Vietnam’s Anti-corruption Campaign: Economic and Political Impacts

Nguyen Khac Giang*

Nguyen Phu Trong, a staunch communist theoretician, views corruption as the gravest threat to the regime’s survival. CPV General Secretary Nguyen Phu Trong pictured here addressing the opening session of the newly-elected 15th National Assembly’s first parliament session in Hanoi on 20 July 2021. Photo: Nhac NGUYEN/AFP.

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EXECUTIVE SUMMARY

- Vietnam’s current anti-corruption campaign, which led to the forced resignations of the state president and two deputy prime ministers in early 2023, is the most comprehensive anti-corruption effort in the history of the Communist Party of Vietnam (CPV).

- The campaign has had some positive impacts on the economy, including reducing the informal costs of doing business, streamlining bureaucratic processes in certain business sectors, and breaking down some entrenched interest groups to create a fairer business environment.

- However, the campaign has also generated some negative consequences, such as slowdowns in the bureaucratic system and disruptions in critical services such as medical treatment and vehicle registration.

- The campaign also helps strengthen the dominance of internal affairs institutions in Vietnamese politics and its effects may be felt in the CPV’s succession politics ahead of its 14th National Congress in 2026.
INTRODUCTION

In early 2023, an unprecedented shake-up in the Vietnamese political landscape unfolded. President Nguyen Xuan Phuc, along with two deputy prime ministers, were forced to resign due to their “political responsibilities” in two corruption scandals that rocked the country in 2022.¹ The Viet A test kit scandal involves the distribution of overpriced COVID-19 test kits,² while the repatriation flight scandal centres around exorbitant fees charged to Vietnamese citizens who were stranded abroad during the pandemic and who were seeking to return home.³ This unprecedented move, with Phuc being the first among top-ranking leaders of the Communist Party of Vietnam (CPV) to resign due to performance reasons since Truong Chinh in 1956, marked a new high in the Party’s anti-corruption campaign, commonly known as the “Blazing Furnace” and overseen by CPV General Secretary Nguyen Phu Trong since 2013.

Trong, a staunch communist theoretician, views corruption as the gravest threat to the regime’s survival and has vowed to conduct the campaign “without no-go zones and exceptions”.⁴ Over the past decade, nearly 200,000 party members, including 36 Central Committee members and 50 military and police generals, have been disciplined.⁵ Most notably, in 2018, Dinh La Thang, the former party chief of Ho Chi Minh City, became the first sitting Politburo member to be criminally charged; he was sentenced to 30 years in prison.⁶ With 7,500 individuals criminally investigated for corruption charges since the CPV’s 13th National Congress in early 2021, including 25 senior officials under the supervision of the Party’s Politburo and Secretariat,⁷ the campaign is undoubtedly the most comprehensive effort in the CPV’s history to eradicate “bad roots” and to “purify” the Party, as Trong put it. This article examines the campaign’s key characteristics and its political and economic implications for the country in the short and medium term.

HARSHER APPROACH TO CORRUPTION FIGHTING

Corruption has been a persistent problem in Vietnam for many years, and is exacerbated by the one-party state’s inherent challenges, such as weak rule of law, lack of transparency and accountability, and a powerful politics-business nexus. Previously, the CPV tended to take a lenient approach to corruption, as it feared that exposing corrupt officials would erode its legitimacy and endanger the regime. As Nguyen Phu Trong once warned, anti-corruption measures must be carried out with caution, as they may lead to “throwing a mouse, breaking a jar” (Ném chuột vỡ bình).⁸ As a result, members of the CPV Central Committee were rarely punished for corruption before 2016.

Notable exceptions include the 2006 PMU-18 scandal, which led to the resignation of Transport Minister Dao Dinh Binh (a Central Committee member) and the arrest of his deputy,⁹ and the 2002 Nam Cam organized crime case which resulted in the arrest and eventual light sentencing of two other Central Committee members: Vice Minister of Public Security Bui Quoc Huy and Director of Vietnam Television Tran Mai Hanh.¹⁰ In that case, then-Politburo member Truong Tan Sang was reprimanded for his lack of oversight, although he went on to
become state president in 2011 when Nguyen Phu Trong was first elected as general secretary.\textsuperscript{11}

That election marked a turning point, with Trong initiating a comprehensive overhaul of the country’s anti-corruption efforts. Following his successful re-election at the 12\textsuperscript{th} CPV National Congress in 2016, he further accelerated the process, achieving substantial changes in the way the Party deals with corruption.

