

# **VIETNAM**

## **Arriving in the World — and at a Crossroads**

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The year 2007 in Vietnam was bracketed by two events that could go down in history as watersheds in the country's post-Cold War life. On 11 January, Vietnam began its membership in the World Trade Organization (WTO). In December, thousands of Vietnamese took to the streets to protest against China's claims to the Paracel and Spratly Islands in the South China Sea. The accession to the WTO marked the full integration of Vietnam into the Western-led international system, closing a protracted process that began twenty years ago and opening a new era in the country's economic life as well as its relations with the outside world. The anti-China protests demonstrated the re-emergence of nationalism, and with their suppression by Vietnamese authorities, that the banner of patriotism has changed hands from the state to alternative elite groups that are Internet-based and wealthy. These protests and Beijing's urge to suppress them have put Hanoi in a dire strait where it cannot avoid taking sides. Vietnam has just arrived in the world but already stood at a crossroads.

### **The WTO Era, Year One**

Vietnam's economy in 2007 continued to gain momentum in an overall stable macroeconomic environment but challenges and pitfalls are also mounting up, suggesting that it might be evolving into a bubble economy. Gross domestic product (GDP) reached US\$71 billion and per capita GDP stood at US\$835, double the figure of 2001. The country's balance of payments recorded a high

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surplus, due to massive influx of overseas remittance, foreign direct investment (FDI) and foreign aid despite a record amount of imports. Gross external debt was equal to 30 per cent of GDP while government debt accounted for 36 per cent of GDP. State budget revenues accounted for 25 per cent of GDP while the government continued to run a budget deficit, which was less than 5 per cent of GDP.<sup>1</sup> However, off-budget spending approved directly by the prime minister and funded by the Vietnam Development Bank could add 3 to 5 per cent of GDP to the deficit, “which could turn Vietnam from a low-deficit country into one of the highest deficit countries in the region”.<sup>2</sup>

The first year of the WTO era in Vietnam is a year of records in major economic indicators. Vietnam’s economy is estimated to soar by 8.44 per cent, which is the highest GDP growth rate since the Asian financial crisis in 1997–98. Also reaching the highest level since 1996 is the inflation rate of 12.6 per cent. With US\$20.3 billion, the country has attracted a record value of committed FDI. This is an increase of nearly 70 per cent from 2006 and the largest ever figure since the opening of Vietnam’s economy to FDI in 1988.<sup>3</sup>

The surge of FDI has arguably been an effect of Vietnam’s membership in the WTO. In 2007, Vietnam continued to be branded as the “next Asian tiger” or the “second China”. However, the comparison with China may be misleading. Although Vietnam’s foreign trade hit new heights, with exports rising to US\$48.3 billion and imports to US\$60.8 billion, the country’s exports grew by only 21 per cent, a rate much lower than China’s 35 per cent in its first year after entering the WTO and even lower than Vietnam’s own 26 per cent growth in 2006.<sup>4</sup> Moreover, while China has consistently enjoyed trade surpluses, Vietnam’s trade deficit has persisted for decades. Also, in contrast with the early phase of economic growth in China, Vietnam continues to be haunted by a high inflation rate.<sup>5</sup> These contrasts suggest that Vietnam is unlikely to follow the Chinese path, which is characterized by a long-lasting process of high-speed economic expansion.

With regard to the FDI inflows, it seems that Vietnam benefited less from its learning of the Chinese model than from its being next to China. Many foreign investors followed the “China-plus-one” strategy and went to Vietnam to diversify their manufacturing base.<sup>6</sup> This is especially true of the Japanese and Taiwanese, who fear that tensions in their countries’ relations with China may negatively affect their businesses in China. An example is Taiwan’s Foxconn (Hon Hai) Group, the world’s leading maker of outsourced electronics components and one of the largest foreign investors in China, which in March unveiled a plan to allocate up to US\$5 billion into two projects in Vietnam.

Reflecting Vietnam's credibility, foreign donors pledged in their annual meeting at year's end an unprecedented US\$5.4 billion in official development assistance for 2008, a sharp increase from the US\$4.45 billion figure for 2007. Meanwhile, overseas remittance is estimated to reach a record US\$7.5 billion in 2007. Overall, Vietnam's economy received US\$29 billion of investment or 40.6 per cent of GDP and an increase of 16.4 per cent compared with that of 2006.<sup>7</sup>

This high level of investment and the massive influx of money from the outside indicate that Vietnam's economy is not lacking in financial capital. Also, with a young and large population and a long coastline close to the main shipping route of a rising region, Vietnam possesses a huge economic potential. However, its 45-million-strong labour force is still largely unskilled, its 3,444-kilometres coastline possesses few deep-water seaports, and its transportation system remains poorly developed. The high inflation rate following the influx of external money indicates that Vietnam's economy is ill-prepared to absorb that much money. Given its chronic problems in education, infrastructure, energy supply, legal system and the bureaucracy, Vietnam's economy is likely to be heading towards a bottleneck.

