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Asia in 2023: Navigating the US-China rivalry

Edited by
Michelguglielmo Torri
Filippo Boni
Diego Maiorano

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A large, intricate, light-colored floral or mandala pattern is positioned in the bottom right corner of the cover, partially overlapping the dark green background.

CENTRO STUDI PER I POPOLI EXTRA-EUROPEI “CESARE BONACOSSA” - UNIVERSITÀ DI PAVIA

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The Journal of the Italian think tank on Asia founded by Giorgio Borsa in 1989

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VIETNAM 2020-2023: COVID PANDEMIC RECOVERY, UNPRECEDENTED LEADERSHIP TURNOVER, AND CONTINUED MULTILATERALISM

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The years 2020-2023 in Vietnam witnessed three overarching trends. First, on the domestic front, Vietnam succeeded in managing the COVID crisis with overall net economic growth, while witnessing unprecedented change in the character of top political leadership. Second, the period saw the passage of landmark free trade deals, namely the Regional Comprehensive Economic Partnership (RCEP) and the EU-Vietnam Free Trade Agreement (EVFTA). Finally, on the foreign policy front, Vietnam strengthened its diplomatic ties with the United States in upgrading the latter's status to the highest diplomatic level, a comprehensive strategic partnership. In so doing, Vietnam continued its pursuit of multilateralism to enhance the country's international political relations and facilitate its response to ongoing maritime security issues in the South China Sea.

KEYWORDS – COVID-19; Pandemic; Free Trade Agreements; Leadership Turnover; Multilateralism.

1. Introduction

The 2020-2023 period witnessed three overarching trends in Vietnam. First, on the domestic front, Vietnam succeeded in managing the COVID-19 crisis with overall net economic growth, while witnessing unprecedented change in the character of top political leadership. The country's party chief, General Secretary Nguyễn Phú Trọng, won a third term beyond the two-year term limit, while some senior leaders, such as former president Nguyễn Xuân Phúc, resigned. Second, the period saw the passage of landmark free trade deals, namely the Regional Comprehensive Economic Partnership (RCEP) and the EU-Vietnam Free Trade Agreement (EVFTA). Finally, on the foreign policy front, Vietnam strengthened its relations with the United States in upgrading the latter's status to the highest diplomatic level, a comprehensive strategic partnership. In so doing, Vietnam continued to implement its longstanding foreign policy doctrine of multilateralism, which aims to enhance the country's international relations and facilitate its response to ongoing security issues, including maritime conflicts over the South China Sea.

2. *Domestic Affairs*

2.1. *The COVID-19 Pandemic in Vietnam*

The period from 2020 to 2023 was dominated by responses to the COVID-19 pandemic. Vietnam, by objective measures, responded relatively well in the pandemic's early stages. In the first year of 2020, when news first broke of coronavirus infections in neighbouring China, Vietnam stood out on the world stage for its effective management of the health crisis. Thanks to rigorous testing, quarantining, tracing of infected persons, among other measures, the country not only flattened the coronavirus curve, but it also achieved virtually no deaths and community transmissions in the first half of the pandemic year. Given that it takes merely ten days for the number of infections to exponentially increase ten-fold, it is remarkable that, by March of 2020, Vietnam had only slightly over 200 cases. This stands in stark contrast to the rest of the world which, in the same period, witnessed hundreds of thousands of infections, not to mention deaths [WHO 2023]. Whereas other countries underwent lockdowns, Vietnam remained internally open for business in the early phase of the pandemic; the country was, in fact, the only economy in Southeast Asia demonstrating net growth in 2020 [General Statistics Office 2021a]. Kidong Park of the World Health Organisation praised Vietnam's impressive results attributing its success, in part, to the country's decade-long investment in building health-sector capacity, early activation of the health risk warning system, effective logistical coordination, and «strong» local and national leadership [United Nations 2020].

