CHAPTER 4

SOCIO-ECONOMIC IMPLICATIONS OF REFORMS

The most important and relevant aspect of reforms was their implementation and their actual course. It was at this level the reforms concerned the people and the dynamics of the reforms acquired a distinct character. Hence the socio-economic implications of the reforms constitute the core of the present study. The chapter focussing on this aspect of reforms examines the implications of the reforms for various segments of the Vietnamese society and economy. In this context the study opens with the economic changes and includes political changes. While politics is a tool of change, it is also the major target of change. Means must be modified in order to achieve a different goal. Therefore the political changes have also been included under the general rubric of the socio-economic implications. The implications of the reforms have in fact been deliberated in the next chapters too. The next chapter, Challenges of Reforms is an extension of this theme only. These are also part of the implications of the reforms albeit negative in character. Various pulls and pressures appeared in the course of reforms, which impacted the reforms process in the most unplanned and unintended fashion as far the reformists' side was concerned. Further the chapter Foreign Policy Reforms and Achievements takes into account the reforms in external policies and problems and achievements in the course. The analysis therein is premised on the assumption that the dividing line between national and international politics is really misleading in this age. The international conditions in which a nation exists severely impact the life and politics within a nation. On the reverse order too, the internal dynamics of a nation have equally profound impact on international conditions in which the particular nation exists. Hence these chapters constitute the main body of the study and should be viewed in an integral manner.

To begin with, the economic reforms, as stated earlier, were not clear-cut policy lines which could be neatly spelt out and implemented straightway. The process was complex. It meant moulding of old ways and mindsets, rectifying the pitfalls and finding new path as Vietnam did not have the privilege of a readily available roadmap. The observation at the 7th Party Congress is not a boast, "In the process of implementing the Resolution of the 6th Congress, we have witnessed complex international developments adversely affecting the political, economic and social situation of our country. But our Party, State and people have endeavoured to
overcome these difficulties and persevered in searching for and blazing an untrodden trail of renovation which is devoid of any predetermined model, and step by step translating the 6th Congress policies into action. Although numerous difficulties still lie ahead, the successes recorded so far testify to the ability of the Communist Party of Vietnam and the Vietnamese people to undertake renovation. They certainly wanted to mend their ways but were not ready to repudiate their goal of socialist transition. Market economy, openness, plurality and to an extent democracy were to be incorporated but with the unquestioned authority of the Communist Party of Vietnam. It succeeded in its mission in its own way as was observed at the 7th Party Congress, "Another achievement of economic renovation is the initial establishment of a mixed commodity economy operating according to a market system under State management." And "One of the achievements of renovation has been the initial exercise of socialist democracy in different spheres of social life. The new mechanisms and policies have increased the autonomy of economic enterprises, developed the potential of the various economic sectors, and created the right conditions for everybody to freely do business in conformity with the law. Activities in the fields of culture, information, the press and publishing have moved forward in terms of content and methods of information, research and creation, democratic discussion of differing opinions, criticism and self-criticism, and the fight against negative phenomena. In the life of the Party, in the activities of State bodies and people's organizations, and in society at large, there has emerged an atmosphere of open and straightforward discussion, of criticism of shortcomings and errors, and manifestations of superficial democracy have been gradually overcome. Many major decisions, policies and laws have been subject to discussion by the people before being finalized." Hence the renovation required wide ranging and repeated changes in policy matters and their implementation. It was again not a smooth process; there were difficulties, dilemmas and differences within the Party over reforms and the apparatus to implement them was not in sync with the ongoing changes. Despite that the reforms sank in into acceptance and moved ahead. The chapter is a very humble attempt to understand the policy implications of the Renovation and progress made through its implementation. This chapter begins with economic changes as economic


2 Ibid.
development was the basic concern of the renovation and goes on with structural changes, reforms towards market economy, political and social changes. In the whole process the chapter tries to comprehend the socio-economic implications of the reforms.

