

VIETNAM IN 2008

Foreign Policy Successes but Daunting Domestic Problems

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In 2008 the ruling Vietnamese Communist Party (VCP) maintained its firm grip on power, rejecting domestic and international calls for political reform and pluralism. In one of the most controversial demonstrations of government power, two reporters of the state sponsored Thanh Nien and Tuoi Tre newspapers were arrested in May for their coverage of a major corruption scandal in the country. In October the People's Court found both journalists guilty of "abusing democratic freedoms to infringe upon the interests of the state".¹ On the economic front, Vietnam has been severely affected by soaring inflation and downward pressure on the country's currency, the dong, raising international concerns about the country's economic stability. The economic turbulences provided a fertile ground for the revival of conservative politicians whose strengthened influence poses a challenge for Prime Minister Nguyen Tan Dung. A champion of economic reform, Dung has emphasized the importance of anti-corruption efforts and sought to increase ministerial responsibility in place of close party control. Despite some high profile anti-graft cases, corruption and abuse of office remain serious problems and continue to test the VCP's legitimacy.

In foreign affairs, Sino-Vietnamese relations seemingly improved after the low point in December 2007, when the Vietnamese government tolerated anti-Chinese demonstrations outside the Chinese embassy in Hanoi and consulate in Ho Chi Minh City. Hanoi and Beijing announced a "comprehensive strategic partnership" and agreed to set up a "hot link" between the two countries. However, beneath the surface the bilateral relationship is more sour than sweet and several

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new disturbances emerged during the year. While economic relations between Vietnam and the United States have gone from strength to strength — in June, Vietnam and the U.S. agreed to launch negotiations on a bilateral investment treaty — diverging views on human rights continue to be a persistent thorn in the side of Hanoi's relations with Washington.

Growing Societal Demands for Change but Slow Progress on Political Liberalization

Advocates of faster reform for Vietnam essentially saw the years between the 9th Party National Congress in 2001 and the 10th Congress in 2006 as lost time. In spite of impressive economic growth and government successes in reducing poverty, the reformers increasingly perceived “the incremental and slow changes in politics as key impediments holding the country back, well behind faster-paced developments in China and elsewhere”.² While some modest moves towards political reforms have taken place since 2006, the fault lines between reformers and conservatives remain largely unaffected. At the same time Vietnam's policy-making has more and more been influenced by inputs, including demands, from newly emerging social groups and shifting structures of influence within the state-party apparatus. Vietnam is still a unitary state, where a bureaucratic elite shapes policy-making.³ Recent developments nevertheless suggest that the spectrum of groups that try to affect policy has widened, notwithstanding the retention of an effective monopoly over political discussion and policy formulation by the government and the VCP.

As part of the process towards more pluralism and the related changing decision-making dynamics *within* the state-party system, decisions made by the CPV politburo that once had the power of law are today authoritative only to a great extent, that is, not absolutely. The influence of Vietnam's Quoc Hoi or National Assembly (NA) in the policy-making process has grown. During its third session (6 May–7 June), the NA demonstrated its new assertiveness with regard to the Hanoi expansion plan. The plan envisages expanding the capital to 3.6 times its current size of 920 square kilometres by entirely incorporating Ha Tay province and parts of Vinh Phuc and Hoa Binh provinces. Although the NA eventually ratified the plan, several members had criticized “its poor planning and unclear implementation roadmap”. A report by the NA's Legal Affairs Committee stated that while the government advocated the expansion to ensure Hanoi's social and economic development, it failed “to address the social and cultural impacts, especially on Ha Tay Province which would become part of the expanded Hanoi”.

