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Background Brief:

COVID Corruption Scandals in Vietnam

July 4, 2022

We are preparing a major report on COVID-related corruption scandals in Vietnam. We request your analytical input into the following nine issues:

Q1. How much damage are the COVID-related corruption scandals -- in Vietnam's foreign ministry, health ministry, and elsewhere -- causing within the Communist Party?

ANSWER: The COVID-related corruption scandals are part of a larger anti-corruption campaign that has been underway for a decade led by the General Secretary of the Vietnam Communist Party (VCP) Nguyen Phu Trong. Trong was given an unprecedented third term in office in January 2021 at the 13th national party congress. By the end of 2020, the anti-corruption campaign prosecuted 1,400 individuals including one serving member of the Politburo, seven members and former members of the VCP Central Committee, four current and former ministers, and seven public security and military generals.

Over the past ten years more than 2,700 party units and nearly 168,000 party members, including 170 high-level officials, have been disciplined for various infringement of party rules. Of this number, 7,000 party members have been disciplined for corruption. By mid-2022, 1,200 cases of corruption were investigated of which 730 were brought to court involving 1,500 defendants.

In other words, the COVID-related corruption scandals involving high-level officials and their networks are part of the "new normal" for senior members of the VCP, such as members of the Central Committee. However, the anti-corruption campaign is causing increasing uncertainty and anxiety among the rank and file as steering committees for each of Vietnam's sixty-eight administrative units are expected to be more proactive in rooting out economic corruption. This raises the possibility of factional in-fighting at national and local level.

Q2. Similarly, how much loss of faith among the public has been caused by the COVID-related financial scandals?

ANSWER: While the arrest and conviction of high-level officials for corruption may be the "new normal," the COVID-related corruption scandals were a different kettle of fish because the victims were ordinary members of the public and the perpetrators were individuals in highly-respected professions such as public health.

The Delta wave of COVID-19 was traumatic for Vietnamese society, leading to draconian lockdowns. The general public largely supported the zero COVID policy of the government. When the COVID scandal broke there was a sense of betrayal. The COVID-related scandals were a double-edge sword. On the one hand, the punishment of high-level officials was viewed as reaffirming that General Secretary Trong meant it when he said there were “no forbidden zones, no exceptions.” On the other hand, the COVID-related scandals raised the question was this the tip of the iceberg and that corruption was more widespread and entrenched than generally believed?

Q3. Why or how was the corruption able to become so extensive?

ANSWER: Corruption took root as Vietnam shifted from a socialist economy under central planning to a “market economy with socialist orientations” and to a “socialist market economy.” The privatisation of state-owned enterprises coupled with the growth of the private sector created fissures that opened opportunities for corrupt officials.

Corruption in Vietnam is endemic. While Vietnam has improved its ranking on Transparency International’s Perceptions of Corruption index, it ranked 87th at the bottom of the list of 180 countries last year.

Vietnam does not have an effective system of checks and balances. As a one-party state the judiciary, state organs and the media are not independent. Senior party leaders and party committees within state organs have the final say.

Q4. Have these scandals worried foreign investors and/or Vietnam's trading partners?

ANSWER: Since Vietnam’s opening up in the late 1980s, all foreign investors and trade partners have had to operate in an environment in which corruption – petty and large-scale – were pervasive. Since the early 1990s, as Vietnam has moved to become a law governed state, foreign investors were able to operate in an environment with greater confidence. Corruption in Vietnam, however, has not weighed so heavily as to prevent rising foreign investment and trade.

COVID-related scandals are less relevant to the economic environment than Vietnam’s control over COVID, ending the zero COVID policy, and restarting production and secure supply chains.

Q5. Are the punishments, including prison, for corrupt high officials fair and effective?

ANSWER: All decisions to prosecute party officials are political. Punishments take two forms. First, the party Central Committee, on advice from the Politburo and/or Steering Committee of the Central Anti-Corruption Commission, disciplines corrupt officials by warning them or in serious cases dismissing them from the party and any office they currently hold or have held. Second, corruption cases involving party members are then referred to the Ministry of Public Security for prosecution as criminal cases.

There is widespread scepticism about the fairness of sentencing. This takes the form of questioning why some officials are harshly treated and others are not.

The question of effectiveness is like asking how long is a piece of string? The anti-corruption campaign has been going for ten years and yet this did not prevent high-level officials from exploiting the COVID-19 pandemic for personal gain.

Q6. Is there more that the government can do to prevent corruption in the future, or is it an inevitable part of any bureaucratic system that includes so many people?

ANSWER: The party Secretary General has certainly taken the lead in running the anti-corruption campaign. He has reviewed and revised all pertinent party rules to ensure that they address corruption by serving party members. The government will take its lead from the party leader. But the structural issues of a lack of an effective system of checks and balances will limit the efficacy of the anti-corruption campaign.

Q7. Do you expect the corruption scandals to impact in any way with Vietnam's role in the new Washington-led Indo-Pacific Economic Framework?

ANSWER: The U.S. Indo-Pacific Economic Framework (IPEF) is designed, inter alia, to assist partners in overcoming bribery and corruption. A Fact Sheet released by The White House states:

Fair Economy: We will seek commitments to enact and enforce effective tax, anti-money laundering, and anti-bribery regimes that are in line with our existing multilateral obligations to promote a fair economy. These will include provisions on the exchange of tax information, criminalization of bribery in accordance with UN standards, and effective implementation of beneficial ownership recommendations to strengthen our efforts to crack down on corruption.

In other words. Vietnamese participation in the IPEF will be viewed as an opportunity by reformers to link domestic reforms to international commitments.

Q8. Will U.S. or other foreign investors be more wary of dealing with Hanoi?

ANSWER: The U.S. and other foreign investors will be clear eyed about the prevalence of corruption in Vietnam. They will take heart from the continuing efforts by General Secretary Trong to tackle corruption in Vietnam. This effort will be viewed as a necessary but not sufficient effort to address this issue.

Q9. Will the corruption scandals impact in any way on Vietnam's financial arrangements with the U.S.?

ANSWER: It is unlikely that Vietnam will suffer because of its proactive stance in trying to eliminate corruption in Vietnam. In this respect, the interests of the United States and Vietnam converge not diverge. Vietnam has always adopted a constructive and pragmatic position to address concerns raised by the United States. The U.S. Indo-Pacific Economic Framework provides an opportunity for both sides to work together to address the issues of corruption.

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