CHAPTER 3

NATURE OF REFORMS

The Sixth National Congress of the Communist Party of Vietnam convened during 15-18 December 1986 ultimately responded to the growing crises of scarcity, corruption and above all the crisis of the credibility of the Party. The Congress called for a thorough “renovation” of the economic management mechanism. The proceedings of the Congress made it clear that the overriding concern of the Party leadership was the rescue of Vietnam’s sinking economy. However a cursory look at the proceedings may give a misleading picture. David M. Finkelstein stated that despite the hoopla associated with the Sixth Congress, the event did not herald the start of a new strategy for economic development. It would be more correct to look back to the Fifth Congress and the years prior to the Sixth to find a discernible shift in strategy. The Sixth Congress was in fact a high point of an ongoing process which had started in 1979. The Sixth Congress mainly outlined the reasons why correct strategies had been incorrectly implemented. The party leadership saw the poor management from top to bottom, not incorrect strategy, as the basic problem. Nonetheless the change in the perception was visible as the political report to the Congress stated, “The attitude adopted by our Party in assessing the situation is to face the truth, to evaluate the facts correctly, and to tell the truth. While correctly appraising the achievements recorded, at this Congress we shall focus on assessing the weaknesses, minutely analyzing the mistakes and shortcomings, finding out their causes and taking measures to put things right.”

The change in approach notwithstanding, the renovation process neither started nor gained finality with the Sixth Congress. For a proper understanding of the reforms a comprehensive view is essential. This chapter tries to give a brief overview of the reforms, which has been expanded in later chapters. The chapter for the basic comprehension of the reforms begins with looking at the definitions of the reforms and it goes on to describe reforms, their prelude and later reforms. Further, the chapter attempts

---

2 Ibid.
to outline the basic elements of the reforms and at the end details the unique features of the reforms process in Vietnam.

RENovation Defined

Renovation or *doi-moi* in Vietnamese – a term borrowed from East European debates about economic and political reforms – implied for policies toward prices and wages, the relative autonomy of state and private enterprises in the economy as a whole. A protracted debate within the Politburo, combined with a leadership transition in 1986-88, led the leaders of the SRV to move stage-by-stage toward curbing the role of the state bureaucracy in the economic system and guaranteeing the long-term existence of private enterprises.4

Renovation was defined as including the “broadening of democracy” through the revitalization – within the framework of firm party control – of political institutions that had grown sclerotic and distant from the masses. The collapse of the communist regimes in Eastern Europe and the emergence of new liberal currents within the VCP itself had put the party’s leadership on the defensive about the VCP’s monopoly of political power. But the Vietnamese leaders believed that they could manage and contain these pressures for political pluralism, even as they liberalized the economy, promoted greater freedom of opinion and mass political participation, and opened the country to large-scale foreign investment.5

In fact *doi moi* was a unique way of bringing changes in the socio-economic life of socialist country and was revolutionary in its own way. It was a means to social change and economic development and to the introduction of certain aspects of liberal democracy. The various steps under *doi moi* paved the path of development and the changes it brought were appreciated globally.6

*Doi moi* incorporated wide meaning and it was defined in various ways. Japan’s Tetsuzaburo Kimura analyzed that *doi moi* had a wide range of contents, but it could be understood in three parts. The first was market opening measures including the abolition

---

5 Ibid., p. 73.
of the central government’s monopoly of trade, encouragement of foreign investment and a shift to floating exchange rate system. The second part of doi moi was the measures through which autonomy was given to farmers, merchants, and enterprises in terms of manufacturing and sales. The third was the abolition of price control and use of interest as macro-economic variable.7

On the other hand Akie Ishida said that doi moi was a legal reform in conformity with policy changes from a centrally planned economy to market-oriented economy. It was aimed at recognizing multi-sector structure in the economy, operation of market mechanism and expansion of external economic relations. Ishida and Kimura both stated that the emphasis of doi moi was reforms in the economic system, but its long-term impact on politics was a subject of speculation. Thus Kimura says that doi moi was not to renovate everything in the short term, but it is a process to study and experience trial and error. It was a repetition of an advance and retreat. It was different from perestroika and glasnost in meaning and texture and a unique contribution of Vietnam under a communist order.8