The report also noted that the government had not spelled out the financial outlay for the expansion.⁴ However, the legislature's increasing proactiveness does not yet translate into support of pro-democracy reforms. Shortly before the closing of the fourth session in November, the NA rejected a trial plan that would have allowed direct local elections in April 2009. According to the proposal, which had been discussed by NA members and outlined in a detailed assembly paper, citizens in 385 communes nationwide would have directly elected their people's committee chairperson. Comparisons have been drawn with the village-level elections introduced by China some two decades years ago. The National Assembly instead voted to extend by two years until 2011 the terms of commune and district leaders who were indirectly elected in a process vetted by the VCP.⁵

While maintaining the pace of economic liberalization, the government has continued to clamp down on oppositional civil society actors in an attempt to retain its monopoly on power. In trials throughout the year several members of the Bloc 8406 movement — named after the date (8 April 2006) when its founding members posted an online manifesto calling for democratization and civil liberties in Vietnam — and other pro-democracy activists were sentenced to prison terms. With the death of Hoang Minh Chinh in February, the pro-democracy movement lost one of its most prominent figures. The veteran activist had been among the first signatories of the 8406 manifesto and relaunched the still-banned Democratic Party of Vietnam (DPV). Hundreds of Vietnamese relatives and supporters attended his funeral, a politically charged event held under heavy policy scrutiny.⁶ According to two outlawed dissident groups, the People's Democracy Party (PDP) and the California-based Viet Tan, several pro-democracy campaigners were arrested in September during demonstrations by Catholics against the government. In December, eight Vietnamese Catholics went on trial charged with disturbing public order and destroying property. Since January — with a peak of activity in August and September — hundreds of Catholics have protested the seizure of 14 acres of land by the Vietnamese government which they claim belongs to the Church. The protest took the form of mass prayer vigils on the disputed land which was part of the capital's Thai Ha parish until 1954 when the communist forces took power from the French in North Vietnam and seized most church land.⁷

However, on several other occasions the government demonstrated that it was willing to listen to societal demands. In March the government extended the number of religious organizations that enjoy freedom to practice their faith as long as they do not oppose the Party and existing political structure. Operating licenses were granted to 13 additional religious groups, including the Baha'is, the Theravada Buddhist sect, and the Vietnam Mennonite Church. To date the

government has recognized 106 Protestant Christian groups, licensed 1,156 groups and granted land-use certificates to around 30 religious establishments. Senior government officials now praise the positive contribution of religion to society, though they still insist on vetting senior clerical appointments.⁸ Even the 2008 update of the traditionally rather critical Congressional Research Service Report on U.S.-Vietnam relations concludes that “most Vietnamese now are able to observe the religion of their choice”.⁹

Ethnic minorities also benefitted. Protest related to ethnicity emerged as a new phenomenon in Vietnam’s modern history in 2001 and was the result of a decade-long quasi-neglect of ethnic minorities. Violence in the Central Highlands that first gripped the country in 2001 intensified in 2004, when some 10,000 Montagnards (also referred to as Degars and *thuong*/highlanders) in Dak Lak and Gia Lai provinces protested against government repression of their religion (many are Christian) and against the confiscation of their land. The government has subsequently worked towards improving the basic infrastructure in the Central Highlands and providing more protection for the rights of minorities. An EU delegation that visited Dak Lak province (which is home to 44 ethnic minority groups) in November 2008 stated that the province had made “socio-economic and cultural achievements”.¹⁰ According to the Chairman of the provincial People’s Committee Lu Ngoc Cu, over the past few years Dak Lak recorded an average economic growth rate of 11.2 per cent, the highest among Central Highlands provinces.¹¹ During a visit to three Central Highlands provinces in the same month, a group of four Western states, Canada, Norway, Switzerland and New Zealand, noted “demonstrable progress” and “some positive trends towards greater religious freedom” in the remote region. At the same time the delegation found that the Montagnards remain under-represented in local government while “ethnic minority poverty is increasing”.¹²

The Struggle between Reformers and Conservatives Continues

The far-reaching economic and modest political reform process is spearheaded by Prime Minister Nguyen Tan Dung who relies on a heterogeneous group of progressive members among the political elite, tied together by ideological affinity and interest convergence. The conservative-reformer cleavage is not identical with the generation gap in the Politburo’s Central Committee — still the centre of political power in Vietnam. Some prominent reformers are too old for re-election, such as former NA Chairman Nguyen Van An, while some younger members of the Central

