

Viet Prime Minister Under Threat

Contributed by David Brown
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Intra-party rivals may pull him down

Prime Minister Nguyen Tan Dung's grip on Vietnam's government is weakening. The Vietnamese premier is under attack by intra-party rivals who don't like his rich friends and fault his management of the economy. If Dung goes down, important changes in Vietnam's management of economic and social issues are likely to follow.

As a rule, Vietnam's Communist Party doesn't wash its dirty linen in public. Its spokesmen work hard to maintain the party's aura of competence and infallibility. Party members don't gossip with outsiders about party matters. Decisions made by the party's Politburo or its Central Committee are portrayed as unanimous.

Article 4 of Vietnam's constitution is very clear about the Communist Party's monopoly of political power: the CPV "is the force assuming leadership of the State and society." About one Vietnamese in 30 -- some 3 million altogether -- are members. There are party committees in every village and every city neighborhood.

The CPV renews its leadership at party congresses that cap months of alliance-mending and horse-trading. Typically this is not a winner-take-all event, but rather one that aims at updating the internal balance among factions and interests while retiring aging leaders bloodlessly.

In the run-up to the 11th Congress held early last year, according to diplomats and a number of Western academics, senior party official Truong Tan Sang mounted a vigorous bid to supplant Dung as prime minister. He failed and the congress granted Dung a second five-year term. Sang's consolation prize was the largely ceremonial post of president. National Assembly chairman Nguyen Phu Trong was named CPV general secretary.

Now there are signs that Sang and Trong are maneuvering to break Dung's grip on the levers of policy and patronage. The two can point to a lengthening list of mishaps and failures. They can channel public exasperation with bouts of inflation and the excesses of the nation's nouveau riche.

Many years have passed since the CPV led victorious wars, first against France, Vietnam's colonial master, and then against a rival southern regime heavily backed by the United States. For a new generation, the party's claim to lead rests heavily on its ability to deliver social stability and economic growth. It succeeded brilliantly after its 1986 decision to implement "market socialism" -- policies which under the general term doi moi or "renovation" gave birth to a thriving

private sector and Vietnam's emergence as one of the world's workshops.

National income grew at an annual rate of seven percent for two decades, quintupling per capita incomes and planting the notion that any smart and adaptable young person could prosper.

In recent years, however, growing pains have become evident. In his National Day message on September 2, President Sang frankly acknowledged some of them:

"Our economic development is unsustainable and the balance of our macro economy unstable, while the quality of the growth rate, productivity, efficiency and economic competitiveness remains low," he said. "Coupled by these weaknesses is the limitation in mobilization and effective use of available resources for development. Our economic growth tends to develop widely, though not deeply."

Regarding culture and society, he continued, "there remain many challenges, some of which have become hot topics. The environment is polluted... Limitations in the quality of human resources and infrastructure hinder our development. There remain many hidden factors that can potentially cause political and social instability and threaten our national sovereignty."

Most foreign financial analysts would endorse Sang's critique. At least since Fitch Ratings slashed Vietnam's credit rating in July 2010, citing "deterioration in the nation's finances and a banking system increasingly vulnerable to systemic stress," analysts have tended to be bearish on their one-time favorite.

Dung's critics, domestic and foreign, single out his failure to bring the managers of state-owned enterprises to heel. The prime minister was much taken by the notion that Vietnam could become world-competitive in sectors such as coal and minerals, oil and gas, shipping and shipbuilding. Large loans by state-controlled banks were channeled to state companies in these sectors, which, though reorganized as conglomerate monopolies, preserved a corporate culture and bloated payroll reminiscent of Soviet heavy industry.

These companies expanded rapidly and then, overextended, were hammered by the 2007-09 global financial crisis. The shipbuilding corporation Vinashin required rescue in July 2010. Two years later the giant state shipping company and port operator, Vinalines, was failing under a similar mountain of debt.

These two conglomerates are just the standouts. Most state-owned firms are deeply indebted to the nation's banks, both state-owned and private, which with government encouragement flooded them with funds, particularly in 2009. Hanoi sought to avoid a recession by expanding credit. It got instead a vicious bout of inflation that is only now being brought under control. Meanwhile, bad debts on banking sector books are unofficially estimated now to be ten percent or more of total loans.

Nor were the banks victims. They were collaborators, as is becoming particularly clear in the wake of the August 18 arrest of Nguyen Duc Kien, a banking and finance tycoon known as a confidant of the prime minister. Though formal charges are still pending, Kien is said to have engaged in "illegal trades."

The general feeling in the financial sector is that Kien is hardly unique; in fact, the sort of very highly leveraged deals that he favored are said to be common in Vietnam's interlocked, thinly capitalized and remarkably opaque financial markets. "Misconduct is ... a generalized characteristic of [Vietnam's] financial institutions large and small," said Jonathan

Pincus. Pincus in particular should know -- he and his colleagues at the Harvard Kennedy School Vietnam Program have been advisors to Dung's government for years. Their advice has been listened to politely and then largely ignored.

Another strand in the web that seems to be tightening around the prime minister is the Politburo's decision, announced in June, to transfer institutional responsibility for combating corruption from the government to the party itself. This lines up nicely with a party internal criticism and self-criticism campaign that was launched in February to identify and weed out members exhibiting "degraded political ideology, ethics and lifestyles."

A last bit of circumstantial evidence is provided by the remarkable rise of an online blog that calls itself Quanlambao and says its mission is to "wipe out corrupt cliques that monopolize the nation's economic and political life." The blog's authors are unknown, its tone is stridently populist, and its stock in trade is blistering Prime Minister Dung and his close associates -- in particular retired police general Nguyen Van Huong, identified by the blog as Dung's chief agent for dirty tricks.

The Quanlambao blog first appeared in early June. By mid-July, it was reporting 10,000 "new visitors" daily. It was the first to break news of the banker Nguyen Duc Kien's arrest, twelve hours before the National Police made their own announcement. In the next 10 days, daily hits on Quanlambao reached just short of a million, an unheard of level in Vietnam's blogosphere.

Inevitably, the appearance of this remarkable blog and the apparent failure of the agency charged with such things to take "counter-measures" has prompted speculation that the people behind it are intraparty enemies of Dung or Chinese intelligence services, or perhaps both.

What might follow if these diverse phenomena do in fact foreshadow an attempt to remove Nguyen Tan Dung as Prime Minister?

To oust Dung, his critics would have to muster a majority of the 14 member Politburo which in turn would have to be confirmed by a vote of the party's Central Committee, a 175 member, broadly representative group. That would be a seismic event -- turnovers of power normally come in the course of party congresses held every fifth year. Nor is it at all sure that Dung's critics could prevail in a showdown. Many of the party elite owe their positions to the patronage of the prime minister and his allies.

In this scenario, Dung's opposition would portray themselves as reformers determined to rein in corruption and influence-peddling. Their common conviction would seem to be that "instability" will follow if the party and government cannot restore ordinary citizen's belief in the essential decency of the regime, in its ability to manage economic challenges and to distribute the fruits of growth fairly.

Instability is their bete noire -- it means to CPV leaders political protest that is organized outside of regime control and turns against the party. Though the Vietnamese have watched developments in Burma with interest bordering on amazement, Dung's ouster would not presage a loosening of political controls. The opposite is more likely -- both Sang and Trong are regarded as conservatives, leaders who see the notion of political "opening" as a Western-sponsored plot to overthrow the leadership of the Communist Party.

(David Brown is a retired US diplomat with wide experience in Southeast Asia, particularly Vietnam.)