of Industrialization and Class Dynamics: Labour Conflict and the Evolving Role of State and Trade Unions in Vietnam', Working paper for the workshop *Capitalist trajectories in Mekong Southeast Asia*, University of Amsterdam, 7-8 November 2016.

29. On neoliberalism and «neoliberal recipes», see, e.g., Alfredo Saad-Filho & Deborah Johnston, *Neoliberalism. A Critical Reader*, London: Pluto Press, 2005.

30. For a historical overview, from a labour standpoint, of Asian countries' progressive integration into global capitalism since colonial to neoliberal capitalism, see: Dae-Oup Chang, 'From Global Factory to Continent of Labour', *Asian Labour Review*, Vol. 1, 2015, pp. 1-48.

31. See, e.g., Alison J. Ayers & Alfredo Saad-Filho, 'Democracy against Neoliberalism: Paradoxes, Limitations, Transcendence', *Critical Sociology*, Vol. 41, Iss. 4-5, 2015, pp. 597-618.

3. *Losing control of the country's development pattern*

The story of Vietnam's outstanding economic performance since the launch of *Doi Moi* by the 6th Party Congress in 1986 is well known. However, especially the 2006-2016 decade had several dark sides, closely related with the definitive erosion of the party's capacity of exercising state power to dictate any coherent development strategy for the country.³² This decade was characterized, as mentioned, by Dung's high concentration of personal power, when an «Office of the Prime Minister (and the state apparatus) emerged arguably as a more powerful institution than the VCP»,³³ including in economic matters. Let's take two examples that are particularly telling for the point at issue – namely some major developments in the state and Foreign Direct Investment (FDI) sectors of the economy.

The control over the State-Owned Enterprises has been a major concern for Vietnam's leadership since the launch of *Doi Moi*. The CPV has persistently attempted to rely on this economic sector as major leverage for implementing national industrial strategies. However, around SOEs also developed wide, rent-seeking networks aiming to take profit from state resources – networks often so powerful to be able to exert influence on the state and party. Under Dung's premiership, an intensified process of economic liberalization coexisted with an expansion of rent-seeking activities; during the 2006-2016 decade, the re-launch of the centrality of SOEs in the Vietnamese economy was de-facto politically used to turn them into a sort of «private property controlled by interests [...] within the party/State».³⁴ Among other things, this triggered slow-downs in economic growth and major macroeconomic turbulences, including rising public debt and crises in the commercial bank system due to «bad loans». Since 2010, former Prime Minister Dung has been associated with enormous corruption scandals and the bankruptcy of key state-owned corporations, such as Vinashin (Vietnam Shipbuilding Industry Group)³⁵ and Vinalines (Vietnam Shipping Lines). While all this dramatically compromised the possibility for SOEs to play a strategic role in Vietnam's industrial policy, the «privatization recipe» soon

32. For a critical review of post-*Doi Moi* Vietnam's (lack of) development strategies see: Adam Fforde, 'Vietnam: Economic Strategy and Economic Reality', *Journal of Current Southeast Asian Affairs*, Vol. 35, No. 2, 2016, pp. 3-30; see also, by the same author, 'Post Cold War Vietnam: stay low, learn, adapt and try to have fun – but what about the party?', *Contemporary Politics*, Vol. 19, Iss. 4, 2013, pp. 379-398.

33. Carlyle A. Thayer, 'Vietnam's Foreign Policy in an Era of Rising Sino-U.S. Competition: Providing Equity to the Major Powers While Pursuing Proactive International Integration', *C3S Paper No. 0143*, November 2016 (www.c3sindia.org/foreign-policy/5807).

34. Adam Fforde, 'Vietnam: Economic Strategy and Economic Reality', p. 21.

35. Nicola Mocci, 'Legittimazione e consenso in Vietnam. Lo stato e le riforme nel periodo della crisi economica', *Asia Maior 2012*, pp. 337-253.

revealed its own «pitfalls».³⁶ Privatization processes typically appeared to be structurally prone to multiplying the opportunities for rent seeking and corrupted practices – contrary to what is normally maintained by mainstream analyses, which see them as the royal road to eradicate corruption.³⁷ Indeed, while in recent years, the CPV’s anti-corruption efforts have been enhanced, by the beginning of 2016, progresses were still considered limited, with challenges for the years to come on the rise. This comes as no surprise, given that «corruption in Vietnam is now [...] associated with interest groups, rent seeking and crony capitalism».³⁸ By the end of 2016, Prime Minister Nguyen Xuan Phuc had to admit that, «despite drastic instruction by the government in the fight against anti-corruption, yielded results failed to meet up with requirement».³⁹ A major objective for continued government action was identified in eradicating interest groups in corruption-prone areas, including public assets, investments, and «equitization» (i.e., privatization) of SOEs.⁴⁰ More generally, issues such as reforming public investments, State-Owned Enterprises and commercial banks remained a central cause of concern in 2016. By the end of the year, the level of public debt and state deficit was still alarming, especially if the counts included the debt of SOEs.⁴¹ At the time of writing, any assessment on the new leadership’s response to the «state-sector challenge» would be overhasty. Yet, it may be safely contended that rationalizing while preserving such a sector proves to be a thorny objective to achieve. In September, a «massive sell-off» of SOEs was announced for 2017.⁴² In fact, Vietnam’s leadership has constantly announced, and scarcely implemented, larger SOEs equitization since the early 1990s. However, it’s notable that during the year under review, even «efficient» and healthy SOEs have been put on the market, especially to mobilize capital to fund public services.⁴³ In this regard, also notable is that, for the first time, the party congress’ documents explicitly mentioned the private sector and recognized

36. ‘Privatization has its pitfalls in Vietnam’, *Thanh Nien News*, 20 January 2014.