Committee are ardent conservatives, for example Information Minister Le Doan Hop. Dung has established strong progressive and pro-globalization credentials since taking office in 2006 by masterminding several trade and investment liberalization policies. In 2008 Vietnam concluded a free trade agreement (FTA) with Japan, is currently acting as the coordinator for EU-ASEAN FTA negotiations (the EU and Vietnam currently also considering the feasibility of a bilateral FTA), expressed interest in joining a trans-Pacific free trade deal and started bilateral investment treaty negotiations with the U.S. and Canada.¹³

The current economic turbulence has strengthened the reform-critical voices — centred on VCP secretary general Nong Duc Manh — who have tried to exploit Dung's difficulties in stabilizing the market forces and finding effective policy responses to counter increased pollution and congestion as well as the continued prevalence of corruption. The main criticism was directed at the Premier's handling of inflation which reached a 17-year high of 28.3 per cent in August before slightly easing for three consecutive months.¹⁴ High inflation has been among the main causes for a proliferation of labour strikes. Industrial action reflects the anger of the tens of thousands of Vietnamese who have left rural farming communities to seek work at foreign-invested factories in the new industrial zones around Hanoi and Ho Chi Minh City, only to see the buying power of their wages decrease amid rising food and fuel costs. By mid-year food costs had risen by an estimated 44 per cent, while transport and housing had increased by around 25 per cent. According to government statistics, about 300 strikes took place in the first quarter alone, a three-fold increase compared to the first quarter of 2007 when 103 strikes were recorded. The sharp rise in industrial action happened despite new labour rules that make workers liable to compensate their employers if they walk off the job illegally.¹⁵ The economic downturn appears to have triggered "a growing discontent about the country's economy, leading to private discussions about the effectiveness of government solutions and its leaders' ability".¹⁶ According to the *Far Eastern Economic Review*, in a closed meeting in September experts from semi-independent economic think-tanks "raised fundamental questions about the issues underlying the troubled economy, including inadequate measures to ensure quality of economic growth, the lack of good governance, and the shortage of unskilled workers".¹⁷

Yet, given that the entire political elite has benefitted greatly from ongoing economic liberalization and the economy grew by 6.2 per cent in 2008, Dung's position is not likely to face any direct challenge from the conservative quarter. Still, the tensions within the VCP are believed to be the most intense in over a decade. Dung's individualistic and non-consensual leadership style has irritated,

if not angered, the conservative camp led by party chief Manh. The divergence between Dung's focus on economic growth and Manh's emphasis on economic stability is growing. Furthermore, the progressive camp in the VCP was weakened with the death of former prime minister Vo Van Kiet in June. A champion of liberalization, he maintained influence as a powerful behind-the-scenes patron over a group of party officials, including to some extent Dung, and continued to promote his reform ideals after retiring as an advisor to the party's Central Committee in 2001, Kiet's last official position. In the first half of the year speculation was growing about the possibility of a mid-term party conference — the first of its kind since 1994 — to address internal party divisions.¹⁸ The conference, which took place eventually, confirmed the rifts within the VCP and the existing discontent with Dung's performance.

The Media as a Key Battleground

In addition to the economy the media has emerged as a key battleground between reformers and conservatives. While reformers do not necessarily support the concept of unrestricted press freedom, they do view a freer media as a potentially useful tool for policing corruption and thus minimising potential sources of popular discontent with party rule. Conservatives perceive even limited press freedom as a serious challenge to the VCP.¹⁹ The latter group had the upper hand in 2008 despite a promising signal for more press freedom early in the year.

