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## **Background Briefing:**

# **Vietnam: Defence Policy and Capability and Defence Economics**

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### **Policy and Capability**

In January 2016 Vietnam's Cabinet approved the *Overall Strategy for International Integration Through 2020, Vision to 2030*. According to this document Vietnam's strategic environment in the next half decade will witness tensions and the possibility of armed conflict between major powers as a result of the gradual shift towards a more multipolar balance of power. The Asia-Pacific region will witness competition among the major powers, an arms race, and more complicated territorial and maritime disputes. The Association of Southeast Asian Nations (ASEAN) will face difficult challenges both internally as well as externally arising from major power rivalry and economic competition.

Vietnam's key objectives, as outlined in the strategy document, are to maintain a regional strategic environment conducive to "peace, cooperation and development," ensure domestic security and stability, preserve one-party rule, and defend national sovereignty, especially with respect to Vietnamese-occupied features and off-shore oil production platforms in the South China Sea. In order to attain these objectives Vietnam mapped out a long-term policy of becoming a modern and industrialized country by 2020 through proactive international and regional integration.

The Government's strategy document reviewed Vietnam's bilateral strategic and comprehensive partnerships with twenty-five countries and concluded that the level of interdependence "is still low; many cooperation aspects are incommensurate with the cooperation frameworks; there remain gaps between political commitments and implementation; cooperation in some areas have not been truly deepened..."

In order to address this deficit Vietnam gave priority to upgrading relations with its major strategic partners "in the areas of defence, security and development... and exploit external resources in order to gradually modernize armed forces, strengthen the capacity on ensuring national security and defence. By 2030 Viet Nam strives to become one of the key members that play a central role at security and defence cooperation mechanisms in the region." In order to achieve these objectives Vietnam will deepen, accelerate and diversity relations with its strategic partners by creating greater interdependence through "bonds of interests." Existing strategic partnerships are to be upgraded to comprehensive strategic partnerships with key countries in different regions.

Vietnam's *Overall Strategy Through 2020* gave priority to developing relations with Russia, India, Japan "and some other potential partners like Australia and Israel." The strategy document called for Vietnam to "gradually expand the content of defense and security cooperation... including joint patrol activities, joint exercises within ASEAN, working towards joint exercises between ASEAN and [its dialogue] partners." Vietnam's strategy document did not specifically mention China, a comprehensive strategic cooperative partner, or the United States, a comprehensive partner.

Given Vietnam's security concerns over the South China Sea, the *Overall Strategy Through 2020* directed that Vietnam "proactively and actively use ASEAN-led forums and mechanisms to create favorable conditions for partners to participate in and make contributions to the maintenance of peace, stability, security and safety of navigation and aviation in the East Sea [South China Sea]... [and] coordinate measures for trust building and preventive diplomacy in the region." Specifically, Vietnam should work to increase the effectiveness of the ASEAN Regional Forum, ASEAN Defence Ministers' Meeting Plus (ADMM-Plus) and the East Asia Summit, as well as campaign for non-permanent membership on the United Nations Security Council by 2030.

In January 2016, the twelfth National Congress of the Vietnam Communist Party approved the Secretary General's Political Report that set broad policy guidelines for the five-year period 2016-2020. The section on Safeguarding the Homeland called for closely linking national defence and security with external relations by promoting international cooperation in defence and security in order "to forge the People's Army [into a] standardized, elite and gradually modernized [force], with priority given step by step to modernizing a number of arms, services and forces..."

The twelfth congress witnessed sweeping changes to the leadership of the Vietnam People's Army (VPA). Two-term Minister of National Defence, General Phung Quang Thanh, stepped down and was replaced by General Ngo Xuan Lich who vacated his post as head of the General Political Department. Senior Lt. Gen. Luong Cuong replaced Lich as the army's chief political officer. Lt. Gen. Phan Van Giang was appointed the new Chief of the General Staff and senior Deputy Minister. Senior Lt. Gen. Nguyen Chi Vinh, who was responsible for international defence relations, was retained as Deputy Minister; his portfolio was expanded to include international defence industry cooperation.

