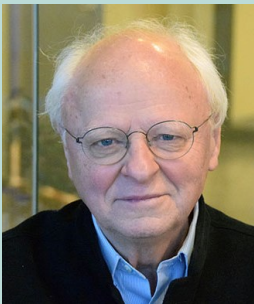




# Vietnam – the scope and limits of transition

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## Introduction

This brief analyses the scope and limits of Vietnam's unorthodox development in recent decades. Few countries have changed as much or at such a rapid pace, as it diversified its economy with global markets playing a crucial role, dramatically reducing poverty and leading to a profound socio-economic transformation. When *Đổi Mới* (Renovation) was launched in 1986, at a time of grave economic difficulties and international challenges, the common narrative of modernization theorists was that Vietnam was "in transition" not only from state command to a market-driven economy, but also to democracy. This however did not turn out to be the case. Even though there has been considerable institutional development, and Vietnamese society today is far from monolithic, the country remains not just a one-party state, of which there are many, but a party-state, which is a deep-rooted comprehensive construct defined below.

Even though it is a party-state, Vietnam has succeeded in combining its authoritarian political system with the dynamics of global capitalism. It has achieved this despite the predictions of leading scholars, such as Acemoglu and Robinson, that economic development in countries such as China and Vietnam, "like all examples of growth under extractive conditions . . . will not be sustained".<sup>1</sup> Global economic integration with foreign direct investment (FDI) as a driving force has emerged as a key source of growth, and this development has served the

Communist Party of Vietnam (CPV) well, while also deepened the dynamics of Vietnam's evolving challenges.

Vietnam's international position has also undergone dramatic change. It was no coincidence that US President Joe Biden chose to visit Vietnam in connection with the G20 meeting in New Delhi in September 2023, or that President of China Xi Jinping visited Hanoi just months later. Nor was it a coincidence that Vietnam was one of two Southeast Asian countries invited to the G7 Hiroshima Summit in Japan in May 2003. These are clear signs of Vietnam's growing importance in an era of Chinese assertiveness.

A Comprehensive Strategic Partnership was entered into during the Biden visit, 50 years after the signing of the Paris Agreement, in May 1973, on ending the US military presence in Vietnam, which two years later led to the evacuation of the last US presence in Saigon. In 1976 the country was reunited on North Vietnamese terms. It is noteworthy that Biden was hosted not by Vietnam's president but by the party secretary of the CPV, Nguyen Phu Trong, a powerful party leader since more than 10 years and deeply committed to maintaining the party monopoly. While the US is increasingly applying sanctions against China's high-tech industry, such as its advanced semi-conductors, the opposite appears to be the case for Vietnam. During his visit to Hanoi, Biden talked about high-tech cooperation and envisaged a semi-conductor eco-system,

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<sup>1</sup> Acemoglu, Daron, and James A. Robinson. *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. New York: Crown, 2012, p 441.

while the media talked about a “high-tech push”.<sup>2</sup>

During Xi Jinping’s visit, the two countries agreed to step up cooperation on security matters in a move to become a community with a “shared future”, rather than a “shared destiny” as suggested by Xi. This was not an upgrade of the relationship beyond the current comprehensive strategic partnership (CSP).<sup>3</sup> China clearly wants to remind Vietnam of where it belongs. Vietnam’s ambition is instead to broaden its network of partnerships, having already formed a comprehensive strategic partnership with Russia, which is still a crucial supplier of military hardware, as well as India, South Korea and Japan, but not yet with the European Union (EU).

Vietnam is, hence, in the process of developing from a poor, stagnant, largely centralized planned economy to an increasingly outward-oriented middle-income country with diverse and comprehensive international relations. It is doing so while performing a balancing act in the shadow of its assertive neighbour to the north. All while a party-state, with a ruling party focused on “stability” and many systemic similarities with China, but less oppressive and on a different trajectory.

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<sup>2</sup> Bose, Nandita et al, “US and Vietnam ink historic partnership in Biden visit, with eyes on China”, *Reuters*, September 10, 2023.

<sup>3</sup> Reuters, “China, Vietnam hail upgrade of ties; agree to boost security efforts”, *Reuters*, December 13, 2023.

<sup>4</sup> There are five remaining party states: Vietnam, China, Cuba, Laos and North Korea). China is

## The roots and role of the Vietnamese party-state

In Vietnam, the Communist Party ultimately commands and controls, and coordinates an integrated government, legislature, judiciary and armed forces, as well as all political organizations and institutions. Society is diverse, organizations are formed, protest occurs, and markets play a decisive role, but the hallmark of the Leninist party-state in contemporary Vietnam, as in the other remaining party-states, is, as Jonathan London notes, “the assertion and enforcement of the complete (by design) permanent political monopoly of the vanguard Party and its domination of social life and organizations across all fields, including the ideological domain”.<sup>4</sup>

The concept of the party-state reflects the Leninist origin of the Democratic Republic of Vietnam (DRV). The constitution explicitly mandates a leading role for the Communist Party with Marxism-Leninism as its ideological basis. Ultimate sovereignty lies with the party itself. The country is far from “communist” in the original sense of collective ownership of the means of production, however, but rather a “market-Leninist system”, which clearly has given it a new lease of life.

used as a comparative point of reference throughout this analysis. London, Jonathan, “The Communist Party of Vietnam: Consolidating Market Leninism”. In *Routledge Handbook of Contemporary Vietnam*, edited by Jonathan D. London. Abington, UK: Routledge, 2022, p 26.