First, there has been a clear shift away from using government institutions towards using party institutions to address corruption. In 2013, Trong spearheaded the formation of the CPV-led Central Steering Committee on Anti-Corruption, which replaced the same agency under the government’s management.\textsuperscript{12} Additionally, he re-established the Central Internal Affairs Commission, which, along with the Central Inspection Commission, provides the institutional capacity for the CPV to lead the anti-corruption campaign. The Ministry of Public Security, the campaign’s main executioner, has also been put under greater control by the Party chief. In 2016, Trong became the first general secretary to be a standing member of the Central Public Security Party Committee.\textsuperscript{13}

Second, under Trong’s direction, the CPV has institutionalized rules and regulations to intensify the fight against corruption. Between 2012 and 2022, the main organs of the CPV issued over 250 documents related to party building and corruption prevention,\textsuperscript{14} which were then formalized by other branches of government. Nearly 88,000 documents were issued during this period by ministries, sectors and localities, providing detailed regulations as well as implementation and organization guidance for anti-corruption procedures.\textsuperscript{15}

Third, the CPV launched a widespread public awareness campaign against corruption, so that public servants “cannot, do not want to, dare not, and do not need to” (không thể, không muốn, không dám, không cần tham nhũng) commit corruption. This unprecedented campaign has improved public confidence in the CPV leadership and cemented Trong’s political position.\textsuperscript{16} The CPV Propaganda Commission claims a 93\% support rate for the anti-corruption campaign, though this figure cannot be independently verified.\textsuperscript{17}

**ECONOMIC SILVER LINING**

The anti-corruption campaign has yielded several positive economic impacts. First, according to the 2021 Provincial Competitiveness Index (PCI) survey conducted by the Vietnam Chamber of Commerce and Industry, the rate of businesses paying unofficial fees (i.e. bribes) has dropped significantly from 70\% in 2006 to 41.4\% in 2021, the lowest level in 16 years.\textsuperscript{18} This indicates that the informal costs of doing business in Vietnam have decreased as a result of the campaign.

Second, in conjunction with administrative reforms, the campaign has streamlined processes for businesses and individuals. By cutting red tape, the government has improved the ease of doing business, attracting more investors and fostering economic growth. This is particularly
important as Vietnam grows in popularity as a destination for foreign investments amidst the intensifying rivalry between China and the United States.19

Furthermore, the anti-corruption campaign has broken down parts of the politics-business nexus, especially in the property sector, thereby fostering a fairer business environment. At the local level, most corruption cases involve the sale of under-priced state-owned land to crony businesses.20 In 2022, for example, former Binh Duong Party Secretary Tran Van Nam and former Ho Chi Minh City Deputy Party Secretary Tat Thanh Cang, both Central Committee members, were sentenced to seven and six years in prison, respectively, for their part in colluding with businesses to sell state-owned land below market value.21 By limiting the influence of established interest groups in such cases, the campaign has provided opportunities for smaller businesses to thrive.

ECONOMIC PITFALLS

Despite the anti-corruption campaign’s successes, its rapid and aggressive approach has also generated negative economic consequences, such as a noticeable slowdown in the administrative process. This is due to public officials becoming anxious about being investigated and shirking their responsibilities. For instance, the disbursement rate of public investment in 2022 reached only 68% of its planned target,22 and in the first quarter of 2023, more than 90% of central agencies and bodies and 30% of localities had a disbursement rate of under 5%, with 44 central agencies and bodies yet to disburse their funds.23 The fear of being drawn into anti-corruption investigations has caused many officials to hesitate in approving projects or licenses, leading to serious business disruptions.24 For example, after a fatal karaoke bar fire occurred in Binh Duong Province, the Ministry of Public Security introduced tougher fire safety regulations for all businesses. The authorities required all karaoke bars to close until they met the new standards, but many owners complained that even after complying with the regulations, local fire police departments failed to approve their applications, driving them to bankruptcy.25 In Ho Chi Minh City, only two out of 449 registered karaoke and bar businesses had their applications approved, with 53 establishments still operating. The rest have gone bankrupt or have had their businesses suspended.26 The impacts extend beyond the leisure industry, and many industrial manufacturers have also had to halt their operations because of the difficulty of complying with the new rules.27

