

# A Public Affair? Vietnam's State Enterprise Sector: The 'State Business Interest' and Policy History

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## *Abstract*

The article presents a history of the policy of the Vietnamese Communist Party (VCP) towards state owned enterprises (SOEs). Despite an evident embrace of markets from the early 1990s, the VCP has resisted formal political change. The state sector has retained a privileged economic and political position. Policy has been made in the context of a political order where the interests of certain groups within the ostensibly hierarchical state have usually prevailed over attempts to generate coherent economic strategy. This has resulted in a situation where the formal ownership of SOEs is unclear, and real ownership is vested, apparently, in groups within a State Business Interest.

THE RESEARCH PUZZLE ADDRESSED BY THIS ARTICLE CONCERNS the nature of the Vietnamese state, in particular, the nature of Vietnamese state owned enterprises (SOEs), their interests and the meaning of policy towards the state sector. It explores this puzzle by examining the history of SOE policy. It takes a firmly empirical approach, seeking to set out for the record this policy history and, whilst locating it within a causative account, reducing if not minimising its wider implications. As such, this article deliberately avoids engaging with wider theoretical debates. It does not engage directly, for example, with important questions in various literatures, such as that of the 'developmental state', or questions of the 'meaning of policy' that can be found in policy studies. For the former, which of their nature seek to explore the possibilities of generalisation, it is unfortunately clear from the results of recent work (Earl 2018; Wischermann & Will 2018) that in significant parts of these literatures there is a pattern where much of what can be found (often produced by prestigious scholars) is empirically badly-founded, lacks adequate peer review and therefore often slips up precisely when, to test 'small *N*' applications of

This article builds upon research outlined in Fforde (2007) and also the results of a workshop held in May 2016 at the Centre for Vietnamese and ASEAN Studies at the Russian Academy of Sciences to discuss the history of Soviet development assistance to Vietnam, which led to Fforde and Mazyrin (2018). Thanks are due to Evgeny Glazunov, for his support to the latter article, and to Evgeny Kobelev and Grigory Lokshin for their participation in the workshop. Much of the work in Fforde (2007) draws upon work at the Department of Economics, Birkbeck College, London.

general theories, it ‘gets its facts wrong’ when including Vietnam, arguably generating spurious results. Conversely, when certain scholars in Vietnamese studies have tried to engage with wider theoretical debates in policy studies, the results have been disappointing, notably in the case of studies of Vietnamese politics (Fforde 2016, 2018; Gainsborough 2018).

The origins of this work are two-fold, but both go back to the 1980s. Fforde (2007) is a belated publication of the results of an ESRC post-doc held from 1983 to 1986, which included six months at the National Economics University Hanoi in the winter of 1985–1986. The focus of this research was upon SOEs. This showed clearly that processes of commercialisation in the state sector were more spontaneous than policy driven, and that liberalising policies (and pressures against attempts to rein-in concessions) were supported by political forces inside the regime. Work for the Swedish aid programme from 1986 to 1992 delayed writing up of this work, but encouraged reflection on wider change processes in Vietnam that appeared in de Vylder and Fforde (1988), which was revised and published later as de Vylder and Fforde (1996). The second origin of this work is how Fforde (1993) sought to argue that an understanding of Vietnam’s trajectory of movement to a market economy required reference to a political force within the party/state that pushed for this movement in isolation from policy. Fforde (2007) provides many examples of ways in which SOEs commercialised in response to commercial opportunities, and how they were part of a political ‘interest’, present through rights of representation on party committees, and active in securing support both through argument and bribes, that protected SOEs whose commercial activities were often illegal and/or deviations from ideals of socialism. Authors such as Whitefield (1993) argued that Kosygin’s reforms failed as such interests in the USSR were relatively weak. For exposition, referring to such forces as a ‘State Business Interest’ (SBI) is convenient, and the argument in Fforde (1993), where the term was first used, has not been so far as I know challenged. Like Whitefield, the analytical thread here is one that stresses the idea that within such regimes there is much politics, and so the analysis of SOEs’ contemporary history needs to be able to refer to their interests within the regime.

Rather than engaging explicitly with this existing literature, the present article seeks to lay out ‘the facts’, whilst acknowledging that these are not absolute. The Appendix lists what I consider to be the main elements of this history. The policy history given in this article thus lays out the policies as set down in official published documents. A central issue is the nature of SOEs as a form of property, in the sense of who or what controls the SOEs and their resources.<sup>1</sup>

### *Brief historical scene-setting*

In the early 1990s Vietnam emerged from a period of more than a decade of massive economic change ‘from plan to market’ (de Vylder & Fforde 1996; Van Arkadie & Mallon 2003), with a market economy. But this economy still, as it apparently lacked factor

<sup>1</sup>Whilst I use the term ‘state owned enterprises’, this of course implies that what is actually meant by ‘owned’ needs thinking-through and careful research. SOE is the conventional term, and so it is used here.

markets, did not appear capitalist, with factors of production (labour and capital) predominantly bought and sold on markets (Polanyi 1975; Milgrom & Roberts 1992, pp. 592–94; North 1996).

At the start of the 1990s, economic producers operated in ways familiar from market economies, in that they bought their inputs (other than labour and capital) and sold their outputs on and through open and legal markets and practically nothing remained of the old administrative controls exerted by central planners over the allocation of current inputs and outputs. Yet productive assets, especially those within SOEs, were not generally transferable for monetary gain. Initially, markets for land, labour and capital did not really exist, but would soon emerge, though not evenly or at similar speeds. Thus, whilst labour markets emerged very quickly, recognisable urban land markets took a little longer and had largely formed by the mid-1990s, though these did not cover all access to land by businesses: SOEs still largely held land ‘administratively’ (Fforde 2007). Capital markets, though, were a far more complicated issue, not least as there had, in the 1980s, already been extensive development of both informal capital markets and market-oriented systems of intermediation within the state banks, parallel to their policy lending within the expiring central plan and with SOEs as their main clients (de Vylder & Fforde 1996). This simple overview suggests that care should be exercised with the term ‘state’ in ‘state owned enterprises’. Policy can tell us something about this.

In the post-1992 market economy, the state sector, in accordance ideologically with the party’s assertion of the state’s key role as the foundation of the political power of the ruling Vietnamese Communist Party (VCP), continued to be allocated a ‘leading role’ (*vai trò chủ đạo*) in development strategy. This of course is quite different from mainstream economic strategy, which links legitimate state intervention to market failure arguments rather than a need for structural political support.<sup>2</sup> SOEs have, however, remained important. According to official data for 2012, the reported state sector share of GDP remained high at around one-third of reported GDP (GSO 2013, p. 150) though more recent data revised this downwards and by 2018 the ratio was 28% (GSO 2019, p. 190).<sup>3</sup>

In the 1980s, Vietnam experienced a confused transition ‘from plan to market’, marked by the early 1981 Decree (*Quyết Định*) 25-CP (*Chính phủ*—Government; see the Appendix and below)<sup>4</sup> that allowed all SOEs to operate in open markets. Originally, the VCP ruled through familiar Soviet institutions, which were set up in the late 1950s in the North and then largely extended to the South after 1975 (though collectivisation of the Mekong Delta never really happened). Yet, by the end of the 1980s the planned economy had been largely ‘commercialised’. Through the 1980s many SOEs obtained increasing percentages of their inputs from commercial relations rather than the central plan, matching these by sales of output—an indicator of the commercialisation process (de Vylder & Fforde 1996, p. 213). Confusingly, content changed far more than form: SOEs that by the late 1980s had managed to largely avoid the plan still had Communist Party cells, official trade unions, a party committee and so on, designed for central planning, but by that time largely

<sup>2</sup>See, for example, World Bank (2011, especially ch. 2).