By the middle of 2021, however, with the arrival of the highly contagious Delta variant, considered the fourth COVID wave, the country now faced a different situation. Its earlier health measures were insufficient in dealing with a more formidable, ever evolving, microscopic adversary. Outbreaks rapidly spread to 30 cities and provinces, including the northern regions of Bac Ninh and Bac Giang; at the same time, in Ho Chi Minh City, the pandemic broke out rapidly with over 20 infection chains. By 31 May 2021, municipal authorities ordered lockdowns. The country nevertheless witnessed an explosive increase in the number of infections and deaths. The data were sobering. By 24 January 2022, for instance, Vietnam witnessed a total of 2,155,784 infected cases of which 2,149,095 came from the fourth wave (99.7%) and from which 36,849 patients died [Nguyen 2022, 31 January]. Public opinion of the country's leadership also plummeted at this time; public criticism of the government dwarfed public support [Luong 2021]. Finally, the lockdowns impacted Vietnam's economy. Vietnam's GDP dropped 6,17% on the year for the July-September 2021 period due to strict lockdowns [Onishi 2021].

The government realized that in such circumstances it had to reassess its pandemic strategy. A policy of zero COVID, which would virtually halt all economic and societal activity, seemed untenable. The government,

therefore, shifted from a strategy of «zero COVID» to that of «safe, flexible adaptation» («không Covid»; «thích ứng an toàn, linh hoạt») [Vân 2021, 4 January]. Towards that end, according to Resolution 128 (*Nghị quyết* 128) [Tuần 2021, 13 October], the Vietnamese government modified its COVID pandemic approach in two ways. First, it abandoned the idea of «zero COVID», which China's Xi Jinping in contrast was relentlessly pursuing, even at enormous economic and societal costs [*The Economist* 2022, 1 December]. Instead, Vietnam adhered to a multi-tiered classification system whereby different communities and regions were evaluated based on their disease risk levels. Commercial activities and everyday life were also curtailed, though not prohibited outright, depending on a region's risk level [Tuần 2021, 13 October]. Second, Vietnam pursued a robust campaign of international vaccine diplomacy. Prime Minister Phạm Minh Chính contacted his counterparts in 16 other countries, reached out to leaders of 22 nations and 10 international organizations. The fruit of such diplomacy became evident when the United States, in July of 2021, donated approximately two million doses of the Moderna vaccine to Vietnam [WHO 2021]. By August of the same year, France agreed to donate 670,000 vaccine doses; Poland, 501,000 doses; and the two leading vaccine producers, AstraZeneca and Pfizer, pledged to speed up efforts to deliver more vaccines to the country [Minh 2021, 26 August].

Prior to the onset of the highly contagious Delta variant, the Vietnamese government's handling of the COVID-19 pandemic was remarkable for two key reasons. First, as one of the most secretive political bodies in the world [*The Economist* 2024, 27 March], the Vietnamese Communist leadership supported a fully transparent response in addressing the COVID-19 pandemic. As remarked by Dr. Nguyễn Tô Như, director of the Global Health Security Program of PATH, a US-based non-governmental organization, Vietnam's Ministry of Health had thus far been «very transparent» (*rất minh bạch*) in sharing and updating its COVID-19 information and situation [BBC in Vietnamese 2020, 10 March]. Unlike in the case of China and Xi Jinping's face-saving move to backpeddle on an ineffective zero COVID-19 policy [Wolfe, 2022, 7 September], Vietnam's prime minister Phạm Minh Chính acknowledged that, on the issue of vaccine diplomacy, the question of «face-saving» was irrelevant to the pragmatic objective of procuring enough vaccines [Hiệp 2022, 22 January]. Simultaneously, prior to the lockdown, the government's measures had also been met with general compliance by the Vietnamese population. Studies show that the Vietnamese adhered to high measures of personal preventive behaviour, such as physical distancing, mask wearing, body temperature checks, as well as community preventive behaviour, such as avoiding large crowds, minimizing inessential travel, and so forth [Nguyen *et al.* 2020]. This behavioral compliance, in turn, indicates a measure of public trust in the government's policies [Vân 2021].