PRELUDE TO THE REFORMS9

Economic reform as both a theoretical and a practical concept preceded the Sixth National Congress, nevertheless, the years 1985-1986 remain an important benchmark in this regard. The half-hearted reform measures pursued throughout the first half of the decade were clearly unsuccessful in containing inflation and reducing serious fiscal imbalances.10 In response to the deteriorating economic situation, the Party convened the Eighth Central Committee Plenum in June 1985 to deal with the prices, wages and currency issues which led to announcement of bolder reforms – a sign of increasing desperation in Hanoi. At the meeting it was announced that bureaucratic centralism in economic planning must end.11 Following the Plenum, a new dong was introduced and it was devalued. Following the exchange of banknotes, the government promulgated a
decree concerning the renovation of the wage system. Its proclaimed goal was to ensure the regeneration of labour force of workers and civil servants by resetting the minimum wage in order to meet the basic needs of wage earners, to guarantee better distribution according to labour, and eliminate egalitarianism and encourage efforts to increase labour productivity. During the fall of 1985, a far-reaching price reform, which aimed at reducing price distortions and state subsides at all levels of the economy was introduced, substantially increasing official prices of intermediate and consumer goods. Agricultural quota procurement prices were raised almost tenfold in the North and six to seven fold in the South by the government, which took into account the state of hyperinflation since 1981. A new element in the price structure was that agriculture quota procurement prices might be determined according to local demand and supply conditions.\textsuperscript{12}

The prices of industrial products were also increased by factors ranging from 5-26 so as to better reflect production costs. All the sometime, the decision-making authority of each production unit to determine output prices were enhanced.\textsuperscript{13} The system of differentiated official consumer prices established before this price reform was abolished before this price reform was abolished in September 1985, when official prices posted in state-run shops for all consumer goods were set at levels close to those prevailing in the free market. Civil servants and workers were theoretically compensated for the loss in subsidies with higher cash salaries. Consumer prices in the free market, which accounted for a substantial share of total retail sales, also increased sharply in 1985, chiefly as a result of rapid monetary expansion.\textsuperscript{14}

Presiding over a conference on “Market and Price management“ in October 1985, Vo Van Kiet, then chairman of the State Planning Committee, explained: “If market prices cannot be maintained firmly, the stabilization efficiency of the new price system [would] be lost, lowering the value of wages and diminishing the purchasing power of the new currency.” Effectively, this prediction came totally true. Later, the Party’s journal disclosed that the index number of retail prices evolved as follows: 1976:100; 1980:189;

\textsuperscript{13} Ibid., p.165.
\textsuperscript{14} Ibid., p.166.
1985:2,890. It also revealed that the purchasing power if the dong fell drastically: 1976:100; 1980:52.9; 1985:3.8.  

In 1986, the then Deputy Premier To Huu admitted in one of his speeches that after the “price-wage-currency” reform “there have been great price fluctuations, and our currency is quickly losing its value... In their material and cultural life, the working people, especially cadres, workers, civil servants, soldiers, and the rural population in number areas are suffering many privations”. The living standard of the working people, which was already deteriorating significantly from 1981 to mid-1985, experienced another sharp decline after the ill-conceived “price-wage-currency” reform in September 1985 which brought about, as said earlier, a severe and widespread crisis of confidence among the people – including Party members and cadres – as regards the Party leadership. This prompted the leadership to acknowledge that since the third quarter of 1985 following the hectic undertaking of three tasks at the same time – exchange of banknotes first, followed by the general bid readjustment of prices and wages – the socio-economic situation had evolved on a very complex manner with prices abruptly skyrocketing, the market plunging into a mess, production, circulation of goods, and the people's life encountering more difficulties. The responsibility for such situation first of all rested with various Party and State leadership at the central level. Various relevant sectors and localities have also to share responsibility for this. It was the first time that the Party leadership per se unequivocally took on the responsibility for this matter whereas, until then, it had shifted the blame for mistakes onto cadres who did not correctly implement the Party’s policy, which was supposed to be a priori always correct.

Eventually unsuccessful, these measures marked the beginning of a fundamental change in government economic policy. The full extent of this change was ultimately reflected in the resolutions adopted by the Sixth Party Congress meeting in December 1986. The outlines of the reforms had already been written in the Eighth Plenary session of the Central Committee in June 1985, and been reiterated and amplified in successive plenary sessions leading up to the Sixth Party Congress in December 1986.

---

15 Ibid., p. 166.
16 Ibid., p. 166.
17 Ibid., p. 167.
18 R B St John, n. 10, p. 306.
The reforms were envisioned by the Vietnamese as major departures from the cumbersome wartime inheritance of State-subsidised production. The reforms focused on the application of new management techniques, the devolution of economic decision making power to localities and sectors, the reorganisation of sectoral and unit production and bookkeeping practices. Among other things, the reforms suggested that the VCP was serious about putting the economy on the fast track to reform by

1. Eliminating State Subsidies;
2. Decontrolling prices, so that “actual” production costs would be reflected in set prices, facilitating appropriate profit for producers and capital accumulation for the State;
3. Tying wages to production, quality, and labour efficiency rather than continuing dependence on depleted State coffers;
4. Legislating financial autonomy and accounting responsibility for enterprise profits and losses, terminating State responsibility for business losses and ending enterprise dependence on local and central government assistance; and
5. Stimulating banking initiatives and credit granting activities.