The party's essence is deeply rooted in Leninism and a nationalism shaped by Vietnam's resistance against French, Japanese and US colonization and aggression. In this process, the Communist Party of Vietnam emerged and established itself as the prevailing national political force. Like the Communist Party of China (CPC), it was not imposed by outside forces but secured its dominant national role through its capacity to mobilize resistance against colonial or occupying forces.

The concept of a Leninist party-state has long been in use but lacks a clear definition. Even though five such states survived in the post-Soviet era, there has been scant comparative analysis. In his recent book on how the Vietnamese system deals with public political criticism, Benedict Kerkvliet labels the system a "responsive-repressive party-state" where the CPV at all levels is "entwined with the state".<sup>5</sup> This characterization, based on Kerkvliet's decades of interaction with Vietnam, captures much of the essence of the system. My analysis below is based on the thesis that a party-state can be said to rest on six mutually supportive "pillars" with the party at the core:

- Political power rests with the party.
- The party controls the army, armed police and police through party leadership and a high degree of party membership.
- The party controls the legislature and the administrative state.
- The party controls the judicial system and the domestic security apparatus.

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<sup>5</sup> Kerkvliet, Benedict J. Tria. *Speaking Out in Vietnam: Public Political Criticism in a*

- The party ensures that civil society is kept within the constraints of the party-state.
- The party exercises ultimate control over the media and the interpretation of history.

It is, hence, not just a single-party state, of which there are many today, but a comprehensive system of a nature that differs from other political systems in its explicit ambition to maintain ultimate control of all political activity.

Broadly speaking, the CPV meets all of the above six criteria. It must cope with dynamic environments and cannot exercise power unilaterally, but power ultimately rests with the party. This is sustained by its control over the other five dimensions of the construction and the success of market Leninism, while the country's tragic modern history and nationalism form the complex, critical glue. The six pillars, or dimensions, are characterized below.

*The leading role of the CPV* is unequivocally stated in article 4.1 of the 2013 Vietnamese Constitution, the fifth to be adopted since 1946:

"The Communist Party of Vietnam—the vanguard of the working class, concurrently the vanguard of the labouring people and Vietnamese nation, faithfully representing the interests of the working class, labouring people and entire nation, and acting upon the Marxist-Leninist doctrine and Ho Chi Minh Thought, is the force leading the State and society."

Communist Party-Rules Nation. Ithaca, NY: Cornell University Press, 2019.

The formation of no other political party is permitted, and only carefully screened independent candidates are allowed to run in national elections, confirming the systemically subordinate role of the National Assembly.

The adoption of the new Constitution did not happen without a degree of drama, however, marking the changing context of the party-state. When the Constitutional Amendment Committee produced its draft new constitution for public debate, a group of 72 intellectuals and senior scholars in the country, many of them party members, publicly submitted a highly controversial petition, known as Petition 72, to the Drafting Committee.<sup>6</sup> Two of their recommendations were substantial: the removal of any role for the party from the draft constitution, and removal of the dual role of the military in defending not only the country but also the party. The petition was disseminated on the internet and became the subject of extensive blog discussions, receiving thousands of supportive signatures.

Ultimately, some changes were made, including a stipulation that the party “shall operate within the framework of the Constitution and the law”, reflecting growing pressures to present the party-state as operating through and subject to the rule of law.<sup>7</sup> Not unexpectedly, however, the party chose to confirm the existing order, and thus the party-state. However, this was not a party-state operating in a placid and controlled context: “The party-state leaders

found themselves struggling to manage the diverse and strident calls for change and to accommodate wider political participation from emerging players” while also “struggling to maintain hegemony . . . by ideational coercion and propaganda strategy”.<sup>8</sup>

Some petitioners suffered consequences, but no one was put on trial. While the outcome of the process was a defence of the status quo, it was also a reflection of a dynamism that had to be reckoned with. The question of the future of the party-state was postponed rather than put to bed.

*The armed forces* together with a huge security apparatus are the pillars of Vietnam’s party-state, with deep roots in the origin of the system. The armed forces must be directly under the control of the party and are its ultimate guarantor. Serving the nation and the party are synonymous. According to article 65 of the revised Constitution:

the People’s Armed Forces shall show absolute loyalty to the Fatherland, the People, the Party and the State; protect the independence, sovereignty, unity and territorial integrity of the Fatherland, national security, and social order and safety; safeguard the People, the Party, the State and the socialist regime; and join the entire people in national construction and the performance of international duties.