Amid the prior unprecedented healthcare crisis, however, two major corruption scandals shook the country. The first involved the selling

of medical COVID testing kits. A private medical firm, Viet A Technology Corp, colluded with some officials to produce coronavirus test kits for the state health system but sold them at inflated prices. The company sold 4.5 million COVID test kits in Vietnam at three times the real cost, generating about € 45,9 million [Hoang *et al.* 2021, 20 December]. The corruption led to the sentencing of the CEO of the Viet A Technology Corp, Phan Quốc Việt, to twenty-five years in prison [Trong 2023, 29 December].

The second corruption scandal involved the repatriation of Vietnamese during the pandemic. By March 2020, Vietnam had suspended all international commercial flights. At the same time, the country was actively helping its citizens worldwide to safely return home. From April 2020 to January 2022, Vietnam's Ministry of Foreign Affairs approved about 772 flights to repatriate Vietnamese citizens [Sa 2024, 24 April]. In August 2020 alone, the government was able to bring home 21,000 Vietnamese from 50 countries and territories [*Việt Nam News* 2020, 6 August]. The explosive demand to return home by Vietnamese abroad during the pandemic, coupled with the near worldwide suspension of international travel, created a profitable albeit ethically questionable occasion. Some Vietnamese officials, in charge of such repatriation efforts, exploited the occasion in demanding exorbitant fees and bribes from Vietnamese business people and other citizens. An investigation later uncovered hundreds of such bribes worth a total of 165 billion VND (about € 6,1 million) [Hoàng 2023, 11 July]. The bribery scandal led to the trial and sentencing of 54 suspects [Sa 2024, 24 April].

By the early months of 2022, Vietnam, like other parts of the world, gradually began to recover from the COVID pandemic. Vietnam now had a sufficient supply of vaccines. As of December of 2021, the country had already administered over 152 million vaccine doses and succeeded in fully vaccinating 70% of its population, consistent with the target set by the World Health Organization (WHO) for all countries in the world to achieve herd immunity [WHO 2022]. As a result, on 15 March 2022, Vietnam officially reopened its doors, recommencing international commercial flights [Vietnam News Agency 2022, 15 March]. To help reboot the tourism sector, as of 15 August 2023, Vietnam granted 90-day e-visas to citizens of all countries and territories [Phong 2023, 27 June].

2.2. *Unprecedented Change in the Character of Top Political Leadership*

The period from 2020-2023 also witnessed unprecedented change in the character of top political leadership. The country's four top leadership positions are known colloquially as the «four pillars» (*tứ trụ*): general secretary («party chief»), president, prime minister, and national assembly chair. On 26 January 2021, at the 13th national congress of Vietnam's ruling communist party, Nguyễn Phú Trọng was re-elected for an unprecedented third term as party chief, that is, general secretary of the Communist party, the country's most powerful role. Nguyễn Xuân Phúc was

elected as president, the second highest position; Phạm Minh Chính as prime minister, the third highest position; finally, Vương Đình Huệ as chairman of the National Assembly.-

Previously, in 2016, at the 12th National Congress, nineteen members were elected to the Politburo. By late 2020, however, this number dwindled to five due to the death of President Trần Đại Quang, the ill health of Đinh Thế Huynh, and the disciplinary action against two other leaders, Hoàng Trung Hải and Nguyễn Văn Bình, and the expulsion of Đinh La Thăng. Hence, five positions became vacant. Due to the death of president Trần Đại Quang in 2018, Nguyễn Phú Trọng assumed for his second term the simultaneous role of general secretary and president, which is primarily a ceremonial role [Thayer 2022].

At the 13th National Congress, nine members of the Politburo were expected to retire since they were over 65, one of whom was supposed to be General-Secretary-cum-President Nguyễn Phú Trọng. He had groomed a successor, Trần Quốc Vương, who ultimately failed to receive sufficient votes during a straw poll. As a result, Nguyễn Phú Trọng engineered an unprecedented third term as general secretary, beyond the two-year term limit [Pearson 2021, 31 January].