The Party leadership had decided at the Politburo meeting of 25-30 August 1986 to do away with the Stalinist-Maoist ideology and to initiate a major shift in its strategy of economic development. This strategic shift – based on the experience and lessons gained since the reunification of the country – was reflected in the important speech delivered by Truong Chinh at the Tenth Congress of the Hanoi Party branch held in October 1986. In this speech he admitted that, since reunification, the party leadership had

‘committed serious shortcomings and errors in economic leadership .... The socio-economic situation in our country is facing a great many difficulties which require clear-sighted and cool-headed search for a correct solution ...

... In the past years, we committed errors springing from left infantilism and voluntarism form acting against the objective {economic} laws. These errors have manifested themselves in the fact that we have

19 Lewis M. Stern, n. 9, pp. 477-478.
20 Vo Nhan Tri, n. 12, pp. 181-182.
built and an economic structure overemphasizing large-scale heavy industry that exceeded our real possibilities; that we have maintained for too long a bureaucratic subsidy-based system of [macro-economic] management...leading to a great deal of dependence on foreign aid; that we have been hasty in seeking to complete socialist transformation by quickly abolishing non-socialist economic sectors....

These shortcomings and mistakes have resulted in the productive forces being inhibited; [macro imbalances becoming aggravated; productivity, quality and economic efficacy being steadily reduced; commodities becoming scarce, and their circulation being choked. The country’s potential as well as the great assistance of the Soviet Union and other fraternal socialist countries, far from being brought into full play, have been seriously wasted and face the danger of gradually becoming exhausted.

Land, labour, materials and technical infrastructure, capital, capability, experience, intelligence and skills of the entire country, of the various sectors, and of every region, as well as the working people’s potentials, have not been tapped and put into full use. Meanwhile, unemployment tends to rise; prices fluctuate [read, increased] wildly; and life is precarious. Negative phenomena [that is, corruption, theft of public property, etc.] have developed...Socio-economic activities are thrown into prolonged chaos. All this has led to general scepticism concerning the future and lack of confidence in the Party leadership.'

And he concluded:

‘For the community of socialist countries, renovation is the way to surge forward...
For our country, renovation is all the more necessary: it is a matter of life and death ....
NATURE OF REFORMS

Only by renovating our thinking especially economic thinking, renovating our style of work, our organization and our cadres – will we be able to extricate ourselves from the current very difficult situation.  

REFORMS AT THE SIXTH PARTY CONGRESS AND LATER REFORMS

As already discussed, the Vietnamese moved ahead with the method of trial and error. The course they had adopted did not provide solutions of the problem they faced. The ‘renovation’ was a way to resolve the problems of the ‘revolution.’ The political report of the Sixth Congress stated at the outset, “Over the past five years we have travelled a path full of trials. We have scored some successes, but we have made a number of shortcomings and mistakes. The revolution in our country enjoys some new advantages but is still facing tremendous difficulties.” And the lessons they had learnt had a valuable role to play in the renovation process.

The lessons of experience

The Sixth Party Congress in December 1986 endorsed the strategic change already envisaged by the Politburo earlier. The Congress outlined lessons of experience, which underlined the basic approach of the renovation.

First, in all its activities, the Party must implement the idea "to rely on the people as the roots", and promote the working people's right to collective mastery. All undertakings and policies of the Party must proceed from the interests, aspirations and capabilities of the working people; and must arouse the sympathy and support from the masses. Bureaucratism, commandism, aloofness from the masses and infringement on the people's interests will weaken the Party.

Second, the Party must always proceed from reality, observe and act upon objective laws. The criteria for assessing the correct application of these laws in the Party and State's undertakings and policies are the development of production, the smooth circulation of goods, the gradual stabilization and improvement of the people's material and cultural life, the emergence of the socialist man with ever clearer features, the ever more wholesome social environment, and the strengthening of the socialist system. Any

---

21 Quoted in Ibid, p. 182.
22 Communist Party of Vietnam, n. 3.
undertakings or policies that bring about an adverse effect bear evidence of an incorrect application of the objective laws and must be amended or cancelled.

Third, the party should know how to combine the forces of the nation and those of the times in the new conditions.

Fourth, care should be taken to build the Party up to the level of a party in power, leading the people in the socialist revolution.

The congress resolved that the Central Committee (Sixth Congress) and Party organizations of all levels, in their activities, would thoroughly grasp and earnestly apply these lessons, strive hard to meet the requirements of the revolutionary cause, lead the people to succeed, overcome difficulties, and create radical changes in national development.23

**Comprehensive tasks and the general objectives**

The Sixth Party Congress, after highlighting the achievements and acknowledging the errors, serious and protracted concerning major undertakings and policies, in strategic guidance and in the organization and implementation of tasks, and drawing lessons of experience determined ‘the comprehensive tasks and the general objectives of the remaining years of the initial stage’ which were are ‘to stabilize all aspects of the economic and social situations, continue to build the premises necessary for the acceleration of socialist industrialization in the following stage.’ Stabilization of the economic and social situations included stabilization of production, distribution and circulation of goods, of the material and cultural life, enhancement of the efficiency of managerial organizations, re-establishment of order and discipline, and realization of social equity.24

In pursuance to the above-said comprehensive tasks and general objectives, the Congress defined the following concrete objectives for economic and social development for the remaining years of the initial stage (1986-90).