<sup>3</sup>In 1995 it stood at 40% (GSO 2000, p. 21).

<sup>4</sup>See also HDCP (1981).

suborned by the interests of commercialised SOEs—they were close to the State Business Interest.

A central question in contemporary Vietnamese economic history concerns the nature of this SOE ‘commercialisation’, its origins and legacies. This can be tracked in part through formal policy. Fundamental to this is how one approaches questions of the actual ownership of SOEs, viewed broadly in terms of substance rather than form; for example, issues of control over production and investment, what happens to output and where inputs come from (Coase 1937; Marris 1964; Milgrom & Roberts 1992).

There is early evidence that, while ostensibly part of a centrally planned economy, SOEs in communist Vietnam had, perhaps from the start, a good eye for local advantage. For example, as free market prices rose in the early 1960s, they often ‘ran to the market’ in violation of communist norms (Fforde & Paine 1987, pp. 59–65).<sup>5</sup> In this sense commercial behaviour by SOEs in violation of overt communist norms has had a long history, although as formal policy shows, these norms became increasingly tolerant of it, until central planning died away completely in the very early 1990s. In that this can be tracked through policy, this throws some light on the nature of SOEs and the nature of the Vietnamese state.

Tracking formal policy offers clarification of the pattern of state–business interactions. I argue, following Kleinen (2001), that this pattern is not one that has generated clarity around the formal—officially stated—property rights associated with SOEs; rather, there is a ‘theatre’ behind which the classic defining issues of property (Coase 1937; Marris 1964; Milgrom & Roberts 1992) are clear, and this is because these rights are shared, in an overall ‘State Business Interest’ (SBI—Fforde 1993), between elements both within and outside formal party/state positions. It is this ‘theatre’, which means that ‘what you see is not what you get’, that I think in part poses such empirical difficulties for those seeking to treat Vietnam as a member of a ‘small *N*’ comparative research exercise. This is the point being made by Đào Xuân Sâm, a leading reformist thinker of the 1980s: ‘one should understand that in Vietnam the public is never entirely public and the private is never entirely private’.<sup>6</sup>

It is generally expected of communist systems that peak bodies such as the Politburo exert considerable power. The VCP, as a party nominally built upon Soviet principles, has, formally, managed vertical formal power relations with reference to various principles, including the ‘structural principle’ (*nguyên tắc cơ cấu*) requiring broad participation by associated interest groups such as the security forces, the mass organisations and so forth, in party committees. This may in part have reflected the natural antipathy towards, and

<sup>5</sup>Thus, Đoàn Trọng Truyến (1965, p. 69): ‘in reality, a number of state owned enterprises in both production and distribution have recently shown negative practices: running after material advantage [*lợi nhuận*], careless work, inadequate attention to merchandise quality, [and] running after goods that pay high cash profits [*lãi*], only worrying about implementing the output value plan and not bothering about the commodity plan and output quality, creating a situation where a good is simultaneously [in] short [supply] [*thiếu*] and abundant [*thừa*]. For an analysis of the economic origins of this issue, see Fforde and Paine (1987). Arguably, such behaviour in the USSR would have been met by violence and the eradication of ‘anti-socialist’ elements by the political centre. These tensions were politically manifest in two meetings of the VCP Central Committee—the 9th in December 1963 and the 10th in December 1964. This period needs detailed study.

<sup>6</sup>Đào Xuân Sâm, personal communication, ca 1992.

fear of, excessive concentration of power in an authoritarian system.<sup>7</sup> Historical arguments suggest the importance of *ad hoc* arguments for placing allies in key committees within the state and party, and denying such advantageous placements to others. This is what the 'structural principle' also offered, as such a placement, being the right of an associated interest, was the perquisite of that interest.<sup>8</sup> The principle does not necessarily imply hierarchical insubordination, but in Vietnam it often seems to have done so. For SOEs, the three elements of structure were the party, the managers of SOEs and mass organisations such as the official Trade Unions, the Women's Association and so forth (*đoàn thể*). All were individually situated in vertical relationships of their own, which ultimately went to the summit, the Politburo. Organising them into a single body offered the potential for the political system as a whole to use that body to both coordinate the relevant forces at play and acted as an entry point for control of the body. The body could be an SOE, a ministry, a hospital or any state body directly run by the party. Formally, for members of the political community (mainly, members of the VCP), this was a thought-through system and was institutionalised, though of course situations could and did arise where power would concentrate upon particularly powerful individuals or their cliques occupying positions within the formal structures. David Marr argued that such political conflicts and 'centripetal' tendencies were present in Communist Vietnam from the start—the late 1940s (Marr 2013). For high level political actors, maintaining influence over such people or groups, whether to gain their support or prevent it being given to competitors, was then very important. By the end of the 1990s research showed that in Vietnam, appointments did not reflect any coherent policy strategy but rather the effects of a politics of bribes, kickbacks and infighting (Gainsborough 2007).

The main thesis of the article is that as the market economy emerged in the very early 1990s, the actual owners of SOEs (those who controlled them) were mainly those who had learnt, especially during the 1980s, to use them to make, profitably, goods and services sold on open markets (Fforde 2007). In so doing, they were supported by, and nurtured, groups within party and state structures beyond the SOEs, thus with them constituting the SBI.

#### *Method and sources*

Policy documents are informative in many ways. For example, they usually contain a preamble, which is often very revealing, explaining what the decree means to do, and why. They are also referenced in important teaching and other texts used to instruct and

<sup>7</sup>Ho Chi Minh himself had been in Moscow during the 1930s and had firsthand experience of Stalin's purges (Quinn-Judge 2013). On the reconstruction of Soviet politics after Stalin, see Taubman (2003); also see McAuley (1977) and Brown (1997).

<sup>8</sup>Thus, we can understand the saying, quoted by Huy Đức (2013) 'Perhaps not a few Central Committee members fail to dream in their turn of the glories of a seat in the Politburo, and at the same time not a few amongst them do not want just to sit and watch those with money pass them by, or do not want to accept the principle that "a thousand years of struggle" are not the equal of a single instance of "structure"'. The irony is bitter; the contrast is between the formal *nomenklatura* cadre policy, by which careers are planned (*quy hoạch*) and the use of such arguments to, in effect, use these formal practices as ways to reward allies and increase the support of certain groups in their competition with others.

guide cadres, such as SOE managers and officials in state bodies, which again shows how they are explained and justified. For example, in the early 1980s, the Economics and Planning University (*Trường đại học kinh tế kế hoạch*) (EPU 1975, 1979) showed what was being taught to Vietnamese cadres being trained to work in SOEs and state bodies responsible for tasks such as supporting and overseeing them, and could be contrasted with each other, and with wartime studies such as EPU (1970) and Nguyễn Tri (1972a). The well-resourced Vietnamese website <http://thuvienphapluat.vn/> offers access to an extensive database of policy documents from party, state and mass organisations. A simple search on *xí nghiệp* (enterprise) as of 18 March 2020 produced a list of 24,319 documents.

The terminology of ‘policy’ is potentially slippery in a Vietnamese context. One puzzle is what to term normative documents issued by party bodies, such as the Politburo, the Central Committee and the Party Secretariat. Literally, a policy document (*chính sách*) is not a party document, but one of the state (Fforde 2011). Here for simplicity I include party documents under the heading of policy.