The anti-corruption drive was masterminded by Nguyễn Phú Trọng, who succeeded Nguyễn Tấn Dũng, the prime minister from 2006 to 2016. Under Trọng's tenure, the country spearheaded a relentless anti-corruption campaign that led to the demotion, resignation, and reshuffling of leadership at the highest levels. In December 2022 in the wake of the anti-corruption campaign, two deputy prime ministers – Vũ Đức Đam and Phạm Bình Minh – were held responsible for pandemic-related corruption scandals. Nguyễn Xuân Phúc resigned as president, the first top member from the Vietnamese Communist Party leadership to do so. Phúc was replaced by Võ Văn Thưởng who was sworn in as the new president.¹ On the one hand, the campaign was a means to root out the corruption that could undermine the legitimacy of the Communist Party of Vietnam (CPV). On the other, the campaign also appeared to be a means to eliminate real or perceived political enemies, as well as allies of the former Prime Minister, and so suggested an internal power struggle within the CPV [Strangio 2020, 7 September].

3. Economics

3.1. Steady Economic Growth Despite COVID-19

On the economic front, despite the COVID-19 pandemic, the 2020-2023 witnessed a trajectory of net growth. In 2020, Vietnam's GDP grew at

1. As of March 2024, the recently sworn in president, Võ Văn Thưởng, was forced to resign, leading to further unprecedented change in top political leadership.

2,91%. Although such a rate was lower than the previous year's 7,02% [General Statistics Office of Vietnam 2021a], Vietnam was still one of the few countries in the world, and the only one among Southeast Asian nations, to achieve net positive GDP growth in 2020, when Covid sent the world's economies tumbling or halting to a standstill [Nakano and Onishi 2020, 19 November]. In 2021, the country's GDP grew in the first and second quarters, decreased by 6,02% in the third quarter, only to recover in the fourth quarter with a growth of 5,22%. The decrease in GDP in the second quarter of 2021 was the country's first recorded period of contraction since economic liberalization in 1986. The reasons for the contraction were attributed to COVID outbreaks in the southern region, especially Ho Chi Minh City, the country's economic engine [General Statistics Office of Vietnam 2021b]. In 2022, the economy experienced again net growth, with the fourth quarter GDP rate of 5,92% [General Statistics Office of Vietnam 2022]. Finally, the year 2023 also saw overall economic expansion with a GDP growth rate estimated at 5,05% ['Vietnamese economy expands' 2023].

Analysts have suggested that Vietnam's unusual economic growth in 2020 stemmed from an exports boom. While COVID led to a slowdown in certain sectors, especially the service industries, the economy was buoyed by the exports of high-tech electronics resulting from COVID pandemic constraints that required people to work from home [Dabla-Norris and Zhang 2021]. Other researchers have further maintained that Vietnam's exports boom was, in fact, a consequence of the ongoing trade wars between the United States and China. Amidst the rivalry between the two great powers, Vietnam benefitted as US and EU companies sought alternative supply chains [Thanh 2021: 411-419].

3.2. *Increase in Free Trade Agreements*

The 2020-2023 period saw the passage of two landmark trade deals: the Regional Comprehensive Economic Partnership (RCEP) and the EU-Vietnam Free Trade Agreement (EVFTA). Previously, in 2018, Vietnam had already become a member of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), an agreement that salvaged portions of the ambitious Trans-Pacific Partnership (TPP) that nations had been negotiating for the past decade until Trump withdrew the United States from it. Vietnam's membership in trade agreements reflected the country's increasing trend towards global economic integration.

The year 2020 saw the passage of the RCEP, a trade agreement spearheaded by China, of which Vietnam was a signatory. The trade agreement was signed in Hanoi on 15 November by fifteen Asian countries, including the ten nations of ASEAN, China, Japan, South Korea, Australia, and New Zealand. India pulled out the year before. Less ambitious than the CPTPP and the now defunct TPP, the RCEP focuses on eliminating tariffs by about

90% over a twenty-year period but with many significant exceptions, such as agriculture [*The Economist* 2020, 15 November]. Further, as Dian and Menegazzi correctly foresaw, the RCEP in no way addressed labour and environmental standards; rather it established a commercial template favourable to China's norms, placing Beijing's symbolic footprint on the Asian region [Dian and Menegazzi 2018].