1. Producing enough for consumption and accumulation.

2. Creating a rational economic structure for the development of production.

23 Ibid.
24 Ibid.
3. Building and perfecting the new production relations in accordance with the character and level of development of the productive forces by consolidating the socialist economic sectors, including the State-run and collective sectors; and making use of all the capacities of the other economic sectors in close association with and under the guidance of the socialist economic sectors.

4. Creating good changes in society for ensuring employment, distribution of income according to labour, social equity, the spirit of democracy among others.

5. Ensuring the requirements for the strengthening of national defence and security.25

Reiterations of three major economic programmes

Then, in December, 1987, the party’s central committee convened its fourth plenum (Sixth Congress) to review one year of economic “renovation”, and finalized the tasks and targets of the Fourth Five Year Plan (1986-90). This plenum emphasised that during the remaining years of the current FYP (1988 to a fan 90), the Party must strive to achieve at all costs the target of substantially stabilizing the socio-economic situation, and prepare favourable conditions for socio-economic development for the ensuing years. To realize these objectives it was decided to vigorously develop commodity production, and improve productivity, quality and efficiency. The implementation of the three major economic programmes namely food staples, consumer goods, and export programmes was to be given highest priority particularly the food staples programme.26

Deputy Premier Vo Van Kiet reiterated the above outlined tasks in his economic report delivered at the National Assembly in December 1987. These tasks were the following.

1. Satisfying the basic needs concerning food staples, essential consumer goods, and other pressing needs of the working people and quickly increasing the exports and expanding economic relations with the USSR and other socialist countries as well as non-socialist countries.

2. Resolutely switching all economic activities to socialist economic accounting.

3. Strengthening the state and collective sectors along with developing the potentials of other economic sectors.

25 Ibid.
26 Vo Nhan Tri, n. 12, p. 184.
4. Create more jobs for labourers.
5. Consolidate national defence and internal security.\textsuperscript{27}

In his report Kiet emphasised that the above-mentioned three economic programmes could not be separated from the building of various branches of heavy industry, communications and transport. He also put forth targets for the ongoing Five Year Plan.

1. Average increase in the Gross Social Product and Produced National Income to be over 7%.
2. An average increase of over 1 million metric tons in food staples production.
3. Average annual increase of 11% in industrial production and 13 to 15% in consumer goods production.
4. Increase of 70% in export revenue compared with that of the previous Five Year Plan.
5. Construction of various important projects to be completed, thus making it possible for the capacity of electric power to increase by 910 megawatts, and that of the coal sector to augment by 1.5 million metric tons.
6. The rate of utilization capacity in light industrial enterprises to increase from the existing level of 50% to 80-85% in 1990, while those in heavy industrial enterprises will increase from the current level of 40-50% to that of 60-65%.\textsuperscript{28}

\textbf{Liberating the potential of the productive forces}

These tasks confirmed the Party's renovation policy. Some of the reformist measures had already been implemented before Linh's accession to power. For instance the encouragement of the household economy in 1979 and 1982, and the generalisation of the "end-product contract" system in 1981 in the domain of agriculture; the stimulation of non-socialist economic sectors with a view to boosting the production of consumer goods in 1979; and the proclaimed switch to "economic accounting" for all state-run industrial enterprises in 1985, etc. However, these piecemeal measures did not yield expected results.\textsuperscript{29}

\textsuperscript{27} Ibid., pp. 184-185.
\textsuperscript{28} Ibid.
\textsuperscript{29} Ibid., p. 186.
In his political report at the Sixth Party Congress, Truong Chinh admitted that during the past years about half of the equipment capacity had not been utilized; the forests, the seas and other natural resources had not been properly exploited; the abundant labour force and the contingent of scientific and technical cadres remained underutilized. These productive forces were handicapped by the Party leadership's mistakes and shortcomings in devising the macro-economic structure, the socialist transformation, and the macro-economic management mechanism.\textsuperscript{30}

The Party's “renovation” policy should therefore aimed at liberating all the potential of the country's “productive forces” with a view to increasing national production, while remaining within the orbit of socialism.\textsuperscript{31}

**Elements of Reforms**

On the whole the policy changes marking Renovation can be summarized as following.\textsuperscript{32}

> Developing of a commodity economy that would be more subject to the rules of the marketplace than to government regulation.

> Confirming the long-term development of the multi-sector economy: this meant eliminating the former discrimination against the private economy, allowing them to compete with other sectors on an equal footing in a healthy competitive environment.

> Abolition of the system of centralised bureaucratism, reduction of government staff in all services and elimination of superfluous intermediary levels.

> Reducing public sector employment, withdrawing government from some commercial and industrial ventures, and make adjustment for a better public economic management.