### *The SBI and SOE policy history*

#### *The ‘SBI’ under wartime attempts at aid-dependent central planning, and the consequent policy logic*

In the so-called liberated areas before 1954 and the French departure, and then throughout the North as Soviet development institutions were imposed, businesses of any size became SOEs (Fforde & Paine 1987). Following full communist control of the North in 1954, Soviet development institutions were progressively rolled out: central planning, agricultural cooperativisation, nationalisation of most significant businesses in the form of SOEs, state control over domestic and foreign trade, and (given the geopolitical situation) the use of Soviet and Chinese aid as a very early example of what the Soviet ‘Third World’—developing countries within the Soviet sphere of influence—would look like (Cassen 1985).

Official data show that wartime US bombing failed to stop the growth of industry in the North, attributed by contemporary US studies to the massive increase in commodity aid from China and the Soviet bloc (Fforde & Paine 1987).<sup>9</sup> This had the effect of hiding the tendencies, already apparent in the first Five Year Plan (FYP) (1961–1965) for newly installed SOEs to be unable to secure locally sourced inputs. This included both non-labour current inputs such as raw materials and labour effort, as newly hired state employees were increasingly supplied through the consumer goods rationing system, itself increasingly supported by the aid programme. These tendencies were already apparent before the start of US bombing and recognised by French communist analyses with access

<sup>9</sup>For a full discussion, see Fforde and Paine (1987, esp. pp. 69–70). This now dated source refers to the Systems Analysis Study referenced in The Pentagon Papers (*The Pentagon Papers*, Volume 4, Chapter 1, ‘The Air War in North Vietnam, 1965–1968’ (Boston, MA, Beacon Press, 1971, pp. 225–27 available at: <https://www.mtholyoke.edu/acad/intrel/pentagon4/pent1.htm>, viewed 24 March 2020, accessed 31 March 2020). Subsequent reference to unredacted editions available online points to Section 3.c, ‘Systems Analysis Study of Economic Effects’, pp. 127–30 of Pentagon Papers Part IV C.7.b available at: <https://nara-media-001.s3.amazonaws.com/arcmedia/research/pentagon-papers/Pentagon-Papers-Part-IV-C-7-b.pdf>, accessed 24 March 2020.

to local data, such as Lavallée (1971). They created pressure and opportunities for gain and the formation and development of the SBI through operations outside the plan.

Studies suggest that by the time of the Paris Peace Agreements, the Northern economy was heavily aid-dependent and, geared for war, was not necessarily managed in ways that would make takeover of the South after 1975 an easy task. The agricultural cooperatives, for example, to which farmers had to belong, were showing signs of systematic non-observance of VCP orders.<sup>10</sup> The apparent inability of central planning to create sustainable growth without aid during the first Five Year Plan was analysed by a range of Vietnamese party intellectuals, both at the time and later (Vũ Quốc Tuấn & Đinh Văn Hoàng 1960; Đoàn Trọng Truyền 1965; Vũ Quốc Tuấn 1985).

A study edited by Nguyễn Tri (1972a) shows the key elements of SOE policy on the eve of the 1975 national reunification. Policymakers had to contend with considerable difficulties in managing Soviet formal institutions in the face of wartime conditions and the inherent poverty of the North (Fforde & Paine 1987). Policy had to address in some way unwanted aspects of the situation in SOEs, but the different contributors in Nguyễn Tri (1972a) offered both different policy recommendations and different analyses of the situation. In essence, SOEs were diverging in their behaviour from overt norms. An early indication of this had been the already mentioned criticisms of SOEs 'running to the market' late in the first Five Year Plan (1961–1965). Wartime inflation had greatly increased such incentives. The basic policy divide, as it appeared on the surface, was about whether to support such commercialising tendencies or not. Solutions that opposed them had, in some way, to reimpose control and curb marketised relationships outside the plan and enforce the system of state administrative trade and rationing. Such conservative solutions were to hand and, indeed, were the defining norms of the formal Soviet system; by comparison, support for SOE autonomy and commercialisation had far less to draw upon in doctrinal terms and was easily condemned as anti-socialist (Fforde 2007, pp. 86–90).

Though it is framed in its own way, the discussion is vital and revealing. Thus, Ngô Đình Giao (1972, p. 49) discussed the internal organisation of SOEs in the high-priority engineering sector and blamed mediocre performance upon weak organisation. During the first Five Year Plan, the main determinant of asset allocation had not followed any clear planning logic, which suggests that it followed the outcomes of conflicts between groups within the party/state to secure these assets for themselves. The Ministry of Engineering and Metallurgy only managed some 14% of all engineering factories; the Chemical Department managed 32% of chemical plants; the Forestry Department ran only 54% of factories exploiting wood; and the Ministry of Construction managed around 60% of factories producing construction materials (Lê Huy Phan & Hồ Phương 1972). SOEs, most of which were set up as a direct outcome of aid programme funds, were distributed among various parts of the communist state—ministries, local governments, the military. This meant, on the one hand, that they were freer to 'run to the market' and on the other, that core aspects of central planning were inoperative.

The policy record shows that, while this situation was recognised, little could be done about it. Decree 120-HDCP of 3 August 1967 asserted that 'the responsible organs must

<sup>10</sup>Fforde (1989), drawing here upon Vietnamese studies such as Đinh Thu Cúc (1977).

ensure that there is an appropriate materials supply plan when they issue a production duty' (quoted in Tô Duy 1969, p. 46). The official position in 1972 was that 'from now on, only the minister has the right to issue plan indicators and to change them ... these are legally binding upon both the SOE and the Departments of the Ministry'<sup>11</sup> (Lê Huy Phan & Hồ Phương 1972, p. 177). Studies in Nguyễn Tri (1972a) show that, essentially, there was no formal planning (Ngô Đình Giao 1972, p. 63). The other side of the coin is, though, that such illegalities and/or gaps between what Soviet textbooks required and what actually happened (the failure of policy to eliminate such socialist violations) correspond, behind the façade, to activities that, through the SBI, were profitable.

The ostensible stance of policy was to remain, until the late 1970s, an attempt to create a planning order where it did not really exist, despite the façade of central planning institutions. As mentioned above, SOEs, scattered across the state, responded to local incentives, which, of course, included the desire of their staff and workers to win the war. Until the late 1970s, however, the formal policy was to establish central planning over the existing system: the SBI was hidden. This was apparent before and after the Paris Agreements of January 1973 suggested that the war would soon end. The 19th Plenum of February 1971 and the 20th Plenum of April 1972 had called for order, with the 20th Plenum calling for an 'abolition of artisanal and scattered way of organising management that is in the style of small-scale production'.<sup>12</sup> Writing in 1974, Nguyễn Văn Trân asserted baldly that the party line on socialist construction had not been implemented (Nguyễn Văn Trân 1974, p. 5). After the Paris Agreements, the 22nd Plenum asserted the legal position of the central plan and was followed by a series of policies that pushed in this direction. In November 1973, a core policy issue—the powers of central government ministries over SOEs—was addressed in Decree 172-CP adopted on 1 November 1973 (HDCP 1973). This, however, asserted the authority of ministries while also seeking to harmonise this with local government structures (Vũ Khiển & Vũ Quốc Tuấn 1974). SOEs were (confusingly) responsible to both the branch ministry and to the local (provincial or city) state:

In the organisation and management of the national economy, it is necessary *to bring together positively the principles of branch and territorial management*. (GoV 172-CP, see HDCP 1973, Introduction, para. 10; emphasis added).

In other words, policy gave no single authority a final say in the matter.

The explicit policy towards SOEs, which was part of the wider policy of economic development strategy, was stuck, in the North, with the attempt to create central authority over a state economic sector whose assets, largely derived from aid, were scattered and *de facto* under the control of those within those various parts of the communist state to which they had been allocated. A study of the policy shows that there was no formal strategy at work, but something else: the SBI operating 'behind the scenes'. During wartime, SBI interests had been closely tied to fighting and winning the war. In peace, things would be different.

