

## VIETNAM 2017-2018: STRENGTHENING THE LEGITIMACY OF THE VCP\*

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*The aim of this article is to analyse the main political processes in Vietnam during the two years 2017-2018. After the reshuffle of the leadership following the 12<sup>th</sup> Congress of the Vietnamese Communist Party (VCP), the new party's elite worked to strengthen the VCP's legitimacy to achieve two objectives: first, to reverse the progressive decline of the party hegemony, which had been ongoing for ten years; second, to ensure the stability of the country at international level and so assuage the concerns of foreign investors. It was crucial to boost the economic Foreign Direct Investment-export led model. Even though this model has ensured a continued GDP growth, it has not only failed to resolve some social criticalities, but has worsened them. On the international stage, this put the party-state on a knife-edge, spurred on by foreign investor pressure and the need for an adjustment to the counterpoising forces of China's assertiveness and the US's unpredictability.*

### *1. Introduction*

In Vietnam, the period 2017-2018 was marked by the Communist leadership' attempt at strengthening the legitimacy of the Vietnamese Communist Party (VCP) at both national and international level. This strategy firstly aimed at reversing the previous ten years' progressive decline of the party hegemony. Secondly, the Vietnamese leadership tried to ensure the stability of the country at international level, particularly in the aftermath of its own renewal (on this see below). In the context characterised by a steady flow of foreign direct investments (FDI), influential analysts, such as those writing for the Economist Intelligence Unit, have been warning investors since 2016 about the dangers represented by new leadership. The new leadership was considered more conservative than the previous one; as a consequence foreign analysts pointed out the danger that it could implement policies, thus negatively affecting investments.<sup>1</sup> Investors needed confirmation by the new

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1. See all different bulletins «Alert-Risk scenario on Vietnam» released periodically by EIU, since 2016.

leadership of its resolve to adhere to *Vietnam 2035: Toward Prosperity, Creativity, Equity, and Democracy*. This was the manifesto of the Post-Washington Consensus development economics, jointly signed by former Vietnamese Prime Minister Nguyen Tan Dung and World Bank President Jim Yong Kim, in 2016.<sup>2</sup>

The process of strengthening party legitimacy was pursued through two intertwined strategies. The first aimed at ensuring economic growth, implementing a development model based on the increase of foreign direct investment and export. The second strategy was the anti-corruption campaign within the VCP, which attempted to present itself as a party both willing and capable of reform in terms of morality. In fact, it was evident that the anti-corruption campaign had a further and politically equally important goal: that of silencing domestic opposition to the leadership.

Finally, the process aimed at strengthening the legitimacy of the VCP was coupled by the centralisation of executive power in the hands of the general secretary of the party. For the first time since Ho Chi Minh's death, a VCP secretary, Nguyen Phu Trong, was elected president of the Republic, and came to embody those two crucially important roles.

The economic system's dependence on FDI determined the need of the party-state to strengthen international relations with major investor countries, chiefly the United States and its main allies – Japan, Taiwan and South Korea –, as well as the US's main competitor, China.

In order to ensure the export of Vietnam's manufactured goods to a wider community of countries, the party-state implemented the sustained policy of free trade agreements (FTA). As a result, in 2018 the European Union-Vietnam Free Trade Agreement (EVFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) were signed.

This model of development, although resulting in a high level of GDP growth, had unfortunate consequences both at the economic and social levels. The Vietnamese economy was stuck in the «middle income trap», like most of the South East Asia economies.<sup>3</sup> Statistical data reveal that the proportion of manufactured goods in relation to GDP has been declining since Vietnam's admission to the WTO (11 January 2007). For these reasons,

2. World Bank and Ministry of Planning and Investment of Vietnam, *Vietnam 2035: Toward Prosperity, Creativity, Equity, and Democracy*, Hanoi: World Bank, 2016. Supplying counselling for strengthening the Socio-Economic Development Plan 2016–20 and the Socio-Economic Development Strategy 2021–30 was the objective of this programme. This wide study provides a very comprehensive analysis of current challenges and promotes an agenda for policy reforms.

3. In 2009 Professor Kenichi Ohno introduced the debate on the «middle-income trap» in Vietnam. Together with a wide group of colleagues from the Japanese JETRO and the Vietnamese National Economic University he tried to combine the «middle-income trap» approach with policy proposals more in line with the developmental state East Asian tradition. See Kenichi Ohno, 'Avoiding the Middle-Income Trap: Renovating Industrial Policy Formulation in Vietnam', *ASEAN Economic Bulletin*, Vol. 26, No 1, 2009, pp. 25-43.

some analysts suggested that the challenges facing the country's industrial development were connected with both an excessive dependence on foreign capital and the weakness of national industrial policies.

On this basis, the first part of this article will analyse the reasons and consequences of the VPC hegemonic decline and the actions taken to reverse it. In the second part, the characteristics of the development model and the problems that emerged will be discussed. Finally, the third part will focus on the analysis of the new trends which came to characterise Vietnam's foreign policy in the years under review.

From a methodological point of view, as the VCP's internal affairs have always been distinguished by a high level of secrecy and lack of primary sources, the analyst's work must be based first on the few available official documents, the analysis of press reports on the party, and confidential notices leaked to the public. It is also necessary to focus on the analysis of available statistical data, on interviews with key stakeholders, as well as literature on history, current affairs and development studies.

## *2. The Vietnamese party-state and its legitimisation deficit*

In the so-called advanced democracies, it is possible to measure the degree of legitimacy of a leader, a party or a coalition government through the analysis of electoral votes and polling numbers. In one-party systems, such as the Vietnamese, where the choice of leaders and policies takes place within the party, it is necessary to interpret alternative indicators. One of these is the internal dynamics, as reported by official sources. Another is the history of the party, not only its internal evolution but also its relation with a plurality of social and economic actors, both at national and international level. As noted by Carlyle Thayer: «Vietnam's one-party political legitimacy rests on multiple sources including responsiveness to challenges from within and below to speed up the pace and scope of political and social change».<sup>4</sup>

From its inception in 1930, and at least until 1975, the VCP tied its legitimisation to military heroism, the victories obtained in the anti-colonial and anti-imperialist wars against France, the United States, the Khmer Rouge and China. The legitimacy of the VCP, on an internal level, was strengthened in the 1980s when it withstood the embargo imposed by the United States, China's military aggression and the end of Soviet aid. Even in adversity, the VCP continued to play an undisputed leading role and to be a fundamental reference point for the entire population. However, this element also produced a paternalistic attitude, which manifested itself in

4. Carlyle A. Thayer, 'Political Legitimacy in Vietnam: Challenge and Response', *Politics & Policy*, 2010, Vol. 38, No. 3, pp. 423-44; Le Hong Hiep, 'Performance-based Legitimacy: The Case of the Communist Party of Vietnam and Doi Moi', *Contemporary Southeast Asia*, Vol. 34, No. 2, August 2012, pp. 145-172.

the strong belief that «the party knows best», which in turn made criticism either impossible or unlawful.<sup>5</sup>

The thaw with Western countries began in 1993, with the visit of President François Mitterrand in Hanoi, who rescheduled Vietnam's hard currency debt. The following year, on 3 February 1994, US President Bill Clinton lifted the 19-year-old trade embargo against Vietnam, allowing the country to begin a process of integration with the international economy. The Vietnamese «open doors» policy, launched that year, definitively allowed the VCP to regain a broad international legitimacy and, at the same time, to strengthen its internal one. On the domestic side, with the third generation of leadership, the VCP progressively replaced military heroism with economic growth as its main source of legitimacy.

