

# Vietnam is losing appeal as a land of stable, competent leadership

**Purge of top officials is taking down technocrats favored by foreign investors**

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The Communist Party of Vietnam kicked off the new year by removing two deputy prime ministers from their posts and key party positions. On Tuesday, the purge reached President Nguyen Xuan Phuc as state media reported his resignation from the government as well as from the party's Politburo and Central Committee.

The positions of the government's third deputy prime minister and its foreign minister also appear to be in jeopardy. The municipal leadership of Hanoi and Ho Chi Minh City, the country's governmental and business capitals, respectively, are in turmoil, too; the position of Ho Chi Minh City party secretary has now changed hands three times in two years.

Vietnam's economic output officially grew at a blistering 8% rate last year, likely the fastest in Asia. The country has been the beneficiary of moves by multinational companies to diversify their previously China-centered supply chains and of political instability among regional peers, including Thailand, Malaysia and Myanmar.

Yet the pragmatic decision-making and political certainty that have made Vietnam appealing to foreign investors are coming under question amid the unprecedented reshuffle within the Communist Party Politburo and other leadership bodies. Hanoi should be conscious that the investors who have been critical to the country's economic outperformance have many alternative destinations ready to roll out the red carpet for them.

Phuc, who oversaw a period of rapid economic growth as prime minister beginning in 2016, was seen as a steady hand when inexperienced Pham Minh Chinh succeeded him in January 2021.

Deputy prime ministers Pham Binh Minh and Vu Duc Dam were both competent administrators who played central roles in Vietnam's COVID-19 response, which was among the best in the world.

It was largely through their efforts that Vietnam, alone among the 10 members of the Association of Southeast Asian Nations, was able to continue to grow its economy in 2020 and then accelerate ahead during the following two years.

Dam oversaw Vietnam's initial lockdown and the successful implementation of its zero-COVID strategy. Minh, a former foreign minister, was able to leverage close connections with senior U.S. officials to ensure that Vietnam received 40 million doses of coronavirus vaccine and a license to produce more using mRNA technology, though it has yet to do so.

But the three men also have had their fair share of rivals.

Phuc was seen as one of two leading candidates positioned to succeed Nguyen Phu Trong as Communist Party general secretary. But Trong viewed him with suspicion due to his pro-Western stance and policy pragmatism, as well as his family's vast corporate interests.

Dam and Minh, meanwhile, are being held responsible for pandemic-related corruption scandals in ministries under their oversight, though neither has been personally implicated and both have maintained clean reputations.

One scandal centers on some 400 repatriation flights the government arranged to bring home Vietnamese nationals during COVID. Corrupt officials reportedly pocketed around \$49,000 in bribes for priority treatment for each flight. To date, some 41 diplomats and other officials have been charged with wrongdoing, with some stripped of their party membership.

The other scandal involves a COVID-19 test kit that was marketed across the country at inflated prices under the direction of the Ministry of Health. Some \$34 million in bribes are said to have changed hands in the affair, which has now felled two Central Committee members, including a former health minister. More than 30 people have been charged in the case, including senior military officers.

Clearly, politics are at play ahead of a Communist Party congress expected to be held midyear. Unlike China, which has very distinct factional politics, elite Vietnamese politics are much pettier and more personal.

General Secretary Trong continues to wield the banner of combating corruption against political rivals in his bid to secure his protege's place as his successor. A leitmotif of his tenure since 2016 has been the reassertion of party control of policymaking, taking back authority that had shifted toward government technocrats as the economy grew and became more complex.

Men like Phuc, Minh and Dam, and others before them who also lost their jobs, were pragmatic technocrats determined to put Vietnam on a stable macroeconomic trajectory.

But there are other elite political factors at play. Minister of Public Security To Lam, who himself was caught previously in a corruption scandal, looks set to replace Phuc as president. This will allow him to maintain authority over the Ministry of Public Security, giving him a perch to direct investigations against political and economic rivals.

This will mean that two of the country's top four positions will be held by former public security officials. If the new public security minister is elected to the Politburo, as is the historic norm, then six of 17 members of the body will be veterans of the ministry. This would be institutional capture and indicative of the regime's insecurity.

Since the last party congress in January 2021, Prime Minister Chinh's government has been hobbled by corruption and policy stasis. The sheer volume of foreign investment coming into the country, however, has given the government breathing room.

But the ongoing purge is bound to rattle foreign investors, especially since the leading victims have been administrators seen as competent and honest. Given the intense competition around Asia and beyond to attract foreign investors looking for an alternative to China, Vietnam will begin to lose out if the authorities are no longer seen as stable and capable.

A new wave of politicized anti-corruption investigations and arrests are expected after the Lunar New Year holiday later this month, with the property sector one area of likely focus. Petty infighting is likely to continue to escalate as factions jockey for position ahead of the end of Trong's third and final term in January 2026. Vietnam may need a new pitch to appeal to foreign investors.