<sup>11</sup>The point here seems to be that the ministry's departments had been used to issuing orders directly to SOEs, without being subject to the minister, and that this was now to stop.

<sup>12</sup>Quoted in GoV 525-HDCP, 23rd June 1975, translated in Fforde (2007, p. 97).

*1975–1981: a rapid reversal of hardline policy as the 'SBI' exerts its political power*

This period started with a short interval of enthusiasm for hardline socialist ideas and ended with a crucial formal policy shift that legalised and encouraged SOE commercial activities, marked by Decree 25-CP of January 1981 (HDCP 1981). This shift applied to all SOEs and was therefore far earlier and wider in scope than anything in key comparators, such as China. It also appears to have been, despite a growing large Soviet aid programme that was replacing lost Chinese and Western aid, something that Soviet experts were largely uninterested in (Fforde 1985, 2009a).

In the years just prior to Decree 25-CP, formal SOE policy had remained focused on a struggle to overcome the lack of discipline within the political system. The ambitious 1976–1980 Five Year Plan, supported by Brezhnev despite his own advisers' scepticism in the face of strong Vietnamese demands for aid to realise it (Fforde & Mazyrin 2018), called for a clear deployment of communist economic power to secure rapid growth. The plan also called for very high levels of external assistance, mostly aimed at the state sector.

Fforde (2007) includes comments from a panel of SOE managers suggesting that the extent to which SOEs participated in markets (before Decree 25-CP) was determined by a balance between material incentives and the risks that if they 'went too far' they could be reported. Clearly, resources generated by commercial activities could be and were used to secure protection—the local term for such clients/patrons was 'umbrella' (dù, or ô). Thus, one retired manager reported that his SOE started foundries to produce agricultural implements; another that his SOE produced construction materials illegally 'under the table' (*chui*) after the province agreed' (quoted in Fforde 2007, p. 61; emphasis added). The following comment is by a retired SOE manager, quoted in Fforde (2007, p. 125):

Of course, we had to be careful and act under the name of the SOE—saying we were 'helping the collective' when we reported to the superior levels, as well as giving them presents—such presents were usually rice, alcohol and meat and not envelopes [of cash] as nowadays—for if we were not careful we could be accused of violating the plan and socialism itself.

After 1975 Vietnamese communists found that they could no longer preserve suitably harmonious relations with both Moscow and China. Events escalated to violence: in 1979 Vietnamese troops removed the Pol Pot regime in Cambodia and fought a retaliatory Chinese invasion of Vietnam's northern provinces. Almost all Western and all Chinese aid was cut, and, combined with other factors, such as a refusal by some Mekong Delta province party secretaries to secure rice by forcible means, incentives shifted sharply against SOE deliveries of output to the plan, and in favour of commercial activities. The policy logic manifest in Decree 25-CP thus coincided with the interests of SOEs and their 'umbrellas' in the party/state apparatus (HDCP 1981; Dương Bạch Liên & Lê Trọng 1983).

In terms of policy statements, the origins of Decree 25-CP were the 6th Plenum of the VCP held in 1979, at the height of the crisis. This plenum further reduced incentives for SOEs to deliver output to the plan by a slogan that encouraged anything that would free up SOEs and other producers and allow output to 'explode' (*bung ra*).<sup>13</sup> Policymakers

<sup>13</sup>For the resolution itself, see VCP (1979), the graphic phrase 'bung ra' is not in VCP (1979) but is often mentioned, see for example Nguyễn Thế Thanh (2015).

latched on to this, drawing upon a range of analytical considerations.<sup>14</sup> A positive twist was given to extra-plan relationships by deployment of the term ‘fence-breaking’ (*phá rào*) to describe SOE development of commercial activities (Đàm Văn Nhuệ & Lê Sỹ Thiệp 1981, p. 24).<sup>15</sup> Conservative reaction was evident through 1980, seeking to counter these economic trends,<sup>16</sup> and so Decree 25-CP was a push-back against reaction, supportive of SOE commercial activities.

Decree 25-CP was, in my view, a stroke of policy-drafting genius in the context, in that it labelled the commercial activities of SOEs as two of the three parts of an SOE’s plan. The distinction between Plans B and C was that between Plan B’s focus on ‘list goods’—products that the SOE had been established to produce and were clearly meant to be delivered to the central-planning system, but now, as they could be said to have been produced with inputs the SOE had obtained itself, on markets—and others, Plan C, which, not being on the ‘list’ of goods it was meant to supply to the central-planning system, often arose ‘in the shadows’. A good example of the latter were the products of the light engineering factories (often military) such as clocks and bicycle spares. Plan A was the residual element of central planning. Legalising free market sales (called ‘own-disposal’) of list and non-list goods,<sup>17</sup> where the SOE had obtained the required inputs (‘self-balanced’ in the local expression—*tự cân đối*) was paralleled (tellingly) by a requirement that list goods produced using inputs obtained from the plan had to be delivered to the plan (that is, to the state distribution system at state prices). Later, these elements of the SOE plan were generally called Plan A, Plan B and Plan C, but Decree 25-CP clearly refers to them as parts of a single plan (Fforde 2007, pp. 135–40). This was almost certainly simple rhetoric, though powerful.

Thus, whilst Decree 25-CP was deeply radical in terms of the emerging policy debate, it was in no sense a profound reform; rather, it was part of the evolving process of change, which was now far more focussed upon SOE commercialisation at its core and so highly indicative of the changing position of the SBI politically. SOEs that had been constrained by fears of being denounced as anti-socialist could now engage legally in extensive commercial activities; those that had largely escaped the leash were now obliged, in accordance with Decree 25-CP, to register their commercial activities as part of their plan, exposing them.

Decree 25-CP shows us much. For example, the theatre mattered: as SOE managers reported in Fforde (2007), it became very important to follow formal policy closely (Fforde 2007, p. 159). SOEs and the groups in party/state structures that were associated

<sup>14</sup>Fforde (2007) provides details of policy towards industrial cooperatives and argues that experiences here helped Vietnamese economists develop arguments about the superior efficiency of liberalisation.

<sup>15</sup>It is possible to track SOE commercialisation rather easily through the communist press (Fforde 2007, pp. 145–58) suggesting that, as earlier with works such as Nguyễn Tri (1972a), the policy debate was far from sterile and ideological, but instead was facing empirical realities—what this SOE did, what another SOE did, what these experiences meant for output levels, workers’ incomes and so forth.

<sup>16</sup>Politburo Decree 26-NQ-TW, see Fforde (2007, pp. 28, 133); and for a reformist counter-argument in the policy debate, see BLD (1981).

<sup>17</sup>‘List’ here refers to those goods the SOE had been established to produce; ‘non-list’ were other goods, perhaps produced from by-products or something far more substantial (for a list from the First FYP, see Fforde & Paine 1987, pp. 134–35).

with them were now playing a leading role pushing commercialisation and liberalisation in the Vietnamese economy.<sup>18</sup> This meant that reports of change would have a decidedly micro flavour, for example, as planning reforms would be judged by their effects upon SOE performance. It also meant that business acumen and style would develop within SOEs as the 1980s progressed, as assets acquired since the nationalisations of the late 1950s and the aid programmes of the first FYP and thereafter now formed the basis for accelerated commercial development. Decree 25-CP, and what went along with it, helped ensure the demise of traditional socialism in communist Vietnam (Fforde 2007, p. 161).