At the same time, since 2020, an extraordinary 40,000 public employees have resigned,28 amounting to a mass exodus from the bureaucracy. Among them, 89 officials out of around 500 staff left prestigious positions at the Government Office in 2022 alone.29 Despite efforts to calm unsettled public employees,30 this trend has persisted, leading to a weakened bureaucracy that affects the quality of policy making as well as the delivery of public services.

The repercussions of this issue go far beyond business and investment. In late 2022 and early 2023, Vietnam struggled with a severe shortage of medical equipment and supplies, mainly due to government officials refusing to approve procurement contracts.31 Since October 2022, extensive investigations into the field of vehicle inspection services, coupled with the detention
of around 400 personnel and vehicle inspectors, have caused the collapse of the automotive inspection system across the country. This breakdown has caused delays to the inspection of hundreds of thousands of vehicles.32

The anti-corruption campaign also has a cooling effect on the real estate sector and its related industries, which account for at least 16% of the country’s GDP.33 Investigations have led to delays for many property development projects,34 partly because some of the major property developers, such as Tan Hoang Minh, FLC, and Van Thinh Phat, have been targeted by the campaign. The lack of a clear framework for land pricing, coupled with local officials’ reluctance to take responsibility, are the main reasons, accounting for more than 50% of delayed projects.35 The Ministry of Construction has revealed that the number of real estate companies going bankrupt in Q1/2023 increased 30% year on year, with 1,816 enterprises suspending their business, a 61% year-on-year increase.36

POLITICAL IMPLICATIONS

Internal affairs (nội chính) institutions, particularly those designed to maintain the Party’s internal stability and control the population, such as the Ministry of Public Security (MPS), the Central Internal Affairs Commission (CIAC) and the Central Inspection Commission (CIC), have gained greater political power thanks to the anti-corruption campaign. Notably, the 13th Party Congress saw as many as four of the ten “special exemptions” nominated for Central Committee membership hailing from internal affairs agencies.37

MPS, often regarded as the enforcer of the anti-corruption campaign, has been immensely empowered. The 2018 revamp of the police force, intended to consolidate the police establishment, has led to a higher concentration of power in the hands of the minister of public security. At the same time, the estimated budget for MPS has seen a steady increase, rising from VND73.6 trillion (US$3.3 billion) in 2016 to VND 96.15 trillion (US$4.37 billion) in 2021.38 With the departure of Nguyen Xuan Phuc and Pham Binh Minh, five out of the remaining 16 Politburo members now have police backgrounds.39 General Secretary Nguyen Phu Trong considers MPS the “sword and shield” of the regime.40

In 2007, the CIAC had been subsumed into the Central Office of the CPV. It was however reinstated by Trong in 2013 in an effort to strengthen the anti-corruption drive. Since then, CIAC has become increasingly important in executing and overseeing anti-corruption initiatives. In 2020, the CPV Central Committee decided to elevate CIAC from a consultative body to an “operational institution” that specializes in the Party’s internal affairs and designated it as the “permanent agency” responsible for administering the Central Steering Committee on Anti-Corruption. The current leader of CIAC, Phan Dinh Trac, is the first CIAC head since 1976 to hold Politburo membership. This appointment is expected to set a precedent for future Party congresses.