According to the same logic, “the State shall build a revolutionary People’s Public

<sup>6</sup> Bui Ngoc Son, “Petition 72.”

<sup>7</sup> The 2012 Constitution of the Socialist Republic of Vietnam. Vietnam Law and Legal Forum, July 10, 2014.

<sup>8</sup> Bui Hai Thiem, “Pluralism Unleashed.”

Security” (article 67), which is not just state or public security but a “revolutionary” security loyal to the party.

Running parallel with the party structures, Vietnam has multi-tiered *legislative structures* to approve budgets, pass legislation, and so on. At the beginning of the country’s era of reform and opening up, the role of these structures increased in importance, but neither Vietnam nor China experienced sustained institutional change. These institutions remained by definition loyal, disseminating bodies, rather than initiators. Examples of a degree of independence in the Vietnamese National Assembly include cases where a proposed minister has not been approved. The candidate per seat ratio in elections to the Vietnamese National Assembly has increased marginally over the years and a small number of closely screened “independent” candidates have been allowed. Nonetheless, the assemblies – especially at the national, regional and township levels – remain instruments of the ruling party rather than countervailing or scrutinizing forces. In the 2021 national elections, the number of independent candidates did in fact decline. Only four deputies were self-nominated, allowed to run after thorough screening by the Fatherland Front, an arm of the party.

There is a “civil service” in Vietnam, but one that rests on party-affiliated cadres and the

party-state rather than Weberian principles. In the case of Vietnam, however, there is a certain ambiguity not seen in Xi Jinping’s China. The Vietnamese system is both less comprehensive and less definitive. When in February 2020 Vietnam introduced more “specific, quantified” criteria for senior officials (Regulation 214), the regulations issued by Party Secretary Nguyen Phu Trong covered senior party and government positions, heads of Provincial Party Committees, as well as ministers.<sup>9</sup> The Code for Civil Servants issued in January 2019 was “to keep civil servants in line”.<sup>10</sup>

After the launch of *Đổi Mới*, the Vietnamese legal system underwent significant change. Today, Vietnam has a comprehensive system that has been expanded to serve the needs of its diversified economy, not least when it comes to commercial law. Nonetheless, it is not the aim of the CPV to develop an independent legal system under the rule of law. The legal system must not evolve into an independent system. Vietnam has approximately 14,000 licensed lawyers with permits to litigate in court. The remaining large number of law graduates work as in-house lawyers/consultants employed by businesses.<sup>11</sup> Licensed lawyers are organized in the Vietnam Bar Federation. All bars and federation leaders must be party members, and their appointments must be agreed to by party leaders. An oath of loyalty to the party is not required, but a lawyer acting contrary

<sup>9</sup> “Criteria for Top Officials,” Vnexpress International, February 2020.

<sup>10</sup> “Code of Conduct Written to Keep Civil Servants in Line”, Vietnamnews.vn, January 13, 2019. Read more at <http://vietnamnews.vn/society/483603/code-of-conduct-written-to-keep-civil-servants-in-line.html#XzEvY2tRSbA7GZco>.

<sup>11</sup> The number was mentioned at a meeting on January 7, 2020, chaired by the minister of justice to review the MOJ Plan for 2020, including development of lawyers. <https://moj.gov.vn/qt/tintuc/Pages/hoat-dong-cua-lanh-dao-bo.aspx?ItemID=4306>.

to the party line will face difficulties, such as more detailed tax inspections. There are many examples of lawyers being victimized for defending “dissidents”, and activities such as representing an unregistered Buddhist organization involve particular risk.<sup>12</sup>

Article 14.1 of the 2013 Constitution states that “in the Socialist Republic of Vietnam, *human rights* and citizens’ rights in the political, civic, economic, cultural and social fields are recognized, respected, protected and guaranteed in concordance with the Constitution and the law”. The practice of rights “shall be provided by the law” as defined by the party. Vietnam has ratified a large number of UN covenants on human rights, including the crucial Covenant on Civil and Political Rights. By contrast, China has not ratified the covenant and declared a clear intention not to do so in recent years, no longer accepting the universality of human rights.

*The right to association* is written into the Vietnamese Constitution (article 25). The exercise of this right “shall be prescribed by law”. In 2019 some 650 NGOs were registered by the state as active in the social sphere, environmental protection or research. NGOs can make a difference. The Chamber of Commerce plays an advocacy role and informal associations of farmers, for example, have a recognized role. Membership can help improve income.<sup>13</sup> However, although a draft law on NGOs was prepared in the mid-1990s, and a large

number of drafts have been produced since then, no such law has been adopted, in a clear illustration of a profound dilemma. The attitude of the party has become more controlling rather than more open and NGOs are bound to operate within the unrestrained limits set by the party-state.