37. For a critique of the asserted nexus between privatization processes and the eradication of corruption, see, e.g., Ha Joon Chang, *Bad Samaritans. The Myth of Free Trade and the Secret History of Capitalism*, New York: Bloomsbury Press, 2008.

38. See, e.g., ‘Vietnam’s uphill battle against corruption’; ‘Anti-corruption top Party priority in 2016’, *Viet Nam News*, 9 January 2016.

39. Quoted in ‘Anti-corruption efforts fail to meet requirement: Vietnamese PM’, *Global Times*, 17 November 2017.

40. *Ibid.*

41. Although the entity of the public debt is considered a state secret and therefore no detailed figure is available, the rise of national debt and budget deficit was widely debated in late 2016. Several well-informed officials confirmed to the author that this was a major concern for policymakers.

42. ‘Vietnam plans massive sell-off in state-owned firms early next year’, *VnExpress*, 16 September 2016.

43. ‘Bộ trưởng Đinh Tiến Dũng: Bán vốn nhà nước: làm có trật tự, chống lợi ích nhóm’ (‘Minister Dinh Tien Dung: Selling state’s share: do cautiously, prevent interest groups’), *Vietnam Net*, 17 September 2016.

its relevance in the Vietnamese economy; at the same time, however, they showed a persistent difficulty to clarify the actual meaning of the reaffirmed «leading role» of the state sector – and how it would combine with enhanced attempts at privatizing SOEs.⁴⁴ More generally, these documents showed a persistent difficulty in clarifying the peculiarity of the country's own (and reasserted) development model, i.e., «a socialist-oriented market economy».⁴⁵

While it remains an open question whether Vietnam will be able to re-launch any kind of industrial policy (and any strategic role for SOEs), deepened integration into the global economy through foreign investments and exports has (typically) shown ever more clear signs of being a risky path to «development». The entrance in the WTO (2007) and Dung's pronounced foreign-investor-friendly policies – including «overly generous» economic incentives⁴⁶ – marked for Vietnam a truly «hyper-liberal» turn. In this respect, the decade 2006-2016 represented for the country the «reform decade» par excellence. During these years, which marked a stricter alliance between important sectors of the Vietnamese political élite and foreign capital, Vietnam embraced a full FDI-led export-oriented industrialization model – and turned into one of the most attractive destinations for foreign investors in Asia (especially in sectors such as electronics and garment).

Indeed, in 2016, the country grew by 6.21%, proving for the second year in a row to be one of the most dynamic economies in the world⁴⁷ (although it failed to meet the 6.7% target set by the National Assembly).⁴⁸ In 2016, disbursed FDI increased 9% – reaching an unprecedented US\$ 15.8 billion – while the increase in pledged FDI was 7%.⁴⁹ However, overreliance on foreign investments and exports has typically exposed Vietnam's industrialization process to the volatility of export markets and investment flows. Severe competition between provinces for attracting FDI has often proved detrimental to the quality of investment projects. The increasing predominance of fully foreign-owned plants has entailed a substantial loss of control on the country's trajectory of integration into the global economy. Foreign firms have developed few backward and forward linkages with local industry, thus creating limited spillover effects and technology diffusion. As has been noted:

44. See Đảng Cộng sản Việt Nam, *Văn kiện Đại hội Đảng toàn quốc lần thứ 12* (*Documents of the 12th Party's National Congress*).

45. See for a critical assessment of this notion, Adam Fforde, 'Vietnam: Economic Strategy and Economic Reality'.

46. 'Vietnam becoming wary of too many incentives to foreign investors', *Thanh Nien News*, 1 April 2016.

47. 'Vietnam defies Asia slowdown as economic growth holds above 6%', *Bloomberg Market*, 28 December 2016.

48. 'NA reviews socio-economic development, to set tasks', *Viet Nam News*, 8 October 2016.

49. 'Vietnam defies Asia slowdown'.

Under these conditions not only the country risks to remain trapped in FDI-driven low value adding export productions; but is also repeatedly and coercively exposed to hard competition in terms of labour costs, tax rebates and other pro-capital incentives in order to remain attractive to FDI.⁵⁰

Overall, such a «development» model has produced only limited industrialization. Critical assessments of Vietnam's growth pattern in the last decades have marked that the country is not «industrializing» at all⁵¹ – and that, by 2016, only slightly more than 20% of the workforce was employed in industry.⁵² It's notable that, according to some recent estimates (2016), by 2013, most of the country's working population was still (mostly informally) engaged in small-scale activities (around 46% in agriculture and 31% outside agriculture). By that time, domestic (non-household) enterprises overall absorbed only less than 12% of the country's workforce (8.42% domestic private firms and 3.44% foreign firms).⁵³