The government is quite aware of these problems. Moreover, it continues to pledge to fight uncompromisingly against corruption and red tape but the promise has yet to be materialized. Education has been for years declared a top priority. The appointment of Nguyen Thien Nhan, who is one of the potential successors to Prime Minister Nguyen Tan Dung according to the Party's long-term personnel plan (*qui hoach can bo*), as Education Minister in 2006 and again in the 2007 cabinet reshuffle demonstrates that Vietnam's leaders are now more determined to materialize their declarations. Nhan assumed his post with an agenda to transform an education system that, despite decades of reforms, still shows a low level of both performance and integrity into a sophisticated one similar to those in the advanced industrial countries. He launched a campaign to "say no" to the practice of unmerited high grading for the sake of competition between schools and provinces and other practices that are deemed inappropriate but nevertheless widespread in Vietnam's education system. He also vowed to produce as many as 20,000 doctors and advance two universities into the world's top 200 list within ten years. Critics have pointed out, however, that these objectives are unrealistic and concrete plans to achieve the ambitious goals remain unclear.

Vietnam's growing energy demand is intensifying the pressure to exploit all possible energy sources. While aware of their negative environmental effects the government is keen on building more power plants utilizing coal, hydropower and

nuclear energy. In August, Vietnam announced plans to build two to three nuclear power plants with a total capacity of 8,000 MW at a cost of US\$16 billion by 2025. In September, Hanoi signed with Washington an agreement on the peaceful use of nuclear energy, making the United States the seventh country besides Russia, France, India, South Korea, Japan, and Argentina to have nuclear cooperation with Vietnam. Although the pact focuses on reactor safety and radioactive waste disposal and does not cover the building of nuclear power plants, it may be a first step towards more expansive U.S.-Vietnam nuclear cooperation.<sup>8</sup> Vietnam has also cemented its commitment not to become a nuclear weapons state by replacing the high-enriched uranium fuel of its research reactor, which can be used to make nuclear weapons.

### **Institutional Readjustment**

Vietnam's membership in the WTO has given an impetus to reorganizing its political institutions as well. International compliance, efficiency and transparency are thought to be the main values that must be adopted in adjusting the country's institutions once it has "jumped into the ocean" — the metaphor Vietnamese use to refer to their joining the Western-dominated international system. However, strong resistance against transparency remains. For example, on 28 May, the prime minister ruled that unauthorized civil servants cannot speak to the public or provide information to the press.<sup>9</sup> International compliance and efficiency played a role in the decision to merge the Party's central school, the Ho Chi Minh National Political Institute, with the National Administration Institute to form a new institution closer to the schools of public affairs in the West.

Efficiency was also a main reason behind a major reorganization of the Party's central administration. At the Fourth Plenum of the Vietnamese Communist Party (VCP) Central Committee in January, the Party decided to streamline its central administration from eleven to six units, eliminating a decades-old structure that paralleled the functions of the government. The Party's administration now consists of a strong Central Office that absorbs the former Departments of Economics, Internal Affairs, and Finance; a powerful Organization Department that also takes over the functions and personnel of the former Department of Internal Political Security; a powerful Propaganda Department resulting from the merger of the former Departments of Ideology and Culture and Science and Education; the Central Control Committee; the Department of Mass Mobilization; and the Department of External Affairs. Though radical, this streamlining reflects a compromise between conservatives and reformers in the Party leadership.

There had been more radical proposals which included that of Deputy Head of the Organization Department Nguyen Dinh Huong, who suggested keeping only four units and disbanding the Departments of Mass Mobilization and External Affairs, or that of Trinh Dinh Khoi, a senior official in the Ideology and Culture Department, who suggested the dissolution of all departments except the Central Office.<sup>10</sup>

The thrust of the reformers' suggestions was not merely technical efficiency, but more than that, the elimination of overlaps and redundancies that exist between the Party and the State and a "dual government" structure with the Party working as a government over and above the nominal state. In an interview given to *Tuoi Tre* newspaper in July, former Parliament chairman Nguyen Van An argued that this dual government structure and the practice of "the Party directly guides" leads to the paradoxical situation that the responsibility for government decisions rests with the heads of state agencies who do not possess decision-making power while the actual decision-maker is the Party, which bears no responsibility for their decisions.<sup>11</sup> An's view is not new, however; it has been recognized by reformers since the beginning of *doi moi* some twenty years ago. The reason why it still remains a heresy lies in that it touches on the essence of Party power in a totalitarian state — the way that the Party exercises state power. If decision-making power is transferred to state agencies so that responsibility will rest with those who actually make decisions, it will be a change of regime. Such a radical change still could not occur in 2007, but the reorganizing of the central Party administration and the public airing of the idea at the level of cadres such as An and Huong indicates that the pressure for a transfer of power from the Party, which answers only to itself, to the State, which is accountable to the people, is increasing.