In February, Manh praised the press for unmasking graft and thereby fulfilling “the people's desires”. The most notable case was a scandal at the transport ministry in 2006 in which newspapers revealed how officials had gambled around US\$750,000 of public money on the outcomes of football matches and then paid bribes to cover up the crime (the so-called PMU18 case). In the clean-up that followed, the head of a road-building department at the ministry was jailed, along with seven others.²⁰ However, the arrest and sentencing of two journalists who reported on this high-level graft case, called into question the government's intention to loosen its tight grip on the press. Nguyen Viet Chien (Thanh Nien newspaper) and Nguyen Van Hai (Tuoi Tre newspaper) were arrested in May and charged with “abusing their position and power while discharging public duty”.²¹ Under a 2006 decree, journalists face large fines for transgressions of censorship laws, including denying revolutionary achievements, spreading “harmful” information, or exhibiting “reactionary ideology”.²² Along with the journalists two police investigators who provided the press with information about the case were accused of “deliberately revealing work secrets”. After a day-and-a-half long

trial, on 15 October the court handed out the sentences. Viet Chien, who pleaded not guilty throughout, was given a 24-month custodial sentence, while Van Hai, who pleaded guilty and asked for leniency, was given two years of re-education without detention.²³

The government rejected widespread criticism of the trial from the two newspapers themselves as well as human rights organizations, foreign donors, the U.S. and the EU, noting that it was held in accordance with international standards and had been attended by representatives of foreign missions and a number of foreign journalists. Foreign Ministry spokesman Le Dung was quoted as saying, "Vietnam is fully aware of the threat of corruption, and considers corruption as a national disaster and the fight against corruption as a very important task." He also encouraged the "the press to take an active part in the fight against corruption in a comprehensive, thorough and lawful manner".²⁴

While the government maintains tight control over the media, comprising around 11 daily newspapers and more than 50 provincial television stations, Catherine McKinley's comprehensive study of Vietnam's press confirms that generally the freedom for Vietnamese journalists to report and investigate cases of corruption is growing.²⁵ Although Nguyen Tan Dung has made reform and anti-corruption efforts a priority, neither press freedom nor corruption or indeed political change were addressed by the 7th Plenum of the VCP Central Committee in July. Topping the agenda was a discussion of the country's current domestic economic challenges. Broad resolutions on youth, intellectuals and rural areas were also put forward.²⁶

Corruption: The Main Challenge to the VCP's Legitimacy

Corruption and abuse of office remain the VCP's most serious problem and both the conservative and the reform camps are full of corrupt officials. Citizens' complaints about official corruption, governmental inefficiency and untransparent bureaucratic procedures have increased in recent years. Although senior party and government officials have publicly acknowledged growing public discontent, the government has so far mainly responded with a few high-profile prosecutions of officials and private individuals rather than comprehensive reforms.²⁷ Ongoing crackdowns on corrupt officials and state-owned enterprises are a good indication that the government takes graft seriously, but they are equally an indicator of the pervasiveness of the problem. In the first six months of 2008 government auditors uncovered fraud worth D970 billion (US\$61 million) and "misdeeds in economic management" of approximately D400 billion. By May almost 400 people had been

charged with corruption-related offences. In addition, the General Department of State Audit found that D2.8 trillion (US\$170 million) in taxes had been evaded in 2007, especially in the construction sector, of which authorities have recovered less than 10 per cent.²⁸ Vietnam was ranked 121 out of 180 countries surveyed in Transparency International's 2008 Corruption Perceptions Index (two positions higher than in the previous year).²⁹

In November, chief government inspector Tran Van Truyen unveiled a long-term national strategy for the fight against corruption (until 2020). This very ambitious strategy is intended to eliminate the conditions from which corruption arises and build a transparent government apparatus with incorruptible civil servants. The corruption prevention plan comprises five measures: improving the transparency of authorities and agencies; completing the economic management regime; building a fair competitive business environment; improving supervision, surveillance, investigation and prosecutions; and raising society's awareness of its role in the fight against corruption. The government also considers legislative measures to publicize the income of government officials. In an interview Truyen announced that in the first phase of the strategy's implementation the government will look into public assets, followed by an investigation of the private sector and the extent to which firms were involved in the bribery of state employees. In the near future inspectors would focus on land management, finance and banking, credit and the equitization of economic groups and corporations.³⁰ As a related significant measure to create international confidence in Vietnam's anti-corruption roadmap the government decided to sign the UN Convention against Corruption.

