



**VIETNAM'S POLICY OF CONTROLLED  
DEVELOPMENT WILL CONTINUE**

BY JAMES BROW

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The Vietnamese Communist Party initiated policies in the late 1980s that had two major goals in mind—participating in the international economic system, yet maintaining domestic political controls to ensure communist principles guided all decisions. In this regard, Vietnam essentially followed the Chinese model that preceded Vietnam's "open door" policy (*Doi Moi* in Vietnamese).

This policy has continued into the present time, including under incumbent President To Lam, who also assumed the even more influential office of Communist Party general secretary after Nguyen Phu Trong passed away in July.

The most important international political issue for Vietnam is its relationship with China. Historically, this relationship often has been one of conflict, ever since the Chinese Han Dynasty colonized what is now Vietnam in 111 BCE and ruled it, through succeeding Chinese dynasties, until independence in the 11<sup>th</sup> century CE. China continued to invade Vietnam periodically in the centuries that followed.

Following China's communist revolution in 1949 and Vietnam's establishment of a unified communist-led country in 1975, the countries have, over time, developed growing commercial ties. China is Vietnam's largest trading partner. In mid-August, the Vietnamese government reported that To Lam was [traveling to China](#) to discuss commercial ties between the countries, including China's support for Vietnam's modernization plan for the Hanoi-Ho Chi Minh City high-speed rail line and cargo rail lines linking northern Vietnam to China. This represented a clear sign that Vietnam-China commercial relations will expand. Conversely, China's unilateral declaration that most of the South China Sea—called the Eastern Sea by Vietnam—and the atolls/shoals within it are Chinese territories, remains a major point of contention. This declaration includes the Paracel Shoals east of Vietnam's coast, where China has been building facilities. In addition, China has been dredging/constructing outposts (over 100) in the Eastern Sea. The most recent military conflict between the countries took place in 1979, when the Chinese invaded northern Vietnam "to teach the Vietnamese a lesson" following Hanoi's attack on China's ally, Cambodia's Khmer Rouge, whom the Vietnamese accused of creating constant skirmishes in western Vietnam.

The United States' relationship with Vietnam has changed significantly since the end of the US involvement in the war in 1973, with the *Doi Moi* policy in the late 1980s as the driving factor. This policy, which includes Vietnam's decision to participate in the international market, has dramatically increased economic activity. As noted, this policy essentially follows that of China, which previously adopted the "socialist economy with market conditions" approach to welcome foreign participation in the economy. In view of this change, the United States established formal diplomatic relations with Vietnam, opening the door to U.S. investments in Vietnam in the 1990s. In 2023, the United States and Vietnam elevated their countries' relations to a comprehensive strategic partnership, signaling closer political and economic ties.

Generally, Vietnam's *Doi Moi* policies resemble China's regarding foreign investments in the country,

but some aspects of Vietnam's foreign investment law have been more favorable (flexible) than China's. These include more relaxed equipment/raw materials imports for manufacturing and flexible rules for product distribution in the country. In recent years, China's dependence on international investments to develop the country's economy has decreased as the country expands its economy, including foreign trade.

While maintaining Vietnam's party ties to Beijing (including China's commercial support), the issue of control over the Eastern Sea continues to fester. In 2016, a UN organization issued a ruling that, based on the UN's Convention of the Sea, China's claim over the Eastern Sea was invalid. Vietnam is joined in this dispute by fellow ASEAN member the Philippines, which has confronted China regarding shoals traditionally managed by Manila. In direct response to China's aggressive actions in the Eastern Sea, recent meetings between Vietnam and the Philippines signal agreement to work together on many regional issues, including unhindered commercial traffic through the Eastern Sea. Together with the Taiwan issue, peace in the Indo-Pacific region will in part be determined how these conflicts are resolved.

A more in-depth review of Vietnam's economic development is in order here. As noted above, Vietnam adopted policies in the 1990s to encourage foreign investment and international trade. Today, China is a major investor in Vietnam, accounting for approximately 30% of total foreign-invested projects and is the leader in exports to Vietnam. The United States is Vietnam's major import market. Other Asian countries are major investors in the country, including Korea, Japan, and Taiwan. This foreign activity has been a major catalyst in Vietnam's economic growth. Forecasts now expect 2024 GDP growth to be about 6%. Aiding this result are exports of processed products accounting for 88% of total exports through July 2024. Vietnam policy encourages foreign investments in high technology. The country has a skilled, hard-working source of labor, which foreign investors view as a key factor in investing in Vietnam.

Barring major international political problems, Vietnam will continue to pursue the economic policies that have resulted in significant economic success

over recent years. Per capita consumption has been steadily rising and this is expected to continue as GNP continues to climb. Domestically, the Vietnamese Communist Party continues its crackdown on dissent, with prominent critics of the party recently jailed—To Lam was minister of public security before becoming president (and then general secretary) and has been known as a driving force behind the country's anti-corruption campaign. The appointment of his ally Luong Tam Quang as public security minister would seem to signal continuity. The Communist Party's determination to pursue the economic success that Vietnam enjoys while continuing its harsh policy of stifling all efforts to criticize the party's control over the country can therefore be expected to continue.

Vietnam's location in Asia is a key factor in the country's development. The long coastline offers major access to international markets. How China moves forward with its declaration to control the Eastern Sea will determine how Vietnam's political and economic successes will continue. In concluding an agreement with Vietnam to develop a broad, strategic relationship to include political and commercial ties, the United States has made clear its goal to support the country in its effort to ensure open access to the Eastern Sea and resist China's goal of seizing the atolls and shoals that historically have been part of Vietnam (Paracels and Spratlys).

What is unclear is the American plan to accomplish this goal. China is continuing its expansion of man-made outposts in the Eastern Sea with an obvious goal of controlling activity in this major international shipping waterway. The recent Chinese clashes with the Philippines over atolls long managed by Manila are a clear example of the need to resolve these issues. To date, the American (and international response) to China's claim to ownership of most of the Eastern Sea has been limited to political arguments against China for ignoring the United Nations' ruling on the invalidity of China's action.

*PacNet commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed and encouraged.*