The cabinet shake-up in July following the National Assembly elections represents a step, albeit small, in this direction. Previously, the prime minister had very little influence in appointing the ministers. For example, former Premier Phan Van Khai had to accept, against his own wishes, people like Doan Manh Giao as his cabinet chief and Le Duc Thuy as the central bank governor. This time, Prime Minister Nguyen Tan Dung was granted substantially more say in choosing his team. As a result, the successors to Giao and Thuy are both close allies of Dung. The new head of the government office is Nguyen Xuan Phuc, aged 53, a native of Quang Nam in the South Central Coast. The new governor of the central bank is Nguyen Van Giau, aged 50, a native of An Giang in the Mekong Delta. Dung was also successful in elevating his fellow Southerner Nguyen Thien Nhan, aged 54, as one of his deputies. Prior to the

Fifth Plenum in July, where the Party Central Committee discussed the make-up of the new government, there was a plan for Nhan, a Harvard-trained southerner, to hand over his education portfolio to Phan Thanh Binh, another southerner and English-speaker who was Director of Ho Chi Minh City National University. According to this plan, Nhan would take over the concurrent post of deputy premier and foreign minister, which was held by Pham Gia Khiem, a Politburo member. This move would strengthen Nhan's position as a natural successor to Dung. Behind this plan was also the southerners' displeasure with Khiem, a northerner who was instrumental in obstructing a strategic partnership with the United States. However, Dung made a mistake when he also wanted Nguyen Sinh Hung, the standing deputy premier, to leave, so Khiem could still retain his previous portfolio as deputy premier in charge of social and cultural affairs while not inflating the number of the deputy prime ministers. Had Dung's plan been realized, he would be surrounded at the deputy premier level by a lightweight Politburo member (Khiem), a Politburo member who was his fellow southerner (Truong Vinh Trong), and one or two deputies who were not members of the powerful Politburo. This configuration would massively change the balance of power in favour of Dung and his allies since in the first Dung cabinet he was balanced by three Politburo members of whom one was a standing deputy (Hung) and another was concurrently a foreign minister (Khiem) and neither of the two were Dung's allies. The suggestion that Hung would become a vice-chairman of the National Assembly was, however, vehemently opposed by Ho Duc Viet, his fellow native of Nghe An, who was also the boss of the Central Organization Department, the Party agency in charge of personnel affairs.<sup>12</sup> The end result was win-win for everyone. Hung retained his post of standing deputy premier while Nhan became a new deputy premier and kept his education portfolio. The new cabinet has five deputy prime ministers; the fifth is Hoang Trung Hai, a native of Thai Binh province in the Red River Delta, who will supervise economic ministries. At 48, he is the youngest deputy premier, and like Nhan, Hai is an English-speaker with a master's degree from Ireland.

The reshuffle of the cabinet structure is said to follow two guidelines. The first is a new role of the government in which the state can no longer "both play the game and enforce the rules of the game". In the new role, the government will focus on its main functions of policy-making and supervising while passing over other functions such as doing business and professional certifying to firms and non-governmental organizations. The second guideline is international compliance. Thus, the number of ministries in the new government is reduced from twenty-six to twenty-two by merging a number of them.<sup>13</sup> A new Ministry of Trade and

Industry is created by combining the former Ministries of Industry and Trade. Its new minister is Vu Huy Hoang, aged 54, a native of Hai Phong in the north and a former deputy minister for planning and investment, who is reportedly a Dung ally. The new Agriculture and Rural Development Ministry absorbs the former Fisheries Ministry. A new Ministry of Culture, Sports and Tourism is created on combining the “culture” part of the former Culture and Information Ministry, the former National Sport Committee, and the former General Tourism Department. The former Post and Telecommunication Ministry is merged with the “information” part of the former Culture and Information Ministry to become a new Ministry of Information and Communications. The function of supervising the media (read: censorship) is transferred to this new ministry, where the new minister is Le Doan Hop, aged 56, who is a former Party boss of Nghe An province in the North Central Coast and has little expertise in information and communication technology. Hop’s assumption of the post reflects the failure of reformers to put Vu Duc Dam, aged 45, a young technocrat and rising star who used to be former Premier Vo Van Kiet’s secretary, in that important seat.

With two-fifths of the deputy premiership coming from the south and southerners controlling the influential portfolios of public security, the government office, the central bank governorship, and the general inspectorate, the new cabinet is no longer dominated by northerners, like the previous cabinets of Premiers Vo Van Kiet and Phan Van Khai. The make-up of the new cabinet reflects a trend that has been underway since the Tenth Party Congress in 2006 — the increase in number and influence of southerners in the country’s leadership. The Party congress has put southerners into the top posts of State President (Nguyen Minh Triet), Prime Minister (Nguyen Tan Dung), and Party Standing Secretary (Truong Tan Sang), creating a balance of power that is unprecedented in Vietnam’s post-unification history. This trend continued in 2007 with the promotion of Vo Van Thuong, aged 37, to boss of the Party’s Youth League, making him the first southerner at the top of the organization. Southerners’ dominance of the Youth League is further reflected in the removal from the league’s executive committee of Nong Quoc Tuan, who is the son of VCP General Secretary Nong Duc Manh and who in May gained his seat in the National Assembly as one of the two delegates from the league’s central office, at its congress in December.