However, following integration into the global economy and the adoption of the Oriented Export Industrialization development model, the VCP only partially managed to link the strengthening of internal legitimacy to economic growth. In fact, while the adopted development model allowed a gradual increase in general wealth, it created a series of socio-economic problems. Industrial strikes and protests in the countryside between 2006 and 2011 only highlighted the VCP's difficulties in managing the social consequences of the industrialisation process.<sup>6</sup> Marking these difficulties, Adam Fforde summarised the decline of the VCP in an article whose meaningful title, the «The End of the party», referred both to the political crisis of the party and to the legitimacy deficit.<sup>7</sup>

It is difficult to establish the extent to which the decline in the internal legitimacy of the VCP was related to socio-economic problems. From this point of view, scholars in the field have presented their own interpretation. Edmund J. Malesky believes that, vis-à-vis the party-state, other actors such as the National Assembly have strengthened themselves.<sup>8</sup> According to Malesky, the role of the National Assembly is more assertive now than during the cold-war period, when it was just a rubber stamp parliament that ratified the decisions of the executive. This evolution took place thanks to a better selection of members, to their greater participation in the political debate and their improved knowledge of legislation.<sup>9</sup>

5. Martin Gainsborough, 'Political change in Vietnam: in search of the middle class challenge to the state', *Asian Survey*, Vol. 42, No. 5, 2002, pp. 694-707.

6. Kaxton Siu & Anita Chan, 'Strike Wave in Vietnam, 2006-2011', *Journal of Contemporary Asia*, Vol. 45, No. 1, 2015, pp. 71-91.

7. Adam Fforde, 'Vietnam in 2012: The End of the Party', *Asian Survey*, Vol. 53, No. 1, Jan/Feb 2013, pp. 101-108.

8. Matthieu Salomon, 'Power and representation at the Vietnamese National Assembly: the scope and limits of political doi moi', in Stéphanie Balme & Mark Sidel (eds.), *Vietnam's New Order: International Perspectives on the State and Reform in Vietnam*, Basingstoke: Palgrave Macmillan, 2007, pp. 198-216.

9. Edmund Malesky, Paul Schuler & Anh Tran, 'The Adverse Effects of Sunshine: A Field Experiment on Legislative Transparency in an Authoritarian Assembly', *The American Political Science Review*, 106, 2012, pp. 762-786.

Adam Fforde also argued that the VCP role – and, in general, the party-state role – has always been very weak. Consequently, in many crucial phases of its life other actors determined choices that the party-state merely ratified.<sup>10</sup> As different historical or social researchers have shown, Vietnamese contemporary history has been characterised by political phenomena driven by spontaneous social processes or influenced by non-state actors. As analysed by Adam Fforde and Stephen de Vylder, the emergence of the market economy was a social process that stemmed from the below and only in its second phase was institutionalised by the party-state through the *Đổi Mới* reforms (adopted in 1986).<sup>11</sup>

Benedict J. Tria Kerkvliet, in his research on decollectivisation in rural Vietnam, argued that «communist government's capacity to coordinate programs and implement policies is considerably weaker than what dominating state or mobilizing corporatist view would argue.»<sup>12</sup> This highlights how the dialogic character of the party-state, aimed at maintaining active dialogue with social actors is itself a source of legitimacy. For this reason, Martin Gainsborough, relying on his experience as an analyst with the UNDP (United Nations Development Programme) in the 1980s and his subsequent field research, stated that the centrality of the party-state of Vietnam is nothing more than a myth, fuelled partly by the VCP itself and partly by scholars and analysts.<sup>13</sup> For the VCP, the narrative in which the party-state is at the top of the chain of command was essential to the preservation of that role.

Questioning the centrality of the party-state is not an exclusively theoretical exercise but has practical consequences on the analysis of VCP internal political dynamics and, therefore, on the legitimacy of the party-state itself. There is no question that, in recent years, state actors such as the main investor and non-state entities, for example the international development agencies (World Bank and International Monetary Fund), have influenced the political development of states such as Vietnam. Furthermore, the integration of the Vietnamese industrial system in the global supply chain and its adherence to the FTAs have determined the need for the party-state to adapt its regulations to international standards. In

10. Adam Fforde, 'Vietnam in 2012: The End of the Party', *Asian Survey*, 107, 2013, pp. 101-108. In a recent article, Fforde examined in-depth the concept of authority in relation to the VCP, arguing that the ruling party actually has little authority. Adam Fforde & Lada Homutova, 'Political Authority in Vietnam: Is The Vietnamese Communist Party a Paper Leviathan?' *Journal of Current Southeast Asian Affairs*, Vol. 36, Issue 3, 2017.

11. Adam Fforde & Stephen de Vylder, *From Plan to Market: The Economic Transition in Vietnam*, Boulder: Westview Press 1996.

12. Benedict J. Tria Kerkvliet, *The Power of Everyday Politics: How Vietnamese Peasants Transformed National Policy*, Cornell University: Ithaca, NY, p. 36.

13. Martin Gainsborough, 'The Myth of a Centralised Socialist State in Vietnam: What Kind of a Myth?', *Journal of Current Southeast Asian Affairs*, Vol. 36, No. 3, pp. 119-143.

much the same way, a galaxy of NGOs, engaged in various sectors, became active and supportive of dissenting voices, especially in industry and in rural areas, where the land-grabbing phenomenon was more widespread.<sup>14</sup>

Moreover, in a context characterised by a continuous FDI flow, the last ten years has seen competition among local notables, often marginal on the party hierarchical scale, who aimed at promoting the economic development of their own province or district. Periodically, the Vietnam Chamber of Commerce and Industry released the Provincial Competitiveness Index (PCI), which measured how local governments catered for the needs of the private sector. The 2017 PCI report, for instance, showed significant progress in reducing the administrative and regulatory burden and a decline in corruption.<sup>15</sup> In an attempt to satisfy personal ambitions and those of small and large cliques, local authorities strengthened their position by attracting investment. This led to a personalisation of power and a weakening of the party's role, to the detriment of the party's leadership and the principle of democratic centralism.

Reacting to this shift, in 2016 the new general secretary of the VCP, Nguyen Phu Trong, began a progressive centralisation of power and a tightening of the political space for dissent, in an attempt to limit the eccentricity of the decision-making centres. Furthermore, through a vast anti-corruption campaign, Nguyen has tried to pursue a dual objective: first, to reintroduce morality and consequently strengthen the legitimacy of the party and, second, to remove his main opponents, in particular the so-called Tan Dung clique. The epiphenomenon of the secretary's centralising strategy was his unprecedented election to the presidency of the Republic, in October 2018. In the following paragraphs, these aspects will be explored in depth.