*The press, social media and cybersecurity* are heavily controlled, with social media as a deviant. The 2023 World Press Freedom Index ranks Vietnam 177th of 180, with China at 179 and North Korea 180.<sup>14</sup> While the true picture in both Vietnam and China is more complex than suggested by this ranking, traditional media in both countries have become more rather than less controlled. Journalists are regularly detained and imprisoned. In Vietnam, the CPV has reinforced its control over the editors-in-chief of 800 journals and mass media outlets and developed sophisticated forms of censorship.

However, the situation for traditional media is only a part of the story. China has gone much further than Vietnam, where the assigned role is increasingly to amplify rather than criticize. However, in Vietnam there is still considerable access to global cyberspace and social media such as Facebook. This is in stark contrast to China, where the party-state has created increasingly comprehensive systems of control with the firm ambition of establishing “Internet sovereignty” and control access behind the Great Firewall. As is the case all over the world, however, the most dramatic

<sup>12</sup> <https://lawyersforlawyers.org/en/vietnamese-lawyers-dang-dinh-manh-dao-kim-lan-and-nguyen-van-mieng-forced-to-flee-their-country/>

<sup>13</sup> Vu, H. V., Ho, H., and Le, Q. H. (2020).

<sup>14</sup> Reporters without borders, 2023 World Press Freedom Index – journalism threatened by fake content industry.



developments in Vietnam and China have happened on the internet. These have had dramatic effects on society but not led to the open society envisaged following initial development of the World Wide Web. At the beginning of 2023, Vietnam had approximately 78 million users and internet penetration stood at 79.1 percent. There were 161.6 million active cell phone subscriptions, equivalent to more than 160 per cent of the population.<sup>15</sup>

Control of thought and knowledge production are important features of party-states. Both the CPV and the CPC regard maintaining ultimate *control of the narrative* as fundamental – Vietnam clearly less so but without any sign of genuine preparedness to recognize the value of further openness. In recent years, the CPV has escalated its efforts to set broader limits, with a focus on party members. In November 2017, for instance, the CPV Politburo issued Regulation 102 on disciplining party members who violate party rules. This prescribes expulsion from the party of members who “deliberately speak or write in order to distort history and truth, or deny the leading role and revolutionary achievements of the Party”; “reject or negate Marxist-Leninism or Ho Chi Minh’s principle of centralized democracy”; “demand implementation of the separation of powers...civil society...political pluralism [or] a multiparty system” or “found and/or join associations in contravention of the law”.<sup>16</sup>

Party-states, including Vietnam, are by nature not inclined to critical self-analysis or risky reforms. Instead, they prioritize “stability” while adapting within the system,

<sup>15</sup> Digital 2023: Vietnam, [datareportal.com](https://datareportal.com).

attaching decisive importance to system survival at the expense of systemic reform that might lead to institutionalized uncertainty. Challenges emerge and grow, however, as society becomes increasingly diverse and dynamic.

No country is free from *corruption*, even if the legal system is highly developed and based on due process of law, and the press is free to play a truly scrutinizing role. In fact, in the absence of an independent legal system and a free press, corruption is inevitable. Corruption presents an endemic and systemic dilemma for the party-state. Fighting corruption is a perennial goal and a stated priority but bound to remain unachievable within the prevailing institutional framework.

Corruption in Vietnam is of a magnitude perceived as a serious threat to the legitimacy and survival of the party. Widespread as well as personal corruption was a major factor in the failure of then Prime Minister Nguyen Tan Dung to become Party Secretary at the 12th Party Congress in 2016. Nguyen Phu Trong was re-elected and began his second term by initiating an anti-corruption campaign against scores of high-profile officials. Trong still heads the Central Steering Commission for Anti-Corruption (CSCA), which he once described as a “blazing furnace”. For Xi Jinping, fighting corruption has been a hallmark ever since he became Party Secretary in 2012.

Transparency International (TI) rates corruption in Vietnam as severe, although some improvement has been recorded. In

<sup>16</sup> Politburo Regulation no. 102, “Handling Violations of Party Discipline,” November 2017.

2022 it ranked Vietnam 77th of 180 countries, 12 positions higher than in 2019. China was ranked 65 and labelled a “significant improver”. In 2022, 64 per cent of people in Vietnam regarded corruption as a “big problem”.<sup>17</sup>

However, the encouraging signs reported by TI were not reflected in the handling of the Covid-19 pandemic, which led in serious corruption. Vietnam saw the threat very early on and successfully mobilized the population to control the spread. The country’s handling of the challenge became a source of national pride. However, as new variants of the virus emerged in 2021, Vietnam faced growing challenges that were met with uncompromising and dramatic lockdowns. Trust in the government was affected by cases of serious high-level corruption linked to vaccine procurement and testing kits, and a lack of transparency. The sheer scale of the corruption and the fact that it involved high-ranking public officials shocked the country, again revealing the systemic nature of the problem. President Nguyen Xuan Phuc was forced to resign, blamed for the “violations and wrongdoing” by the officials under his control. He was also ousted from the party’s Central Committee and Politburo. This made Phuc, who had been prime minister between 2016 and 2021, the highest-ranking official to be targeted in a sweeping corruption crackdown. Two vice prime ministers have also been removed and are awaiting trial.<sup>18</sup>

<sup>17</sup> Transparency International, Corruption Perception Index 2022, [transparency.org](https://www.transparency.org).