It is still early to say whether the new government is more or less competent than the previous one. One thing is certain, however, that with the forced retirement of Trade Minister Truong Dinh Tuyen and Deputy Resources and Environment

Minister Dang Hung Vo, both in 2007, the government lost two of its ablest and at the same time most reform-minded members.

### **The “Democracy Game”**

In January, Prime Minister Nguyen Tan Dung astounded the world by announcing — through the editor-in-chief of the government website — that he would host a public web chat on 9 February, the first ever live dialogue between a communist state leader and a worldwide audience. During the two and a half hour chat, Dung answered questions sent from across Vietnam and abroad in a manner surprisingly frank for a Communist leader. He did not shy away from thorny issues such as the lack of press freedom, corruption, and the government seizure of farmers’ land for development, or touchy questions about his personal past in the Vietnam War, his family, and their relations with the United States. Dung’s online chat represents a “clear break from old-style communism” in which leaders typically take a more formal approach and avoid questions from a public over which they have little control.<sup>14</sup> Reasons for this defensive posture include the Communist cadre’s fear of misrepresenting his party’s rigid policy and his fear of provocative questions from the audience. Only some extraordinarily self-confident and charismatic leaders such as Cuba’s Fidel Castro have deviated from that style. Dung’s live dialogue indicates that he does not shy away from riding the wave of new values and changes that globalization is bringing.

The prime minister’s show has ignited a series of online chats by other leaders and officials. During the year, President Nguyen Minh Triet, Education Minister Nguyen Thien Nhan, and Hanoi police chief Nguyen Duc Nhanh, among others, also hosted live dialogues via the Internet. After Dung’s web chat, there was some urging from the public and also some hint that other top leaders such as the state president, the Party chief and the parliament chairman would follow suit. However, only President Triet, another reformer, went online while Party boss Nong Duc Manh and parliament chairman Nguyen Phu Trong, both conservatives, have so far refrained, for obvious reasons, from utilizing that modern channel to communicate with the population (and boost their image).

Sharing common interests in keeping their party in power, conservatives and reformers in the VCP nevertheless disagree on how to do it. Reformers believe that seeking popular support — with the implications that the Party must embrace democracy and nationalism — will help the Party maintain its leadership role while conservatives believe that tightening state control is key to the task. As reformers have been gaining on influence in recent years, the room for exercising democracy

is also expected to be widened. The National Assembly election campaign during the first half of 2007 was an opportunity for both Party reformers and civil society forces to broaden that room. While the present law reserves the right to nominate candidates by the Communist Party, state agencies and government-affiliated organizations that are members of the Party's popular front, it also leaves a possibility for individuals to run on their own, or "self-nominate". At the same time, the law also creates numerous hurdles against non-state-sponsored candidates as it rules that all candidates have to go through two reviewing rounds called "consultation meetings" organized by the Fatherland Front, the umbrella mass organization of the Party, and their nominations must be approved by colleagues and neighbours before they can be on the final list. These hurdles serve therefore as a legal tool to keep unwanted candidates off the ballot.

The 2007 election campaign nevertheless experienced an unprecedented large number of self-nominated candidates: 223 individuals ran on their own in a total of 1,136 candidates. However, most self-nominated candidates clustered in the country's two metropolitan areas. In Hanoi, thirty-one state-sponsored candidates were accompanied by fifty-three self-nominated individuals. Ho Chi Minh City had 101 self-nominated candidates besides thirty-six people nominated by the Party's popular front and a further ten dispatched from the central government. Only three provinces (Hue, Dak Nong, and Lam Dong) did not have self-nominated candidates.<sup>15</sup> Contrary to some expectations, many self-nominated candidates were Party members. These included former Justice Minister Nguyen Dinh Loc and former Deputy Resources and Environment Minister Dang Hung Vo. Outspoken people like Vo were said to have been urged by many voters to run. Reformers also advocated a larger quota for more self-nominated delegates in the new parliament.<sup>16</sup> Their hope was to dilute Vietnam's one-party rule into a "one party and many individuals" system.

The large number of self-nominated candidates and the prospect that some outspoken people would win election finally alarmed Party conservatives. On 21 March, the eve of the first meeting that would screen out controversial candidates, Party boss Nong Duc Manh warned that "the next National Assembly should in no way let the democracy game in, because it would be very dangerous". Evoking the collapse of the former Soviet Union as a lesson, he warned against emulation of foreign (read: Western) countries and stressed that stability and socialism must be given first priority when Vietnam is joining the world.<sup>17</sup> Manh's remarks took place the day after Nguyen Van An, the former parliament chief, published a four-article series in the online newspaper *VietNamNet*, which also appeared in a different form in *Tuoi Tre* newspaper the next day, advocating a

fundamental change in the way the Party exercises its leadership vis-à-vis the National Assembly. In these articles, An called for more democracy, arguing that “democracy is both the goal and the driving force of society”. He urged giving full decision-making power to the parliament delegates while the Party should persuade rather than impose its own views on them.<sup>18</sup> On 29 March, *Tuoi Tre* newspaper featured an interview with Vo Van Kiet in which the former prime minister also criticized the current electoral practices that hindered self-nominated candidates and urged letting more non-Party members into the parliament.<sup>19</sup>