The CIC serves as the primary agency responsible for supervising, inspecting and sanctioning wrongdoing by party members at all levels. During Nguyen Phu Trong’s tenure, CIC’s influence has grown significantly, as demonstrated by the numerous meetings held over the
last three terms to discuss and announce disciplinary measures against senior party officials. In the 11th term (2011-16), CIC convened 37 meetings, and this number increased to 50 in the 12th term (2016-21). Over the past two years since the start of 13th term in early 2021, CIC has already held 28 meetings. CIC wields considerable power in deciding which cases are to be investigated and to what extent. According to one party insider, CIC is seen as the “guillotine” that instils fear in both state and party bureaucrats.41

As internal affairs institutions gain strength, technocratic agencies in the government such as the Government’s Office and economic ministries appear to be losing power. President Nguyen Xuan Phuc as well as Deputy Prime Ministers Pham Binh Minh and Vu Duc Dam were considered significant technocrats, but they have been replaced by less experienced party loyalists (Vo Van Thuong, Tran Hong Ha, and Tran Luu Quang, respectively). Initially, the military saw a boost in influence during the 13th Congress, but they have since been dealt a heavy blow by the anti-corruption campaign, with 20 generals being disciplined since 2016.42

Moreover, the institutional modifications implemented as part of the anti-corruption crusade are expected to have a major impact on Vietnam’s political landscape. The success of these measures is now seen as a key indicator of the performance of party secretaries,43 leading provincial authorities and other party-state entities to prioritize internal affairs over other duties, such as economic development.

While it is easy to establish the predominance of internal affairs institutions, reversing this trend will be a formidable challenge once the leadership opts to temper the “Blazing Furnace”. The authoritarian inclination of the country’s political system is a worrying development in the long run, as it does not allow for independent voices on corruption issues. In late 2021, Towards Transparency, the Vietnam affiliate of Transparency International, a well-respected global NGO focused on combating corruption, was forced to close its Vietnam office due to security concerns.44

In the medium term, the anti-corruption campaign has major implications for the upcoming 14th Party Congress in 2026. The campaign has already removed two potential candidates for the top four positions, Nguyen Xuan Phuc and Pham Binh Minh, while providing opportunities for party loyalists such as Vo Van Thuong and Vuong Dinh Hue. It is likely that leaders of security and disciplinary agencies, including Minister of Public Security To Lam, CIAC Head Phan Dinh Trac, and CIC Chairman Tran Cam Tu, will be strong contenders for leadership roles in 2026.

CONCLUSION

Vietnam’s ambitious anti-corruption campaign has yielded both positive and negative outcomes. While successful in reducing corruption to some extent, the campaign has also led to significant disruptions in the bureaucracy, resulting in an atmosphere of unease in the political landscape. To improve confidence in private businesses, foreign investors and public officials, the relevant authorities will need to take immediate and targeted actions.
First, the party-state must prioritize rebuilding the effectiveness and accountability of its bureaucracy by increasing public salaries. Currently, the baseline monthly salary for a public employee is only VND1.8 million (US$80), and even the top leaders of the Party and government earn a mere VND23.4 million (US$1,060) per month in official salaries. These meagre incomes make it difficult to incentivize top talents to stay in the system and contribute to the country’s growth, or to prevent corrupt practices.

Second, the anti-corruption campaign must be accompanied by a sound and transparent legal framework to guide the efforts, ensuring that they are conducted in a just and impartial manner. This is essential as the campaign risks becoming a witch hunt that can be exploited for political objectives and that can stifle creativity and progress within the regime. It is important to bear in mind that the Doi Mio reforms of the 1980s were inspired by various “fence-breaking” practices that could in the current political context be labelled as “economic mismanagement”.

Lastly, harsh punishment alone cannot solve corruption in closed political systems like Vietnam’s. To effectively address this issue, the CPV must undertake a more comprehensive process of political reform that addresses the root causes of corruption, promotes transparency and accountability within the party itself, and provides opportunities for civil society, the media and the public to contribute. Solving corruption is not something the party alone can accomplish.

ENDNOTES

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Since the late 2022, senior party and government officials have repeatedly reassured that the anti-corruption campaign will protect cadres who “dare to think and dare to do”. See, for example, this article from the Ministry of Home Affairs (accessed on 25 April 2023): https://moha.gov.vn/kstthc/baocao/bao-ve-can-bo-dam-nghi-dam-lam-47133.html.


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Two are vice heads of the Central Internal Affairs Commission, and two are vice ministers of public security.

As budgets of MPS are classified information, the numbers are projected figures released by the National Assembly.

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