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Background Briefing:

Vietnam: Will New Leaders Affect Economic Policy?

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Q1. First, to what degree does the leader at the top affect the outlook for Vietnam's economic development? In China, also Communist, analysts tend to say as long as the Party is in power, who's who isn't critically important. How does that theory hold up in Vietnam?

ANSWER: The broad outlook for Vietnam's economic development has been set in the draft Socio-Economic Report for 2016-2020. This report was released for public discussion and comment last year. A revised version will be presented to the 12th congress. The report sets maintenance of macro-economic stability, the reduction of high levels of public debt, promoting a growth rate around 7 per cent of GDP, and proactive international integration as its main objectives. The 14th plenum of the party Central Committee, that just met, gave a strong endorsement to the Trans Pacific Partnership and this will be a priority for Vietnam.

It is the Prime Minister and Cabinet not the party Secretary General that sets economic policy. The current prime minister will retire and be replaced with one of his understudies, one of the current deputy prime ministers, Nguyen Xuan Phuc. Phuc lacks the dynamic personality of his predecessor but he will carry out current economic policies. The China comparison is not exact. Xi Jinping is both party General Secretary and state president. The premier, Le Keqiang, is lower in the pecking order. In Vietnam the state president, party leader and prime minister are three separate offices with different roles. The prime minister and his office have become enormously powerful as Vietnam has integrated globally.

Q2. If you do see key policy differences among the possible leaders, could you say which are most likely to be reformists, or most aggressive in opening to more investment?

ANSWER: There are strong rumours in Hanoi reporting that the 14th plenum decided to keep the current party Secretary General for half a term until his successor is determined. In other words, Vietnam's communist leaders were unable to reach consensus. Reportedly they blocked Prime Minister Dung's attempt to become party leader. This would have been unprecedented. No top leader who is over 65 and served two terms in office has ever attempted to move to another top leadership post on retirement. I would say that all of Vietnam's leaders are committed to

proactive international economic integration, a policy that is more than a decade old. That means they encourage foreign direct investment. There is near unanimity on the need to cut down Vietnam's economic dependency on China where Vietnam has a massive trade deficit.

First things first. The party congress will elect the new Central Committee. The new Central Committee will then vote for the Politburo and then select one of its members to be party Secretary General. The Central Committee will determine work assignments, including state president, prime minister and chair of the National Assembly. In May Vietnam will hold elections for its National Assembly. The new deputies will elect the state president. The president will nominate the prime minister. The new prime minister, after prior vetting by the Politburo, will present his Cabinet to the National Assembly for approval. A number of current ministers will retire due to the age and two terms in office restrictions. Usually one of their deputies will be promoted. It is only by mid-year that we will know who is in the new Cabinet and how likely they are to promote reforms.

Reforms are on the agenda, but the pace and scope is always in contention. There will be greater continuity with present economic policy than change. Vietnam will continue to promote international integration to become a modern and industrial country, at middle mid-income level, by 2020.

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