ECONOMY: POLICY MEASURES AND PERFORMANCE

The 7th Nation Congress of Communist Party of Vietnam noted the marked progress made in realizing the targets of the three economic programmes (staple and non-staple foods, consumer goods and goods for export) as the first achievement in the economic field. The Congress document detailed, “The achievements of the three economic programmes are closely linked with the positive changes brought about by the readjustment of investment outlays and reshaping of the economic structure. The State has cancelled or postponed many projects contracted with foreign countries or undertaken by various sectors and localities so as to concentrate available capital on key projects directly serving the three economic programmes of paramount importance. In the 1986-90 period, over 60 per cent of investments from the central budget and 75 to 80 per cent of those from local budgets were allocated to the three economic programmes. As well, investment by the people was considerable and we were also able to attract some foreign investment. While centrally allocated investments have been reduced, overall investments from the various economic sectors have not decreased. Many important heavy industry projects started in previous years have now been commissioned. Certain new production sectors with bright prospects have emerged: oil and gas extraction, assembly of electronic equipment, shrimp rearing and processing, etc. A number of concentrated production areas have come into being, specializing in food crops, short-term and perennial cash crops and the catching and rearing of aquatic produce. A number of newly emerging and rapidly growing services have contributed to promoting the commodity economy and catering for people's lives.”

In fact as a result of reforms economy witnessed a turnaround despite crises of inclement weather and negative fallouts of structural changes. The reforms and their implications for all the three sectors of economy viz. agriculture, industry and services are discussed below.

3 Ibid.
Implications for Agriculture

Among the three major comprehensive programmes the food staples programme was regarded as the most important one. A number of policy measures were initiated with a view to releasing rural productive forces. The area of state-peasant relationship received special attention. Besides agricultural tax, all exchanges between the state and the peasants were to be, at least in theory, in the form of commercial deals based on mutual agreement between the buyer, i.e., state agencies and the seller i.e. farmers with true equality. The practice of imposing numerous “supplementary taxes” on peasants by various echelons of the government which adversely affected their legitimate income was to be eliminated in principle. It was also decided to revise the rates of taxation to be imposed on food crops, perennial industrial crops and fruit orchards. Concerning the management of agricultural cooperatives the necessity to improve the “end-product contract” system, to improve accounting work, and to eliminate some subsidies in the distribution of income in order to arouse the peasants’ enthusiasm for work were emphasized.4

The Law on Land passed by the National Assembly in December 1987 stipulated that land was owned by all the people, i.e. the state and should be put under state management. The State had to allot land to the land users comprising both organizations and individuals for long-term as well as short-term use. The rights and obligations of land users were also clearly defined. Land users whether foreign firms and individuals, international organizations and joint ventures must abide by this law unless provided otherwise. Generally, this law reflected the Party’s policy to encourage all economic sectors to invest labour and capital in the development of agriculture, forestry, and fishery.5

The Politburo’s Resolution on the “Renovation of economic management in agriculture” issued in April 1988 aimed at the necessity to consolidate the state and collective sectors while creating favourable conditions for individual and private sectors to develop production, processing, services and other trades in agriculture; step up the application of technological progress and strengthen the agricultural material and technical base. Concerning the agricultural producers’ co-operatives and production collectives, this Resolution stipulated that the size of very large co-

5 Ibid., p. 189.
operatives in a number of lowland and midland provinces in the North, the central coastal area and the Central Highlands, which showed signs of stagnation in production and mismanagement, could be reduced, if so requested by the cooperatives. In the highlands, only those cooperatives which were operating profitably should be retained, while the rest should be reconverted into mutual-aid or work-exchange teams, or private holdings.  