### *3. The shake-up in VCP's elite leadership and the strengthening of the general secretary role*

With the 12<sup>th</sup> Congress of the VCP (20-28 January 2016), a long period of in-fight in the VCP ended, in particular the tug of war between the party secretariat and the government. Among the four leaders – or «4 pillars» – leading the party-state (officially Vietnam has no paramount ruler), only party secretary Nguyen Phu Trong was confirmed for a second term. The prime minister, Nguyen Tan Dung was replaced by Nguyen Xuan Phuc; Nguyen Thi Kim Ngan was elected to the presidency of the National

14. Angie Ngog Tran, Jennifer Bair & Marion Werner, 'Forcing change from the outside? The role of trade-labour linkages in transforming Vietnam's labour regime', *Competition & Change*, Vol. 21, No. 5, 2017, pp. 397-416.

15. 'Vietnam economy: Local business-environment scores get a boost', *Economist Intelligence Unit*, 11 May 2018.

Assembly; finally, on 2 April 2016, Tran Dai Quang became president of the Republic.<sup>16</sup>

Nguyen Phu Trong began to strengthen his role as party secretary from his accession after the 12<sup>th</sup> party Congress. Once his main rival Prime Minister Nguyen Tan Dung had been eliminated, Trong started a profound renewal of the leadership, of the party organisation and, in part, the political line of the party. The renewal of leadership was endorsed by an intense anti-corruption campaign, which marginalised those members most hostile to the party secretary line, including those closest to the «clique» of former Prime Minister Tan Dung. In this context, a novel event occurred in October 2018, when, as previously mentioned, General Secretary Nguyen Phu Trong was elected president of the Republic, uniting the two offices into a single role. Below, we will examine in depth the shake-up of the leadership and the election of Trong to the presidency of the Republic.

### 3.1. *The ups and downs of the Party's elite*

During the VI Plenary Session (4-11 October 2017) and the VII Plenary Session (7-12 May 2018) of the Central Committee, there was an unprecedented shake-up in Vietnam's leadership. Several high profile officials were replaced due to illness or premature death and many others following their arrest for corruption, economic mismanagement, deliberate violations of state regulations, embezzlement, and abuse of power. In 2017 Secretary Trong seized this opportunity to strengthen his loyalist group: Phan Dinh Trac, head of the Central Department of Internal Affairs and Standing Vice Chairman of the Central Steering Committee on anti-corruption, and Nguyen Xuan Thang, director of Ho Chi Minh National Institute of Politics<sup>17</sup> were both elected as members of the Secretariat.<sup>18</sup>

On 1 August 2017, the replacement of Dinh The Huynh, officially for health reasons, created a stir as he was considered the candidate who should have served as general secretary.<sup>19</sup> Huynh, being the executive secretary of the Secretariat, was one of the country's five key leaders (along with the

16. Michela Cerimele, 'Vietnam 2016: The aftermath of the 12<sup>th</sup> Congress, between continuities and changes', *Asia Maior 2016*, pp. 199-219.

17. Phan Dinh Trac replaced another rising star, Nguyen Bá Thanh. The latter was a powerful member of Da Nang's party, involved in many scandals. He died of natural causes in February 2015 at the age of 61. '2 thành viên mới của Ban Bí thư Trung ương Đảng' (2 new members of the Party Central Committee Secretariat), *Cafef*, 6 October 2017; Alexander L. Vuving, 'The 2016 Leadership Change in Vietnam and its Long-Term Implications', *Southeast Asian Affairs*, Vol. 2017, pp. 421-435.

18. Nguyen Manh Hung, 'Vietnam in 2017: Power Consolidation, Domestic Reforms, and Coping with New Geopolitical Challenges', *Southeast Asian Affairs*, IS-EAS-Yusof Ishak Institute, Vol. 2018, pp. 407-428.

19. 'Ông Đinh Thế Huynh «điều trị bệnh»' (Mr. Dinh The Huynh «treated»), *BBC News Tiếng Việt*, 1 August 2017.

general secretary, the president, the prime minister, and the chairman of the National Assembly).

In October 2016, Dinh The Huynh led two high level diplomatic missions. The first in Beijing (19-20 October), where Huynh reviewed the overall state of bilateral relations – including the restoration of political trust and «properly handling» of their disputes over the South China Sea – with China’s President Xi Jinping.<sup>20</sup> The second mission, a week later, was in Washington, where he met US Secretary of State John Kerry, to continue the TPP negotiations as well as seek assurances from the US that China’s presence in the South China Sea was being checked.<sup>21</sup>

The fact that both missions were led by the executive secretary of the VCP’s Secretariat and not by the foreign minister, although the latter was part of the two delegations, had dual significance. The first was to introduce a member of the VCP into the highest ranks of international diplomacy, effectively formalising his candidacy to the post of party secretary. The second was to strengthen the legitimacy of the VCP (and not of the government) in the eyes of the Vietnamese people, given the broad media coverage in Vietnam to these two events. However, the fact that Huynh was removed as executive secretary and not as member of the Politburo appeared completely inexplicable.<sup>22</sup>

### 3.2. *The unprecedented double appointment: VCP’s secretary and president Socialist Republic of Vietnam*

The President of the Republic Tran Dai Quang died on 21 September 2018. Despite his young age, his death was not unexpected. In August 2017, reports emerged about the poor health of Quang, who had disappeared from public view. Immediately after publication of this news, rumours began circulating regarding the candidates who could replace Quang.<sup>23</sup> No analyst hypothesised or even predicted that the VCP’s solution would be Secretary Nguyen Phu Trong’s election, denying even the most authoritative predictions that Trong would remain in office for half a mandate only and would

20. ‘VN hails China ties: Party official’, *Việt Nam News*, 21 October 2016; ‘Vietnam and China to make effort in maintaining East Sea’s peace and stability’, *Hanoi Times*, 21 October 2016.

21. Vì sao ông Đinh Thế Huynh thăm Mỹ? (Why did Mr. Dinh The Huynh visit the US?), *BBC News Tiếng Việt*, 27 October 2016.

22. Ông Trần Quốc Vượng chính thức làm thường trực Ban Bí thư’ (Did not Mr. Huynh attend any meeting during last two years?, *BBC Tiếng Việt*, 5 March 2018. ‘Hội nghị trung ương 7 và dấu hỏi Đinh Thế Huynh’ (The 7th Central Conference and the questions about Dinh The Huynh), *VOA news*, 16 May 2018.

23. ‘Vietnam president’s mysterious absence raising eyebrows’, *Nikkei Report*, 25 August 2017.



resign prematurely given his advanced age.<sup>24</sup> The erroneous predictions arose from the fact that the separation of the «4 pillars» had never been questioned. In fact, since the birth of the VCP, Ho Chi Min had refused a concentration of power, as in the Soviet Union, and wanted the four key offices to remain strictly separate.

The collective leadership system in Vietnam was designed to avoid the creation of a personality cult, and it served that purpose. Although the powers of the president were limited, they were far from negligible, including the chairmanship of the party's Central Military Commission, the nation's highest body on military affairs.<sup>25</sup>

The party's official press completely eluded this issue and presented the election to the national presidency of the VCP secretary as a normal event, justified by his fight against corruption.<sup>26</sup> In fact, Trong's election as president of the Republic strengthened the legitimacy of the secretary's political line at a time when it was necessary to reform both the party and the institutions, the latter to govern the problematic economic development model.