\textsuperscript{30} Ibid.

\textsuperscript{31} Ibid.


NATURE OF REFORMS

➢ Establishing the independent status of public enterprises with the objective that they operate according to so-called socialist accounting principles, a concept which called for their economic and financial independence.

➢ Renovating the economic structure, using available resources to meet three main objectives: developing agriculture; promoting the production of consumer goods, increasing the export of goods and services, and enlarging its external economic relations.

➢ Price liberalization policies aimed at shifting the entire economic system from administratively determined prices towards market determined prices.

➢ Partial liberalization of internal trade.

➢ Significant segments of the economy opened to commercial relations with foreigners with attendant encouragement for foreign investments.

➢ Stabilising the socio-economic environment by reducing the inflation rate, the budget deficits, and excessive government expenditure (mainly in cash), and improving the standard of living of its people.

➢ Strengthening both agricultural incentives and institutional support for agriculture in a significant reversal of the past trend of support for industry.

➢ A fundamental reform of the financial system to separate central banking functions from those of the newly created commercial banks.

➢ At the same time, adjustments in official exchange rates and some liberalization of foreign exchange regulations were implemented.

➢ Elimination of the system of state subsidies, whether for food, import-export operations, or for state-run enterprises operating at a loss.

➢ Revision of the tax system to rectify unfair tax policies that reduced revenue and incentives.

Intensification of reforms and later reforms

Implementation of the renovation reform package was slow and incomplete; consequently, the new reforms were not enough to halt the progressive deterioration in Vietnamese economic conditions. After fairly respectable domestic economic growth in the first half of the decade, the period 1986-1988 witnessed a dramatic slowdown primarily due to the near disastrous performance of the agricultural sector. The negative
impact of a long period of neglect and forced collectivization was compounded by a series of natural calamities. The general slowdown in economic growth, together with serious monetary destabilization and a worsening balance of payments situation, combined to bankrupt the economic reforms instituted in 1985-1986. By the end of 1988, the economy was again in crisis; and it was increasingly clear that prevailing economic policies were no longer sustainable. Inflationary pressures, largely the result of the monetary reforms introduced in 1985, were exacerbated by substantial government budget deficits and by the chronic inability of the banking system to enforce credit discipline. The prevailing rate of inflation, at times approaching 1000%, threatened not only the course of economic reform but even the social fabric of the nation. Facing a volatile situation, the Vietnamese government was forced to take additional steps to stop hyperinflation, encourage domestic production and savings, and provide an overall economic environment more conducive to development.33

The Central Committee’s sixth plenum in late March 1989 was convened specifically to review the reforms introduced since the Sixth Party Congress. The plenum concluded that although new policies were in place and goals established, the real problem lay in the failure to implement reform plans or institutionalize party resolutions in timely manner. To accelerate the economic reform process, the plenum resolved to emphasize the implementation and institutionalization of reforms and resolutions already on the books.34

New reform measures introduced in the spring of 1989 were very impressive as they were both comprehensive and well coordinated. Reversing earlier monetary policies, the government imposed tight credit ceilings by controlling the growth of reserve money, introducing cash reserve requirements and liquidity ratios, and increasing interest rates. Commercial bank access to state bank credit was restricted, a policy supported by stricter control of the budget deficit and government borrowing from the state bank. Expenditure restraint, combined with revenue mobilization, improved tax administration, and new tax measures were used to reduce the budget deficit. In the area of exchange policy, the government unified the exchange rate close to the level of the parallel market and

33 R B St John, n. 10, pp. 307-308.
34 Ronald J Cima, n. 32, p. 793.
devalued the ruble rate to the more realistic level of the dollar/ruble cross-exchange rate. Traditional foreign trade monopolies jealously guarded by a few public sector companies were largely dismantled with new public enterprises as well as private traders allowed to engage in foreign trade transactions.\textsuperscript{35}

In support of the above policies, the Vietnamese government also expanded and strengthened its structural policies. Price reform was extended further through the liberalization of virtually all commodity prices. As a result, only a handful of prices remained subject to administrative controls. Agricultural contracts were also modified to link output and input prices more closely to market developments. The remuneration package of public sector employees was restructured with most subsidies in kind removed. Enterprise autonomy, with a few notable exceptions like petroleum and electricity, was generally strengthened by reducing the number of compulsory plan targets. In addition, a better system of monitoring the performance of public enterprises was introduced. In totality, the new reform package probably represented the most comprehensive and radical set of reform measures adopted by any socialist country to that time. But the relatively high and excessively volatile rate of inflation in Vietnam continued to be the major obstacle to successful growth.\textsuperscript{36}

\textbf{DISTINCTIVE FEATURES OF THE REFORMS}

The Vietnamese experience of renovation was distinctive in many ways, which can be outlined with the benefit of the hindsight. Vietnam’s shift from a centrally planned economy to a market-oriented one is different from the experience of other nations that have undergone similar reforms.