While An and Kiet are retired leaders, Manh is the incumbent one. This difference sums up the balance of power between reformers and conservatives. The same day as Manh spelled out his “democracy game” remarks, Dang Hung Vo received a phone call from the deputy head of the Party’s personnel department informing him that “the organization [his party] does not assign [him] to run for the parliament election”. As Vo explained, “since I am a Party member, I follow the assignment of the organization”.<sup>20</sup> Other officials who intended to run on their own were also discouraged to do so by the Party leadership. These included Tran Quoc Thuan, the reform-minded, outspoken, but retiring Standing Deputy Head of the National Assembly Office, and Trade Minister Truong Dinh Tuyen, who was also reform-minded, outspoken, and retiring. As Tuyen recalled, he had asked two Politburo members for their opinions about his self-nomination and received an encouraging and a discouraging answer respectively.<sup>21</sup> Both Thuan and Tuyen subsequently gave up their desire to run. In the weeks following Manh’s remarks, several self-nominated individuals, including “Councillor Khoa”, who became a national celebrity for his criticisms at the Ho Chi Minh City People’s Council, and former Justice Minister Nguyen Dinh Loc, withdraw their candidacy.<sup>22</sup> Self-nominated candidates also complained about the selectiveness and subjectivity of the “consultation meetings”, where they were treated as if they were defendants in a “people’s court”.<sup>23</sup> Eventually, 208 self-nominated or 87 per cent of those in the preliminary lists either withdrew or were screened out by the consultation meetings from candidacy.<sup>24</sup> The new National Assembly has only one self-nominated candidate, and only 8.7 per cent of the delegates are non-Party members, indicating no change compared with the last parliament.

## Foreign Relations

In 2007, Vietnam continued to pursue its “friends to all” foreign policy with an emphasis on economic cooperation with all and strategic partnerships with key

countries in Asia, Europe, and North America. Trade, investment, and economic cooperation were high on the agenda of high-level exchanges with both new partners and “traditional friends”. While economics continued to be given top priority in the country’s foreign policy, seeking strategic relations with the great powers and a new international role were the two central themes of Vietnam’s diplomatic activities in 2007.

In late May and early June, Party chief Nong Duc Manh made a Latin America tour to Chile, Brazil, Venezuela, and Cuba. The fact that all the five countries were being ruled by Socialist or Communist governments may evoke the suspicion that Vietnam was joining a Socialist caucus at the same time as it entered the Western-dominated international system. However, Manh was accompanied by a large trade mission and, as Deputy Prime Minister Nguyen Sinh Hung, who escorted Manh, described, discussions during the visits “focussed on orientations and major measures to raise economic ties to the same level with their growing political relations”.<sup>25</sup> The Vietnamese also kept a delicate distance from Venezuelan President Hugo Chavez’s praise of Hanoi’s past glory in fighting American imperialism. While Vietnam tried to capitalize on ideological affinity for the sake of economic cooperation, it was careful not to join the global anti-American movement.

That was further demonstrated by Manh’s trip to North Korea in October. The first visit by a Vietnamese Party chief in half a century to this former Cold War ally of Hanoi was to strengthen Vietnam’s image as “friends to all” and cement Hanoi’s newly discovered role as a peace broker in East Asia. It was preceded by Japan-North Korea talks on normalizing ties in March in Hanoi and followed by North Korean Prime Minister Kim Yong-II’s official visit to learn about Vietnam’s experiences in economic reforms in October and Manh’s trip to South Korea in November. While there was always a significant economic dimension to these visits, Vietnam’s search for a new international role was a strong force behind the diplomatic overtures. As Duong Chinh Thuc, Vietnam’s former ambassador to North Korea revealed, “Vietnam has long wanted to play a role as mediator between North Korea and the rest of the world.” He added, “Kim’s trip has provided Vietnam with a chance to exercise its growing international influence.”<sup>26</sup>

The Vietnamese perceive their country’s accession to the WTO as “jumping into the high seas” (*ra bien lon*) where the “high seas” means either the world economy, which is capitalist, or the international system, which is Western-dominated. It was the capitalist/Western nature of the world that prevented Communist Vietnam from joining it earlier. Although Vietnam filed its application for WTO membership in 1995, it was not until mid-2003, when the Hanoi

leadership adopted a new security doctrine which removed an ideological clause in the determination of Vietnam's friends and foes, that the process of accession to the WTO was accelerated.<sup>27</sup> Joining the outside world is never an easy question, especially when a country has ample reasons to choose or not choose which world to join. Vietnam (the North before 1975) was a member of the socialist camp since at least 1950 but a full integration to the Soviet-led "world socialist system" as opposed to the Chinese-led "third world" and the U.S.-led "free world" could only occur in 1977, after Sino-Vietnamese relations deteriorated hopelessly and Hanoi's attempts to renormalize relations with the United States — on its own terms, however — collided with an equally hard stance in Washington. This time around, Vietnam could only conclude its joining of the Western-led world after China's accession to the WTO and a major strategic readjustment in Hanoi's foreign policy, both in 2003. The accession to the WTO marked a turning point in Vietnam's history. In the two decades that Vietnam migrated from the Soviet-centred world to the Western-dominated world, it kept a low international profile, partly willingly because it was still living in the legacies of its Cold War identity as the "socialist outpost in Southeast Asia" and the "spearhead of the world national liberation movement", partly unwillingly because it had yet to become a full member of the international system.

