

The Vietnam Studies Program

ISEAS YUSOF ISHAK INSTITUTE



2018 marks the ISEAS-Yusof Ishak Institute's 50th anniversary. Initiated in 1968 by then Deputy Prime Minister Goh Keng Swee, ISEAS has since been dedicated to research and scholarship on Southeast Asia.

The Vietnam Studies Program at the ISEAS-Yusof Ishak Institute is dedicated to the study of Vietnam, a very important Southeast Asian country due to its growing and dynamic population of more than 90 million and a GDP growth rate of over six per cent for the past few years. The Vietnamese people are also widely known for their diligence and mettle in face of intractable difficulties.

Part from these socio-economic strengths, Vietnam is of considerable strategic importance due to its history and location. In view of its past history of either being colonized/occupied by or being overly dependent on bigger and stronger powers, Vietnam today pursues a multi-directional foreign policy which offers useful references for other countries. Vietnam is also a key player in the Association of Southeast Asian Nations (ASEAN) and other ASEAN-centred regional architectures.

The Vietnam Studies Program has two key research thrusts. Firstly, it focuses on domestic issues such as Vietnam's leadership renewal, political jostling and infighting, the anti-corruption campaign and socio-economic developments within the country. Secondly, it examines developments on the external front including Vietnam's foreign policy orientation, relations with major powers, its ASEAN neighbours and regional organisations. Cambodia, which just concluded its July 2018 general elections, and its relations with Vietnam and the big powers also fall under the scope of the Vietnam Studies Program. Mekong development initiatives such as the Greater Mekong Sub-region funded by the

Asian Development Bank and the Lancang-Mekong Cooperation led by China are further areas of interest as they draw attention to the role of outside powers and institutions and the responses of the Mekong countries to these external players.

To provide a flavour of the type of issues that the Vietnam Studies Program cover, we would like to present three articles written by our experts. These three articles cover separate but inter-related areas. The first article looks at Vietnam's reactions to China's Belt and Road Initiative (BRI) unveiled five years ago in 2013. Although it has welcomed the BRI, Vietnam remains cautious about the economic, political and strategic implications of this initiative for the country. This cautiousness is driven by a number of factors including Vietnam's past history of being occupied by imperial China, its desire not to be over-reliant on any major power, the poor record and public perception of Chinese projects in Vietnam as well as the lingering distrust between Vietnam and China in the South China Sea. Therefore, while the BRI may seem to be offering abundant opportunities for growth and prosperity, there are challenges to be overcome if BRI projects are to achieve their intended outcomes in Vietnam.

The second article highlights the important role of the Communist Party of Vietnam (CPV) in steering the country forward. The CPV plays a pervasive role in setting the direction and agenda for the country as had happened when Vietnam embarked on *Doi Moi* (renovation or economic reforms) in 1986. To further industrialize and modernize the country, the Party recognizes that the quality of its personnel matters the most. Hence, a key emphasis of the Party at the just concluded seventh plenum in May 2018 was on raising the quality of its personnel. Personnel management also has to be seen in the wider context of the anti-corruption drive launched by Vietnam's General Secretary Nguyen Phu Trong. Keeping corruption in check is crucial for the Party's long-term legitimacy, thereby ensuring that it continues to play a leading role in Vietnam's development.

The third article examines the growing number of Protestants in Vietnam which highlights the interesting nexus among religious revivalism, communism and capitalism. The rise of Protestantism among the Hmong ethnic minority in the rural areas is a means to alter the ethnic group's marginal status in Vietnam. However, the unconverted Hmong see conversion as a betrayal of Hmong

ethnicity. The situation is further complicated when local authorities intervene to persuade Protestant Hmong to discard their new found faith and return to their folk traditions. As a result, a large number of evangelized Hmong have migrated, partly to escape such interventions, and partly in the hope of escaping poverty. In the urban areas of Vietnam, the state also keeps a watchful eye over the Protestant community due to their ability to attract converts through dispensing of welfare services, their strong foreign links, and their call for greater religious freedom.

There is a common thread in these three articles, i.e., Vietnam is still a developing country that has to grapple with development challenges. Although the CPV remains influential, it has to deliver, like governments in other countries, socio-economic progress to ensure its legitimacy and ability to stay at the helm. At the same time, the CPV and the government of the day that it directs has to navigate an ever changing and challenging external environment. This is a constant challenge.