*1981–1990: The SBI fights off attempts at recentralisation and prepares for formal privatisation?*

Retired SOE managers interviewed for Fforde (2007) were clear that the overall trend of the decade after Decree 25-CP was, with ups and downs, to increase their autonomy, in keeping with the thrust of Decree 25-CP. At times, as the policy record shows, this was in the face of attempts to curb it, through pressure to use formal policy to increase the share of economic activity that was ‘for the plan’ in the sense of supplies of output to the state’s central planning system of administered allocation of supplies.

A period of reaction occurred for about four or five years, until, well before the 1986 6th ‘*đổi mới*’ Congress, policy returned to support for SOE autonomy (Fforde 2007, ch. 7; 2018). Two decrees sought to attack SOE diversions of list goods from the plan.

Decree 146-HDBT (HDBT 1982)<sup>19</sup> is associated with the 5th Congress of 1982 (Dương Bạch Liên & Lê Trạng 1983). It sought to increase planners’ control in many ways, asserting, for example, that direct (commercial) transactions should be accounted for at prices approved by the state, whilst the organ that had approved the SOEs’ production plan had to make sure it was in control of B and C activities. Tellingly, SOEs were not allowed to keep output back for distribution to staff and workers. It is, though, obvious that the legal and actual co-existence of activity aimed at both market and non-market outlets within the same entity was an accounting nightmare—free market prices were still far higher than state prices. Further, as SOEs commercialised, the state’s tax base was starting to collapse, and fiscal indiscipline was pushing the system further towards commercialisation; for example, as rationed consumer goods supplies declined, workers were far more interested in cash and access to SOE products in short supply.

Progressive rhetoric could now deploy evidence that important SOEs outside the state’s material supply system were doing well (BLD 1981, p. 99; Dương Bạch Liên & Lê Trạng 1983, p. 25; Fforde 2007, p. 173). It was reported that the Ministry of Engineering and Metallurgy was expecting to meet 30% of its output from own-procured inputs in 1981,

<sup>18</sup>Decree 25-CP referred to the ‘development of the “right to be active” (*quyền chủ động*) in production and business and the right to financial autonomy (*quyền tự chủ*)’ of SOEs. The issue as defined was thus not to improve planning or increase output, but to free up the creative autonomy of one base of the national economy—SOEs (HDCP 1981).

<sup>19</sup>HDBT is the Vietnamese abbreviation for Council of Ministers (*Hội đồng Bộ trưởng*); HDCP is that for Council of Government (*Hội đồng Chính phủ*). They are for all intents and purposes the same thing—the name changed as a consequence of the 1980 Constitution. For the decree itself, see HDBT (1984).

allowing for it to plan for a 10% output increase (Dương Bạch Liên & Lê Trọng 1983, p. 27).<sup>20</sup>

The second reactionary policy emerged in 1984: Decree 156-HDBT (HDBT 1984). This timing suggests that the real fight to ‘kill off’ central planning took place in 1982–1985, and that it is wrong to place too much emphasis upon the 1986 6th ‘*đổi mới*’ Party Congress. Mikhail Gorbachev, of course, came to power in 1985, a timing that supports Russian arguments that Vietnamese *đổi mới* had nothing to do with him (Fforde & Mazyrin 2018).

Decree 156-HDBT was, as policy, the last gasp of central planning and confronted the key issue of the scattered location of SOEs that dated back to the way in which assets had been acquired by various relationship groups within the state from the 1950s onwards, subordinate neither to central authority nor to the plan. The slogan was the need to ‘rationalise’ (*sắp xếp lại*) production; *sắp xếp lại* literally means ‘to re-arrange’, in this sense, to transfer SOEs to new owners (Fforde 2007, pp. 178–82).<sup>21</sup> The decree argued that all three parts of the SOE plan had to be accounted for precisely. This requirement ran up against the vast technical difficulties in devising a coherent set of rules for pricing goods that could be sold on markets or delivered to the state, as had happened in the case of 146-HDBT. Again, the entire SOE plan was supposed to be approved by the superior level. Reading the decree evokes a sense of tedium that is in stark contrast to the reports in the official press of active SOEs creating commercial strategies (Fforde 2007, pp. 182–83). It seemed that the SBI was seeking wider support by arguing that commercialisation was of broader benefit.

The policy stance then shifted. Party Decree 306-BBT appeared in early 1986, well before the 6th Congress, and turned the wheel 180 degrees away from the stance of Decree 156-HDBT. Its title said as much: ‘Draft resolution on SOE economic rights’.<sup>22</sup> This decree was a product of the VCP Economics Commission in the Party Secretariat.

This decree was followed by Decree 76-HDBT (HDBT 1986), which, following standard communist practice, was to ‘concretise’ the party decree. The contrasts between the two are nevertheless striking: Decree 76-HDBT describes what it intends as an experiment while Decree 306-BBT does nothing of the sort, rather stating what should happen regarding all SOEs, and specifically a return to the liberalising thrust for commercialisation of Decree 25-CP in 1981. Thus, formal policy documentation shows that the political community

<sup>20</sup>The panel of retired SOE managers interviewed in Fforde (2007) tended to agree that whilst things ‘got better’ in 1981 and early 1982, from late 1982 to 1984 things got worse because of decrees 146-HDBT and 156-HDBT. 1984 was particularly difficult because of inflation and rice shortages (Fforde 2007, p. 177).

<sup>21</sup>Thus, in Đỗ Mười (1985), in a text that is generally far from hardline in stating who if anybody would lose their SOEs as they were transferred to other parts of the state as part of rationalisation, we read: ‘When we “rearrange”, we must avoid the tendency to be unilateral, only deciding on the basis of whether we can supply required inputs in a mechanical and superficial manner; at the same time we must avoid new development when we are still unable to fully use existing capacity’ (Đỗ Mười 1985, p. 20). This reveals a situation in which, with a large Soviet bloc aid programme, parts of the state were competing both for inputs to operate their existing SOEs and for more fixed assets to set up new ones.

<sup>22</sup>‘Draft Resolution on State Enterprise Autonomy’, as printed in the party daily, *Nhân dân*, 25 April 1986. The decree is not available directly, so far as I know, though a translation can be found in the US Joint Publications Research Service for 23 April 1986.

was still divided over what to do, and whether to accept the direction in which SOE interests were, largely pushing.<sup>23</sup>

In the event, the 1986 6th Congress, famous as the articulator of *đổi mới*, saw a general articulation of political strategy that met, though not very clearly, the wide desire among SOEs for autonomy. It is clear from the policy history I have discussed that this Congress did not introduce a policy stance liberalising SOEs, though that is a common aspect of myths that surround it (Fforde 2018).

After Decree 306-BBT, SOE policy seems to have passed through a period of relative coherence, supportive of SOE commercial activities. The final SOE policy of the transitional period, understanding by that the period when plan and markets co-existed, is Decree 217-HDBT of 1987 (HDBT 1987). It drew upon text in the resolutions of the 6th Congress that can be read as supporting SOE commercial autonomy (VCP 1987, pp. 78–9). Decree 217-HDBT concretised this in 1987, well before the loss of the Soviet bloc aid programme. SOEs were to have commercial independence, but subject to the legality of the communist state (Trần Đức Lương 1988, p. 8). Superior levels to the SOE, that is, those organs meant to issue it with plan targets, only had the right to issue plan targets—which in effect meant the right to sign a contract with an SOE for delivery of output to the plan at plan prices—if they could supply inputs in suitable volumes to the SOE (NXBST 1988, pp. 62–4).