<sup>18</sup> Newey, Sarah, “Vietnam’s president resigns amid unprecedented shakeup of ruling Communist Party”, *Daily Telegraph*, January 12, 2023.

In November 2023 Vietnam faced its largest banking scandal, involving Vietnam’s largest private commercial bank, Saigon Commercial Bank (SCB), following the arrest of a real estate developer accused of embezzling around 304 trillion dong (approximately US\$ 12.4 billion). The fact that a growing proportion of Vietnam’s economic assets exists as a consequence of the reinvestment of corruptly obtained revenues presents a serious dilemma.<sup>19</sup> The support of political elites is crucial for the Vietnamese oligarchs’ “wealth defence”.<sup>20</sup> An untenable symbiosis has emerged. Growing demands for openness will become a systemic challenge that will test the party’s preparedness to undertake institutional reform.

## **The Setting at the Time of the Collapse of the Soviet Union and 30 Years Later**

For Vietnam, the decade immediately after the Second Vietnam War (1959–75) was much more difficult than foreseen. Under the leadership of Party General Secretary Le Duan, the most powerful leader of the party long before Ho Chi Minh’s death in 1969, the country’s post-war reunification was based on the North Vietnamese state-dominated command economy model, the DRV model. This resulted in economic failure and deepening poverty. and exacerbated

<sup>19</sup> Fforde, Adam, “Vietnamese Patterns of Corruption and Accumulation: Research Puzzles.” *Journal of Contemporary Asia*, April 1, 2022.

<sup>20</sup> Nguyen Xuan Thanh, The evolution of large domestic businesses and Oligarchs in Vietnam, in Ljunggren and Perkins, Op. Cit., pp. 158-175.

inevitable challenges.<sup>21</sup> More than 2 million had died during the war, and now more than 2 million people left the country, many by boat as refugees – including many from the ethnic Chinese business community who were mistrusted by Hanoi.<sup>22 23</sup> Vietnamese-Chinese relations deteriorated and were further strained in 1978 when Vietnam entered into a friendship treaty with the Soviet Union.

The country encountered further challenges when following a period of serious confrontations on the border with Cambodia, Vietnamese troops invaded Cambodia to remove the Pol Pot regime in December 1978.<sup>24</sup> At the beginning of 1979, Deng Xiaoping's China launched a punitive attack on Vietnam's northern border regions, and the United States, China and the Association of Southeast Asian Nations (ASEAN) formed an unholy alliance in support of Cambodia's Prince Sihanouk and the Khmer Rouge. Vietnam got stuck in Cambodia and it would take more than a decade for Sino-Vietnamese relations to be normalized. A crucial bilateral summit meeting in September 1990 followed by negotiations in Paris in 1991 resulted in an international agreement on Cambodia.

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<sup>21</sup> Fforde, Adam and De Vylder, Stefan, *From Plan to Market - Vietnamese Economic Transition, 1979-94*, The Perseus Books Group, 1996.

<sup>22</sup> In his chapter in *Vietnam: Navigating a Rapidly Changing Economy, Society, and Political Order*, the well-known Vietnamese economist Le Dang Doanh notes that the original intention had been to allow the private sector to continue operating in the south, and that perceived Chinese interference led the party leadership to reverse the policy and move the whole country to socialism.

Burdened by its involvement in Cambodia, Vietnam became an increasingly isolated shortage economy that was barely able to feed its people. In the absence of economic reforms, it suffered from hyperinflation in the mid-1980s.<sup>25</sup> I recall a visit to Hanoi during this difficult period. People struggled to manage and individual entrepreneurship, such a vital part of today's Vietnam, was banned. My friend Ang's father, a factory worker, tried to make ends meet by making simple locks, Hee was then accused of being a "capitalist roader". Today, Vietnam is driven by its entrepreneurial culture. The hardships resulted in the introduction of grassroots-level reform initiatives. Đổi Mới was launched in 1986, laying the foundations for more comprehensive change, in particular the crucial 1989 price reform. The emergence of Mikhail Gorbachev as Soviet leader meant that Hanoi could no longer count on Soviet support. Following the ultimate break-up of the Soviet Union, new realities prevailed: "The crisis and death of utopia" had become a fact.<sup>26</sup>

In December 1991, two years after the fall of the Berlin Wall, the Soviet Union ceased to exist, leaving behind just a handful of Communist countries in the world. The old worldview through which Vietnamese leaders made sense of the world was fatally

<sup>23</sup> Tönnesson, Stein, *En kort introduksjon till Vietnamkrigen*, Cappelen Damm Akademisk, 2023, p. 208.