In 2017, for example, one of the most important and difficult reforms was the abolition of regional steering committees.<sup>27</sup> These three committees for the Northwestern, Southwestern and Central Highlands regions were established in 2004 to help the Politburo implement its policy on socio-economic development and defence of the country's key border areas. Trong justified the repeal of the committee as affirmation of the necessity for smaller and more efficient political machinery capable of synchronising political and economic reforms. The aim was the promotion of a «socialist-oriented market reform» and the integration of the Vietnamese economy with the world economy.<sup>28</sup> A series of further reforms were adopted to regulate staff employed by members of the Central Committee, promoting meritocracy, transparent mechanism in recruitment, appointment, and promotion of officials, in order to attract moral and competent talent for government organisations.<sup>29</sup>

Trong's reorganisation of the party is in line with the PCV's cyclical attempts to apply the Leninist principle of democratic centralism on the part of the incumbent secretaries. Democratic centralism implies that, on the one hand, the democratic participation of the militants must be guar-

24. Zachary Abuza, 'The Fault Lines in Vietnam's Next Political Struggle', *The Diplomat*, 23 December 2016.

25. 'Is Vietnam's new leader taking cues from China's Xi Jinping?', *South China Morning Post*, 24 October 2018.

26. 'Voters express support for election of Vietnamese President', *Nha Dang*, 24 October 2018.

27. 'Vietnam to disband regional steering committees in bid to downsize public sector', *The world & Vietnam Report*, 12 October 2017.

28. *Ibid.*

29. 'Vietnamese Party concludes sixth plenum, disbanding three regional steering committees', *Tuoi Tre News*, 12 October 2017.

anteed, keeping connections between the membership base and the leadership; on the other, centralisation and respect for the political line of the party must also be guaranteed which implies fighting fractional activities and any other activity seen as contrary to party discipline. In theory, defence of the unity of the party reflects the unity of the interests of the working class, so there may be differences of opinion, but always within the limits of class interests. In fact, according to the PVC Leninist ideology, the break-up of unity generates two deviations: bureaucratic and military centralism on one side, anarchist and individualist democracy on the other.<sup>30</sup>

A similar situation was experienced in 1987, following the reforms of the Doi Moi, when strong dissenting voices were raised within the party. By early 1987, newspapers and radio focused on party failures, highlighting the need to expel corrupt and inadequate/deficient members.<sup>31</sup> Beyond the problem of corruption, the newly-elected secretary, Nguyen Van Linh, had had to struggle to impose a new political line. The new line prohibited both changes to the democratic centralism principle and state subsidies to businesses. But it resulted in a new economic policy, based on the attempt to find a balance between the market organised and managed by the state and the «spontaneously developed» one. The new line also tried to promote a more efficient division of labour between the central political authorities and the managers running the strategic sectors of the economy.<sup>32</sup>

During that phase Linh maintained stability through three actions: strengthening the party base, at that point on the brink of atrophy; eliminating clandestine organisations within the party's executive structures; mobilising the party base in support of the reforms. In essence, Linh managed to improve the «transmission belt» connecting the party leadership with a reinvested party base.<sup>33</sup>

In 2017-2018 Trong's VCP found itself in a not dissimilar situation. This resulted in the secretary launching a new political line, rather different though from the one followed by Linh. Trong's line aimed at suppressing any dissenting voice, eliminating factionalism and reinforcing the secretary's political strength and leadership role.

30. On the difference between democratic centralism and bureaucratic centralism, Antonio Gramsci wrote: «The functioning of the Party provides discriminating criteria: when the party is progressive it works 'democratically' (in the sense of democratic centralism), when the party is regressive it functions 'bureaucratically' (in the sense of a bureaucratic centralism). In this second case, the Party is an unthinking executor. It is then technically a policing organism and its name of 'political party' is a pure metaphor of mythological character.» [English translation by the author.] Antonio Gramsci, *Quaderni del carcere*, a cura di V. Gerratana, Einaudi: Torino 2014, Quaderno 14 (I), § 34.

31. Lewis M. Stern, 'Party Plenums and Leadership Style in Vietnam', *Asian Survey*, Vol. 35, No. 10, Oct., 1995, pp. 909-921.

32. *Ibid.*

33. *Ibid.*

### 3.3. *The anti-corruption campaign*

The anti-corruption campaign officially started in 2016 but its most significant results were recorded in 2017 and 2018. The «hot furnace», Nguyen Phu Trong's metaphor for the anti-corruption campaign, targeted prominent figures, both incumbent and retired, who had dominated local government, national ministries, and state-owned enterprises.<sup>34</sup> Concluding the 9<sup>th</sup> plenum of the 12<sup>th</sup> Central Party Committee on 26 December, Nguyen Phu Trong stated that more than 60 party cadres, including past and present members of the Central Party Committee, had been disciplined since 2016 in a bid to restore public trust in the party's leadership.<sup>35</sup> The most glaring cases regarded Dinh La Thang and Trinh Xuan Thanh.

Once considered a rising political star, Dinh La Thang was the first former politburo member in decades to face prosecution.<sup>36</sup> He had been Minister of Transport (2011-2016), member of the Politburo from 27 January 2016, secretary of the Ho Chi Minh City party committee from 5 February 2016 and, reputedly, very close to ex-Prime Minister Nguyen Tan Dung. Dinh was removed from the Politburo after suspicion of wrongdoing on 7 May 2017<sup>37</sup> and shortly after dismissed from his post of secretary of Ho Chi Minh City. On 28 March 2018 Dinh was sentenced to 31 years in jail (in two separate processes) on corruption charges related to his role as chairman of PetroVietnam, the national oil and gas company.<sup>38</sup>

The long trials, followed by national media, culminated in Dinh La Thang's admission that his conduct had been authorised by former Prime Minister Nguyen Tan Dung, and had been in accordance with the political line of the Politburo.<sup>39</sup>

The second sensational case affected Trinh Xuan Thanh, one of Dinh La Thang's assistants. Between 2007 and 2013 Trinh Xuan Thanh had been a senior government official and former state-owned enterprise (SOE) executive at PetroVietnam Construction Joint Stock Corporation, controlled by the giant SOE PetroVietnam. He was also the former deputy-chairman of the Hậu Giang Provincial People's Committee. On 9 June 2016, Thanh was

34. 'Is Vietnam Going the Way of China?', *The Diplomat*, 22 February 2018.

35. '2018 – another special year', *VGP News Online Newspaper of the Government*, 28 December 2018.

36. 'Vietnam: The Curious Fall of a Communist Leader', *The Diplomat*, 16 May 2017.

37. 'Dinh La Thang removed from Politburo', *VGP News*, 8 May 2017.

38. 'Former Vietnam Politburo member Dinh La Thang jailed for 18 years over S\$45.6m losses', *Reuters*, 29 March 2018.