Even in this case, it would be hard to assess the new leadership's response to these major challenges, beyond a strengthened accent on the need of enhancing market reforms and supporting the growth of domestic private activities. Worth mentioning, in this respect, are Prime Minister Phuc's own words during the swearing-in ceremony to the new National Assembly in July:

[...] the foreign investment sector develops well while the domestic sector does weakly. We must fix this situation in the coming period by enhancing the cooperation between the two sectors in an integrated national economy.⁵⁴

50. Pietro P. Masina, 'Uneven Development Trap in Southeast Asia and its Implications for Labour', in Matteo Alcano & Silvia Vignato (eds.), *A Place for Work: Small-Scale Mobility in Southeast Asia*, Chiang Mai: Silkworm Books (forthcoming). On Vietnam's FDI-led export-oriented industrialization model and the risks related to the so-called «middle-income trap», see also, by the same author: 'Vietnam tra Flying Geese e middle-income trap: le sfide della politica industriale per una nuova tigre dell'Asia', in *L'industria*, No. 4, 2012, pp. 705-736 and *Il Sud Est Asiatico in trappola: Storia di un miracolo mancato*, Roma: Nuova Cultura, 2013.

51. See Adam Fforde, 'Vietnam: Economic Strategy and Economic Reality'.

52. Pietro P. Masina, *Industrialization, Labour Conflict, and the Role of State and Trade Unions in Vietnam*, History and Economic Seminar, Centre for History and Economics, University of Cambridge, 31 January 2017.

53. Achim D. Schmillen & Truman G. Packard, 'Vietnam's Labour Market Institutions, Regulations, and Interventions. Helping People Grasp Work Opportunities in a Risky World', World Bank Policy Research Working Paper 7587, 2016, pp. 1-36.

54. 'Lễ tuyên thệ nhậm chức của Thủ tướng Nguyễn Xuân Phúc' ('The swearing-in ceremony of Prime Minister Nguyen Xuan Phuc'), *Cổng thông tin điện tử chính phủ*, 26 July 2016 (<http://thutuong.chinhphu.vn>).

Phuc's speech was soon followed by actions aimed at further liberalizing the investment climate with a particular focus on supporting small and medium domestic firms.⁵⁵ In April 2016, the Minister of Finance reportedly rejected Samsung Electronics' request of being allowed a three-year extension of a 50% tax reduction for its two Vietnamese plants. The move was warmly received by many Vietnamese leading economists and seemed to reflect growing awareness that the country had been «too generous with foreign companies».⁵⁶ In November 2016, Vietnam officially shelved the Trans-Pacific Partnership (TPP) ratification⁵⁷ – quite a clamorous move, given the priority accorded to this Free Trade Agreement (FTA) in recent years. Already in early October, Chief of Office of National Assembly Nguyen Hanh Phuc announced that the ratification of the TPP would not be included in the agenda of the October session of the National Assembly, as previously planned.⁵⁸ The shelving of the TPP clearly needs to be related to the lack of «sufficient conditions»⁵⁹ – i.e., Trump's victory in the US and changing regional geopolitics (see section 4). The extent to which the cooled-down enthusiasm for the agreement may have also signalled a will to reassess the country's overall pattern of integration into the global economy remains an open question. Overall, by the end of 2016, there didn't seem to be concrete signs of substantial change in the country's «reform» agenda. What can be said with a certain degree of confidence is that in 2016 the party-set objective of «industrializing» and «modernizing» by 2020 was far from considered achievable by the CPV itself. While reconfirming such objective, the party congress' documents substituted the previous target of «2020» with a more cautious and wary «soon».⁶⁰

4. *The social (and political) costs of «reforming»*

In Vietnam as elsewhere, «integration into the global economy» entails not only major economic imbalances but also major social costs and rising socio-political challenges. Indeed, against Vietnam's unquestionable achievements in poverty reduction, the country's development pattern has been typically accompanied by growing inequality, social malaise and social

55. Chau Hoang, 'Vietnam's New Prime Minister Quietly Turns the Wheels of Economic Reform', *cogitASIA*, 23 August 2016 (www.cogitasia.com).

56. 'Vietnam becoming wary of too many incentives to foreign investors', *Thanh Nien News*, 1 April 2016.

57. 'Vietnam PM backs off from US-led TPP, emphasizes independent foreign policy', *Tuoi Tre News*, 17 November 2017.

58. 'Việt Nam chưa phê chuẩn TPP năm nay' ('Vietnam will not ratify TTP this year'), *VnExpress*, 6 October 2016.

59. 'Vietnam PM backs off from US-led TPP'.