The first year of Vietnam's WTO membership saw strong efforts by its leadership to "raise the country's standing" (*nang cao vi the cua dat nuoc*). One way to do that was to play the mediator role between North Korea and the rest of the world. This role has been China's monopoly until recently, but a number of factors have given Vietnam a real chance to succeed in stepping in. First, there is arguably a general desire in North Korea not to be too dependent on China. Secondly, Pyongyang was angered by China's high-handedness as shown recently by the arrest by the Chinese of the businessman who was appointed by the North Korean leader Kim Jong-Il to set up and run a special economic zone near the Chinese border. Consequently, as the Japan-North Korea talks in Hanoi suggested, Pyongyang probably decided to seek a different mediator. Third, North Korea has shown enormous interest in studying how Vietnam, a pariah state, can become a full member of the world with a booming economy while still keeping its Communist dictatorship intact.<sup>28</sup> The *Straits Times* reported that Vietnamese authorities said "it is willing to host a working group seeking to normalize ties between the U.S. and North Korea".<sup>29</sup>

Vietnam's international prestige and influence was also raised by its non-permanent membership in the United Nations Security Council for 2008–2009, which Vietnam secured in 2007. The campaign for this seat received special

endorsement from Prime Minister Nguyen Tan Dung, who travelled to New York in September to celebrate the event.

Complementing Vietnam's joining of the world, Prime Minister Dung made, in January, an overture towards the Vatican by paying the first ever visit by a leader of Communist Vietnam to the Holy See. Dung's meeting with the Pope was described by the Vatican as "a new and important step towards the normalization of bilateral relations".<sup>30</sup>

In 2007, Vietnam's relations with the great powers reached new heights but also underwent crises. Vietnam's heads of state and government went to all major powers — which in the Vietnamese view include the five permanent UN Security Council members plus Japan and India — except the United Kingdom. The chronological sequence of President Nguyen Minh Triet's trips abroad reveals how Vietnam values bilateral relations with different states. In February, Triet made his inaugural trips to Laos and Cambodia. He travelled to China in May, preceding his long-planned visit to the United States in June. After a trip to Australia and New Zealand on the occasion of the APEC Summit in Sydney, he visited Japan in November, becoming the first Vietnamese head of state to go to Japan. During this trip, the two states issued a joint statement and an agenda on deepening their strategic partnership. During Prime Minister Dung's visit in July, Vietnam and India agreed to establish a "strategic partnership". Vietnam also expressed its desire for a strategic relationship with France during Dung's visit in October.<sup>31</sup> These represented further steps in Vietnam's efforts to become a strategic partner of the key global and regional powers. Vietnam currently has a "strategic partnership" with Russia, which is the oldest but remains nominal rather than substantial; two "strategic partnerships" with Japan and India, which are new but promising given the convergence of their strategic interests in the region; a "comrades-plus-brothers" relationship with China, to which the two sides attach very different expectations; and a "constructive and multifaceted partnership" with the United States.

In 2007, Vietnam's relations with the United States and China were intensified, as exemplified by the large number and high level of exchanges, but were also fraught with tensions — with China over territorial claims in the South China Sea and with the United States over human rights situation in Vietnam. This paradoxical state of affairs suggests that both the United States and China have great interest in close ties with Vietnam but if Vietnam continues to pursue its current policy it may be caught between the two giants.

Both the United States and Vietnam expressed their wishes to elevate the bilateral relationship into a strategic level. In a web chat via *VietNamNet* online

newspaper in February, U.S. ambassador to Vietnam Michael Marine noted that U.S.-Vietnam relations had become ever more strategic in the last three years and the United States would support the building of closer ties with Vietnam.<sup>32</sup> He also said of “the steady convergence of the strategic objectives of Vietnam and the United States” in a speech at the Chicago Council for Global Affairs in March.<sup>33</sup> President Nguyen Minh Triet repeatedly said during his trip to the United States in June that “the Vietnamese people want to have solidarity (*doan ket*) and friendship with the American people”. He emphasized that Vietnam regarded the United States as one of its most important partners and wished to build a friendly relationship with the United States on the basis of common long-term strategic interests.<sup>34</sup> It is worth noting that the word *doan ket* in Vietnamese, as “solidarity” in English, means “a union of interests or purposes or sympathies among members of a group” and often refers to relations between allies.

