

## Chapter - V

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**CONCLUSION**

As the preceding chapters embody a descriptive analysis of Vietnam's reform programme during 1986-1995, this chapter proposes to sum up certain conclusions arrived at, by way of a review.

The perspective of the reform programme launched on a large scale in 1986, demands a peep into the politico-socio-economic scenario in Vietnam since 1976. One of the fascinating developments of the post-war Asia had been the emergence of Vietnam as a reunified country under the leadership of the Communist Party of Vietnam (CPV) that showed a deep commitment to improve the economic welfare of the people by integrating economic system of Vietnam with the international economy at a time when the global business system was undergoing a revolutionary change. Vietnam, the second populous country in Southeast Asia, was fated to find itself at war with more than one country over a long period spanning 30 years when its non-communist Southeast Asian neighbours were going ahead with their national development programmes. Nonetheless, Vietnam's long drawn struggle, first against the French and subsequently, with the United States, came to an end with the achievement of independence and reunification in 1975 under the leadership of the CPV.

As a result of the decades of war which involved heavy bombarding, Vietnam suffered a lot physically, ecologically, socially and economically. For Vietnam the rehabilitation and reconstruction programme under such circumstances became an arduous task. Yet the CPV leadership felt that it was incumbent upon itself to repay the debt of gratitude to the people – who extended every support to the CPV during its struggle against foreign intervention – by aiming at improving the living conditions of the masses. The accomplishment of this major task, occasioned the initiation of a raft of measures.

After the reunification in 1975, the Hanoi government adopted a socialist centrally planned economy with a focus on collectivized agriculture and heavy industry. Since agriculture was the main occupation of the Vietnamese, collectivization programme was undertaken so as to extend financial support to the development of heavy industry. This measure, instead of boosting, dented the image of the Party, as the collectives fared very badly. The opposition to establish collectives in the rural south was so severe, that the Party, initially determined to avoid the policy induced disasters, later became obliged to retrace its steps. The agricultural sector suffered not only because of the inherent weaknesses of the collectivization process, but also because of the Party's bias towards the development of heavy industry. Even though agriculture was accorded top priority in the Third Five Year Plan (1981-85), in practice, the process of socialist industrialization received a meticulous attention. During this plan period, the allocation for agriculture accounted for 57.5 per cent of the allocation for the industry. Measures like dispensing with private ownership and the introduction of differentiated commercial tax

structures for the urban and rural areas, affected the incentive to work hard. Natural disasters contributed to further fall in the agricultural output. The situation in the agricultural front was so bad, that Vietnam had to make frantic appeals for an international assistance to get out of the constant recurrence of severe famines. Excessive attention paid to heavy industry also, did not pay good dividends by way of high industrial growth. During the Second Five Year Plan (1976-80), top priority was given to industry but the results were miserable. Subsidization of state enterprises, far from yielding anticipated positive results, turned out to be a source of the rampant inflation. The socialist transformation of private industry also proved disastrous. Significantly, the accelerated globalization of the capital after the 1970s which provided a large potential catch-up opportunity particularly for the developing nations, was not availed of by Vietnam because of its closed economy. The western economic embargo led by the United States and the Vietnamese intervention in Cambodia in 1978, dimmed the prospects of the Vietnamese economy. By the mid 1980s, the CPV was gravely concerned that the persisting economic stagnation might result in the loss of confidence of the people in the Party. It was under these compelling circumstances, that the Party had acknowledged the need to launch a comprehensive economic reform programme with all determination.

It was at the historic Sixth Party Congress in December 1986, that the CPV, influenced by the Soviet Union's *perestroika* (reconstruction) and *glasnost* (openness) took a momentous decision to pursue a new policy popularly came to be known as '*doi moi*' or 'renovation' or 'renewal' with a focus on three major areas, namely, economic transformation,

decentralization of administration and keeping Vietnam open to the global markets with a view to enhancing the production of grain, food stuffs, and consumer goods and the export of goods. In order to realize these objectives, the CPV adopted a two pronged strategy, namely, an introduction of reforms in agricultural and industrial management for reinforcing the domestic economy, and an adoption of measures to improve foreign relations, both political and economic, by opening Vietnam to the global economy.

The promotion of foreign economic relations was intertwined with the foreign political relations. Therefore, Vietnam gave up its isolationist policy in order to cultivate relations with all the countries – both capitalist and communist – of the world. As a result, many countries came forward to get involved in business with Vietnam unilaterally, disregarding the American embargo. Since this embargo prevented Vietnam from securing funds from the potential economic powers like Japan and from the international financial agencies such as IMF, ADB and the World Bank, Hanoi made a serious bid to normalize its ties with the United States at the earliest. Following the conclusion of the Cambodian comprehensive political settlement in Paris, on 23 October 1991, Vietnam got its relations with China normalized. This positive policy also facilitated Vietnam's entry into the Association of Southeast Asian Nations (ASEAN) in 1995.

*Doi moi* had a significant impact upon the agriculture because of the introduction of positive changes not only in the management of the land but also in the ownership of the means of production. While doing away with the collectivization, the scope of the system of contracting farmland

to the farmer introduced in 1981, became widened for the benefit of the individual households with a view to raising the agricultural production the farmers enjoyed freedom in matters of the production and the marketing of their produce, only after fulfilling the state quotas. The revised Constitution of 1992, made a provision for leasing the land for 20 years or more, even though the land had remained the property of the state. As a result of these reforms, the farmers were offered high incentives which in turn led to an enormous increase in the agricultural production as if to transform Vietnam from a rice importing country to the third largest rice exporter.