60. See Đảng Cộng sản Việt Nam, *Văn kiện Đại hội Đảng toàn quốc lần thứ 12* (*Documents of the 12th Party's National Congress*).

unrest. The latter has especially come from two key traditional constituencies of the CPV: the peasants and the workers, who have constantly showed high levels of (historically and culturally rooted) vibrancy.⁶¹ For example, the FDI-led export-oriented development model to which I refer above has been predicated upon the incorporation into foreign firms of a new class of young workers. These are often female internal migrants of poor rural origin, typically characterized by extremely poor working and living conditions, unstable employment relations and wages barely hovering around subsistence levels.⁶² In spite of this, migrant workers' ability to mobilize, even amidst widespread informalisation processes, has forcefully exposed the growing tensions emerging out of the country's development pattern. Repeated waves of illegal strikes have hit FDI industry particularly hard. As a result, although mainly associated with investors,⁶³ worker malaise has come to represent a growing source of concern for the party itself. Since the start of *Doi Moi*, in Vietnam, farmers have been involved in major protests against local government officers' and party members' land mismanagement and abusive and corrupted practices.⁶⁴ In more recent years, their involvement in land disputes against land taking for public purposes – including private conversion of land for the building of industrial parks – has been on the rise. It's worth noting that, among other things, enhanced industrialization and globalization of agriculture, along with industrial, infrastructure and urbanization projects, increasingly present the Vietnamese farmers with problems such as land concentration, land scarcity and landlessness.⁶⁵

Three issues are worth emphasizing in the above respect. First, since the launch of *Doi Moi*, Vietnamese single-party rule has been consistently defended through fierce containment of any force perceived as hostile to the party (see section 1); however it has been also marked by a certain degree of

61. See, e.g., Benedict G. Tria Kerkvliet, 'Governance, Development and the Responsive-Repressive State in Vietnam', *Forum for Development Studies*, Vol. 37, No. 1, 2010, pp. 35-59.

62. See Michela Cerimele, 'Informalising the Formal: Work Regimes and Dual Labour Dormitory Systems in Thang Long Industrial Park (Hanoi, Vietnam)', in Matteo Alcano & Silvia Vignato (eds.), *A Place for Work: Small-Scale Mobility in Southeast Asia* (forthcoming).

63. Benedict G. Tria Kerkvliet, 'Governance, Development and the Responsive-Repressive State in Vietnam'.

64. *Ibid.*

65. See, e.g., Nguyen Van Suu, 'Agricultural Land Conversion and Its effects on Farmers in Contemporary Vietnam', *Focaal – European Journal of Anthropology*, Vol. 54, 2009, pp. 106–13; T&C Consulting and John Gillespie, 'Public Land Disputes in Vietnam. A Multi-Actor Analysis of Five Case Studies with an East Asian Comparative', The Asia Foundation, Hanoi, January 2014; Tran Thi Thu Trang, 'Food Security versus Food Sovereignty: Choice of Concept, Policies, and Classes in Vietnam's Post-Reform economy', *Kasarinlan: Philippine Journal of Third World Studies*, Vol. 26, No. 1-2, 2011, pp. 68-88.

«responsiveness» to bottom-up demands, pressures and criticism.⁶⁶ Second, this «responsiveness» has rightly been said to be part and parcel of the CPV's aim to preserve its own domestic legitimacy to maintain its hold on power. Yet it seems fair to point out that some sectors of the party and state have also consistently shown «genuine» and «sincere» concern for the social suffering associated with the «transition to the market» and «capitalist society» – which in turn clearly needs to be related to Vietnam's (relatively recent) militant and revolutionary history.⁶⁷ At a further stretch, and third, processes of «integration into the global economy» themselves often pose «intractable» dilemmas and raise the question of whether they de-facto require (in form or in fact) authoritarian forms of government to manage social unrest and conflict. Vietnam's current pattern of FDI-led export-oriented industrialization is a good case in point. As has been detailed elsewhere, for example, it shows the difficulty of conciliating, in a condition of dependency from FDI, enhanced working conditions for the newly emerging (and highly combative) Vietnamese working class with foreign investors' specific requirements and expectations (i.e., a low cost and highly disciplined labour force).⁶⁸ In many instances, the infamous «fish death crisis» that hit Vietnam in April 2016 (for which there is more in the following section) provides another good example of the nature of such a dilemma. It illustrated how dependency from FDI and foreign investors' requirements (and actual practices) are barely compatible with people's very basic demands for environmental protection, the protection of their livelihoods and health safety. Worth mentioning in this respect is that, in Vietnam, the issue of environmental degradation is itself quickly turning into an enormous challenge for the party – if not into its real «Achilles' heel». As for the new leadership's response to the crisis, excessive slowness and uncertainty in managing it left open the question of what direction – and what kind of «class alliances» – it will pursue in terms of responding to growing social suffering and discontent.

4.1. *The April «fish death crisis»*

Referred to by Prime Minister Nguyen Xuan Phuc as «the most serious and unusual environmental incident faced by our country»,⁶⁹ the

66. See Benedict G. Tria Kerkvliet, 'Governance, Development and the Responsive-Repressive State in Vietnam'.

67. Author's conversations with state and trade union officials.

68. See, e.g., Michela Cerimele, 'Vietnam 2014-2015: The Strengthening of Relations between Vietnam and the United States', *Asia Maior 2015*, pp. 265-295 and, by the same author, 'Informalising the Formal: Work regimes and Dual Labour Dormitory Systems'.

69. 'Kết luận của Thủ tướng tại cuộc làm việc với các địa phương bị ảnh hưởng do hiện tượng hải sản chết bất thường' ('Conclusions by Prime Minister on the meeting with local authorities affected by the unusual death of seafood'), *Cổng thông tin điện tử chính phủ*, 3 May 2016 (<http://chinhphu.vn>).