However, even a strategic partnership was still not yet possible, not to mention an alliance relationship. Triet’s visit to the United States was preceded by the worst crackdown on pro-democracy activists in years, in which more than two dozen activists, including a lawyer who had just returned from the United States on a fellowship from the Congress-sponsored National Endowment for Democracy, were detained by Vietnamese security services. The police even stopped the wives of two dissidents from meeting the U.S. ambassador and a congresswoman for tea.<sup>35</sup> One month before the scheduled date of Triet’s visit, the United States reportedly “officially postponed” the visit to protest the crackdown.<sup>36</sup> The original schedule was finally followed after Hanoi complied with the U.S. request to release some of the detainees but the visit was downgraded. Nevertheless, the two countries signed a trade and investment framework agreement, and the year saw a record number of bilateral talks on military and security issues, with at least seven visits from the American side: U.S. Pacific Fleet Commander Gary Roughead in January, a delegation of the House Armed Services Committee in April, Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill and Deputy Commander of the Pacific Command Daniel Leaf in May, Chief of Naval Operations Michael Mullen in June, and Commander of the Pacific Command Timothy Keating and Assistant Secretary of State for Political-Military Affairs Stephen Mull in December.

Sino-Vietnamese relations in 2007 were overshadowed by tensions related to territorial disputes in the South China Sea and Vietnam’s conduct towards China. During parliament chairman Nguyen Phu Trong’s visit in early April, China lodged strong complaints against a US\$2 billion gas pipeline project between PetroVietnam and British Petroleum near the Spratlys that Vietnam said had been implemented

since 2000 and lay within the bounds of its exclusive economic zones and continental shelf as well as Vietnam's plans to hold local elections on the Spratlys.<sup>37</sup> Less than two weeks later Vietnam set up three administrative units on the Spratly Islands, while in June BP suspended its pipeline project due to the dispute.<sup>38</sup> On 9 July, just days after India and Vietnam declared that they were strategic partners, Chinese navy vessels fired on Vietnamese fishing boats in disputed waters near the Paracel Islands, causing one death and several injuries. Throughout the year, there were reports of several Chinese assaults on Vietnamese fishing boats in waters claimed by both nations.<sup>39</sup> Furthermore, China pressured Vietnam to deny visa to a number of Taiwanese leaders and officials and vigorously protested against the Vietnamese media's reports on tainted food and counterfeit goods from China.<sup>40</sup> Since China failed to act against other countries that granted visa to the very same Taiwanese and with the local media reporting the same stories, such moves reinforced the sense that China treated Vietnam as a second-class friend.<sup>41</sup> While Vietnam yielded to Chinese pressures on the Taiwanese issue and downplayed Chinese attacks on Vietnamese fishing boats, it lodged verbal protests against China's planting of sovereignty markers and promotion of tourism in the Paracels (in January and August) and China's military drills and administrative plans in the South China Sea (in November). The last move — China's plan to create an administrative region to manage three archipelagos, including the Paracels and the Spratlys — triggered a series of street protests in Vietnam, which marked a turning point not just in Sino-Vietnamese relations but more importantly in relations between the authorities and emerging elites in Vietnam.

## **The Rise of Nationalism**

On three consecutive Sundays from 9 to 23 December, 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 9 December rally was the first of its kind in half a century of communist Vietnam. While this one was more or less tolerated by the authorities, the other two met with much harsher police treatment.<sup>42</sup> The crackdown on the protesters, who were demonstrating for a cause that the government approved, resulted from the confluence of three factors: Hanoi's fear of Chinese retaliation, its fear of a possible spillover from patriotic to anti-government protests, and its habit of putting down any political activity that it does not control.

The anti-China demonstrators were mostly students who organized their protests through blogs, online communities, and mobile phone messaging. Since

they represent emerging elite groups which are young and wealthy, they pose a much larger challenge to the state than the land grab protests that flared up earlier in the year. The land grab protesters were mostly peasants whose lands were seized by authorities for “development” plans. They represent a class of landless population which is among the poorest in the country. While the farmers fought for parochial interests, the students ostensibly defended national interests.

