

Thayer Consultancy
ABN # 65 648 097 123



Background Briefing:

Vietnam's Military Modernization and National Defence Industry

Carlyle A. Thayer

August 20, 2015

We request your assessment on what you see as a focus for Vietnam's defence modernization efforts; and if you see the US defense industry playing a role (or not, due to export restrictions).

Q1. What's going on in Vietnam's indigenous industry?

ANSWER: Vietnam is coming to the end of its present five-year planning cycle. Early next year new priorities for the next five years (2016-2020) will be announced when the Vietnam Communist Party convenes its twelfth national party congress. After the party congress the Ministry of National Defense will issue an update of its last White Paper released in late 2009.

In January 2011, at the eleventh national party congress, the Political Report listed among the objectives for the next five years "to further push the development of defense and security technology industry" and "to strengthen scientific research in military and security capable of defeating hi-tech wars from enemy forces."

The Political Report identified modernization of the armed forces and defense industry as one of the five key national objectives for the next five years (2011-2015). Priority was assigned to ensuring "that the armed forces incrementally have access to modern equipment with priority being given to the navy, air force, security, intelligence, and mobile police forces."

In his address to the eleventh congress Lt. Gen. Ngo Xuan Lich, head of the Vietnam People's Army's General Political Department, specifically identified "armaments, ammunition and technical means" as key priorities. Speaking on the sidelines of the congress, General Phung Quang Thanh, Minister of National Defense, included electronic and technical reconnaissance among the priorities for defense intelligence.

According to Vietnam's latest Defense White Paper, issued three years after the eleventh congress, priorities for Vietnam's defense industry include the maintenance, manufacture, improvement and upgrading of weapons and equipment.

Vietnam's National Defense Industry

Vietnam has signed a wide number of Memoranda of Understanding (MOU) and Defense Cooperation Agreements (DCA) with foreign states. These agreements reveal that Vietnam is seeking assistance, services and equipment acquisitions in six major areas: the storage, maintenance and upgrading of existing military equipment; modernization of platforms and equipment for the army, navy and air force; modernization of Vietnam's defense industry; maritime logistics capacity in the South China Sea; mitigating the effects of natural disasters, notably flooding and storm damage, and search and rescue at sea; and finally, training for future involvement in UN-endorsed peacekeeping operations.

Vietnam's defense MOUs and DCAs usually contain general clauses on bilateral defense industry cooperation in five priority areas: promotion of defense research and technology transfer; co-production of weapons, maintenance, upgrading and repair; technical support; and personnel training.

Vietnam's arms purchase contracts invariably include provisions for technology transfer as well training and services. For example, Vietnam has approached Russia and India for assistance in co-producing the BrahMos anti-ship cruise missile, and the repair and maintenance of naval vessels.

Vietnam also has supported a Malaysian proposal to promote defense industry cooperation among ASEAN members. Vietnam and Indonesia have discussed co-producing fixed wing transports, maritime surveillance aircraft and multirole helicopters. Vietnam and the Philippines have discussed cooperation in the manufacture of various types of unspecified military equipment. Vietnam has approached Singapore for assistance in the safe storage of ordnance and munitions.

Vietnam's defense industry is capable of constructing small naval patrol craft. In 2011, for example, the Hong Ha defense shipbuilding company successfully launched Vietnam's first indigenously constructed naval vessels, a 54-metre 400-ton fast patrol boat (Project TT400TP) and a 72-meter troop transport vessel. The patrol boat was based on a Russian design and constructed by Vietnamese engineers who had been sent to Russia to study shipbuilding

Since 2012 Vietnam and Russia have reportedly co-produced a modified Uran (Switchblade) anti-ship missiles in Vietnam. The modifications could enable Vietnam to fit the missile to aircraft, helicopters, ships and coastal batteries.

In June 2012, it was reported in the Vietnamese press that the Military Institute of Technology had mastered the production of a key oxidizing ingredient for fuel used by Vietnam's R-17E (Scud) missile force.

A Role for U.S. Defense Industry?

The Obama Administration has relaxed ITAR (International Trafficking in Arms Regulations) on the sale of lethal weapons to Vietnam on a case-by-case basis. The U.S. has put emphasis maritime security and weapons of a defensive nature suitable for Vietnam's Coast Guard.

In June this year Secretary of Defense Ash Carter and Minister of National Defence General Thanh signed a U.S.-Viet Nam Joint Vision Statement on Defense Relations. This document included twelve areas of defense cooperation. The fourth area read:

“expand defense trade between our countries, potentially influencing cooperation in the production of new technologies and equipment, where possible under current law and policy restrictions.

Also that month it was reported that Vietnam was looking beyond Russia to purchase maritime patrol aircraft, unarmed drones and jet fighters and has been contact with Lockheed Martin and Boeing.

It is unlikely that Vietnam would want to or be able to purchase jet fighter aircraft from the United States. But it is likely that U.S. defense firms could assist Vietnam with maritime patrol aircraft, unarmed drones, and naval patrol craft. Lockheed Martin has promoted the possible sale of its Sea Hercules maritime patrol aircraft to Vietnam.

Boeing has publicly indicated that it has capabilities in “intelligence, surveillance and reconnaissance platforms that may meet Vietnam’s modernization needs.” For example, Boeing could sell its maritime surveillance technology to Vietnam for installation on a business aircraft converted for maritime reconnaissance.

The U.S. government has announced it will provide \$18 million to provide patrol boats for Vietnam’s Coast Guard. The U.S. Defense Department also has announced \$425 million funding for its Pacific Partnership program. The funding will cover “equipment, supplies, training and small-scale construction.”

These are very modest initiatives. Funding for the Pacific Partnership program will be made in five installments: \$50 million for FY 2016; \$75 million for FY 2017; and \$100 million for FY 2018, 2019 and 2020. These funds will be spread out among five countries - Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

However, there are several niche area of potential defense trade including coastal radar, satellite communications, maritime logistics, maintenance, and electronics. More problematic areas of defense trade include air defense systems for naval ships and anti-submarine warfare technology.

It now seems likely that Vietnam’s desire to purchase four Sigma-class corvettes from the Dutch Damen Group, with two corvettes to be produced in Vietnam, has fallen through over financil arrangements. This development probably does not open doors for U.S. defense industry because the armament Vietnam requires would not be provided under current legislation.

Suggested citation: Carlyle A. Thayer, “Vietnam’s Military Modernization and National Defence Industry,” *Thayer Consultancy Background Brief*, August 20, 2015. All background briefs are posted on Scribd.com (search for Thayer). To remove yourself from the mailing list type UNSUBSCRIBE in the Subject heading and hit the Reply key.

Thayer Consultancy provides political analysis of current regional security issues and other research support to selected clients. Thayer Consultancy was officially registered as a small business in Australia in 2002.