39. 'Lời khai của ông Đinh La Thăng dẫn đến cựu Thủ tướng Nguyễn Tấn Dũng và Bộ Chính Trị' (Dinh La Thang's testimony related to former Prime Minister Nguyen Tan Dung and Politburo), *REA*, 10 January 2018; 'Đinh La Thăng đã khai báo về Nguyễn Tấn Dũng?' (Did Dinh La Thăng issue any declaration about Nguyễn Tấn Dũng), *Chân Trời Mới Media*, 10 January 2018.

investigated on charges of financial mismanagement that caused losses of US\$ 147 million, but before the process he flew to Germany, seeking political asylum. On 23 July 2017, Xuan Thanh Trinh and his companion were stopped in a Berlin park and forced into a vehicle. According to a spokesperson of the German foreign minister, Xuan Thanh Trinh was kidnapped by Vietnamese intelligence and taken to Vietnam where he was formally arrested.<sup>40</sup> Two weeks later, he appeared on Vietnamese television declaring that he had returned to Vietnam voluntarily.<sup>41</sup>

His statement was highly improbable. In several posts on social media he claimed his innocence, stating that charges against him were fabricated, and that the ongoing prosecution was politically inspired. On 7 December he was expelled from the party and given two life sentences.<sup>42</sup>

In Dinh La Thang's case and especially Xuan Thanh Trinh's, it is legitimate to believe that the motivation behind their prosecution went beyond the fight against corruption. The dramatic events in Germany, risking a serious diplomatic incident, illustrated the urgency of the party to silence an inconvenient person. It is no coincidence, in fact, that even Thanh Trinh was linked to the group of Prime Minister Tan Dung and in all likelihood in possession of very sensitive information.

### *3.4. The difficult reforms and the conflicts related to the integration of the international production chain*

The close integration in FDI-led production networks under neoliberal globalisation, together with the signing of a series of FTAs, required a series of reforms, which in turn affected the economy, the environment<sup>43</sup> and human rights. From this point of view, it is interesting to analyse how the party-state acted under the international community's pressure. We believe that an analysis of two new generations of FTAs signed by Vietnam can shed light on these topics, especially with regard to labour legislation.

In 2018, Vietnam signed the EVFTA (EU-Vietnam Free Trade Agreement), and the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) that substituted the TPP (Trans-Pacific Partnership) agreement. Concerning the former agreement, it must be noted that Vietnam and the EU reached a consensus on the EVFTA after three years of negotiations, in December 2015, and concluded its legal review in June

40. 'Vietnamese man arrested over Cold War-style Berlin kidnapping', *Reuters*, 24 August 2017.

41. 'Vietnam TV Shows Oil Executive Who Germany Says Was Abducted', *The New York Times*, 3 August 2017.

42. 'Vietnamese oil executive kidnapped in Berlin gets second life sentence', *Deutsche Welle*, 5 February 2018.

43. On the governance of the environmental issues in Vietnam, see Stephan Ortmann, *Environmental Governance in Vietnam. Institutional Reform and Failures*, Palgrave MacMillan, 2017.

2018.<sup>44</sup> This agreement is expected to be signed and ratified by the end of 2019.<sup>45</sup> The EVFTA will immediately eliminate 65% of import duties from the EU to Vietnam, and 71% of import duties from Vietnam to the EU, with the remainder removed over the next ten years. The negotiations with Vietnam were «the first undertaken by the E.U. since its adoption of the Strategic Framework on Human Rights and Democracy in 2012, which emphasized the inclusion of human rights norms in E.U. foreign policy».<sup>46</sup>

The CPTPP was signed on 8 March 2018 in Santiago, Chile, by 12 countries.<sup>47</sup> Vietnam ratified the CPTPP on 12 November 2018<sup>48</sup> and the agreement will enter into force on 14 January 2019.<sup>49</sup> CPTPP's member countries agreed to eliminate duties on between 97%-100% of tariff lines for imports.<sup>50</sup> Vietnam committed to eliminate duties on 66% of tariff lines upon the CPTPP coming into force, and to raise the percentage of duty-free tariff lines to 86.5% within three years, while maintaining tariff quotas on sugar, eggs, salt, and used automobiles.<sup>51</sup>

In addition to the purely economic aspects, one of the most relevant features present in both FTAs was the specific and unprecedented chapter on labour legislation.

The key labour provisions of both EVFTA and CPTPP were those committing trading partners to the International Labour Standards (ILSs or core labour standards) as set out in 1998 by the International Labour Organization (ILO) and the Declaration of Fundamental Principles and Rights

44. 'Legal Review of EU-Vietnam FTA Completed', *Nhan Dan Online*, (27 June 2018).

45. On the technical issues that, on the European side, delayed progress towards ratification, and on the procedure to adopt the agreement see European Parliament, 'EU-Vietnam Free Trade Agreement (EVFTA)' (<http://www.europarl.europa.eu/legislative-train/theme-a-balanced-and-progressive-trade-policy-to-harness-globalisation/file-eu-vietnam-fta>).

46. Tran et al., 'Forcing Change from the Outside?', p. 405. See Daniela Sicur-elli, 'The EU as a Promoter of Human Rights in Bilateral Trade Agreements: The Case of the Negotiations with Vietnam', *Journal of Contemporary European Research*, Vol. 11, No. 2, 2015, pp. 230-245.

47. Australian Government, Department of Foreign Affairs and Trade, *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* (<https://dfat.gov.au/trade/agreements/in-force/cptpp/Pages/comprehensive-and-progressive-agreement-for-trans-pacific-partnership.aspx>).

48. 'Vietnam Becomes Seventh Country to Ratify Trans-Pacific Trade Pact', *Reuters*, 12 November 2018.

49. Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam. For Australia, Canada, Japan, Mexico, New Zealand, and Singapore it entered into force, following ratification, on 30 December 2018.

50. 'CPTPP goes live in Vietnam', *Vietnam Investment Review*, 14 January 2019.

51. *Ibid.*

at Work (DFPRW).<sup>52</sup> Vietnam had not yet ratified three of the eight ILO's Fundamental Conventions (nos. 87, 98, 105).<sup>53</sup> They concern freedom of association and the effective recognition of the right to collective bargaining (nos. 87 and 98) and the elimination of all forms of forced or compulsory labour (no. 105). In view of the fact that these are fundamental principles, the EU, ILO and other partners have pressured Vietnam to ratify the conventions and to reform its labour legislation before the FTA enters into force.<sup>54</sup>

Another challenge for the CPV in 2018 was the public opposition to two draft bills tabled for debate in the National Assembly. The first, a bill on Special Administrative and Economic Zones, provided for the establishment of three special economic zones – Van Don in the north, Bac Van Phong in the centre and Phu Quoc in the south. The second bill, on Cyber Security, consolidated scattered pieces of legislation in an attempt to regulate the internet.<sup>55</sup>

The three new economic zones were established in December 2016,<sup>56</sup> but only in June 2018 did the first protests erupt throughout the country, including Hanoi and Ho Chi Minh City. In September, further protests ignited the squares and, in Binh Thuan province, turned violent as protesters began vandalising state office buildings, burning cars and clashing with the authorities.<sup>57</sup> Workers, too, went on strike in two industrial zones in Long An

52. Core labour standards are based on eight ILO core conventions: 1) freedom of association and the effective recognition of the right to collective bargaining (ILO Convention 87 and 98); 2) the elimination of all forms of forced or compulsory labour (ILO Convention 29 and 105); 3) the effective abolition of child labour (ILO Convention 138 and 182); and 4) the elimination of discrimination in respect of employment and occupation (ILO Convention 100 and 111).