<sup>24</sup> 20. Chanda, Nayan, *Brother Enemy: The War after the War*. New York: Harcourt Brace Jovanovich, 1986.

<sup>25</sup> Fforde and De Vylder, *Ibid*.

<sup>26</sup> Vu, Cu Huy Ha, *Vietnam's Communist Revolution: The Power and Limits of Ideology*. Cambridge: Cambridge University Press, 2017, pp. 237–64.

undermined. Hanoi clearly “felt the chill”, especially as the 1980s had been a difficult decade internally as well as internationally.<sup>27</sup> However, the CPV was “rattled but unbowed”.<sup>28</sup>

“The third wave of democratization” had begun in the mid-1970s and now 12 Eastern European countries were added to the list, making this wave appear to be the only possible future. Democracy and market economy were seen as two inseparable dimensions of transition. According to Fukuyama, this was “the end of history”.<sup>29</sup> However, there were not just one, but two 1989s. Five months before the fall of the Berlin Wall there had been the Tiananmen Square massacre.<sup>30</sup> History did not end; more than three decades later, five Leninist party-states remain. Furthermore, the democratic wave turned out to be far from invincible and “2022 was the 17<sup>th</sup> consecutive year of global decline, with no end in sight.”<sup>31</sup> Autocracy is again on the rise. In the meantime, the CPV has shown considerable staying power, and capacity to adapt.

Ivan Krastev and Stephen Holmes conclude that China “borrowed exuberantly but refused to convert”, successfully borrowing the means but not the goals.<sup>32</sup> After the Tiananmen Square massacre, two schools of thought emerged: one argued that the

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<sup>27</sup> Chanda, Nayan, “Indochina beyond the Cold War: The Chill from Eastern Europe.” In *The Challenge of Reform in Indochina*, edited by Ljunggren. Cambridge, MA: Harvard Kennedy School, 1993, pp. 19–38.

<sup>28</sup> London, *ibid.*, p 21.

<sup>29</sup> Fukuyama, *The End of History and the Last Man*. Fukuyama, Francis. “The End of History?” *The National Interest* 16 (1989):3–18. *The End of History and the Last Man*. New York: Free Press, 1992.

system was bound to collapse while the other regarded the Chinese party-state as considerably more resilient than conventional wisdom suggested. The concept of “authoritarian resilience” coined by Andrew Nathan became a reality.<sup>33</sup> Deng Xiaoping’s 1978 launch of “reform and opening up” was evidence of the resilience school. The Vietnamese story is less dramatic but fits the narrative.

Vietnam’s economic reforms gained further momentum and foreign trade and FDI became increasingly important. Millions saw their lives improving. Diplomatically, in a few months in 1995, Vietnam enjoyed what the then Foreign Minister Nguyen Co Thach, in a conversation with a visiting Swedish minister, called a “bumper crop”: diplomatic relations with the United States, ASEAN membership and a Framework Cooperation Agreement with the EU, the latter signed in 1996. These developments helped to restore confidence within the CPV in its ability to cope with change, but also generated new challenges.

Global economic integration emerged as a driving force. Vietnam joined the World Trade Organization in 2007, laying the foundations for increased FDI-driven growth and integration into the global economy. By 2019 the *Financial Times* was calling it a “super-exporter”. The volume of Vietnam’s

<sup>30</sup> Rachman, Gideon, “Beijing, Berlin and the Two 1989s”. *Financial Times*, June 4, 2019.

<sup>31</sup> Freedom in the World 2023, [freedomhouse.org](https://freedomhouse.org).

<sup>32</sup> Krastev and Holmes, Krastev, Ivan, and Stephen Holmes. *The Light that Failed: A Reckoning*. London: Allan Lane, 2019, p. 195.

<sup>33</sup> Nathan, “China’s Changing of the Guard.” 2002.

foreign trade is now twice the size of its nominal gross domestic product, a situation exceeded only by countries such as Singapore, and FDI is a major factor. Samsung employs more than 150,000 people and generates more than 20 per cent of Vietnam's export revenue. These developments have served the CPV well while also heightening the dynamics of Vietnam's evolving challenges.

Value added from FDI remains low. Vietnam's input thus far is mainly labour, a prime Vietnamese asset. The quality of basic education is now internationally praised but Higher Education leaves a lot to be desired. Linkages to the domestic economy remain weak at a time of huge opportunity as foreign companies that had invested heavily in China now seek to diversify.<sup>34</sup>

Vietnam has achieved rapid economic development in recent decades, albeit slower in 2023, become a middle-income country and dramatically reduced poverty. Less than 10 per cent of the population, primarily minorities, are living below the poverty line and life expectancy is 76 years. This has resulted in a steady improvement in Vietnam's human development index score (UNDP), while the country has become less equitable and there are now a significant number of oligarchs. Fulbright University Vietnam Professor Nguyen Xuan notes that oligarchs are seen as more "system friendly" than a truly dynamic private sector of small and medium-sized enterprises.

