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Vietnam's Bumpy Road to Reform

SOPHIE QUINN-JUDGE

The economic reforms carried out in socialist Vietnam since 1986 have made it a favorite of multilateral lenders and development agencies. The movement away from a planned, state-controlled economy has brought this once impoverished, war-torn country economic growth rates close to those of China. At the same time, the government has implemented a poverty-reduction program that has made real strides in reducing the gap between the newly rich and the poor.

Two decades ago Hanoi was a crumbling French colonial city, with a few drab socialist apartment buildings on its fringes. Now it is spreading far beyond its old limits. From the top of one of the upscale high-rise hotels in central Hanoi, one can look out over the red-tiled rooftops of the old city, to the Red River and beyond, where middle-class housing developments are sprouting up in the suburban rice paddies, nearby to new factories constructed by Japanese firms. Ho Chi Minh City, formerly Saigon and now often called just “the City,” has returned to its vibrant, chaotic self. Its streets are so choked with motorbikes that some city planners have considered banning them, though no one in the city's leadership seems willing to risk such a radical and potentially unpopular move.

As in China, political and intellectual reform in Vietnam has lagged behind the stunning transformation of the economy. It is true that greater contact with the outside world, Internet access, and the government's growing self-assurance have brought a more relaxed attitude toward once-taboo authors and Western cultural ways, especially in dress and music. Foreigners now travel freely to most parts of the country. Yet there remains a sharp distinction between the two kinds of reform. Economic reform enjoys broad-based support and now

feels irreversible. Its progress can be measured by hard data, and it is benefiting the whole population, from party cadres to street vendors. Political reform, in contrast, remains ambiguous and hard to evaluate, without clear boundaries or guarantees of individual rights.

Talk of democratization here usually refers to the opening up of the Communist Party's structures. Although the National Assembly now plays a more visible role in debating legislation, it is elected from carefully pre-selected candidates, most of whom are party members. The rights guaranteed by Vietnam's 1992 constitution are consistent with modern democratic practice, but they can be overruled if individual actions are judged to have damaged the party. Vietnamese intellectuals say that this situation has led to an impasse in which new, unconventional ideas are stifled by pressure to conform to the status quo. As the country looks to the future after its tenth party congress in June 2006, there is considerable uncertainty about what the next phase of reform will look like.

THE PRE-HISTORY OF REFORM

One might think that charting the history of reform in Vietnam would be a straightforward process, an enumeration of new policies and decrees. But there are a number of complexities. The political history of this period, from the first reform discussions of the late 1970s until the present, is not something on which all Vietnamese leaders would agree. At present there is a distinct lack of interest within the Communist Party in clarifying this history—it tends to be depicted as an inevitable historical process. This depoliticized view presents the party as moving to correct erroneous policies under popular pressure—a view that some scholars might characterize as the “everyday politics” model. The bold decisions necessary to alter the country's path are not seen as the work of any individual—a Gorbachev, Yeltsin, or Deng—but as the party's collective and consensual response to crisis.

SOPHIE QUINN-JUDGE is a professor of history and associate director of the Center for Vietnamese Philosophy, Culture, and Society at Temple University. She is the author of *Ho Chi Minh: The Missing Years* (University of California, 2002).

Yet if one returns to the most difficult years of postwar Vietnam's economic collapse, between 1978 and 1982, one is struck by the fact that solutions to the nation's economic woes were the topic of bitter debate until at least 1985. And if one turns the clock back even further, to the 1960s, one discovers that there was an ongoing debate within the Vietnamese Worker's Party (the name of the Vietnamese Communist Party until 1976) regarding the relative merits of a mixed economy and a purely communist one. The basic disagreement concerned the speed at which the country would progress toward full communism.

More moderate leaders on social issues, including Ho Chi Minh, Le Duan, and Vo Nguyen Giap, favored a slower approach to economic change so long as the war to reunite the country continued. They also advocated a more relaxed attitude toward the issue of class struggle, meaning that they saw no need to purge the government and military leadership of intellectuals and people from middle-class backgrounds. Their outlook could be generalized as pragmatic support for a united front within society and a mixed economy. This is the approach that eventually triumphed in 1986.

In the north, and for a few years after the north and south were unified, Vietnamese economic policy from the 1950s to the 1980s was heavily influenced by trends in the rest of the socialist bloc, especially by the changing policies of the Soviet Union and the People's Republic of China. Events such as the 1956 twentieth party congress in the Soviet Union, the Great Leap Forward and the Cultural Revolution in China, and the Soviet return to Stalinist orthodoxy in the years of Leonid Brezhnev all appear to have affected the path of the Vietnamese economy, as well as the nation's political life.