\textbf{Harmonious Process of Renovation}

There was a harmonious relationship between the pull from the grassroots upward, that is, from the businesses and from the internal situation of the population, and from the centre downward, that is, from those at the helm. This two-way relationship between the grassroots and the centre admirably contributed to unanimous understanding, perception, and response to the need to readjust economic policies where they proved to be not in line with reality. One of the unique features of Vietnam’s reform process is the

\textsuperscript{35} R B St John, n. 10, p. 308.
\textsuperscript{36} Ibid.
relatively harmonious combination of spontaneous reforms at the grassroots level and decisive action at the highest level of the political leadership, and this possibly explains why the Vietnamese reforms had attacked the basic foundations of the old socio-economic model without producing the kind of deep recession that had taken place in some other former centrally planned economies that went through economic restructuring.\(^{37}\) The resultant scenario created an exception of sort. Unlike the socialist countries of Eastern Europe and Asia, which like Vietnam pursued reforms in their economic and political system, Vietnam could escape either economic chaos or political unrest.\(^{38}\)

**Balance between continuity and change**

The Sixty Party Congress sought a balance between continuity and change, demonstrating the Party's inclination toward caution rather than deliberate speed toward implementation of the reformist platform. The Congress assigned the Party the task of maintaining stability enroute to the policy overhaul that would bail the country out of its immediate economic difficulties. Though the proceedings were attentive to the need for massive change as a consequence of a decade of economic failure, the Congress was also suffused by a crucial measure of commitment to continuity in basic policy and in party leadership. The Congress was careful to firmly and unequivocally acknowledge the continued validity of the principles that had governed the organization of the Vietnamese economy from the Fourth Party Congress, onward. For example, in the political report, Truong Chinh noted the need to maintain the practices of democratic centralism as a mechanism and ethic to guarantee the newly legislated economic autonomy granted to businesses, sectors, and administrative units and the concomitant importance of preserving the regime's right to practice centralized management of specified areas and "strategic" goods.\(^{39}\) Later an observation tried to encapsulates the nature of reforms in this way, '....the daunting task of structuring a hybrid 'socialist market economy' which involves modernizing the economy while simultaneously preserving the dominance of the

---

\(^{37}\) Vu Tuan Anh, n. 32, p. 8.


\(^{39}\) Lewis M. Stern, n. 9, pp. 491-492.
NATURE OF REFORMS

Communist party.\textsuperscript{40} Ganganath Jha, a keen observer of Vietnamese affairs, testifies, “Though the nature and function of the major political institutions are changing but the scrutiny of the changes suggest that the Vietnamese believe in continuity and change. One-party rule of the Communist Party remains but the evolving system endeavoured to promote democratic way of life without diluting the principle of dictatorship of the Communist Party.”\textsuperscript{41}

Reforms necessitated by economic conditions

The need for economic reforms had arisen from the economic area itself, not as a consequence of political upheavals. The change from war-time to peace-time had brought about an increase in demand for the necessities of life. In order to increase output, the obstacles in the economic institution had to be removed so that the economy could function more smoothly. In other words, pressing reality “thawed out” dogmatic theories and called for a new workable system.\textsuperscript{42} In fact the Vietnamese have a history of suspending dogma when required and pragmatically adopting from foreign cultures what is needed to survive. As the 1990s approached, Vietnam finally came to terms with its peacetime economic problems. Party leaders, having mastered the art of military struggle in defeating first France and the United States accepted that yet another struggle that required the kind of focused resolve previously displayed in wartime. One Western observer termed the task the “Fourth Indochina War”. The country’s economic condition, having come to the grander goals inspired by revolution and ideology, was a reflection of a nation in the process of maturing, newly cognizant of its need to claim a place in the global community.\textsuperscript{43}

Reforms by trial and error

The nature of Vietnam’s reforms was not merely one of switching from an old model that no longer worked to one borrowed from another country. In fact, elements of the old model were discarded and replaced by elements deemed to be more suited to Vietnam’s circumstances, and this it did by trial and error. As there was no ready reform scenario or general “road map” available that Vietnam could use as a guide, it had to

\textsuperscript{40} Uday Bhanu Singh, “Vietnam’s Economy and Foreign Relations In Post-Cold War Era,” Strategic Analysis, October 1994, p.867.
\textsuperscript{41} Ganganath Jha, n. 6.
\textsuperscript{42} Vu Tuan Anh, n. 32, pp. 8-9.
\textsuperscript{43} Ronald J. Cima, n. 32, p. 798.
work out its own short-cut action plans, treading slowly and tentatively, and ready to shift gear when necessary. Fortunately, the reforms were favourably accepted by the people.\footnote{Vu Tuan Anh, n. 32, p. 9.}