<sup>34</sup> London, *Ibid*.

<sup>35</sup> On November 20, 2019, the National Assembly of Vietnam adopted Labor Code No. 45/2019/QH14 ("New Labor Code") after an

Vietnam has entered into a number of major trade agreements in recent years. The EU-Vietnam Trade and Investment Protection Agreement, which was finally approved by the European Council in 2020, contains potentially important provisions on labour rights.<sup>35</sup> Vietnam enjoys a favoured position in the shadow of China, which by the EU is seen as a threatening "systemic rival".

### **Beyond the Party-State?**

Vietnam has undergone significant change in a number of respects in the past few decades. The country has shown considerable social and economic vitality but has remained a party-state. Vietnam, with reference to Krastev and Holmes, has "borrowed exuberantly but refused to convert", pursuing market economy reforms and opening up while retaining the party-state.<sup>36</sup> In a sense, this should not come as a surprise, given Vietnam's history and the fact that hardly any party-state has transformed itself by its own design into a pluralistic democracy, instead determined to maintain itself through adaptation and repression.

Is the CPV "mimicking" the CPC? Under Xi, China has entered an era of authoritarian consolidation, using digital technologies to create a "controlocracy", with big data and

amendment process lasting nearly four years. The new code took effect on January 1, 2021.

<sup>36</sup> Krastev and Holmes, *Op.Cit*,

artificial intelligence serving the interests of the party-state.<sup>37</sup> The prospects for a more “eclectic state” seem remote. Vietnam has also moved in a more authoritarian direction in recent years, in an attempt to counter changes in society perceived as threatening to the party. The 13th Party Congress confirmed the overarching importance attached to “party building”. Broadly speaking, the CPV meets all six of the criteria discussed above. It must cope with dynamic environments and cannot exercise power unilaterally, but power ultimately rests with the party, sustained by its control of the other five dimensions of the construct, with history and nationalism as the critical glue.

However, the CPV is not just copying the CPC. China is clearly a deeper and more penetrative party-state than Vietnam. As a geopolitical superpower, it is also driven by very different visions from Vietnam’s ambition to cope in a complex environment. Vietnam is more outward oriented and more deliberative, with a less authoritarian relationship between party and society. It is not about to become a democracy but is autocratic rather than totalitarian.

The CPV has succeeded in managing the country’s unorthodox path towards a market economy, but it could soon face tougher choices. Adapting economic jargon, it is possible to talk of a “supply side” perspective (the party) and a “demand side” that reflects

the population’s growing rights consciousness and demands for greater openness.

Increased repression would encounter growing popular resentment and does not offer a viable alternative. In order to realize the country’s huge potential, the CPV will have to make more forward-looking choices. Many forces are at work, not least economic, putting pressure on the party to develop its decentralized ability to adapt. Taking continued high growth for granted would be fatal.<sup>38</sup> Climbing the productivity ladder requires sustained reform, not least of labour supply and the linkages between the private sector and FDI. Managing climate change will be a huge challenge. Significant steps were taken with regard to resource mobilization in connection with COP 28 in Dubai. The highest priority is attached to energy transition.<sup>39</sup>

While the identities of both the Vietnamese and the Chinese systems have been shaped in response to Western global dominance and by Leninist party-state principles, and even though Sino-Vietnamese party contacts are frequent, the Vietnamese look on China’s rise with considerable concern and popular anger. Ideology brings them together, but national interest and nationalism draw them apart. Vietnam is trying to counter China’s growing power by deepening its global integration. China defines its relations with Vietnam not only as a “neighbouring state”, but also as a country of “comrades and

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<sup>37</sup> Ringen, Stein, *The Perfect Dictatorship: China in the 21st Century*, Hong Kong: Hong Kong University Press, 2016.

<sup>38</sup> Dapice, David, “Vietnam’s economic shine starting to fade”, *Asia Times*, December 18, 2023.

<sup>39</sup> Reuters, Vietnam, at COP28, details plan to use \$15.5 billion funding to cut coal use, December 1, 2023.

brothers” anchored in ideological affinity and historical linkages. Vietnam’s evident ambivalence towards China’s huge Belt and Road Initiative is a telling example, while growing tensions in the South China Sea signify deep mistrust. In spite of a shared ideology, as the geopolitical situation evolves, Vietnam will clearly not want to be part of a Chinese order.

Alexander Vuving, a leading Vietnam scholar, talks about “Vietnam’s bamboo approach: no military alliances, no siding with one country against another, no foreign bases, no use of force. In its pragmatic, ‘omni-directional’ foreign policy, the government stresses ‘diversification and multilateralization’”.<sup>40</sup> Vietnam must perform a balancing act to navigate turbulent waters. If well managed, this will be fruitful in the current era of deepening geopolitics.