In particular, the aftermath of the Great Leap Forward, a disaster for Chinese agriculture, seems to have influenced discussions of agricultural policy in North Vietnam in the 1960s. From 1960 to 1962, the "family responsibility" system of labor on collective farms was used to restore food production in China's Anhui province, an area that had been severely hit by the policies of the Great Leap Forward. This system allowed individual families to contract to produce a certain minimum of grain on land allotted to them, while they were free to dispose of the surplus as they wished. Closer to Vietnam, the responsibility system was also widespread in southern Guangxi province. This modified return to family farming succeeded

in restoring food production within a few seasons, but it became a target of Chairman Mao's criticism at several political conferences in 1962, and was sharply curtailed after that.

In Vietnam, this system had been instituted experimentally in several provinces by 1963, but also became the subject of ideological criticism. By the late 1960s, the Democratic Republic of Vietnam (the predecessor of today's Socialist Republic of Vietnam) had become dependent on food aid from its socialist allies, so perhaps it could afford to take a purist line on food production. In late 1968 Truong Chinh, the party's leading ideologist and its general secretary from 1951 to 1956, delivered a speech denouncing experiments with family contracts as a deviation from the party's path to cooperativization. In another 1968 speech, he declared that the party's goal was to eliminate private trade.

Benedict Kerkvliet and other scholars who have studied North Vietnamese agriculture have shown that it was impossible for the party to enforce in its entirety the prohibition against family contract farming and private trade. Peasants did what they had to in order to survive, which often meant engaging in low-level corruption and devoting much of their labor to small private plots. Even so, the orthodoxy laid down in 1968, influenced both by the Soviet crackdown on Czechoslovak reform and the anti-capitalist ideology of the Cultural Revolution, left its mark on Vietnam. It meant that postwar policies would be designed on heavily ideological grounds.

POSTWAR MISSTEPS

After the April 30, 1975, victory of the North Vietnamese army in South Vietnam, the Vietnamese revolution entered a new phase. A political conference the following November announced that the country would be unified in 1976. As late as 1973, the leadership had promised that there would be a long period of transition for the south, before the two parts of the country would be reunited. Instead, plans for the "socialization" of the south moved ahead rapidly, in tandem with the transformation of northern agriculture by the creation of large-scale, mechanized collective farms.

In 1978 the government started an anti-capitalist campaign in the southern towns. It aimed to force private traders to take up "productive" labor, if necessary by moving to "New Economic Zones" in the countryside to farm. The collectivization of southern agriculture also began, first with

farmers being encouraged to pool their tools and labor by joining production teams. Both of these measures were wildly unpopular and resulted in a shrinking of production at a time when Vietnam could not afford it. They also provoked a new wave of refugees, the “boat people,” mainly urban Chinese and other members of the middle class.

The end of military hostilities in 1975 had resulted in cutbacks in Soviet and Chinese aid. The Vietnamese had high hopes of gaining reconstruction aid from European governments and multilateral lenders, but by the end of 1978 these hopes were crushed when Vietnam went to war with Cambodia. The geopolitical situation by then had turned threatening for the Vietnamese. Their overly optimistic leaders had miscalculated by holding out for a promise of aid before agreeing to normalize relations with the United States. When the Vietnamese realized how badly they needed a counterbalance to China’s heavy-handed policies in the region, the United States was no longer interested in normalization.

The Khmer Rouge state established in Cambodia had proved a prickly neighbor, attempting to redraw the sea border by force in April 1975, then dropping out of ongoing boundary negotiations after 1976. A series of destructive border incursions, during which Khmer troops slaughtered hundreds of Vietnamese civilians, convinced the Vietnamese to intervene in Cambodia by setting up a rival government. The Vietnamese army invaded Cambodia in December 1978, and by the end of January 1979 had driven the Khmer Rouge to the western border and into Thailand.

This occupation, which lasted until 1989, was extremely costly for Vietnam. It aggravated pre-existing tensions with the Chinese, the Khmer Rouge’s major patrons, resulting in both a total cutoff of aid and, in February 1979, a Chinese invasion that virtually destroyed a number of Vietnamese border towns. Ethnic Chinese residents of northern Vietnam, including coal miners and fishermen, fled by the thousands. The Vietnamese role in Cambodia also provoked an aid boycott by most of the Western world, including multilateral lenders, with the exception of Sweden. Vietnam was forced into accepting a Soviet offer of membership in COMECON, the socialist bloc Council for Mutual Economic Assistance.