A prominent retired general serving as an advisor to the Government remarked, "We have faced so many difficulties in the past but we are forging ahead with our own brand of economic liberalisation without abandoning our socialist principles." He said that the political leadership perceived the need to avoid the pitfalls encountered by other socialist countries in their attempt to transform their economies. He pointed out that apart from the Government's clarity of intent, it was the honest self-analysis that led the Politburo to change direction when they perceived that the rigidly centralised system of economy was not really working.\footnote{K. Ganapathy, "Vietnam: poised for a boom?", \textit{The Hindu Magazine}, April 25, 1993.}

It was not so like that the party's leadership had proven itself 'incapable of pursuing policies, either foreign or domestic, that would be in the best interests of the nation and its people.' \footnote{David M. Finkelstein, n. 1, p. 973.} The party from the very beginning kept on revising its doctrinaire approach. The first turnaround in 1979 was just three years after the reunification and revision never ceased after that. Since Vietnam followed a consensual approach, which ultimately saved the country from breakdown, and there was balancing of pulls and pushes of pragmatists and conservatives, it indeed moved haltingly but never dithered from its path.

**Reforms without external backing**

Third, Vietnam’s reforms happened in the context of political and economic isolation. External economic support for the reform process was negligible. Aid and credit from the East European countries and the former Soviet Union countries were cut off from the time these countries began their own perestroika. Powerful international financial institutions such as the World Bank, the International Monetary Fund and the Asian Development Bank provided no assistance except for consultations. Aid from bilateral government agreement had been channelled mostly for social purposes. Furthermore, the economic blockade and embargo against Vietnam and the involvement of the country in various political and military conflicts, had compelled it to consume many resources that could otherwise be used to fuel its economic growth and

\footnote{Vu Tuan Anh, n. 32, p. 9.}
\footnote{K. Ganapathy, "Vietnam: poised for a boom?", \textit{The Hindu Magazine}, April 25, 1993.}
\footnote{David M. Finkelstein, n. 1, p. 973.}
development. The absence of a secure and friendly and international environment had been a great drawback to the reforms. Against such a bleak background, the fact that Vietnam managed to remain an independent and united country throughout the reform process was remarkable.\(^{47}\)

**Combination of opposites**

The reforms were also the process of combining the opposite ideas and systems. The market economy was allowed to flourish along with strengthened state capitalism. Plurality and freedom of expression were also allowed but under the undisputable authority of the Communist party. Nguyen Co Thach, the then Foreign Minister, explained the assimilation of opposites, "We must restructure and we need to reform. If we continue with our old policies, we will never really achieve socialism." He further said, "We understand that without capitalism, there would be no socialism. Only within capitalism could society and production develop to the point where Marx could predict socialism. The two systems have many things in common – for instance, the money economy which is not an innovation of capitalism. Money has been in use since the Neolithic age."\(^{48}\) The economy as it evolved was described best by the Party itself: "....the initial establishment of a mixed commodity economy operating according to a market system under State management."\(^{49}\) The basic assumption of the Vietnamese leadership was that economic development could be obtained only within a stable political environment. Priority was therefore given to reforms in the economic field. Economic reforms necessarily meant that the state would have a lesser role to play in the economy and thus also create a social basis for more radical political changes towards a multi-party system. The policy of gradual political reform had popular support in Vietnam.\(^{50}\)

**A Vietnamese type of market-economy**

The model of the market economy which Vietnam evolved could not be a replica of that of Western countries, Japan or newly industrialized countries. Indeed it bore the most common characteristics of a market economy while maintaining the specific traits

---

\(^{47}\) Vu Tuan Anh, n. 32, p.9.


\(^{50}\) Duong Quoc Thanh, n. 38, p. 29.
NATURE OF REFORMS
determined by its own concrete conditions. The initial years of the renovation led to the
evolution of a market economy of following features.

• It was a multi-component economy in which the State sector was limited to such key branches and fields, which were necessary for regulating and stabilizing socioeconomic conditions, and to those which were unprofitable for other sectors to deal in. Private, individual and family economy was encouraged to develop without limitation in fields which were not forbidden by the State.

• It was an economy of diverse markets, such as currency, capital, labour, means of production and consumption, services.

• It was an economy in which prices, rates of exchange and interest rates were determined by the market, under the State's regulation.

• It was an economy which was open to intercourse with regional and world market. The State's role was to provide orientation and control of the economy through the instruments of planning, finance, currency and laws, not through commands.\(^51\)

Resilience of the Vietnamese Communist Party:
The credibility of the Communist Party was certainly at stake but the leadership was never unaware or in a dismissive mood or in smugness. They were constantly watching the scene with concern and always ready to explore new ways as discussed above. The problem with them was finding that alternative vision. The reforms, though limited in scope, had started as early as 1979. They went for full scale reforms both in political and economic domains. It was only after 1989 when the Eastern European Communist regimes started to collapse, the Vietnamese leadership feared a domino effect\(^52\), and put break on political reforms. They were reasonable in asserting that economic recovery cannot be ensured in an unstable political order.