Vietnam’s dramatic history matters. It is a profound dilemma that the constraints of the party-state will make it increasingly difficult to develop a shared twenty-first-century vision for the country that resonates with the richly varied aspirations of society. “Vietnamese republicanism” emerged more than a century ago, as French rule exposed Vietnamese intellectuals to the ideas of the Enlightenment. It therefore dates further back than Communism.<sup>41</sup> The Party may, as Jonathan London concludes, remain the dominant force for decades to come, a multi-party

system being unlikely to emerge in the foreseeable future.<sup>42</sup> Nonetheless, internal and external pressure can be expected to increase, and commitment to a broader reform process involving enlarged representation, steps towards a more independent judicial system and laws protecting civil society could narrow the gap between “supply and demand”, making economic, social and political reform mutually supportive. Vietnam’s growing dependence on the global economy makes labour rights a potentially dynamic issue.

A truly significant forward-looking step would be to cut the constitutional cord between the party and the army. Such a change, however, only appears possible in a perspective beyond the predictable. Tuong Vu notes that “men loyal to Marxism-Leninism are in control of the Party leadership”.<sup>43</sup> They are at least loyal to the party-state and its justification as providing “stability.” At present, it appears unlikely that General Secretary Nguyen Phu Trong will be succeeded by a more reformist leader.

Nonetheless, No one can visit Vietnam without being struck by the resilience, vitality and energy of its close to 100 million people, or by the constraints of the party-state. The late Prime Minister Vo Van Kiet once told his colleagues on the Politburo “not to be afraid of the future”.<sup>44</sup> Ultimately, such boldness will take Vietnam beyond the party-state,

<sup>40</sup> Vuving, Alexander, *The Evolution of Vietnamese Foreign Policy in the Đổi Mới Era*, in Ljunggren and Perkins, *Op.Cit.*

<sup>41</sup> Goscha, Christopher, *The Penguin History of Modern Vietnam*, London: Allen Lane, 2016, p. 489.

<sup>42</sup> London, *Ibid.*, p 44

<sup>43</sup> Vu, Tuong, *Vietnam’s Communist Revolution: The Power and Limits of Ideology*. Cambridge: Cambridge University Press, 2017.

<sup>44</sup> Memo from Vo Van Kiet to the Politburo, dated August 9, 1995, on a new worldview.

release the vitality that defines Vietnam and once again “surprise us as they do”.<sup>45</sup>

## Changing Swedish Vietnamese relations

In 1969, at the height of the Vietnam war, Sweden was the first Western country to establish diplomatic relations with the then Socialist Republic of Vietnam, or “North Vietnam”. This decision was a reflection of the broad-based Swedish popular movement against US military engagement in Vietnam, which resulted in more than half a million US soldiers for a number of years being based on Vietnamese soil. Sweden was already providing humanitarian assistance to Vietnam when in 1969 preparations began to provide assistance with Vietnam’s reconstruction. Plans to build the Bai Bang paper mill began to take form, and this was ultimately to become Sweden’s single largest, and most controversial, “aid project”. In the decades that followed, Sweden became a major donor, with projects and programmes in a number of sectors such as health, notably the national paediatric hospital in Hanoi, energy and rural development, as well as in support of the Vietnamese reform process launched in 1986.

Domestically, cooperation with Vietnam remained a controversial issue. In 2007 the then Swedish Government decided to phase out cooperation with a number of countries

– including Vietnam – that were considered to be on the way to achieving the UN Millennium Development Goals. Concern about Vietnam’s human rights situation was a contributing factor. In 2012 a major evaluation undertaken by an Australian consultancy team concluded that Swedish-Vietnamese cooperation, including Bai Bang, had on the whole been successful, “contributing to lifting millions of Vietnamese out of poverty”.<sup>46</sup> An era dominated by development cooperation came to an end, while efforts were intensified to diversify the relationship with a focus on trade. According to Business Sweden, there are currently about 60 Sweden-linked companies present in Vietnam. Swedish exports are mostly of engineering products such as machinery and equipment, and medical and pharmaceutical products. Swedish imports have increased considerably since 2010 and Sweden now has a sizeable trade deficit with Vietnam. Imports from Vietnam are now mainly of machinery and ICT equipment, which illustrates the rapid economic change that has taken place.

The EU-Vietnam 2020 trade and investment agreement, paving the way for deeper and broader trade and investment relations. For Sweden and other EU member states, Vietnam’s transformation provides considerable scope for further development of the relationship in a range of directions, including institutional reform and human rights.

<sup>45</sup> Goscha, *ibid.*, p 507.

<sup>46</sup> Sida, Evaluation Study of Long-term Development Co-operation between Sweden and Vietnam, Sida Evaluation 2012:2.



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