The second significant trade agreement was the EU-Vietnam Free Trade Agreement (EVFTA). Five years in the making, the EVFTA came into force in August 2020 and would gradually eliminate tariffs on 99% of goods traded between the two sides. The EU is Vietnam's second largest export destination after the United States; likewise, Vietnam is, after Singapore, the EU's second largest trading partner in the Association of Southeast Asian Nations (ASEAN), with traded goods worth € 45,5 billion in 2019 alone. The trade agreement will lower the barriers for commercial ventures, allowing both sides to tap into each other's emerging markets [European Commission 2020].

At the same time, embedded in the trade agreement were a series of mutual social commitments. In 2019, different stakeholders – including the Vietnam General Confederation of Labour (VGCL), the country's national trade union centre – played a significant role in pressing the party-state to ratify some of the fundamental conventions of the International Labour Organization (ILO) and the adoption of a new labour code [Mocci 2019]. These important labour revisions, acknowledged by the EU, became integrated in the trade agreement along with other social, climate, and environmental commitments. Importantly, the trade agreement stipulated the involvement of independent civil society in monitoring the upholding of these commitments [European Commission 2020].

The issue of independent civil society, however, is troubling in the case of Vietnam. The glittering stories of its economic success and development, coupled with its geopolitical position as an alternative supply chain to China, have helped Vietnam attract international investments. The economic success, nonetheless, belies a disturbing trend in which the state has tightened its grip on associational life. Vietnam, in recent years, has shut down prominent non-profit organizations and jailed human rights activists and environmental reformers on trumped-up charges of tax evasion. [Head 2023, 28 September; Sidel 2023]. In so doing, Vietnam has narrowed the space for independent civil society, which would otherwise contribute to the monitoring and upholding of commitments in the EU-Vietnam free trade agreement.

The efficacy of the EU's attempt to tether free trade agreements with other social and environmental obligations is, therefore, a wager. As some analysts note, despite the EU's landmark free trade agreement with Vietnam, its successful implementation has yet to be seen [Marslev and Staritz 2023]. Nevertheless, the EVTA is the most comprehensive and ambitious

trade agreement the EU has made with a developing country and the second trade agreement, after the one with Singapore, that the EU has made with an ASEAN member.

4. *Foreign Policy*

4.1. *The South China Sea Conflict and Multilateralism*

The dispute over the South China Sea remained an ongoing problem. Since at least the early decade of the millennium, China has sent its vessels into the maritime waters that Vietnam and other Southeast Asian nations have consistently claimed belong to its territorial sovereignty. In fact, in 2016 the European Permanent Court of Arbitration concluded that China's claims over the South China Sea have no basis in international law [Permanent Court of Arbitration 2016]. Despite the international legal verdict, China has seized the Paracel and Spratly islands that Vietnam insists belong to its sovereignty, forcibly establishing military bases [*The Guardian* 2022, 21 March]. In the 2020-2023 period, the South China Sea conflict persisted, as China brazenly continued conducting military drills in Vietnamese maritime waters [Nguyen 2020, 1 October]. While the Vietnamese government has sought to resolve the problem through diplomatic channels, the ongoing conflict has nevertheless made clear to Vietnam that the South China Sea dispute remains one of its top security concerns [Nguyen 2020]. In response to such concerns, consistent with its longstanding foreign policy of multilateralism, Vietnam has increasingly strengthened ties with other nations, in a bid to counterbalance China's power. [Dung and Son 2023].