In a particularly image-damaging case, which is under investigation, a Ho Chi Minh City official allegedly received more than US\$2 million bribes from executives of the Japanese consulting firm Pacific Consultants International (PCI), in exchange for helping the firm win contracts in the East-West Highway project. The World Bank (WB) warned it would stop lending money to Vietnam if it discovered any wrongdoings regarding official development assistance (ODA) funding. Vietnam will receive WB preferential loans of US\$1.5 billion per annum over the next three years.³¹ The issue of corruption ranked high on the agenda of the Consultative Group (CG) Meeting of Vietnam's international donors and the government in early December. At the sidelines of the meeting the Head of the EU delegation to Vietnam, Sean Doyle, commented, "Donors and investors may not help as much as they have in the past if they don't see more transparency, receive more economic information and so on, and also receive strong signals that the government is doing something about corruption."³² The total donor commitment to Vietnam for 2009 reached just over US\$5 billion, a decrease of

US\$400 million as compared to 2008.³³ The drop was mainly due to Japan's decision to freeze ODA (expected to be more than 1 US\$ billion) until Vietnam took effective measures against corruption. This is the first time Japan held back ODA and Tokyo did so with substantial support from domestic reformists outside the Vietnamese government. Both the EU and the U.S. also addressed human rights concerns in their statements to the CG meeting.³⁴

Human Rights: A Thorn in the Side of Vietnam's Otherwise Prosperous International Relations

Although Vietnam was removed from the U.S. State Department's CPC ("country of particular concern") list that names states "engaged in or tolerated particularly severe violations of religious freedom" in November 2006, human rights issues have regularly resurfaced on the bilateral agenda.³⁵ Washington and Hanoi conduct a twice yearly human rights dialogue, in which the U.S. raises questions on religious freedom and democratic reforms in Vietnam. Driven by what some American policy-makers see as a breach of promise by Hanoi to embrace reforms towards greater political freedom and substantial improvements in human rights when it joined the WTO, the U.S. House of Representatives passed binding legislation in September 2007 that ties U.S. foreign aid to Vietnam to its human rights record while serving the purpose of promoting the "development of freedom, human rights, and the rule of law" in the country.³⁶ The Vietnam Human Rights Act of 2008 confirmed the provision by linking the expansion of U.S.-Vietnam relations to "significant improvement in human rights for Vietnamese citizens, particularly those enshrined in the International Covenant on Civil and Political Rights, of which Vietnam is a signatory".³⁷ In a similar vein, the 2008 edition of the U.S. State Department's Human Rights Report on Vietnam (which covers the year 2007) found that Vietnam's "human rights record remained unsatisfactory".³⁸ The Vietnamese Foreign Ministry claimed that the report did "not give objective observations on the real situation in Vietnam and [was] based on false and prejudiced information".³⁹ Vietnamese Americans, a growing political force in the United States, have been trying to convince U.S. lawmakers to exert more pressure on Hanoi to improve human rights. As in the case of Sino-American relations, the U.S. human rights agenda towards Vietnam is largely driven by the domestic dynamics of foreign policy-making in Washington that allows for the significant leverage of pressure groups on the conduct of foreign affairs.