Liang Lye Fook Senior Fellow and Co-ordinator of the Vietnam Studies Programme

The Belt and Road Initiative in Vietnam: challenges and prospects

Le Hong Hiep

Vietnam stands to benefit from China's Belt and Road Initiative (BRI) due to its growing demand for infrastructure investments to fuel the country's growth. At the moment, Vietnam is facing challenges in meeting this demand because of the decreased inflow of official development assistance following its attainment of the middle-income country status in 2009, difficulties in promoting Public-Private Partnership projects due to tightening financial and legal regulations, and limited state-funded investment due to budgetary constraints. Based on one estimate, Vietnam's infrastructure needs (in terms of road, rail, airports, ports, telecoms, electricity and water) would reach a staggering US\$605 billion from 2016 to 2040. It will need to actively seek different sources of funding including from the BRI.

Vietnam has endorsed the BRI and the China-led Asian Infrastructure Investment Bank but is cautious about the economic, political and strategic implications of this initiative. There remains lingering distrust between the two countries and rising anti-China sentiments in Vietnam due to recent tensions over the South China Sea disputes, especially following

the 2014 oil rig crisis. On the one hand, Vietnam has expressed formal support for the BRI as it is Chinese President Xi Jinping's signature foreign policy initiative. On the other hand, Hanoi seemed more concerned with how this initiative is implemented. While Vietnamese President Tran Dai Quang welcomed the BRI when he attended the Belt and Road Forum in Beijing in May 2017, he also emphasized that cooperation under the initiative must ensure "sustainability, effectiveness and inclusiveness, openness, mutual respect and benefits, and compliance with the UN Charter and international law".

Although China is keen to fund projects such as steel mills, coal-fired power plants, high speed railways and highways, Vietnam is unlikely to consider getting Chinese loans for these projects as a top priority. Some observers have pointed out that securing Chinese loans is neither cheap nor easy. China also normally imposes conditions on their preferential loans including the use of Chinese technologies, equipment and contractors. Moreover, Vietnam's experience with the poor record of Chinese contractors and technologies in various projects will dampen its willingness to take on Chinese loans.

Vietnam is open to funding from other sources including loans from international financial institutions and ODA partners especially Japan. In general, Japanese contractors and technologies are perceived by the Vietnamese public as being more trustworthy than Chinese ones. Vietnam is also keen to promote the Public-Private Partnership, especially the Build-Operate-Transfer (BOT) model. Public-Private Partnership projects will continue to be a major avenue for Vietnam to meet its infrastructure needs as they can help relieve the state of financial burden and international obligations.

Given Vietnam's cautiousness, the implementation of the BRI in Vietnam is likely to be slow. So far, no new infrastructure project in Vietnam has been officially labelled as BRI-funded, although the Cat Linh-Ha Dong metro line in Hanoi, which has been under construction since October 2011, has been categorized as such by both sides. In the coming years, whether the BRI will be successfully implemented in Vietnam will continue to depend on Hanoi's evolving perception of the initiative. Vietnam may apply for one or two 'pilot' projects to get a better assessment of the upsides as well as downsides of BRI loans. However, due to rising public debt, Vietnam may refrain from applying for government-to-government loans. Instead, it may encourage domestic private investors to apply for BRI loans, especially from the Asian Infrastructure Investment Bank, to construct infrastructure projects under the BOT model. This approach will reduce the political and strategic implications of BRI loans for Vietnam.



Line 2A, Hanoi Metro.

In sum, the implementation of BRI in Vietnam faces significant challenges. China should acknowledge these challenges and work with its domestic stakeholders and Vietnamese partners to address them. Although the actual implementation of the BRI in Vietnam may be slow, it is most likely that Hanoi will continue to lend diplomatic support to the initiative as a means to strengthen overall relations with China.

Le Hong Hiep Fellow at ISEAS-Yusof Ishak Institute

This is an extract from Le Hong Hiep's 'The Belt and Road Initiative in Vietnam: Challenges and Prospects', *ISEAS Perspective* 2018/18; <https://www.iseas.edu.sg/articles-commentaries/iseas-perspective>