53. International Labour Organization, *Promoting ILO Fundamental Conventions towards Ratification of Convention 87, 98, 105, and Actions to Eliminate Discrimination and Forced Labour in Viet Nam (NIRF/EU Project)* ([https://www.ilo.org/hanoi/Whatwedo/Projects/WCMS\\_635722/lang--en/index.htm](https://www.ilo.org/hanoi/Whatwedo/Projects/WCMS_635722/lang--en/index.htm).)

54. However these pressures were exercised through very bland conditionalities that did not call into question the ratification of the FTAs. On this issue see Madeleine Moore & Christoph Scherrer, 'Conditional or Promotional Trade Agreements – Is Enforcement Possible? How International Labour Standards Can Be Enforced through US and EU Social Chapters', Singapore: Friedrich-Ebert-Stiftung Office for Regional Cooperation in Asia, 2017.

55. Carlyle A. Thayer, 'Weighing up political developments in Vietnam', *East Asia Forum*, 11 December 2018.

56. Ministry of Planning and investment of the Socialist republic of Vietnam, *Resolution No. 103/NQ-CP dated December 05th 2016 on the Government's regular meeting - November 2016* (<http://www.mpi.gov.vn/en/Pages/tinbai.aspx?idTin=35717&idcm=121>).

57. 'Vietnam police halt protests against new economic zones', *Reuters*, 10 June 2018; 'Public criticisms are welcomed but must comply with law', *Vietnam Law & Legal Forum*, 4 July 2018. 'Vietnam's economic zones derailed by anti-China protest', *Nikkei Asian Review*, 3 September 2018.

and Tien Giang provinces.<sup>58</sup> The reason for the protests was the granting of a 99-year lease of industrial parks to Chinese investment groups, probably for the construction of weapons and highly polluting chemical products. Moreover, contrary to the new generation of TFA agreements, in the bills there was no reference to ILO fundamental conventions. Consequently, as reported by the analyst Angie Ngoc Tran, «Vietnamese workers will have ambiguous or no protection for their rights and interests guaranteed in the Vietnamese Labour Code».<sup>59</sup> Following the protests, the discussion of the law was postponed for the first time to the session of October 2018, and subsequently postponed to May 2019.<sup>60</sup>

The second law that caused protests regarded cyber security. In this case, the protests came from the global social media as well as email and e-commerce providers. News spread among users that the law would restrict free speech on social media. All these companies, in fact, were expected to store data on Vietnamese internet users in-country and not on foreign servers, as the likes of Facebook and Google usually do. The bill was introduced for the first time in 2016 in response to a series of cyber-attacks across the country. The provision, approved by the National Assembly in June 2018, had a long gestation because of vigorous protests by the big providers. To give an example of the threat to lobbyists' interests, Bloomberg falsely reported protests in the streets of Ho Chi Minh City. Moreover, photos of protests relating to the establishment of new economic zones were published.<sup>61</sup>

The bill conflicted with the CPTPP agreement, which provided that member states ensure the free flow of information and was, in principle, against data localisation rules.<sup>62</sup> The bill was enacted on 12 June 2018, in spite of violent protests in several parts of the country and the resulting law entered into force on 1 January 2019.<sup>63</sup>

#### 4. *Some economic aspects: The criticalities of the industrialisation model*

During the period under review, Vietnam confirmed itself as one of the largest attractors of FDI in the region, thanks to a series of benefits

58. Angie Ngoc Tran, 'Workers say no to Vietnam's «Special Exploitation Zones»', *new mandala*, 18 July 2018.

59. *Ibid.*

60. Tom Fawthrop, 'Sons of Revolution: Vietnam's New Protest Movement', *The Diplomat*, 17 December 2018.

61. 'Vietnam Parliament Passes Cyber Law Denounced in Street Protests', *Bloomberg*, 12 June 2018.

62. See Article 14.11, par. 2, of the CPTPP, state «Each Party shall allow the cross-border transfer of information by electronic means, including personal information, when this activity is for the conduct of the business of a covered person».

63. 'Vietnam lawmakers approve cyber law clamping down on tech firms, dissent', *Reuters*, 12 June 2018.

granted to investors (e.g. low tax levels, export facilities etc.) and to the availability of a young and reasonably educated labour force.

Since 2010 foreign direct investment into Vietnam had already risen by 6.2% year-on-year and in December 2018 reached an all-time high of US\$ 19.10 billion.<sup>64</sup> The strengthening of the FDI export-led development model produced a series of positive data such as a rapid GDP rate of growth (+ 6.8 in 2017 and in 2018)<sup>65</sup> and a positive balance of trade (+US\$ 6.8 billion in 2018).<sup>66</sup>

Beyond these positive quantitative outcomes, it is worth also to consider the qualitative impact of the FDI flows in Vietnam. According to a survey conducted by United Nations Industrial Development in 2011, enterprises funded by FDI procure only 26% of the value of their total input (22.5% for TNCs) from domestic manufacturers. However, the main part of the input derives from foreign countries or from foreign suppliers with a base in Vietnam, with a very limited vertical backward linkages as a consequence.

Vertical forward linkages also is little subsidized by foreign investors, as 71.9% (73.2% for TNCs) of their production in terms of value is directly exported and only a very limited amount is sold as intermediate goods for local firms.<sup>67</sup> This explains why, in spite of the sustained positive GDP growth, the development of a national supporting industry has remained very limited. According to research carried out by Pietro Masina and Michela Cerimele, the main problem is not related to the «middle-income trap» but rather to «a failure to industrialize».<sup>68</sup>

Indeed, the fact that Vietnam has become an important manufacturing hub has not avoided two negative results: firstly, no expansion of national industry has occurred, with a limited growth only in the foreign-invested, export-oriented sector. Secondly, no substantial change has happened in the composition of the national labour force through an expansion of industrial employment able to absorb redundant labour from rural areas.

In fact, the main problems of this model of industrialisation essentially concern working life.<sup>69</sup>

64. Trading Economics, 'Vietnam Foreign Direct Investment'.

65. World Bank, 'Vietnam's economic prospects improve further, with GDP projected to expand by 6.8 percent in 2018', 14 June 2018.

66. 'Gouvernement: créer un groupe de travail spécial', *Le Courrier du Vietnam*, 7 December 2018.

67. UNIDO and Ministry of Planning and Investment of Vietnam, *Viet Nam Industrial Investment Report 2011: Understanding the Impact of Foreign Direct Investment on Industrial Development*, Hanoi: UNIDO, 2011, pp. 118-130.

68. Pietro Masina & Michela Cerimele, 'Patterns of Industrialisation and the State of Industrial Labour in Post-WTO-Accession Vietnam', *European Journal of East Asian Studies*, Vol. 17, 2018, pp. 289-323.

69. Pietro Masina, 'An Uneven Development Trap in Southeast Asia and Its Implications for Labor', in Silvia Vignato & Matteo C. Alcano (eds.), *Searching for Work: Small-Scale Mobility and Unskilled Labor in Southeast Asia*, Silkworm Books: Chiang Mai 2019.