Economic relations between the two states have not been affected by human rights concerns. Since the implementation of the Vietnam-U.S. Bilateral Trade

Agreement (BTA) in 2001, two-way trade has increased from US\$1.5 billion to about US\$10 billion in 2007.⁴⁰ Following the state visit of Dung to Washington in June, the two countries launched bilateral investment treaty (BIT) talks and the Bush Administration announced that it would explore whether to add Vietnam to the Generalized System of Payments (GSP) programme. The programme extends duty-free treatment to certain products that are imported from designated developing countries. Since 2005, the U.S. and Vietnam have held annual visits between President Bush and either the Vietnamese President or the Prime Minister. In June Dung also became the highest level Vietnamese official since the Vietnam War to visit the Pentagon, where he met with Secretary of Defense Robert Gates. The two states also announced the commencement of a formal "Security Dialogue" on political-military issues, a process that the United States has with four other Southeast Asian countries. The June summit was a clear indication of an ongoing deepening of U.S.-Vietnam relations. President Bush went so far as to vow to support Vietnam's security, sovereignty, and territorial integrity — a hint at China's assertiveness in the South China Sea.⁴¹ As Mark Beeson correctly points out, Washington's relations "with Vietnam have become increasingly cordial. ... [T]here is no small irony in the way in which history has developed; the USA has ultimately achieved the very result it wanted through the indirect use of 'soft' rather than 'hard power'".⁴²

No two sets of bilateral relationships are more important to Vietnam than its relations with the United States and China. Maintaining the best possible balance in its relations with the two powers has emerged as the cornerstone of Vietnam's foreign relations in the post-Cold War era. A low point in diplomatic relations with Beijing was reached in December 2007 when thousands of Vietnamese took to the streets of Hanoi and Ho Chi Minh City to protest against what they viewed as China's incursions into Vietnamese territory in the South China Sea (the first public rally in half a century in communist Vietnam).⁴³ Anti-China protests resurfaced in December 2008 but were quickly overwhelmed by the Vietnamese government forces. In late May and early June 2008 Party General Secretary Manh paid an official visit to China where he met Chinese Premier Wen Jiabao, and President Hu Jintao. It was Manh's fourth trip to China since he was elected for the post in 2001. Among other issues the two sides agreed to set up hotlines between the leaders, and to make greater use of the Steering Committee on Vietnam-China Bilateral Cooperation. Consensus was also reached to finish demarcating the land border between Vietnam and China by the end of 2008.⁴⁴ In October, during further talks in Beijing, this time between Wen Jiabao and Nguyen Tan Dung, the two governments agreed to implement the Gulf of

Tonkin Border Delimitation Agreement (ratified in 2004) to avert conflicts over oil and gas exploitation. However, in the dispute concerning the sovereignty of the Spratly Islands a sustainable solution has yet to be found. In July, China reportedly pressed the American oil firm Exxon Mobil to cancel an exploration deal with Petro Vietnam in areas of the South China Sea off Vietnam's south and central coasts, claiming the acreage lay in Chinese territorial waters.⁴⁵ A statement issued by the Foreign Ministry made it clear that Vietnam was prepared to stand its ground in the dispute: "Vietnam possesses sufficient historical evidence and a legal basis to confirm its indisputable sovereignty and sovereignty rights over the Hoang Sa and Truong Sa archipelagos, as well as Vietnam's waters and continental shelf."⁴⁶ A sense of resentment towards China, emanating from historical legacies, persists within much of Vietnam's political elite, as remained the case with a proportion of the wider Vietnamese population.⁴⁷ The prevailing distrust between the two nations once again became an issue in August 2008, when "four Chinese-language websites carried an alleged Chinese plan to invade Vietnam". In response, the government in Hanoi "twice summoned senior Chinese diplomats to its Foreign Ministry to voice concerns about the possible negative impact on bilateral relations and to request the removal of the offending document from Chinese web sites".⁴⁸ Despite strong diplomatic efforts to strengthen Sino-Vietnamese relations and the rhetoric about a strategic partnership, China's assertiveness against Vietnam was such an irritant among the Vietnamese elite and the populace at large that even party boss Manh — who favours close relations with China — had to emphasize the need to defend Vietnam's sovereignty and territorial integrity in his speech before the All-Army Political-Military Convention in December 2008.