According to the Stockholm International Peace Research Institute, in the period 2011-2015, Vietnam was the world's eighth largest importer of defence of weapons. Naval ships and submarines accounted for fifty-three per cent of Vietnam's arms acquisitions as measured in U.S. dollars, aircraft represented twenty-five per cent, missiles twelve per cent, air defence systems 4.6 per cent, sensors, 3.5 per cent and engines 1.6 percent. These figures confirm that Vietnam has placed priority on improving its naval and air capabilities, especially for maritime missions, air defence and maritime domain awareness.

In February 2016, Vietnam took delivery of its fifth *Varshavyanka* or enhanced Kilo-class conventional submarine, HQ 186 *Da Nang*. In September, the sixth and final submarine in this order, HQ 187 *Ba Ria-Vung Tau*, underwent sea trials and is expected to be delivered before the end of the year. In April and May, Russia's Zelenodolsk Shipyard launched two Gepard 3.9 (Project 11661E) frigates configured for anti-

submarine warfare. They are expected to be delivered before the end of 2016. In September, Japan's Prime Minister Shinzo Abe promised to provide Vietnam with six new patrol boats for its Coast Guard through a soft loan.

In mid-2016 Vietnam confirmed its acquisition of the Israeli SPYDER-SR and the Belarus S-125 Pechora-2T air defence systems. In addition, Vietnam also acquired twenty Israeli EXTRA rocket launchers. Three AugustaWestland SPA AW189 transport helicopters entered service during the year.

In early 2016, Vietnam's General Political Department announced that two hundred officers, a record number, would be sent abroad to attend professional military education and training courses. Fifty VPA officers are currently studying in Australia and another 150 are receiving training conducted by Australia in Vietnam. In September, twenty Vietnamese officers and forty submariners completed the six-month basic submarine course at INS *Satavahana* in India. India also agreed to provide pilot conversion training for the Su-30 MK. In a new development fifty-one Vietnamese assigned to the Defence Economic Technical Industry Corporation under the General Department of Defence Industry, completed a five-month internship with Japan's Mukai Corporation.

In 2016 Vietnam intensified efforts to prepare for the deployment of a level-two field hospital and engineering company for United Nations peacekeeping in the Central African Republic and South Sudan. Vietnam also approved the deployment of female officers for the first time. During the year Vietnam's Military Hospital 175 received military medical delegations from Cuba, Japan, Singapore and South Korea to assist in pre-deployment training.

In March 2016, the International Committee of the Red Cross and the Vietnam Peacekeeping Centre jointly sponsored a training course on international humanitarian law. In August, the U.S. Embassy's Defense Cooperation Office teamed up with the VPA's Engineering Corps Command and the Vietnam Mine Action Center to inaugurate a five-year course for instructors on the disposal of unexploded ordnance, field surveys and emergency first aid.

In 2016 Vietnam stepped up its international defence cooperation engagement with its strategic partners. In February, Vietnam participated in its first International Fleet Review by dispatching HQ 011 *Dinh Tien Hoang*, a Gepard-class frigate, to India. The frigate paid a port in Singapore enroute.

In March, General Phung Quang Thanh met with his Chinese counterpart Senior Lieutenant General Chang Wanquan at the 3<sup>rd</sup> Vietnam-China Friendship Defence Border Exchange in Guanxi. Both ministers witnessed the signing of a Memorandum of Understanding on cooperation in UN peacekeeping missions.

During 2016, Defence Minister General Lich made his first official visit to Moscow in April to meet with his Russian counterpart. Lich also addressed the 5<sup>th</sup> Moscow International Security Conference and conferred with his counterparts from Singapore and Thailand on the sidelines. Lich later visited Laos in May to attend the ADMM-Plus meeting, Cambodia in June and China in September. Lich also hosted official visits by the defence ministers of India in June and France in September.

In May 2016, Deputy Minister of National Defence Vinh addressed the Shangri-La Dialogue in Singapore and used this opportunity to confer separately with the Canadian and Indian defence ministers, Singapore's Permanent Secretary of Defence Development, the U.S. Assistant Secretary of Defense, and the Australian and New Zealand Chiefs of Defence Force. Vinh also met the head of China's delegation Admiral Sun Jianquo and invited the People's Liberation Navy to visit Vietnam and hold maritime search and rescue exercises.

