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Background Briefing:

Vietnam: Evaluating Government Performance on its First Anniversary in Office

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We are writing a review assessing the first year anniversary of the new Vietnamese government led by Prime Minister Nguyen Xuan Phuc.

We request your assessment of the following issues:

Q1. Your assessment of the reform agenda of the new Vietnamese government led by PM. Nguyen Xuan Phuc over the last year year.? What are the messages/ activities/ political figures that impressed you the most?

ANSWER: The year 2016 represented continuity and pragmatism in Vietnam's reform program rather than decisive change. Prime Minister Nguyen Xuan Phuc has extensive experience in government as former head of the Government Office and as deputy prime minister. The reforms he is advocating, such as greater government transparency, privatization of state-owned enterprises, the elimination of waste through efficiencies, improvement in how the government operates, control over expenditure, etc. will take time to implement.

By most accounts Prime Minister Phuc ran the business of government through monthly meeting of the Cabinet in a workman like fashion. He used Working Groups to good effect. Mrs. Nguyen Thi Kim Dung also effectively performed her role as Chairman of the National Assembly. Question Time was altered and deputies were able to ask questions of ministers in greater depth than previously. This led to several pieces of legislation being held over for further revision.

Q2. It is argued that various measures to resolve legacy problems left by the previous administration have been implemented by the new government. Do you share that assessment?

ANSWER: Prime Minister Phuc has shown himself to be a team player. Eliminating corruption is a prolonged never ending task and that has certainly got government attention. The massive fish poisoning that occurred in Central Vietnam was one legacy problem that exposed the difficulties of inter-ministerial coordination by the present government. While the crisis has been resolved with the Formosa Plastics company paying compensation, this incident exposed shortcomings in both enforcing environmental regulations and in responding quickly to clean up and compensation to the victims, including fishermen and their families.

Q3. The drawback of Trans Pacific Partnership and uncertainty of regional environment has reportedly created obstacles for the Vietnamese government's agenda. Your assessment?

ANSWER: Vietnam would be in a better position if Donald Trump had not cancelled the U.S. involvement in the TPP. Vietnam would have had greater certainty in its economic relations with the United States. The TPP would have imposed certain discipline on Vietnam that would have assisted its reform efforts.

It is paradoxical that President Trump is now using key aspects of the TPP and incorporating them in his drive for fair Free Trade Agreements. Vietnam might ultimately benefit if this is the case. There is a review in the Trump Administration about the U.S. trade imbalances, this will include Vietnam but the major focus is on China.

Vietnam has other options, such as pursuing on-going multilateral efforts at trade enhancement such as the RCEP (Regional Comprehensive Economic Partnership) and the Free Trade Agreement of the Asia and the Pacific. Also, Australia and some other countries are exploring the possibilities of a revised TPP among the original signatories minus the US.

Finally, Vietnam's economy will be hurt by rises in U.S. lending rates by the FED (Federal Reserve) and this will encourage inflation. U.S. protectionism is also a risk for Vietnam

Q4. What are the challenges that the Vietnamese government will have to tackle to achieve meaningful results in its reform efforts?

ANSWER: "Where there is a will there is a way" is an old saying. It is obvious that Vietnam is committed to basic reforms. But Vietnam's leaders value macro-economic and domestic stability. They are also risk adverse and this slows the pace of reform. Vietnam has to have the agreement of its collective leadership to step up the pace of reform, for example, to divest SOEs, reduce debt, and to carry out the struggle against corruption. But Vietnam's domestic economic reforms are also linked to the state of global stability. China's economy is slowing and this will impact on newly emerging markets. We still do not know how far President Trump will go with his protectionist America First policy. The recent U.S. attack on Syria will produce tensions with Russia. In short, global and domestic stability will provide a good environment for Vietnam to step up reforms. However, global and domestic instability will raise the risks for Vietnam and slow the reform process.

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