In multilateral settings Vietnam was able to put its mark on international organizations and cooperation schemes. As a non-permanent member of the UN Security Council (SC) for the 2008–09 term Vietnam took over the chairmanship during the month of July. After the devastation caused by Cyclone Nargis in Myanmar in early May, Vietnam reportedly joined fellow SC members China, Russia, and South Africa in opposing calls for the Council to invoke a "responsibility to protect" that would have permitted the international community to bypass Myanmar's ruling junta in providing humanitarian assistance.⁴⁹ As for regional cooperation, Vietnam was among the group of five member states that ratified the ASEAN Charter early — Vietnam handed over its ratification document on 4 April — paving the way for the Charter to take effect from 1 January 2009. As the unofficial leader of the "CLMV" group (Cambodia, Laos, Myanmar, Vietnam) representing the least developed of the ASEAN countries,

Vietnam hosted a summit meeting of the four prime ministers in November in Hanoi. The four countries are also members of the Mekong River Commission and the Greater Mekong Subregion (GMS). Both organizations focus, *inter alia*, on the management of water security which has recently emerged as a serious problem for Vietnam. In November the country saw the worst flooding in decades. Torrential rain and floods in 20 northern Vietnamese provinces claimed the lives of at least 85 people, damaged 180,000 houses, and devastated about 265,000 hectares of rice and vegetable fields. Total losses are estimated at over US\$440 million.⁵⁰

Conclusion

The impact of the *doi moi* on Vietnam's international relations is an often underestimated effect of the reform process. In 1989 Vietnam had diplomatic relations with just 23 non-communist states and was internationally isolated. Two decades later Vietnam has established diplomatic relations with 172 nations and signed trade agreements with 76 countries and Most Favoured Nation status with 72 countries and territories, according to the Ministry of Foreign Affairs which stresses that "for the first time in history, Vietnam is now entertaining normal relations with all major powers and UN Security Council's Permanent Members".⁵¹ As a non-permanent member of the UN Security Council (for the 2008–09 period) and one of the most influential members of ASEAN and sub-regional cooperation schemes, Vietnam has further strengthened its influence on the international stage. In 2008 Hanoi's bilateral relations with Washington and Brussels reached new heights with the start of talks on a bilateral investment treaty (BIT) and the commencement of a formal security dialogue in the case of the U.S. and negotiations for a Partnership and Cooperation Agreement as far as the EU is concerned. Sino-Vietnamese relations recovered from the diplomatic low point in the wake of the anti-China demonstrations in Hanoi and Ho Chi Minh City in December 2007 but remain troubled over conflicting sovereignty claims in the South China Sea.

The successes in the conduct of foreign relations, however, cannot hide the fact that Vietnam is still haunted by an international image problem — a message that the country's donors clearly drove home at the Consultative Group Meeting with the government in December — whose underlying causes, such as human rights issues and high levels of corruption, no longer escape the attention of domestic groups either. The conviction of two reporters who had covered one of the biggest corruption scandals in recent years was a stark reminder that the pace of political

reforms is lagging a long way behind economic liberalization. Not least did the trial indicate the intensity of the growing conflict between the conservatives and reformist groups in the VCP. The economic turbulence of the past months has played to the advantage of the party's old guards, senior leaders from North and Central Vietnam who are associated with the armed forces and the VCP's security wing and preach the primacy of national stability. Seen through the conservative lens, any far-reaching economic reforms and even modest alterations to political decision-making pose a threat not only to the party's monopoly on power but its very survival. While the position of the Prime Minister appears not to have been openly challenged, Dung faces an uphill battle. At the economic front he must balance the reformists' calls for more growth with the conservatives' focus on economic stability while at the same time demonstrating that the government is capable of implementing effective measures to reduce corruption and increase government transparency, the main challenges to the VCP's legitimacy.

Notes

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