The anti-China protests present the government with a dilemma. If the state chooses confrontation rather than cooptation, it will lose its last legitimacy. But if it sides with the patriotic protesters, it will risk antagonizing China. The Communist Party draws legitimacy from its image as the protector of the country and its leadership role in past wars against foreign invaders. The patriotic rallies of December 2007 mark, however, the emergence of an alternative flag-holder of patriotism. Facing such a situation, the ruling elites are deeply divided. Voices in the Fourth Congress of the Veterans Association, that took place at the same time as the anti-China rallies, illustrated well that division. While many veterans emphasized the protection of national sovereignty and territory, Party chief Nong Duc Manh failed to mention those very words in his speech. Instead, Manh stressed “safeguarding the Party, the government, and the socialist regime”.<sup>43</sup> The VCP has since the Cold War’s end been a coalition of integrationists and anti-imperialists. The integrationists identify themselves with the nation more than the regime and value territory rather than ideology. They see in the country’s integration to the world economy the principal way to promote national interests in the contemporary era. In contrast, the anti-imperialists identify themselves with the Communist Party rather than the Vietnamese nation and treasure regime security more than territorial integrity. For them, fighting “U.S. imperialism” from which the threat of regime change emanates is the central task. After the decline of the USSR, anti-imperialists opted for an alliance, based on regime and ideological affinity, with China as a keystone of their foreign policy and security strategy. Fearing that mobilizing patriotism may backfire, Vietnam’s government has restrained patriotism since the renormalization of relations with China in 1991. The rise of alternative, patriotic, and wealthy elite groups is ever widening the gap between the integrationists and anti-imperialists and confronting the ruling party with the tough choice: nation or regime, Party or country. In 2007, integrationists in the Party leadership floated the idea of dropping the word “Communist” in the Party’s name and adopting a new name that was not anachronistic and detrimental to Vietnam’s international image.<sup>44</sup> In the years to come, a change of regime may become inevitable. The question, then, is, “To what direction and how?”.

## Conclusion

For some other nations, accession to the WTO may simply mean participating in a global trade agreement, but for Vietnam, it is like being adopted into a new family. Debates among the country's ruling elites over its joining of the WTO were not only about the impact of lower trade barriers on domestic industries and products, but more fundamentally, revolved around whether Vietnam was willing to change the way it organizes its social, economic, and political life. Since the demise of the Soviet-led international system twenty years ago, Vietnam's ruling elites have been divided between those who support integration into the Western-led system and those who resist it. In 2007, the tug-of-war between these two camps continued to dominate Vietnam's political and economic developments. Efforts to raise the country's compatibility with the international system and its competitiveness in the world economy were paralleled by a counter-offensive against democratization. To date, this tug-of-war has been responsible for Vietnam's political balance because it keeps the country from falling on one side. However, events during the year suggest that the rope on which the two teams are tugging may become overstrained. The rise of nationalism and the pressures exerted by China and the United States are driving the ruling VCP into a crossroads. A middle way between these forces may erode both domestic and international support of the Party.

## Notes

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- <sup>3</sup> Reuters, 24 December 2007.
- <sup>4</sup> Le Dang Doanh, quoted in *Thanh Nien*, 20 December 2007.
- <sup>5</sup> Cheah, "Pitfalls of Vietnam's Economic Growth".
- <sup>6</sup> Kaho Shimizu, "Japanese Firms Flock to Booming Vietnam", *Japan Times*, 2 May 2007.
- <sup>7</sup> *Nhan Dan*, 21 December 2007; *Tien Phong*, 29 December 2007.
- <sup>8</sup> BBC Vietnamese Service, 13 September 2007.
- <sup>9</sup> Associated Press, 6 June 2007.
- <sup>10</sup> Interview with Le Hong Ha, Radio Free Asia, 3 February 2007.
- <sup>11</sup> Interview with Nguyen Van An, former National Assembly Chairman, *Tuoi Tre*, 9 July 2007.
- <sup>12</sup> Roger Mitton, "Sparks May Fly Over Viet Cabinet Reshuffle", *Straits Times*, 26 June 2007; Mitton, "Viet Cabinet Shake-up to Get Party Leaders' Nod", *Straits Times*, 7 July 2007.

- <sup>13</sup> Interview with Thang Van Phuc, Deputy Minister of Home Affairs, *VnExpress*, 7 June 2007.
- <sup>14</sup> Associated Press, 9 February 2007.
- <sup>15</sup> *Thanh Nien*, 17 March 2007.
- <sup>16</sup> Interview with Tran Quoc Thuan, Deputy Head of the National Assembly Office, *Tien Phong*, 25 February 2007.
- <sup>17</sup> *VietNamNet*, 21 March 2007.
- <sup>18</sup> Nguyen Van An, “The Party Is the Leader”, “The People Is the Master”, “Exercising Democracy in the Parliament”, “When the Government and the Parliament Disagree”, *VietNamNet*, 20 March 2007.
- <sup>19</sup> Interview with Vo Van Kiet, former Prime Minister, *Tuoi Tre*, 29 March 2007.
- <sup>20</sup> *VietNamNet*, 22 March 2007.
- <sup>21</sup> Online chat with Truong Dinh Tuyen, Trade Minister, *VnExpress*, 23 March 2007.
- <sup>22</sup> *Tuoi Tre*, 27 March 2007, 28 March 2007, 29 March 2007, 5 April 2007.
- <sup>23</sup> Interview with Cu Huy Ha Vu, Radio Free Asia, 19 April 2007; *VietNamNet*, 9 April 2007.
- <sup>24</sup> *VietNamNet*, 19 April 2007.
- <sup>25</sup> Interview with Nguyen Sinh Hung, Standing Deputy Prime Minister, Vietnam News Agency, 5 June 2007.
- <sup>26</sup> Matt Steinglass, “North Korean Prime Minister Visits Vietnam”, Voice of America, 29 October 2007.
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- <sup>32</sup> *VietNamNet*, 2 February 2007.
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