Fieldwork recently conducted in five Red River Delta's industrial parks, specialising mainly in electronics and garments, shows poor working conditions, in particular among female migrant workers. These surveys uncovered the dark side of the Vietnamese industrialisation model exposing the many social criticalities related to stressful working conditions: widespread use of short-term contracts (unlawfully used even for long-term workers), permanent positions systematically turned into «short term» ones, high degree of self-exploitation to keep the job and have access to permanent positions.<sup>70</sup>

The survey showed that female workers' lives are completely incompatible with generational reproduction, due to their situation of economic and gendered exploitation. According to Michela Cerimele, female workers are exploited both from an economic point of view (low salaries) and gender. In a strongly repressive environment, female workers usually work up to the age of reproduction. In fact, after maternity, reproductive activities are progressively and structurally incompatible with the requirements of the factory regime. As a result, female workers are fired or leave the job voluntarily, usually before the age of 30 and, to return to their places in some case.<sup>71</sup>

A report which received the most media coverage was the one by a network of NGOs in 2017, describing young women working at Samsung Vietnamese factories. It recorded fainting, fatigue and miscarriage associated with toxic chemicals afflicting the local female workforce.<sup>72</sup> Although Samsung denied the findings of the report's data, the minister of labour nonetheless ordered inspections.<sup>73</sup>

A series of workers' protests has continued uninterruptedly over the last ten years. Throughout 2018, in addition to workers' mass protests against the establishment of new special economic zones, were those against

70. For more details, including research methodology, see Michela Cerimele, 'Informalizing the Formal: Work and the Dual Dormitory Labor Regime in Hanoi's Thang Long Industrial Park', in Silvia Vignato & Matteo C. Alcano (eds.), *Searching for Work: Small-Scale Mobility and Unskilled Labor in Southeast Asia*, Silkworm Books: Chiang Mai 2019. In this case, fieldwork research was conducted between December 2013 and June 2014 in workers' living areas around the Park under the EU-funded SWORR and SEATIDE projects.

71. Michela Cerimele, 'Informalizing the Formal'. On this issues, see also Peter Lanjouw & Marleen Marra, 'Urban poverty across the spectrum of Vietnam's towns and cities', *World Development*, Vol. 110, 2018, pp. 295-306. On working conditions on the garment and textiles sector see: Do Quynh Chi, *Vietnam country study - Labour standards in the garment supply chain*, Research Center for Employment Relations (ERC), CNV International: Utrecht 2016 and Better Work Vietnam, *Guide to Vietnamese Labor Law for the Garment Industry*, Sixth Edition, 2018, in part. p. 22.

72. 'Korean President Moon called on to stop Samsung Vietnam abuse', *ITUC CSI IGB*, 21 March 2018.

73. 'Ministry inspects Samsung Vietnam over worker mistreatment', *Vietnam.net*, 27 November 2017; IPEN and COFED, 'Stories of Women Workers in Vietnam's Electronics Industry', Hanoi 2017.

the salary cuts by Taiwanese footwear companies.<sup>74</sup> Beyond the publicity, there were no adequate policies guaranteeing the improvement of industrial workers' conditions in general.

### 5. *International relations*

Even at international level, the party-state acted frantically in its attempt to expand alliances and strengthen existing ones in order to meet two objectives. The first was to support its export-led development model, while the second was to boost security ties with major powers, including the US, its allies and its partnership network in the containment of China in the international South China Sea dispute.<sup>75</sup> At the same time, Vietnam tried to find an accommodation in its relations with China.

In this difficult context, the Vietnamese official defence policy was to respect the «Three Nos» principle: no military alliances, no alignments with one country against another, and no foreign military bases on Vietnamese soil.<sup>76</sup> In recent years there have been too many exceptions to the three nos.

The US and Japan have been active for many years in providing financial, technical and training support to Vietnam to improve its maritime domain awareness. In February 2016, Vietnam and Japan conducted joint exercises aimed at searching and rescuing and at curbing illegal fishing (June 2017) in the South China Sea as part of the «Capacity Building Assistance» programme.<sup>77</sup> In April 2018 the two countries also signed a «Joint Vision Statement on Japan-Vietnam Defense Cooperation»,<sup>78</sup> and in May 2018 issued a joint statement that, inter alia, emphasised the importance of non-militarisation, urging all parties concerned not to take unilateral actions that could change the status quo and complicate the situation in the South China Sea (an implicit criticism of China).<sup>79</sup>

74. Video and detail in 'Thousands of Vietnamese workers take to highway to protest wage cuts', 24 March 2018.

75. Lye Liang Fook & Ha Hoang Hop, 'Vietnam's Responses to China's Maritime Assertiveness in the South China Sea', Perspective, ISEAS, Issue 2018, No. 50.

76. The Three Nos first appeared in Vietnam's 1998 defence white paper and then reappeared in subsequent papers issued in 2004 and the most recent in 2009. The policy is also mentioned in Hanoi's new Law on National Defence, which was passed in June and took effect on 1 January.

77. Among several activities, punctually and regularly described on the Defence Ministry website, see for instance Ministry of Defense (Japan), *Capacity Building Assistance to Vietnam FY 2017: Air Rescue Seminar*, 27-29 June 2017 ([https://www.mod.go.jp/e/d\\_act/exc/cap\\_b/vietnam/20170627.html](https://www.mod.go.jp/e/d_act/exc/cap_b/vietnam/20170627.html)).

78. 'Vietnam, Japan hold 6th defense policy dialogue', *People's Army Newspaper*, 5 July 2018.

79. Ministry of Foreign Affairs (Japan), *Japan-Viet Nam Joint Statement on the Occasion of the State Visit by the President of the Socialist Republic of Viet Nam to Japan*, 2 June 2018 (<https://www.mofa.go.jp/mofaj/files/000368992.pdf>).

In 2017-2018 Vietnam received support for military personnel training from Australia and, in April 2018, for the first time in 17 years, three Australian warships moored together at Ho Chi Minh City port.<sup>80</sup> Vietnam and India upgraded their ties to a comprehensive strategic partnership in September 2016, when Indian Prime Minister Narendra Modi visited Vietnam. Thereafter, in 2017 and 2018, the two countries further strengthened their cooperation, especially in defence and security. This cooperation involved human resources training, collaboration between the army, air force, navy and coast guards of the two countries, as well as cooperation in cyber security and information sharing. Vietnam took also part in MILAN, India's multinational naval exercise.<sup>81</sup>

### 5.1. *The fragile Vietnamese position on the fringe of the US-China conflict*

Hosting the APEC Year in Da Nang (Asia-Pacific Economic Cooperation, 10-11 November 2017) was one of the most important and outstanding diplomatic events in 2017 for Vietnam, though pundits claimed APEC cooperation was at a stalemate. However, as organiser of this event, Vietnam was invited for the first time to participate in the G20 Summit in Hamburg (7-8 July 2017). Furthermore, the APEC meeting had a lot of visibility due to the presence of US president Donald Trump and his announcement of the new national security strategy (Indo-Pacific Vision) that depicted a world characterised by extreme rivalries and potentially dangerous competition, especially from China.

Trump's speech was harshly critical of China, its attitude decried as hostile and disrespectful of international trade rules and freedom of navigation. The speech was even more significant, considering that Da Nang is the administrative seat of the disputed Hoàng Sa/ Xisha/ Paracel Islands. From that moment, tension increased between China and the United States.

In December 2017, China confirmed the deployment of J-11 strike fighters of the People's Liberation Army Air Force in its airstrip on Woody Island, in the Paracel island chain.<sup>82</sup> Fighter jets had previously been spotted on the island in 2016. This was followed, in February 2018, with reports of the deployment of the J-20 stealth fighter not just entering active service, but conducting a limited air patrol in the South China Sea.<sup>83</sup> According to US military officials, as reported by the *The Wall Street Journal*, in April

80. 'Australian navy's warships visit HCM City', *Vietnam's People's Army Newspaper*, 19 April 2018.