The Party in fact showed high resilience. The Party itself was an arena for debating reforms and there was always a balancing act. And it allowed democratic ethos


\(^{52}\) *Asiaweek*, January 26, 1990.
to spread, the National Assembly in particular became a platform for lively debates. It was indeed the prestige of the Communist Party and its symbiotic relationship with masses that it was able to hold its sway. In fact there was no organised dissent in Vietnam as they emerged in to the Soviet Bloc countries. Even unlike China Vietnam was never came across a situation where it had to use mass scale violence to terrorise democratic voices to silence. As opposed to what happened in the Soviet Bloc, organised dissent in favour of dramatic political change was virtually absent in Vietnam. No alternative political force emerged to challenge the Communist Party. During the transition period in Eastern Europe opposition forces comprising of loose non-Communist political groupings were formed in Hungary (Democratic Forum), GDR (New Forum), Czechoslovakia (Civic Forum), Romania (Front for National Salvation) and Bulgaria (Union of Democratic Forces) as Poland’s Solidarity set the pattern. These opposition forces participated in movements against the leading role of the Communist parties. But in Vietnam, there was practically no tradition of organised dissent. The popular image of the Communist Party of Vietnam might have contributed to that. In East Europe, many citizens viewed the party as having been installed by the outside power – the Soviet Union – while in Vietnam even the most vehement anti-communist see the party as having played a leading role in gaining independence from France and the United States.53

Extraordinary leadership of Linh

The unconventional leadership of Nguyen Van Linh was itself a distinctive feature of the Vietnamese Reforms processes which underlies the whole reform process. Soon after being elected General Secretary of the Vietnamese Communist Party he established himself as a forceful and forward-leaning leader committed to a coordinated programme of economic change and party transformation. As General Secretary, Linh demonstrated flexibility and adaptability, and a penchant for the unorthodox twist to policy making. Where his predecessor Le Duan had been unprepared to compromise, Linh was willing to break ranks and engage in tactical gamble. Linh developed a record for being frank about

the limits of the political system and the inability of the party machinery, leadership and the governing apparatus to organize rapid and effective change.\textsuperscript{54}

Linh's hallmark was his contemplative approach to problems. He encouraged examination of the "theoretical issues" at the core of specific problems and took as his starting point the need to rethink fundamental assumptions about strategies, policies and practices. He was less fixed in his approach to problems than his predecessors and apparently not ill at ease with a style that abandoned prevailing paradigms and sought alternatives to nagging economic organizational and personnel issues, including recruitment and training of party and government newcomers.\textsuperscript{55}

### Confirmation of the Reforms at the Seventh Nation Congress of Communist Party of Vietnam

The success of the Reforms lies in its confirmation in its much delayed Seventh Party Congress in June 1991, which pledged to continue with the reforms. At the congress, the reformer Vo Van Kiet, previously Deputy Prime Minister for economic affairs was elevated to the post of Prime Minister, replacing the more conservative Do Muoi who became Secretary General of the Communist Party. Phan Van Khai, another leading reformer, replaced Kiet as Deputy Prime Minister in addition to serving as Chairman of the State Planning Commission. The elevation of recognized reformers to key government positions increased their respective influence over the central organs of the state; however, the congress did not witness any significant change in regional or local interests and influence as reflected in provincial and lower bodies. More to the point, the Seventh Party Congress refused to extend market economy reforms by any measure that might diminish Communist Party control. In his closing speech, Do Muoi argued, on the one hand, that economic reform was the keystone of party policy, and on the other, that the party remained unshakable in its determination to follow the path of socialism.

The reforms were thus cumulative effect of the lessons learnt and executed from experience. These were done despite the unavailability of any roadmap and support as


\textsuperscript{55} Ibid., p.172.
Vietnam was largely shunned by the West and support of the Soviet Bloc had dwindled to negligible. Opening economy, accepting private sector as legitimate and essential component of economy and above all putting basic needs of populace at the forefront, accountability in administration and party affairs were the core of the Renovation roadmap. This was done with complete harmony among classes of the people and without any political upheaval which was the scenario in the Eastern Europe. And moreover change were devised and executed taking in consideration the ground realities and in a planned, organised and gradualist manner thereby avoiding disruptions and dislocations. However the renovation was to remain within the realm of socialism and aim at its better attainment in Vietnam. Literally it meant continuing with the dominant authority of the Vietnamese Communist Party. Notwithstanding the continued supremacy of the Vietnamese Communist Party, Vietnam witnessed far-reaching changes. The impact implicated every aspect of life in Vietnam and was consequential internationally too, particularly in political-economy of Southeast Asia.\textsuperscript{56} In the end, the ‘renovation’ turned a nation caught in an internecine warfare and economic squabble to a thriving economy, which ultimately facilitated Vietnam’s entry into the club of fastest developing economies.

\textsuperscript{56} R B St John, n. 10, p. 309.