*Doi moi's* impact upon industry was no less significant. Vietnam, as part of its renovation programme, enacted a liberal investment law in December 1987 to attract foreign direct investments to develop its industry and to improve external trade contacts to get its economy refurbished. This initiative while proclaiming the cessation of 'closed door' policy, paved the way for receiving aid and assistance from the international community and the international financial agencies. In view of the fact that the State-owned Enterprises (SOEs) turned out to be a liability rather than an asset, adversely affecting the economy as a whole, certain reforms were initiated - even in the teeth of severe opposition from the conservatives who demanded the continuation of subsidies to the SOEs for fear of social and political backlash - to enhance the operational efficiency of the SOEs and to prevent them from incurring further losses. In accordance with the resolutions of the Sixth plenum in 1989, the state stopped the offer of subsidies to the SOEs and also insisted on their accountability. Yet another significant aspect of the

reform of industrial sector was the development of multi-sectoral economy, an outcome of the private sector being encouraged to play its due role in the process of national advancement. The revised Constitution adopted in 1992, fully legalized the operation of the private sector. Vietnam's reforms yielded the desired results. The economy which was in a sad state, showed signs of a revival and this was testified to, by the growth of the state and non-state sectors and the expansion of foreign direct investments in the country from US \$ 371.8 million in 1988 to US \$ 6530.8 million in 1995. The inflation was pegged from 700 per cent in 1986 to 12.7 per cent in 1995. The GDP of the economy grew by an annual average of 8.2 per cent during 1990-1995. Interestingly enough, Vietnam achieved this economic miracle in the face of the cessation of the economic assistance from the Soviet bloc countries and the continued US trade embargo. The achievements in the economic sphere were so impressive that some were prompted to believe that Vietnam would become the next Asian tiger. However, it must be said that the economic reforms had the unintended effect of widening the gulf between the poor and the rich, and the urban and rural areas besides promoting differences in the inter-regional development.

Politics was the one and the only area which remained largely unaffected by *doi moi*. It is generally believed that the comprehensive reform programme normally produces its impact on the economic, social and political life of the people. But in Vietnam, the reform of politics was kept outside the pale of renovation. Unlike the Soviet Union where political reform was accorded top priority, Vietnam had economic reform on the top of its agenda. Vietnam had a long tradition of centralized

bureaucratic rule. The Party structure which was elaborate, was inextricably linked to the state apparatus. The Party leadership firmly held the view that the reform of politics was bound to invite serious problems which would spell disaster to both the Party and people. No doubt, in the euphoria of the launch of *doi moi*, a beginning was made in the direction of the renovation of politics thanks to the General Secretary Nguyen Van Linh who happened to be the leading proponent of the reforms. To mention the most significant reforms in the realm of politics, the elections to the National Assembly were conducted with non-party candidates to contest and in many cases, more than one candidate to each seat being allowed. The deliberations of the National Assembly were livelier and constructive as the National Assembly members were permitted to criticise and to question the authorities concerned for not realizing their targets as well as the causes of their failures. Thus, the National Assembly which was earlier dubbed as "rubber-stamp," had become a full-fledged debating house in due course.

The CPV leadership was generous enough to allow the press to publish and to disclose the wrong doings of the party cadre. Nguyen Van Linh himself took the lead by starting a column in the press and by vigorously criticizing the mistakes committed by the party cadres, the government officials and the wastage of national resources. However, the growing demand for political pluralism, the stiff opposition from the conservative leaders to liberal reform programme, particularly in the sphere of politics and the example of sudden collapse of the Communist Party in the Soviet Union prodded the Party leadership to assert and to maintain the Party supremacy at any cost. The movement for multi-party system thus was nipped in the bud.

In conclusion, it may be said that Vietnam which was confronted with the two major challenges, namely rehabilitation and reconstruction of the war-ravaged economy, was singularly fortunate to be gifted with committed, dedicated and unblemished leadership which shouldered the onerous task of marching the nation in the direction of growth and development. The course of the reform programme undertaken by the Party by way of meeting the rightful ambitions of the people who made great sacrifices to the cause of nation as well as socialism, falls into two distinct periods. During the first period commencing with the unification of Vietnam in the mid 1970s, the national development was sought to be accomplished by tinkering the existing economy with Stalinist approach to the development which was characterized by "administratively planned economy," state subsidies, elimination of private ownership, bias in favour of industry as against agriculture, support to state enterprises with the soft budget constraints, and isolation from the international economy. This lukewarm reform strategy, far from helping to salvage the sagging economy, aggravated the matters.

During the second period, a major policy shift was undertaken by adopting the large-scale economic reforms so as to spur on the economy which was marred by the depressing domestic economic scenario and enfeebled by the cessation of assistance from the erstwhile Soviet Union and its satellites. Considering the fact that the reform programme began to yield encouraging results one may affirm that Vietnam's economy started emerging as a booming one from its gloomy past. Equally important is that Vietnam joined the world and ceased to be a non-entity any more. The people who had witnessed an improvement in their living

conditions year by year, developed confidence in the Party to acknowledge its preeminence. At long last, the Party could make bold to tell its detractors who had concluded that "Vietnam won the war but lost the peace," that Vietnam won both the war and peace.

Thus, in their quest for a steady progress, the Vietnamese leadership obviously felt like drawing on the lessons not only from their own past, but also from that of the other countries, so as to get enlightened on proper ways of laying a firm foundation for "a stable, cohesive and prosperous society". This kind of a perseverant effort that had gained vital importance to Vietnam, remains highly commendable, by all means, to any country going through the transforming phase of development.