In the 2020-2023 period, one significant development on the diplomatic front was the strengthening of the US-Vietnam partnership. On 10 September 2023, Vietnam upgraded its relations with the United States to a «Comprehensive Strategic Partnership», the highest level of diplomatic partnership. In Vietnamese foreign policy, three such levels exist. In increasing rank-order, they are: comprehensive partnership (*quan hệ toàn diện*), strategic partnership (*quan hệ chiến lược*), and comprehensive strategic partnership (*quan hệ chiến lược toàn diện*) [An 2023, 10 September]. For the past ten years, the United States remained at the lowest level, the «comprehensive partnership». Previously, Vietnam conferred the highest diplomatic level on only four other countries: China (in 2008), Russia (in 2012), India (in 2016), and South Korea (2022). With Biden's visit to Vietnam after the G20 Summit in 2023, Vietnam catapulted the US' diplomatic status to the highest level.

The status upgrade yields tangible political benefits for Hanoi. Some analysts, at first, expressed concern that conferring such status on the United States could lead to backlash from China [Guarascio 2023, 23 March]. The benefits, however, of Vietnam's enhanced partnership with the U.S.

outweigh potential costs. Not only will the «comprehensive strategic relationship» boost Vietnam's economy, diversifying the country's markets, but it will also bolster regional maritime security. It does so by upgrading Vietnam's maritime domain awareness and infrastructure, thereby combatting, among other problems, illegal incursions into Vietnamese waters [U.S. Mission Vietnam 2023]. Finally, as some analysts have observed, 2023 was the optimal time for Vietnam to upgrade its diplomatic status with the United States. Should the intense power struggle between the U.S. and China deteriorate in the near future, it would be far too late by then for Vietnam to enhance security ties with the US, lest it be accused of favouritism by China [Hiệp 2023]. In fact, Hanoi had just upgraded the diplomatic status of the U.S. when, in December 2023, it warmly received China's Xi Jinping. The outcome of the two-day visit was a joint declaration of cooperation between the two nations on wide-ranging matters from infrastructure and rail links, defence and security, to trade and investment [Reuters, 14 December]. Hanoi's engagement with both Washington and Beijing is consistent with its strategic doctrine of multilateralism: there is no contradiction in hedging one's bets against an uncertain future. Therefore, Vietnam's enhanced diplomatic partnership with the United States represents a strategic win for Hanoi in strengthening Vietnam's international relations and facilitating responses to ongoing maritime security issues in the South China Sea.

5. Conclusion

The 2020-2023 period in Vietnam, therefore, witnessed three overarching trends. First, on the domestic front, Vietnam successfully managed the COVID-19 pandemic. Despite some economic challenges in the second quarter of 2021, when the country saw for the first time an economic contraction due to forced lockdowns arising from the highly contagious Delta variant, the country was still able to weather the proverbial pandemic storm; it achieved net positive GDP growth rates for every year during the period of this study. The second salient domestic development in the 2020-2023 period was the profound change in the character of political leadership. The country's party chief, general secretary Nguyễn Phú Trọng, won an unprecedented third term beyond the two-year term limit. Also unprecedented during this time was the turnover in senior political leadership, namely the resignation of the then president, Nguyễn Xuân Phúc, and his replacement by Võ Văn Thưởng.

Second, on the economic front, Vietnam saw the passage of two landmark free trade agreements. The first agreement, the Regional Comprehensive Economic Partnership (RCEP), spearheaded by China, facilitates trade in the Asian region by gradually eliminating tariffs over two decades and helps to solidify China's imprint on the region. The second agreement

is the EU-Vietnam Free Trade Agreement (EVFTA). Like the RCEP, the EVFTA helps to gradually eliminate tariffs on both sides. But unlike the RCEP, the EVFTA includes a series of commitments, aimed at upholding of labour, climate, and environmental standards. These two landmark agreements were in addition to Vietnam's prior membership in the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). All these free trade agreements reflect Vietnam's increasing trend towards global economic integration.

Finally, on the foreign policy front, Vietnam enhanced its diplomatic partnership with the United States. Vietnam did so by upgrading the United States' status from the third-tier level of «comprehensive partnership» to the highest-tier designation of «comprehensive strategic partnership». This upgrade in the United States' diplomatic status strengthened Vietnam's international relations and facilitated its response to ongoing security issues in the South China Sea.

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