There were two major developments in Vietnam's relations with its strategic and comprehensive partners in 2016. First, Vietnam and India raised their bilateral relations to a comprehensive strategic partnership during the visit by Prime Minister Modi in September. Modi offered Vietnam a \$500 million Line of Credit for unspecified defence purchases and \$5 million to set up a military information technology software park in Nha Trang. Second, President Barack Obama removed all restrictions on arms sales under the International Trafficking in Arms Regulations during his state visit to Vietnam in May.

The VPA was active in multilateral activities under the auspices of the ASEAN. Vietnam and India as co-chairs of the ADMM-Plus Experts' Working Group on Humanitarian Mine Action hosted the Peacekeeping Operations and Humanitarian Mine Action Field Training Exercise in India in March. Vietnamese Navy personnel participated in the ADMM-Plus Maritime Security and Counterterrorism Exercise held in Brunei and Singapore in May. Vietnam participated in the ADMM-Plus Experts' Working Group on Humanitarian Assistance and Disaster Relief/Military Medicine field training exercise in Thailand in September. Additionally, Vietnamese naval personnel participated in the 6<sup>th</sup> Western Pacific Mine Countermeasures Exercise co-hosted by Singapore and Indonesia in August 2016.

In March 2016, Vietnam officially opened the Cam Ranh Bay International Port. During the year naval warships from Singapore, Japan, France, India, the United States and China paid visits. Vietnam also hosted a port call by an Australian warship in Ho Chi Minh City in May. In April, two U.S. warships visited Da Nang to participate in low-level naval engagement activities including a Code of Unplanned Encounters at Sea exercise prior to calling in at the Cam Ranh International Port..

For the past decade Vietnam's economy has grown at an average of 6.1 per cent per annum. In early August 2016, the Cabinet concluded that it would be difficult to reach the target of 6.7 per cent growth in 2016 set by the National Assembly and that economic growth was likely to fall between 6.27 per cent and 6.5 per cent. Vietnam's defence spending in 2014 and 2015 was closely related to growth in Gross Domestic Product, and has ranged between 2.2 and 2.3 per cent of GDP since 2012.

Vietnam's defence budget is a state secret. Australia's Defence Intelligence Organisation estimates that Vietnam's defence budget was \$4.3 billion in 2014 and \$4.6 billion in 2015 (constant and exchange rate 2015). This represents 8.2 and 8.3 per cent of nominal government spending, respectively. It is estimated that Vietnam's defence budget will reach \$5 billion in 2017 and rise to \$6.2 billion by 2020.

Vietnam is gradually expanding its national defence industrial base through overseas partnerships and technology transfers. For example, Damen Shipyard in the Netherlands is assisting Vietnam in the design and production of both commercial and

military vessels. In 2016 Vietnam successfully constructed and launched two 600-ton troop carriers for delivery to Venezuela. As a result of technology transfer from Russia Vietnam has begun the production of the KCT 15 anti-surface warfare missile. The lifting of the U.S. arms embargo opens up the possibility of defence industry cooperation and co-production in the future.

India is fast emerging as a major defence industry partner. It is currently upgrading Vietnam's Petya-class light frigates for anti-submarine warfare. India is also expanding its existing service program to upgrade all existing Vietnamese stocks of Soviet-era military equipment, including thermal sights and fire control systems for armoured vehicles, T-54 and T-55 tanks, and M-17/MI-8 helicopters. In September, Vietnam's Border Guard and India's Larson & Toubro Ltd. signed a contract for the construction and delivery for four Ocean Patrol Vessels under a \$100 million Line of Credit offered in 2014. India has offered to sell Light Combat Helicopters and heavyweight torpedoes to Vietnam and the two sides are reportedly discussing the sale of the BrahMos cruise missile.

While no new arms purchases were announced in 2016, Vietnam will continue with its gradual program of modernizing its armed forces. In 2015 Vietnam retired its fleet of Mig-21s. Vietnam is now engaged in a search for their replacements. Media reports indicate that Vietnam is looking at South Korea's T-50 Golden Eagle, Sweden's Saab JAS-39E/F Grippen NG, the Eurofighter Typhoon, and Lockheed Martin's F-16. Vietnam has also expressed interest in acquiring maritime patrol aircraft such as Saab 340 or 2000 twin engine turboprops, the Airbus Group SE's C295, Lockheed Martin's P-3 Orion and Japan's P-3C as well as unmanned aerial vehicles for intelligence, surveillance and reconnaissance.

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