This decree, as I discuss in the next section, marks the high point of SOE independence, as marked in crucial areas related to capital: 100% of depreciation was granted to SOEs, as were ‘full rights’ over their capital, including retained profits (Clause 21). The crucial issue of their ‘own capital’ (*vốn tự có*)—assets built up from their commercial activities—was thus interpreted as resolved 100% in their favour.<sup>24</sup> Compared with Decree 179-HDBT, Decree 217-HDBT had clear support from central organs, as can be seen in the detail and clarity of legislation passed to guide its implementation (Fforde 2007, p. 200). But the liberalising and decentralising thrust of this policy stance was not to last for long, as groups within party/state structures started to seek ways to maintain and increase their positions *vis-à-vis* SOEs—there was no programme of SOE formal privatisation. SOE managers within the SBI were not able to secure formal property rights over SOEs that were enshrined in law.

### *1990–2007: The SBI restructures politics and ownership as power shifts back upwards and away from SOEs*

From the early 1990s, the Vietnamese economy retained very little from the formal central-planning system. Output started to grow rapidly and from 1992 it can be argued that an ‘economic miracle’ was increasingly evident, with steep reductions in poverty. In this quite new situation, it appears that the decentralising and liberalising thrust embodied in

<sup>23</sup>One retired SOE manager reported that, had 306-BBT not come out, a denunciation of him that had already occurred could have succeeded (Fforde 2007).

<sup>24</sup>The treatment of SOE ‘funds’ (*quỹ*) had emerged from policies drawing upon Soviet practices, by which SOEs could retain certain sorts of earnings for certain prescribed uses, in principle. These dated back to the 1960s (Fforde 2007, p. 97).

Decree 25-CP, which eventually seemed to have triumphed despite attempts to stop it, was reversed.

Both the retired SOE managers interviewed for Fforde (2007) and interviewees in Fforde (2000) reported that while overall in the 1980s, power and control shifted downwards to the SOE, in the 1990s and 2000s the pattern was reversed (Fforde 2007, pp. 223–24). These views arguably reflect a change in power relations and thus in the nature of the property rights associated with SOEs.

In the very early 1990s, the initial thrust of SOE policy took two very different directions. The first had a somewhat technocratic garb. Granted the problems of the tax base, it appears not unreasonable that stipulations in Decree 206-HDBT about treatment of depreciation and ‘own-capital’ were made more stringent (Decree 93-HDBT of 1989). However, the Ministry of Finance was given discretion to decide what to do in individual cases. This probably meant that any SOE that wanted to pay less could pay off the relevant cadres as part of the negotiation, but in doing so these officials in effect secured access to SOE profits (Fforde 2007, p. 206). The central issue here is the distinction between the right to tax and the right to ownership, which was not resolved. However, structures were about to be set up to seek to increase control; for example, in September 1989, Decree 101-HDBT announced a capital survey of SOEs (Fforde 2007, p. 207). These structures offered opportunities for corruption and officials’ access to SOE profits.

The second direction taken by SOE policy also reinforced the power over SOEs of cadres outside them—for example, through the powers deployed through mass organisations controlled by party structures. Decree 143-HDBT of May 1990 thus sought to reduce managers’ powers by placing them under so-called SOE councils. In these, one half of members were to be appointed by the SOE’s superior agency, and the rest were to be elected by the SOE staff assembly (Che Tuong Nhu 1994, p. 20). These councils, of which little was heard in the future, were meant to have wide powers. Both policy directions showed a desire to increase the power of higher levels over the operation of SOEs. Given commercial realities, this gave a range of officials outside SOEs abilities to share in their profits (of course, illegally).

1990 also saw the emergence of the policy of equitisation (*cổ phần hóa*), essentially, the re-establishment of SOEs as share companies. Though data are limited, one can find examples of successful equitisation where *de facto* ownership, expressed in terms of ‘virtual’ shares of various rights and powers, were transferred to a real share-holding pattern. This was often achieved by buying out virtual shareholders who wanted to cash out, such as managers who wanted to retire (Fforde 2000). But such commercial logic ended up being far less important than the logic of (re)appropriation by officials and groups of officials occupying positions in the state (and party) outside the SOEs.

Thus, before and after economic growth accelerated in 1992, the key aspect of SOE policies was therefore, their revealed intent—the shift of power and control away from SOEs and ‘upwards’. This was manifest in two very different, contradictory policy thrusts which, unlike those just discussed, were more strategic in their apparent logics (Fforde 2007).

The first policy thrust was the creation of a set of state structures, matched by structures within the Party Secretariat, to control the state sector under the new conditions of a market economy. These tended to match reformist thinking and gave the impression of a rationalisation of state ownership in directions familiar to ‘developmentalist’ foreign

observers and aid donors. The problem here is, as we have seen, that SOEs, as a form of property, were an expression of the interests of officials and groups of officials occupying positions within the party/state as well as in SOEs themselves. Policy history suggests that these people were more powerful politically than the ‘developmentalists’—those seeking to make policy serve national development rather than material interests. To put this another way, *đổi mới* was not about a top-down reform but VCP politics, within which the SBI played a major role. Yet it appeared technocratic and ‘developmental’ and attracted much donor support. It appeared to be part of a strategy to clarify SOEs’ ownership and secure greater economic efficiency.

For example, apart from the policy of equitisation already mentioned, which itself—if properly implemented without pay-offs to officials and groups of officials outside and above SOEs—implied a clarification of property rights regarding SOEs, reference can be made here to policies such as Government Decree No. 34, ‘On the duties, rights and organisation of the General Department for Managing Capital and State Assets in SOEs’, promulgated 27 May 1995 and gazetted 15 August 1995.<sup>25</sup> Such a body under a Ministry of Finance could be extremely powerful. Yet it was not, as shown by its lack of relevant information (Study Team 2009). Formal property rights remained unclear.

The second policy thrust sought to enmesh SOEs, not in technocratic structures, but in the hands of General Companies. This drew upon earlier efforts that drew upon East German practices to establish a level between SOEs and their ministries or local governments, which took two different institutional forms, discussed below. Crucially, like the first policy thrust, these policies did not clarify property rights over SOEs in a manner that would have suggested a shift to a coherent specification that would reduce *ad hoc* and discretionary interference by superior levels supporting corrupt access to SOE profits. Unlike measures such as Decrees 25-CP and 306-BBT, but like Decrees 146-HDBT and 156-HDBT, the effect of this thrust was to add to the power of elements outside and above individual SOEs within the SBI. In a fast-growing economy, this ensured that officials and groups of officials had considerable material interests in SOEs.

The first of such bodies was the so-called ‘Group’ or *Tập đoàn*, also known as ‘91’ companies after the number of the relevant 1994 Decree.<sup>26</sup> SOEs, according to this policy thrust, were to be put into these business groups who would have powers over them (though these are not usually at all clear).

The confusion, under the cover of which the abilities of officials and groups of officials were able to share in SOE profits, is well-known. The key issue is whether these bodies have and had any clear legal status, and this point has been often made by Vietnamese experts—they do not. Thus it has been argued that a *Tập đoàn*, in Vietnamese law, does not even have formal juridical status (*tư cách pháp nhân*), unlike its constituent SOEs. Thus, Trần Tiến Cường said:

It is hard to establish general standards to say whether a group of businesses is or is not a *Tập đoàn*

...

<sup>25</sup> ‘Gazetted’ refers to the date of the document’s printing in the Official Gazette, the *Công báo*.

<sup>26</sup> ‘Quyết định số 91/TTg về việc Thi điểm thành lập tập đoàn kinh doanh’, Thủ tướng Chính phủ, gazetted 15 April 1994.