«fish death crisis» was one of the first major challenges the new Vietnamese government faced after its establishment in April. The crisis originated by the discharging of toxic wastewater into the sea from the Formosa Ha Tinh Steel Corporation, a Vietnam-based subsidiary of the Taiwanese Formosa Plastics Corporation, known internationally for its bad environmental practices.⁷⁰ The massive fish die-off struck the provinces of Ha Tinh, Quang Binh, Quang Tri and Thua Thien-Hue early in April, resulting in severe damage for the livelihood of the local communities, including severe economic losses and health consequences.⁷¹ Local residents blamed the Formosa Ha Tinh Steel Corporation (FHS) immediately in the wake of the disaster. The company's local department of external relations incautiously and implicitly admitted responsibility at a moment when Vietnamese authorities' official position was still overly cautious about the causes of the disaster.⁷² In fact, FHS's Vice-director of the Department of External Affairs (later dismissed by the company), in a television interview (25 April), maintained that: «Before acquiring the land, we advised local fisherman to change job [...]. I have to decide whether to catch fish and shrimps or to build a modern steel industry».⁷³ Indeed, in the early stage of the crisis, Vietnamese state inspectors were forbidden access to the multinational's land, with FHS behaving as if it expected a free hand, in spite of having formally subscribed strict environmental standards.⁷⁴ This said, as has been widely noticed, the management of the crisis on the side of Vietnam's government was rather slow. In fact, investigations started only after protests had spread in the affected provinces and in the country at large for over a month. Protesters – whom police reportedly cracked down – particularly blamed Vietnamese authorities for their irresolution in safeguarding local communities and their livelihood in favour of foreign multinational-related economic interests.⁷⁵ At the same time, FHS reported intention to review downward its investments plan for Vietnam.⁷⁶ Only in June, three months after the explosion of the crisis, did the government publicly denounce FHS's responsibility for the environmental disaster (after the company itself

70. Linh Trong, 'Vietnam Fish Deaths Cast Suspicion on Formosa Steel Plant', *The Diplomat*, 30 April 2016.

71. 'Taiwan-Owned Steel Factory Caused Toxic Spill, Vietnam Says', *The New York Times*, 30 June 2016; 'Formosa blamed for fish death', *Viet Nam News*, 30 June 2016.

72. 'Vietnam says no proof of Formosa steel plant linked to mass fish deaths', *Reuters*, 27 April 2016.

73. 'Ông Chu Xuân Phàm: «Tôi bị đuổi việc»' ('Mr. Chu Xuan Pham: «I was dismissed»'), *VnExpress*, 28 April 2016.

74. Linh Trong, 'Vietnam Fish Deaths Cast Suspicion on Formosa Steel Plant'.

75. 'Toxic Fish in Vietnam Idle a Local Industry and Challenge the State', *The New York Times*, 8 June 2016.

76. 'Fish Death Crisis Prompts Vietnam Waste Water Probe', *Bloomberg*, 4 May 2016.

had admitted its own faults) and announced that it had offered to pay US\$ 500 million for compensation of damages.⁷⁷

5. *Foreign policy developments*

There was little indication in 2016 that Vietnam's foreign policy orientation would change compared to past years and, more generally, to its approach to foreign relations, as defined in the late 1980s and early 1990s. Since then, the country has followed the principles of «independence and self-reliance, multilateralization and diversification [...], struggle and cooperation, and proactive international integration».⁷⁸ A major endeavour for Vietnam in recent years has been the attempt to walk the fine line of rising US-China antagonism to avoid remaining trapped in one of the two camps. Among other things, this has translated into efforts at building a «multi-polar balance» involving, besides China and the US themselves, other major powers, such as Japan, Russia and India.⁷⁹ Overall, the attempt has proven successful – not the least because of the growing «pivotal role» in the «East Asia power equation» that Vietnam has recently come to play.⁸⁰ Yet, as for domestic developments, the year 2016 also confirmed that challenges are on the rise, especially given the new sources of uncertainty looming on the already-fluid and thorny geopolitics of the Asia-Pacific. Because of their importance, in the following sections, our analysis specifically focuses on Vietnam's relations with US, India and China.

5.1. *The US-Vietnam relations: between continuities and uncertainties*

While known to be a leader sympathetic to China, and one favouring a «soft» approach towards Chinese increasing assertiveness in the South China Sea, re-elected Party Secretary General Trong has hardly assumed a dogmatic position in foreign relations over the last years. Trong supported the enhancement of Washington-Hanoi bilateral relations within the framework of the US «Pivot to Asia», and in 2015, he was the first CPV's secretary general ever to visit the United States.⁸¹ The first half of 2016 saw a further landmark development in US-Vietnam intensified dialogue. On 23-25 May, Barack Obama visited Hanoi – the third sitting US president, after Bill Clinton and George W. Bush, to visit Vietnam (since the Vietnam War). The Joint Statement

77. 'Formosa blamed for fish death', *Viet Nam News*, 30 June 2016.

78. See, e.g., Carlyle A. Thayer, 'Vietnam's Foreign Policy in an Era of Rising Sino-U.S. Competition'.

79. *Ibid.*

80. Anton Tsvetov, 'Not So Lonely at the Top: Vietnam's Next Step in Power Balancing', *The Diplomat*, 10 September 2016.