FITS AND STARTS

By 1979 the Vietnamese economy was a shambles. Ill-advised economic policies, a war on two borders, and the end of most postwar aid had combined to cause shortages of almost everything, including food, seeds, and technical equipment. But this extreme hardship had one positive effect: it forced the leadership to adopt more pragmatic policies on agriculture and long-term development.

The changes began at the sixth party plenum in August 1979, when resolutions were passed giving the green light to production incentives and increased freedom for local managers. The change that had the greatest immediate impact was the approval of the family contract system within agricultural cooperatives, a return to the experimental system of the early 1960s. The fifth party congress ratified these adjustments in economic management in 1982, when the party’s ambitious program of socialization

was heavily criticized.

One critic denounced the leadership’s “Great Leap Forward” mentality. The targets of the 1976 five-year plan had to be cancelled—

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from 1981 to 1985 plans were drawn up one year at a time. By the close of 1982, the party could announce that 70 percent of targets for agriculture had been exceeded, some by as much as 40 percent to 50 percent.

Until 1985, however, the party remained split between those who feared the growth of capitalism, with its “abominable evils,” and the pragmatists who realized that “you can’t work if you don’t have enough to eat.” The decentralization of trade and production incentives continued to provoke criticism from ideologues who feared that these measures were weakening socialism and placing too great a proportion of trade in private hands. The fact that in 1983 private traders controlled more than 50 percent of the market in foodstuffs, agricultural products, fish, and forestry products was seen as a cause for alarm.

During a brief attempt to fight back against these changes, Hanoi closed state-owned export-import companies in Ho Chi Minh City, which since 1980 had been permitted to engage directly in foreign trade. In spite of the profits they were producing, these companies were viewed as a corrupting influence by hardliners in the Politburo. Ho Chi Minh City itself represented the evils of capitalism for

these rather puritan communists, whose spokesman was still Truong Chinh.

It was not until 1985–1986 that changes in economic policies began to look secure and the party's punitive attitude toward capitalist success changed. The rise to power of Mikhail Gorbachev in the Soviet Union and his attacks on hidebound economic orthodoxy probably had a connection to this relaxation. (The successes of China's economic reforms under the leadership of Deng Xiaoping must have also given the Vietnamese plenty to think about, but thanks to their political distance from Beijing in those years, they could not acknowledge the importance of the new Chinese model.) It was in 1985 that Vietnam attacked the "subsidy system," which was a way of life in the communist world. In June the party announced the end of subsidies in foodstuffs for government workers and the introduction of cash salaries indexed to the cost of living.

These early reforms were not totally successful—they resulted in a massive increase in inflation, up to 350 percent in one year. The government's need to pay higher salaries, while industrial production remained stagnant and the occupation of Cambodia continued to soak up resources, was a recipe for trouble. Although Vietnam was trying to eliminate internal subsidies, it was still living on foreign aid, now coming almost entirely from the Soviet Union, most of it in refundable loans.

The early economic reforms would need to be expanded to eliminate the imbalances present in this hybrid system, where central planning was still being used to allocate resources and set state prices. The sixth party congress at the end of 1986 occasioned the intellectual breakthrough that permitted reform to proceed.

THE LOOSENING OF BONDS

Just before the congress, Truong Chinh became party leader for the second time, after the July death of Le Duan. Finally (some say on the advice of his son, who had studied in the Soviet Union) he gave his endorsement to economic reform. He announced that Vietnam had been mistaken in its rush to abolish capitalism. He admitted that government leaders' fondness for developing heavy industry had led them into projects beyond their capabilities. He directly repudiated his own radicalism by admitting that Vietnam had been too hasty in trying to "achieve transformation at an early date, by quickly abolishing nonsocialist economic components."

These statements gave the reform process, which had been struggling to make headway, an unequivocal stamp of approval and moved Vietnam into the ranks of the socialist states "in transition." Following this congress in December, the process that became known as *doi moi* (literally, "change for the new") began under the leadership of a new party secretary, Nguyen Van Linh. Linh, a northerner who had worked in the south for most of his career, was commonly believed to be an ally of Le Duan.