Furthermore, a *Tập đoàn* is not a legal entity, it does not have juridical status. This is because the enterprise law, and market custom, sees it as a group of companies or cooperation between various independent companies that are legally independent yet have some mutual influence between the mother company and the child or linked companies. (Trần Tiến Cường 2007, p. 1)

The second such intermediate body was a ‘general company’ (*Tổng công ty*). These were often called ‘90’ conglomerates after the number of the relevant 1994 decree of the premier.<sup>27</sup> This decree encouraged central and local government to set up these bodies between state structures and SOEs. However, power still mainly rested in the officials and groups of officials who occupied positions in these state and party structures.

This restoration of the relative power of elements outside SOEs is shown by the 1995 Decree 39-CP ‘Promulgating the model statute on the organisation and activities of State General Companies’<sup>28</sup> for this created considerable opportunities for rent creation and/or securing corrupt incomes (Fforde 2002, pp. 218–19). For example, clause 6.4 stated that the so-called General Company into which the SOE has been put has the right to ‘transfer and cede, replace, rent out, use as collateral or lodge assets subject to its management’. Clause 23.2.e is the most interesting. It states that the management board and the general manager of the General Company have the right ‘to “shift” (*điều*), natural resources, including foreign exchange, between members of the corporation to use capital most effectively in the corporation’. Clearly, this reduced SOE control over their assets. The term ‘shift’ here is very particular and refers to the presence of a business entity above the SOE with rights to remove capital from it—in other words, some sort of holding company, but with no clearly defined ownership relationship with its members.

To quote again an SOE manager interviewed:

You have to understand that most SOEs make losses. Why? First, their managers are far inferior to those in other non-state businesses. Second, their salaries are far too low, so they work badly and are often corrupt. Third, state policies heavily constrain SOE managers—for example, decree 59-CP involving finance and various instructions on wages from the Ministry of Labour. They have to work around or ignore these if they are to compete. Fourth, regarding personnel policy, it is almost impossible for a manager to recruit or sack anybody himself, and must ask permission of the party committee in the SOE and its superior level, who can veto his decisions, even regarding payment of bonuses or disciplinary action. The union branch will also have veto powers. A good businessman who is not a party member will find it almost impossible to join the leadership of the SOE, whilst poor managers who are party members will often have senior posts. Fifth, an honest manager who finds himself making a loss can face civil penalty and a requirement for compensatory payments to the state. If he makes a profit with the SOE, however, his rewards will not be great. These five issues are not the end of it, but they are enough to explain the situation ... the best assets have all gone already—you know what happened in Russia where it was just the same—public assets end up in private hands—it’s not a legal process, you know. (Fforde 2000, pp. 6–7)

<sup>27</sup> ‘Quyết định 90/TTg Về việc tiếp tục sắp xếp doanh nghiệp Nhà nước’, Thủ tướng Chính phủ, gazetted 15 April 1994.

<sup>28</sup> ‘Nghị định số: 39-cp ban hành Điều lệ mẫu về tổ chức và hoạt động của Tổng công ty Nhà nước’, gazetted 30 September 1995.

SOE policy has remained largely unchanged since the time of this interview. SOEs exist within relationship networks supported by policy that preserves them as an unclear form of property (in formal terms, as laid down by policy). This offers considerable opportunities for officials and groups of officials to share in SOE profits quite illegally. Since the political tussle of the early 1990s, the SBI therefore straddles, theatrically, SOEs and party/state structures. This does not imply that the SBI was politically united, and from 2007 it was involved in a political fight at the highest levels.<sup>29</sup>

If we sit back from this, the historical process is striking. Commercial forces within SOEs could and did overcome conservative political opposition in the 1980s as the centre of gravity of interests associated with them moved downwards, towards SOEs, and this is reflected in the policy history. Once the Soviet Union and its aid programme were gone, and the period of rapid growth started, this centre of gravity moved upwards, and officials and groups of officials used policy to gain powers over SOEs (recall the complaints about this from some of the interviewees reported in Fforde (2007)) and secure shares of their profits, quite illegally. This suggests that corruption in this account may be researched as, not a deviation from legality, but rather a distinct property form, where officials and groups of officials outside SOEs both deployed powers over it and, as a matter of course, secured shares of their profits. Further research is needed here.

*2007–2016: The SBI fragments as some SOEs deploy their clients to seek greater influence over the state, but fail*

By 2007, conditions appear to have become ripe for the use of the rather large concentration of power gained by the *Tập đoàn* for political ends. Again, the politics of this are not well understood, but events were associated with the fact that, in a revealing step, the Party Staff Councils (PSCs) (*Ban Cán sự Đảng*) in ministries and other large bodies that were important structures of party influence were removed in 2007. However, this does not necessarily mean, and likely does not mean, that Party structures were not deeply enmeshed in business activities.

The sources show clearly in the late mid-2000s that the party activities of both types of large state conglomerates (*Tập đoàn* and the *Tổng công ty*) were organised as part of the party's state central business bloc (*Khối Doanh nghiệp Trung ương*), which 'contained' 41 of these business groups (Fforde 2014, Appendix 1) and in terms of the formal situation reported to the Politburo and the Central Committee on the work done by the party organisations within these groups, each of which had a Party Committee (*Đảng ủy*) that led party members within the constituent parts of the groups (mostly SOEs). Earlier, reflecting Soviet methods, higher-level control had been done through use of the PSCs—in the view of some, the key entry point for effective and coherent party/state control.<sup>30</sup> But, as we have seen, this was not the control of a formal and powerful planning or regulatory mechanism, but the ways in which business relations hid behind, and

<sup>29</sup>At the 2016 Party Congress, I have been told, a leading member of the SBI paid US\$800 million to secure for himself a Politburo position and the party secretaryship of Ho Chi Minh City, from both of which he was quickly dismissed, and he was then tried and convicted in 2018 for corruption.

<sup>30</sup>For details of the abolition of Party Staff Councils, see VCP (2007).

manipulated, formal institutions. Clearly, if politics was driven by money, then money could also drive politics, and positions in these formal structures attacked by business interests.

These shifts, then, seem to have been associated with seismic changes in relations between certain SOEs and parts of the communist state. Massive capital inflows in 2007 caused macroeconomic destabilisation as powerful interests linked to various *Tập đoàn* were able to prevent the State Bank from sterilising, in standard central bank anti-inflationary practice, these potentially inflationary inflows through capital market interventions (Fforde 2009b, p. 84) (the point being that normal practice would have been for the central bank to buy foreign currency and use the Vietnamese dong to do so, thus increasing the amount of domestic currency liquidity). One result was the re-emergence of major distortions in foreign exchange and credit markets, so that there emerged cheap dollars and credit (and the possibility of tax breaks) that politicians could use to secure support. It is worth stressing that informal relations were far more important than formal, legal ones. For example, we know that at this time, formal state structures had no clear idea of SOE commercial performance, and no authority over them in a formal legal sense:

The division of tasks and responsibilities that realise the rights and duties of the state as owner, regarding groups and general companies are scattered and divided (*phân tán, cắt khúc*). This leads to a situation where there is no organisation that bears principal responsibility for the management of capital and assets at [these units]... and no organ that bears principal responsibility to monitor, analyse and evaluate deeply and in reality on the meeting of targets and responsibilities of regarding state ownership that are allocated to groups and general companies. Ministries and People's Committees have inadequate information on the activities of these units. The Ministry of Finance carries out state financial management but only participates indirectly in the management of capital and assets *via* the reports of the Ministries and People's Committees and of the units themselves. (Study Team 2009, p. 20)

What this striking quotation (from a Study Team of the National Assembly) shows is that what could be called the 'real property relations' (such as those determining who shared in SOE profits) were a very long way indeed from the formal legal relationships documented in formal policy. This poses some very fundamental questions about the nature of politics (for example, to explain the sometimes very high prices attached to formal positions in the Party and State that offered opportunities to share in SOE profits and other corrupt earnings). This information is of course potentially dangerous to possess, though I was told around this time, by somebody in the know, that a position as First Secretary of a relatively important Embassy would cost around US\$500,000. By comparison, similar sources reported that a position on the Politburo secured at the 2016 Congress by a man who then went on to be Party Secretary of Ho Chi Minh City, cost US\$800 million.