81. Michela Cerimele, 'Vietnam 2014-2015'.

by President Obama and President Quang on 23 May after bilateral talks expressed the will on both sides of further strengthening «comprehensive partnership» in seven main areas, including security and defence cooperation and economic ties. The leaders reiterated their commitment to seek «peaceful resolution of territorial and maritime disputes» and «early ratification and full implementation» of the TPP. A further area for enhanced cooperation was identified in the promotion of human rights and legal reforms.⁸² Indeed, re-confirming what at this point can be considered a well-established habit,⁸³ talks evidenced differences in approach to human rights and Obama made a «forceful case for human rights»⁸⁴ in his 24 May speech «in Address to the People of Vietnam».⁸⁵ Yet, during the visit, Obama also announced a total lifting of the US embargo on lethal arms to Vietnam, somewhat marking the passage to «full normalization» of bilateral relations. During the year, exchange of visits continued,⁸⁶ and the Vietnamese reiterated on several occasions – including after Trump’s election in November – the importance of ties with the US.⁸⁷ However, as is well reflected by the clamorous shelving of the TPP by the Vietnamese government (see section 3), the election of Donald Trump definitely put the Vietnam-US privileged dialogue in the region on hold. Indeed, although considered the TPP’s «biggest winner», Vietnam hardly supported the attempt of other signatories of the pact, such as Japan and New Zealand, to «salvage» it. As has been noticed, from a strict strategic standpoint, «vocally advocating for a trade pact [...] perceived as an attempt by the outgoing Obama administration to contain Beijing’s rising influence in the region, while knowing that America’s incoming administration would dump the deal» would have been «unwise» for Hanoi.⁸⁸

82. The White House, Office of the Press Secretary, *Joint Statement: Between the United States of America and the Socialist Republic of Vietnam*, 23 May 2016 (<https://obamawhitehouse.archives.gov/the-press-office/2016/05/23/joint-statement-between-united-states-america-and-socialist-republic>).

83. On the Vietnam-US «human rights issue», see Michela Cerimele, ‘Vietnam 2014-2015’.

84. ‘Obama raises human rights in Vietnam, calls for «peaceful resolution» of South China Sea disputes’, CNN Politics, 24 May 2016.

85. The White House, Office of the Press Secretary, *Remarks by President Obama in Address to the People of Vietnam, Hanoi*, 24 May 2016 (<https://obamawhitehouse.archives.gov/the-press-office/2016/05/24/remarks-president-obama-address-people-vietnam>).

86. Truong Minh & Nguyen Thanh Trung, ‘Vietnam’s Foreign Policy: In Search of a New Delicate Balance’, *Asia Maritime Transparency Initiative*, 10 November 2016 (<https://amti.csis.org>).

87. See, e.g., ‘Hoa Kỳ là một trong những đối tác quan trọng hàng đầu’ (‘The United States is one of our most important partners’), *Tienphong Online*, 6 July 2015 (<http://www.tienphong.vn>); ‘Vietnam reiterates importance of US ties after Trump’s election’, *Viet Nam Net*, 10 November 2016.

88. Xuan Loc Doan, ‘Has Trump’s election affected Vietnam’s foreign policy?’, *Asia Times*, 25 November 2016.

5.2. *Enhancing the relations with India*

The enhancement of relations with India was certainly one of the main Vietnamese foreign policy developments in 2016. On 2-3 September, Indian Prime minister Narendra Modi's trip to Hanoi marked a milestone for bilateral relations, both symbolically and in content. The first Indian premier to visit Vietnam on a bilateral basis after 15 years, Modi stopped over in Hanoi immediately before joining the G20 held in Hangzhou on 4-5 September 2016 – and after the 12 July 2016 historic Hague Permanent Court of Arbitration's ruling on the South China Sea against China (and in favour of the Philippines).⁸⁹ Indian Minister of Defence Manohar Parrikar's trip to Hanoi on 5-7 June preceded this visit, which confirmed India's commitment to support Vietnam's stand in the South China Sea. Among other things, Parrikar participated in a business meeting between major Indian arms producers and their Vietnamese counterparts; on this occasion, Vietnam Border Guards handed the Indian defence company Larsen & Toubro a bid document to build Offshore Patrol Vessels.⁹⁰ The company signed the contract with the Indian Ministry of Defence to supply the vessels in September.⁹¹ Already, in 2014, India agreed on a US\$ 100 million line of credit to Vietnam to buy Indian-produced patrol boats, on the occasion of Indian President Pranab Mukherjee's visit to the country.⁹² Over the past years, India has trained Vietnamese Naval personnel on handling Russian-produced Kilo-class submarines; most importantly, since 2014, Vietnam and India have been negotiating the selling of India-Russia co-developed supersonic Brahmos missiles to Vietnam, with Hanoi potentially being one of the first countries to receive this missile system from New Delhi.⁹³ Remember, since 2006, on Vietnam's invitation and despite China's irritation, the Indian ONGC Videsh Ltd. (OVL) – the international branch of the Oil and Natural Gas Corporation (ONGC) – has conducted oil exploration in Vietnam-China disputed waters (in cooperation with Vietnam).⁹⁴ In 2016, the company received a fourth extension (until 15 June 2017) to explore Block-128. In past years, India's activities in Block-128 – a drilling oil block falling in Vietnam's exclusive economic zone, but also

89. On this ruling, see Francesca Congiu and Alessandro Uras' detailed analysis in this same volume.

90. 'Parrikar holds talks with Vietnamese President, Prime Minister and Defence Minister', *The Indian Express*, 6 June 2016.