The sixth party congress changed investment mechanisms to give priority to food and agricultural production, consumer goods, and exports. It called for the reorganization of the banking system and state enterprise reform based on self-financing. The congress also abolished the state monopoly on trade in most commodities and removed the upper limits on the size of private enterprises. Later, in 1988, a decree was passed that freed up access to land in cooperatives, thus increasing private economic power in rural areas. In 1989 the government adopted additional fiscal measures to improve the functioning of the financial system, including the freeing of prices, a currency devaluation, and the introduction of real interest rates.

Significantly, in these early days of reform Linh's program of change included the removal of certain intellectual controls. This period became known as the time of "*coi troi*" (loosening the bonds or untying), the closest thing that Vietnam would have to the policy of glasnost or openness in the Soviet Union. Writers who criticized the party's past policies, in particular Duong Thu Huong and Bao Ninh, published their works to acclaim in those years. Bao Ninh's *The Sorrow of War* was a true milestone, with its frank description of the trauma of war for the young volunteers who gave their best years to the battle against the Americans. At the same time, Linh called for better treatment for Catholics, improved contacts with the Chinese community, and an end to discrimination against intellectuals who had worked under the South Vietnamese regime of Nguyen Van Thieu.

The first signs of a real reconciliation with southern Vietnam came in these years, with the return to prominence of a number of southern intellectuals, including the agronomist Vo Tong Xuan and economist Nguyen Xuan Oanh. In 1988 the government released most of the military officers and civil servants of the Thieu government from reeducation camps. This loosening did not end discrimination against southerners with

links to the old regime and the wrong class backgrounds, but it did make it easier for them to make a living—or to emigrate legally if they made that choice. Many did.

REFORM, CHINA-STYLE

The next phase in Vietnam's reform process began formally with the seventh party congress in 1991. But the changes that closed the short spell of openness, which had begun in 1986, started in 1989 with the Tiananmen Square crackdown in China and the fall of communism in Eastern Europe. This shaking of the foundations of the socialist bloc caused Vietnam's Communists to call an abrupt halt to experiments in intellectual freedom and criticism of the party. Since the end of 1989, Vietnamese economic and political policies have come to more closely resemble those of China.

Nineteen eighty-nine was also the year in which Vietnam completed the withdrawal of its troops from Cambodia, making it possible for a Sino-Vietnamese rapprochement to finally begin. This thaw in relations was based on a common commitment to unchallenged

Communist Party rule. Full normalization of relations came at the end of 1991 after the signing of a UN-sponsored agreement on Cambodia, which provided for a United Nations transitional authority to organize elections there. In the years that followed Vietnam was gradually readmitted to the world community, which meant access to multilateral aid from the World Bank and the Asian Development Bank. With economic reform now an established national goal, Vietnam was able to weather the cut-off of Soviet aid that came with the collapse of the Soviet Union in 1991.

The end of the Vietnamese alliance with the former Soviet Union coincided with the rise to power of Do Muoi as general secretary of the Vietnamese Communist Party. A veteran of the pre-1945 Indochina Communist Party and a member of the Hanoi party inner circle, his two most notable accomplishments before 1991 had been his oversight of the campaign to curb capitalism in Hanoi in 1954, and then his role in the socialization of South Vietnam in the 1970s. Now he was presiding over an intense period of reintegrating Vietnam with the capitalist world.

To outward appearances Do Muoi was a bland leader, but his stature within the party is such that

as late as the year 2000 the Vietnamese still referred to him as the Godfather of Hanoi politics. Not much has been written about his personal contribution to reform, perhaps in part because the study of leadership politics is out of fashion in political science, but probably also because Vietnamese sources give very little away. But with hindsight, one can say that his term from 1991 to 1996 was marked by a reassertion of the Communist Party's primacy and its heroic past. It was in 1991 that "Ho Chi Minh Thought"—ideas extracted from Ho's writings—became one of the country's guiding ideologies, along with Marxism-Leninism. Biographies of early communists such as Nguyen Son and Nguyen Binh, who had been too Maoist for the 1970s, were printed in historical journals, with attestations of popular affection.

Meanwhile, discussions of a multiparty system or the end of the Communist Party's leading role in society were quashed. As prime minister dur-

ing Nguyen Van Linh's term as general secretary, Do Muoi had already expressed his view that the press should reflect the party's point of view. After 1991 there was little

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public discussion of political reform. Luckily for the party, the soaring economy and rising standards of living diverted attention from politics. The voices of individuals who continued to call for political change were silenced, some by imprisonment or house arrest. But most of the population seemed willing to wait for political liberalization, so long as they could enjoy consumer pleasures long denied to them.