However, as stated at the start of the article, there are no reliable (and safe to access) secondary sources that would allow a better view of the politics of the situation. What is commonly reported is that at the start of the 2010s, very senior politicians linked to the then premier started to be able to avoid party discipline because of support from certain large state groups (Fforde 2013, p. 15). Some of these groups were then 'paid off' in terms of access to credit and other opportunities to over-invest, leading to a range of scandals when the political situation then evolved in favour of their opponents (VINASHIN is a well-known example). This political thrust, closely associated with the

then Premier, had been clearly reversed by the 2016 Party Congress, which saw the premier replaced and much rhetoric that asserted party sovereignty and the pre-eminence of the re-appointed Party General-Secretary, The politician mentioned above who was reported as having bought his position on the Politburo and in Ho Chi Minh City did not last two years in those positions, and was also accused of corruption. This seems best viewed as a political situation where those elements of the SBI that had sought greater political power found themselves stymied, and their chief patron, the premier, was sacked, but we lack sources that allow for deeper analysis.

### *Conclusions*

Close relations between politics and business are extremely common in a range of societies. One could mention the age of the 'Robber Barons' in the US before World War I, and many other examples. Further research is needed to explore how the SOE policy history fits into the political history of Vietnam in far greater detail than I have managed here. There are a number of interesting contributions to this puzzle. Cheshier (2010) concludes that:

The primary argument of this dissertation is that the capitalist class in Vietnam is emerging from within the state . . . . The . . . question is: what is the nature of Vietnamese capitalism? (Cheshier 2010, p. 227)

Twelve case studies of individual firms were presented which illustrated the three general adaptive strategies, along with a considerable degree of dynamism . . . the capitalist class in Vietnam is emerging from within the state. (Cheshier 2010, p. 230)

Compare Greenfield, nearly a generation earlier:

In Vietnam today, we are witnessing the exercise of state power against what remains of the socialist project under the rubric of 'market reform'. The defeat . . . did not come with the collapse of Communist regimes in Eastern Europe or even with the adoption of capitalist projects by Communist regimes in China and Vietnam, but . . . in the years when the Communist leadership located its social power base within the party-state bureaucracy itself. (Greenfield 1993, p. 230)

The two studies both suggest that what was emerging was a recognisable capitalist class with, by implication, clear, state-recognised property rights over the commercial assets it controlled. My argument here is that an examination of the policy history does not support these conclusions: clarity of property-rights has been far more subject to contestation, and those interests—the SBI—that really control SOEs and share in their profits have not been able to generate formal, legal recognition of these property rights. Pay-offs to officials are illegal, even if they are rarely prosecuted.

Detailed examination of the policy record suggests that these analyses misunderstand Vietnamese politics: yes, an SBI exists and was formed rather early in the history of the Vietnamese communist state, but this had and continues to have a close relationship with political power, and the nature of this relationship is manifest in policy that does not confer upon it clear official—legal—property rights. This outcome, visible through the policies relating to SOEs, suggests that the SBI, after 1992, was reformed in ways that gave people in party/state positions greater powers compared with SOE managers. Yet, in

a ruling party influenced, it appears, by the political reconstruction in the USSR after the death of Stalin, the SBI, itself not united politically, had to coexist with other inner-party forces.

Paralleling Kleinen, it can therefore be suggested that a crucial element of what we are observing is *theatrical*: while official data and much discourse refer to ‘the state’ and ‘state property’, such categories are not backed by policy that creates clarity (Kleinen 2001). This conditions what SOE managers can do: as Gainsborough put it, there is ‘always someone who can potentially stand in your way’ (Gainsborough 2007, p. 179).

Much further research is needed for us to be clear. But such a theatricality, which hides the underlying ownership of SOEs (Fforde 2000), would suggest, in passing, that the problems in the ‘small *N*’ studies that include Vietnam identified by Earl (2018) and Wischermann and Will (2018) reflect prestigious scholars who are often not close to Vietnamese realities and over-keen to generalise thinking that ‘what you see is what you get’, and not being corrected by their peers and reviewers (especially those in Vietnam studies) who surely often know better.

The Vietnamese communist state, therefore, if we are to generalise, seems to be in part a conglomerate of the interests of those who, with their relationships, cliques and often well-structured groups, occupy it. It is always worth remembering that the Vietnamese economy has grown very fast since the early 1990s, and generally without macroeconomic instability, suggesting perhaps paradoxically that these people, in general part of what I call the SBI, see that their interests are in part those of what could be called Virtual Shareholders, and that these need to be protected, limiting destructive competition and acting as any somewhat rational commercial interest would do. The goose that lays the golden eggs should not be killed, but nurtured. That this appears to co-exist with largely unchanged formal political institutions suggests that post-Stalinist Soviet political institutions may be seen as more rather than less ‘broad church’, and bottles into which new wine may be poured, with implications for the perhaps surprising resilience and adaptability of contemporary ruling communist parties—an interesting field for further research. It also does not preclude these competing groups from coming together when their common interests, such as regime survival, are threatened. Economically, however, such relationships and ownership forms, being informal, have their limits.

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*Note*: Vietnamese authors are listed in this article in standard Vietnamese naming format: family name, middle name, given name. I have only given full diacritics for Vietnamese authors when they have published in Vietnamese. Also, I have omitted diacritics for abbreviations (such as BLD for Bộ Lao động) and for Ho Chi Minh and Hanoi.

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### *Appendix. The main elements of SOE policy history*

- Mid-late 1950s: Nationalisation of existing enterprises and construction of new SOEs, largely through the Soviet bloc and Chinese aid programmes.
- Early 1960s: Criticisms of SOEs for ‘running to the market’—VCP Central Committee Plena—the 9th in December 1963 and the 10th in December 1964.
- Early 1970s: Calls for socialist order: the 19th Plenum of February 1971 and the 20th Plenum of April 1972, the latter calling for an ‘abolition of artisanal and scattered way of organising management that is in the style of small-scale production’ (quoted in GoV 525-HDCP 23 June 1975, translated in Fforde (2007, p. 97)).
- Late 1970s: nationalisation of existing enterprises in the south, period of hardline socialist enthusiasm that ends with policy reversal that allows the SBI far greater freedoms in the economy.
- January 1981: Decree 25-CP allows all SOEs to participate in markets. Crucial policy change.
- August 1982: Decree 146-HDBT seeks to rein-in SOE participation in markets.
- November 1984: Decree 156-HDBT seeks again to rein-in SOE participation in markets.
- April 1985: Decree 306-BBT (draft) supports SOE commercial activity.
- June 1985: Decree 76-HDBT describes Decree 306-BBT as ‘an experiment’.
- December 1986: 6th Congress of the Vietnamese Communist Party asserts *đổi mới* (renovation).
- December 1987: Decree 217-HDBT supports SOE commercial activities, limiting the rights of superior levels in planning organs to force deliveries of output to them. The high point of SOE commercial independence.
- 1989–1990: Decrees 93-HDBT, 101-HDBT and 143-HDBT all seek to curb SOE managers’ powers and control over profits.
- March 1994: Resolution of the Head of Government No. 91 sets up business groups, without clarity with regard to property rights.
- May 1995: Decree 34-HDBT seeks to set up state structures to control SOEs.
- June 1995: Resolution of the Government No. 39 sets up ‘State General Companies’, again without clarity with regard to property rights.