91. 'India's Larsen & Toubro wins contract to deliver patrol vessels to Vietnam', *IHS Jane's Defence Weekly*, 23 September 2016.

92. 'Ấn Độ cho Việt Nam vay 100 triệu USD' ('India lends Vietnam 100 million USD'), *VnExpress*, 15 September 2014.

93. Rajaram Panda, 'Upswing in India-Vietnam ties after Parrikar visit', *The Pioneer*, 19 June 2016.

94. India's presence in Vietnam's waters dates back to 1988, when OVL first obtained an exploration license for Block 06.1 (a gas reserve).

claimed by China – have been harshly criticized by the latter as «illegal». It's notable that the Block has proven to be rather poor of hydrocarbon⁹⁵ and that India's reconfirmed presence there is not in the least due to its aim to maintain «its strategic interest in the region».⁹⁶

In 2017, Vietnam and India will celebrate the 45th anniversary of diplomatic relations and the 10th anniversary since the signing of a «strategic partnership». While the two countries' long-lasting friendly relationships have considerably intensified in recent years, Modi's premiership has certainly been marked by more overt strategic support to the enhancement of Vietnam's military and defence capacity. During Prime Minister Nguyen Tan Dung's trip to New Delhi in October 2014, Modi labelled the «defence relations with Vietnam among the most important for India» – somewhat indicating Vietnam's rise to a linchpin of India's «Act East» policy.⁹⁷ Several historical and newer irritants underpin the rising India-China rivalry;⁹⁸ one of the most prominent strategic interests India clearly shares with Vietnam is the objective to limit China's rising influence in the South China Sea. Vietnam's growing significance for India should also be seen against China's projection into the Indian Ocean; in 2011, China established a naval base on Hainan Island, immediately off the Vietnamese coast.⁹⁹ Certainly, a major strategic convergence between the two countries lies in the fact that, in recent years, Vietnam has emerged as one of the largest world-arms importers (it ranked 8th between 2011 and 2015), while «defence sale is becoming under Modi an important instrument of India's regional diplomacy».¹⁰⁰ The enhancement of military and trade relationships centrally featured bilateral talks between Modi and the Vietnamese Prime Minister – in both fields, exchanges have remained limited, though they have progressed quickly in recent years, especially with military cooperation. One major outcome of Modi's visit was the announcement of the opening of a credit line worth US\$

95. In 2006, India obtained exploration licences for two blocks, Block 127 and Block 128. However, OVL exited the first because of lack of hydrocarbon reserves.

96. See 'ONGC Videsh Ltd gets 1-year extension for exploring Vietnamese oil block', *The Economic Times*, 23 August 2016; 'Why India and Vietnam Need Each Other', *The Diplomat*, 13 September 2016; 'India's oil exploration off Vietnam «illegal», Chinese mouthpiece says', *The Times of India*, 1 September 2015; 'ONGC not to exit Vietnam block despite poor prospectivity', *The Times of India*, 12 June 2015.

97. For an overview of the sustained exchange of visits between India and Vietnam in recent years, see: 'Viet Nam, India issue joint statement', *Viet Nam News*, 3 September 2016.

98. See, e.g., on this: Daniel S. Markey, 'Armed Confrontation Between China and India. Contingency Planning Memorandum No. 27', *Council on Foreign Relations*, November 2016.

99. Rajaram Panda, 'Upswing in India-Vietnam ties'.

100. Devirupa Mitra, 'Modi to Visit Vietnam as India's «Act East Policy» Takes It to South China Sea', *The Wire*, 31 July 2016.

500 million for Vietnam's acquisition of defence equipment.¹⁰¹ Talks also led to the upgrade of the two country's «strategic partnership» to the status of a «comprehensive strategic partnership»[□] and to the signing of agreements in numerous fields, including health, defence, space and cybersecurity.¹⁰² In early 2016, it was announced that India would install a satellite tracking and imaging station in Ho Chi Minh City, providing the Southeast Asian country access to images and pictures of the South China Sea.¹⁰³

5.3. *Managing the relations with China*

It has been rightly said that «Hanoi is aware that its partners like India, Japan and even the US are not a match for the power that Beijing, especially with its new friend Russia, can bring to bear on it».¹⁰⁴ The spring-summer 2014 Haiyang Shiyou 981 crisis here is a major case in point. The crisis followed China's deployment of the massive oil rig Haiyang Shiyou 981 into waters disputed with Vietnam.¹⁰⁵ It marked an unprecedented deterioration of Hanoi's relations with Beijing since the normalization of relations in 1991 and decisively dented Hanoi's confidence in its neighbour.¹⁰⁶ It is relevant to recall that the deterioration of the situation in the South China Sea in past years has had a major impact on Vietnamese domestic politics as well, given the growing anti-Chinese sentiments of the Vietnamese population. While, especially in periods of low economic performance, the CPV has used nationalism as a further source of domestic legitimation,¹⁰⁷ the crisis reconfirmed how nationalist upheavals may turn into a major political challenge for the party in their own right.¹⁰⁸ After the 2014 crisis, high level visits were restored and continued up to the year under review;¹⁰⁹ however, China has also continued its activities in the South China Sea.¹¹⁰ In December 2015, soon before the beginning of the 12th Party Congress,

101. 'Ấn Độ cấp thêm 500 triệu USD tin dụng quốc phòng' ('India provides 500 million USD more for Vietnam's defence'), *Vietnam Net*, 3 September 2016.