During the 1990s some modest political reforms were implemented, in particular to separate the functions of the party and the government. In theory the party reduced its role in the economy and the day-to-day running of the country. But disentangling what the party controls from what it does not is no easy task. As the political scientist Martin Gainsborough has shown, politicians continued to have influence over such questions as who gets credit from a bank. Overall, the state sector grew larger in the 1990s, as foreign investors put capital into joint ventures with state enterprises. Moreover, many state organizations survived and transformed themselves to take on new functions within the market economy.

This move to the market, even with the oversight of a still nominally socialist state, has ended the

social welfare provisions that Vietnamese were guaranteed (at a very low level) in the days of communism. Schooling and medical care now must be paid for, and education often requires more than the basic school fees. Teachers routinely require that children attend tutoring sessions after school, for extra money, if they want to be prepared for their exams.

Other expenses of daily life put a burden on low-income Vietnamese, especially peasants. One of the causes of unrest in northern Thai Binh province in 1998 was arbitrary taxes and fees, including land use fees and teachers' fees, levied by local officials on top of taxes authorized by the central government. Social life can also be expensive—just attending a wedding can be too much for ordinary families, who are expected to make large financial contributions to the bride and groom.

THE PARTY IN CRISIS

Vietnam spent the year leading up to its latest party conference, the tenth, taking stock of the reform process. For months before the June 2006 congress, online news services ran discussion forums about the party's political platform. The criticisms and suggestions for change were so persistent that one leading ideologue, Nguyen Duc Binh, called for the debate to be restricted to the party's internal publications. But his effort at rolling back the debate was too late—there appears to be a broad consensus in Vietnam that lack of transparency at the upper levels of the system is a major disease that has caused corruption to flourish.

Just how massive corruption has become was revealed earlier this year, when the public learned that officials of one government agency handling foreign contributions for construction projects were using these funds to bet on soccer games. The officials involved were playing for high stakes, making total bets of more than \$7 million on one match.

The crisis for the Communist Party is very real. It cannot continue to be the leading force in Vietnamese society when it is seen as shielding corrupt officials, an accusation made by legendary General Vo Nguyen Giap during the congress. There are few signs, however, that the newly elected Politburo will permit the public debate about its future to continue. Nong Duc Manh, a weak leader with no power base, is continuing in the post of general secretary, while the new prime minister and president of the State Council are not known for their liberal tendencies.

The transformations that lie ahead for Vietnam will without question demand skilled, sophisticated leadership. Relations with China require

careful diplomacy, as Vietnam gradually moves into a warmer relationship with the United States, marked by a recent visit by Secretary of Defense Donald Rumsfeld. Yet the foreign ministry did not win a spot in the Central Committee this year, and the newly appointed foreign minister comes from a background in metallurgy. This autumn Vietnam is slated to join the World Trade Organization, which will bring an influx of foreign investment and competition for local industry. To remain competitive in international markets, the Vietnamese will have to end subsidies to unprofitable state enterprises, a step that will also require more determined leadership.

Clearly, more attention needs to be paid to the quality of reform in the coming years. Yet the Communist Party is still transfixed by ambitious targets for increasing power generation and entering the ranks of industrialized states by the year 2020. As hydroelectric dams are constructed in upland areas and industrial zones spread, however, Vietnam will not be able to ignore new social problems. These include the welfare of ethnic minorities whose lands will be flooded and other dislocations caused by development. The United Nations Development Program believes that recent impressive figures for poverty reduction may hide undetermined numbers of people who now have no fixed homes.

There is also widespread concern among development experts about the effects of development on women. Peasant families are less likely to invest in educating their daughters than sons, and many young women now make their way out of poverty by marrying foreigners, often Taiwanese. Others become second wives.

With the Communist Party now effectively dead as a source of ideals or morality, Vietnamese are turning back to Buddhism as a compass. The pacifist Zen monk Thich Nhat Hanh made a groundbreaking return trip to Vietnam in 2005, after an absence of 38 years. He preached to Buddhist groups all over the country and even gave talks in government departments. His followers say that he is now ordaining new monks in Vietnam through the Internet.

The government seems to be embracing this search for a new value system—it plans to construct the largest center for the study of Buddhism in Southeast Asia in Ninh Binh province, south of Hanoi, where the remains of the first capital of independent Vietnam are located. With characteristic Vietnamese syncretism, even Communist Party members make offerings at Buddhist temples. It is possible that this sort of expansion of the party's ideological horizons will be the path to pluralism in Vietnam, as opposed to multiparty democracy. ■