81. 'Full Joint Statement between Vietnam-India', *Vietnam News Summary*, 22 December 2018; Harsh V. Pant, 'India and Vietnam: A «Strategic Partnership» in the Making', *Policy Brief*, April 2018.

82. 'China confirms deployment of fighters to South China Sea island for first time', *The Japan Times*, 2 December 2017.

83. 'China's J-20 Stealth Jet Lines Up For Combat Duty in Disputed South China Sea', *Sputnik*, 9 February 2018.

2018 China deployed communications and radar jamming equipment in Fiery Cross Reef, one of the largest of China's seven artificial island facilities in the Spratlys.<sup>84</sup>

The US hit back immediately. In March 2018, for the first time since the end of the Vietnam war, a US aircraft carrier dropped anchor at Da Nang Port. Moreover, in May two US warships conducted a «freedom of navigation operation» (FONOP) near islands occupied by China in the Paracel Archipelago.<sup>85</sup>

Vietnam created its own tension with China. In June 2017, after a delay of two and a half years, Vietnam finally granted Talisman Vietnam (a subsidiary of the Spanish energy firm Repsol) permission to drill for gas at the very edge of Hanoi's exclusive economic zone in the South China Sea.<sup>86</sup> However, Repsol's drill was soon suspended, by Vietnam itself. According to Repsol, the oil drilling infuriated Beijing.<sup>87</sup> It is no coincidence that Vietnam's decision to stop the activities came after China's deployment of a 40-ship naval flotilla off Hainan, just two days' sailing from the drill location.<sup>88</sup>

Finally, on 3 April 2018, the state-owned oil company PetroVietnam made a rare public admission that the country's territorial disputes with China in the South China Sea were hurting the exploration of new fields and deterring potential foreign partners.<sup>89</sup> This did not prevent PetroVietnam from signing an agreement on 1 August 2018 with two Japanese firms, Idemitsu Kosan and Teikoku Oil, to sell gas from South China Sea oil blocks close to the area claimed by Beijing.<sup>90</sup> In all likelihood, however, these blocks are not close to the sea border claimed by China and, therefore, less likely to trigger Chinese protests.

84. 'China Installed Military Jamming Equipment on Spratly Islands, U.S. Says', *The Wall Street Journal*, 9 April 2018; 'China installs cruise missiles on South China Sea outposts: CNBC', *Reuters*, 3 May 2018.

85. 'South China Sea: Two US Navy Warships Conduct Freedom of Navigation Operation in Paracel Islands', *The Diplomat*, 28 May 2018.

86. 'The Week Donald Trump Lost the South China Sea', *Foreign Policy*, 31 July 2017.

87. 'Repsol says drilling suspended on Vietnam oil block disputed by China', *Reuters*, 2 August 2017.

88. 'Exclusive - Satellite images reveal show of force by Chinese navy in South China Sea', *Reuters*, 27 March 2018.

89. 'In rare comment, PetroVietnam says South China Sea tension to hurt offshore operations', *Reuters*, 3 April 2018.

90. 'PetroVietnam, Japanese firms sign South China Sea gas deal amid tensions with Beijing', *Reuters*, 1 August 2018.

## 5.2. *The difficult balancing relations with China*

Amid the tensions flowing from the militarisation of the South China Sea, Trọng proclaimed that «[Vietnam–China] relations are at their best».<sup>91</sup> In fact, diplomatic relations between Hanoi and Beijing were on an upward trend, facilitated by the improvement in trade relations. The imposition of US tariffs on Chinese goods pushed Beijing to reinvigorate cross-border economic cooperation with Vietnam to favour the relocation of Chinese companies, in particular low value-added ones, in areas close to Vietnamese borders. This model, renamed «Two Corridors and One Belt», has been operational since 2016; it is part of the Belt and Road Initiative and is described as «two countries one zone, free trade with closed operation».<sup>92</sup> The cross-border economic cooperation area will have functional subdivisions such as areas for manufacturing, processing, warehousing, goods clearance and commercial centres, etc.

It is worth noting that President Tran Dai Quang joined the high-level forum on the Belt and Road Initiative in Beijing for the first time in May 2017. On that occasion, the Vietnamese leader emphasised that sustainable development among nations should be based on the principles of consent, equality, voluntariness, transparency, openness, mutual respect, mutual benefit and compliance with the UN charter and international law. Quang's words sounded cautiously diplomatic because on the one hand Vietnam needs Chinese investment in infrastructure to support its FDI development model; on the other, however, in publicly endorsing the BRI, Quang made use of the opaque language of conditionalities to avoid provoking a political backlash in his own country, where anti-Chinese sentiments are strong.<sup>93</sup> «Two Corridors, One Belt» entered officially into the BRI framework in November 2017, during President Xi Jinping's visit to Hanoi, when the two countries signed a Memorandum of Understanding (MOU) regulating the question.<sup>94</sup>

91. This phrase was uttered during the meeting with Trieu Lac Te, Politburo member of the Chinese Communist Party, 'TBT Trọng: «Quan hệ Việt-Trung đang tốt đẹp nhất' («TBT Weight: «Vietnam-China relations are the best»)', *BBC News Tiếng Việt*, 30 September 2018.

92. The 1st China-Vietnam Cross-border Economic Cooperation Forum was held in Nanning on 12 September 2016, 'The 1st China-Vietnam Cross-border Economic Cooperation Forum', *China-Asean Expo*, 14 September 2016.

93. Le Hong Hiep, 'The Belt and Road Initiative in Vietnam: Challenges and Prospects', *stars insights*, 18 April 2018.

94. Ministry of Foreign Affairs of People's Republic of China, *Xi Jinping Holds Talks with President Tran Dai Quang of Vietnam*, 13 November 2017. The two «economic corridors» - namely the Kunming-Lao Cai-Ha Noi-Hai Phong-Quang Ninh corridor and the Nanning-Lang Son-Ha Noi-Hai Phong-Quang Ninh corridor - aimed to improve connectivity between on the one side Yunnan and Guangxi Provinces and on the other side 12 cities and provinces in North Vietnam. Meanwhile, the Tonkin Gulf «economic belt» was meant to enhance economic cooperation between provinces of the two countries located around the Tonkin Gulf. Le Hong Hiep, 'Sino-Vietnamese Relations And President Xi's Hanoi Visit – Analysis', ISEAS - Yusof Ishak Institute, 18 December 2017.

In 2018, widespread anti-Chinese sentiments resulted in the Vietnamese press stigmatising the danger that Vietnam could become a «shelter» for Chinese goods against heavy US tariffs.<sup>95</sup> However, it is worth noting that, in the short term, Vietnam benefitted as cross border cooperation and Chinese delocalisation in Vietnam resulted in an increase in its exports.

95. 'Chinese goods exported to the US through Vietnam is it an opportunity or risk?', *Vietnam News Summary*, 13 July 2018. 'Trade war's tariffs may spur relocation of some Chinese textile factories to other Asian nations', *South China Morning Post*, 1 August 2018.