102. See Sanghamitra Sarma, 'India-Vietnam Relations After Modi's Visit', *The Diplomat*, 5 September 2016.

103. 'India to build satellite tracking station in Vietnam that offers eye on China', *Reuters*, 25 January 2016.

104. Manoj Joshi, 'Vietnam will never be for India what Pakistan is to China', *The Wire*, 2 September 2016.

105. Namely, in Vietnam's exclusive economic zone, about 120 miles from its coast and close to the Paracel Islands; see Michela Cerimele, 'Vietnam 2014-2015'.

106. *Ibid.*

107. Le Hong Hiep, 'Performance-based Legitimacy'.

108. See Michela Cerimele 'Vietnam 2014-2015'.

109. See Xuan Loc Doan, 'Vietnamese PM's China visit significant', *Asia Times*, 16 September 2016 and Truong Minh & Nguyen Thanh Trung, 'Vietnam's Foreign Policy'.

110. See Nguyen Khac Giang, 'Vietnam's China challenge', *East Asia Forum*, 18 February 2016.

the same Haiyang Shiyou 981 oil rig was yet again sent into contested waters.¹¹¹ This said, during all of 2016, Vietnam managed its approach to China with noticeable diplomatic skills. This was particularly well reflected in Vietnam's sober official reaction to the Hague Court's ruling of 12 July in favour of the Philippines against China's claims in the South China Sea. Notwithstanding its major stakes in the South China Sea – and its having been one of the strongest supporters of the Philippine cause – Vietnam did not go further than welcoming the ruling and reaffirming the country's stance on the resolution of the dispute.¹¹² For her part, China, while confirming commitment to managing disputes through «direct negotiations», rejected the ruling as «null and void».¹¹³

The second half of the year saw the two countries heading towards an improvement in the quality of bilateral relations, marked by the 10-15 September 2016 Prime Minister Nguyen Xuan Phuc's visit to Beijing. Phuc visited China only two months after the beginning of his term in office. The re-building of «political trust» between the two neighbouring countries emerged as one of the key themes of the visit – along with the enhancement of economic cooperation aimed at re-balancing Vietnam's severe trade deficit with China (its most important trade partner).¹¹⁴ Beijing seemed to welcome the visit's key-messages, arguably interested in avoiding an excessive widening of the distance separating it from Hanoi.¹¹⁵ Yet, managing the relations with China and the constantly evolving South China Sea issues seemed to remain one of the biggest foreign policy challenges facing Vietnam. In fact, as already mentioned, China rejects any internationalization of the dispute, favouring negotiations on a bilateral basis, which would put Hanoi in a situation of disadvantage.¹¹⁶ Also, Trump's ascension to the US presidency drew a thick veil of uncertainty on regional geopolitics, including the US bilateral relation with Beijing and the consequences this might have for the US-China-Vietnam «geopolitical triangle». A furthered veil of uncertainty was drawn on regional geopolitics by other changes in leadership, such as in the case of the Philippines. Indeed, the latter half of 2016 saw Vietnam more isolated in its South China Sea stand, not least because of the newly elected Philippines President Duterte's surprising distancing from the United States in favour of China and the resulting warming of relations between Manila and Beijing.¹¹⁷ Third, and related to this point, while Vietnam has

111. 'Giàn khoan Hải Dương 981 lại vào Biển Đông' ('Haiyang oil rig 981 entered the East Sea again'), *Zign.vn*, 29 December 2015 (<http://news.zing.vn>).

112. 'Vietnam welcomes Hague ruling on East Vietnam Sea disputes: foreign ministry', *Tuoi Tre News*, 13 July 2016.

113. 'Ruling «null and void», with no binding force', *China Daily*, 13 July 2016.

114. See Michela Cerimele 'Vietnam 2014-2015'.

115. Xuan Loc Doan, 'Vietnamese PM's China visit significant'.

116. *Ibid.*

117. *Ibid.*

repeatedly recalled ASEAN's centrality in managing maritime disputes, the consensus principle on which the organization's decision-making mechanism rests¹¹⁸ doesn't play in its favour. In this regard, it is evident how the China-Philippines enhanced relation could further «harm unity within the organization [ASEAN] and counteract Vietnam's efforts to use ASEAN to balance out powers in the region [...]».¹¹⁹ This should be read, in turn, in parallel with the recent warming of relations between Cambodia and China, which has already importantly harmed ASEAN's capacity to take a common position on the South China Sea.¹²⁰

118. For a critical assessment, see Le Hong Hiep, 'Can ASEAN overcome the «Consensus Dilemma» over the South China Sea?', *ISEAS Perspective*, No. 58, 24 October 2016.

119. Helen Clark, 'Between an uncertain Duterte and Trump and a powerful China, Vietnam seeks stability in ASEAN', *Huffington Post. The World Post*, 28 November 2016.

120. See the already-mentioned Truong Minh & Nguyen Thanh Trung, 'Vietnam's Foreign Policy'.