The Resolution also stressed that the need to improve the "end-product contract" system. A new system of contract came into force under which the remuneration plan, which was announced right from the beginning of the crop for all members ensured that farmers ultimately received approximately 40 percent (not only 15 percent as previously) of the total contract output. Formerly the co-operative member might have known the number of work points he had earned but not the quantity of paddy he would actually receive after the harvest. With the new contract system he would know at the very beginning of the crop what the total output and the share to be distributed would be; hence its name: "Khoan Gon" or "net product contract" system. Furthermore, the co-operative should also stabilize the contracted quota for five years, and set the contracted acreage for duration of fifteen years. The Resolution also pointed out the necessity to modify a number of major policies such as those concerning investment in agriculture, the supply of industrial inputs, and the Resolution emphasized that it should be done in such a way as to enable the peasants to still make a profit after covering all necessary expenses.

After the issuance of the Resolution in some rural areas, especially in the Mekong delta, peasants demanded a return of those plots of land they had formerly owned because this Resolution encouraged them to farm as much land as they could. This was a sharp contrast to the situation a few years earlier, when peasants were not eager to farm at all for lack of material incentives. Their demands were made in various forms, including public protests in district and provincial capitals since July 1988, particularly the first known demonstration in Socialist Vietnam of 300 farmers from Cuu Long province — including former revolutionary fighters wearing their medals — who marched through the streets of Ho Chi Minh City on 12 August 1988. They carried banners demanding the return of collectivized farmland, an end to injustice, and the sanction on "local despot" who abused their power to appropriate

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6 Ibid., pp. 189-190.
7 Ibid., p. 190.
more land than their due and often the best plots during the so-called land readjustment process. Faced with the situation, the Politburo issued a Directive in August 1988 which stressed that local authority should settle cases of land related disputes one by one in a careful manner by holding open debates with the peasants at the grass-roots level in a spirit of compromise. The forced collectivization was acknowledged as an error and since the end of 1988 peasant households had been encouraged to play a chief role in agricultural production, whereas the role of agricultural co-operatives was limited to economic planning and organizing technical services for peasant households.\(^8\)

**Growth in agricultural production**

On the whole, despite challenges, natural hardships and reversals (discussed in the next chapter), reforms resulted in considerable increase in level of production. Total food output increased from 18.4 million tons in 1986 to 21.5 million tons in the year 1989 and the increase was even greater in the following years, thus changing Vietnam's status from a food-importer to a food-exporter, the annual rice export being more than 1.5 million tons. The spring bumper crop of 1992 led to food output hitting the 24 million ton mark for the whole year.\(^9\) The positive impact of the reforms and structural changes can be viewed from the table below (Table 1).\(^10\)

<table>
<thead>
<tr>
<th>Table 1: Average annual output of agriculture</th>
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<tr>
<td>Production of food crops (Millions tons in paddy equivalent)</td>
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<tr>
<td>Production of food per capita (Kg./year)</td>
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\(^8\) Ibid., pp. 191-192.
\(^9\) Ibid., p. 38.
In the 7th Nation Congress it was noted, "The situation concerning staple and non-staple foods has registered a change for the better. From a state of chronic shortage - we had to import more than 450,000 tons of rice in 1988 - we have now managed to produce enough rice for domestic consumption, with certain reserves and exports, thus helping to a significant degree to stabilize people's living standards and to improve the export-import balance. This has been the combined result of a stronger boost given to production, the implementation of the contract system in agriculture, the abolition of State subsidies, free trading, and the supply-demand regulation of staples and non-staples on a nationwide scale."\(^{11}\)

**Implications for Industry and Handicrafts**

The consumer goods production was the second most important economic programme of the Fourth Five Year Plan. There were marked shifts in emphases in this field too. In order to exploit the potential of all economic sectors for the production of consumer goods it was emphasized that all of them must be treated in equal terms, that meant uniform tax rates, credit loan rates for all of them and fair treatment in the purchase of materials from them. Vo Van Kiet clearly stated that all narrow minded prejudices and discriminatory regulations against private sector must be abolished so that all potentials of small-scale industry and handicrafts could be brought into full play.\(^ {12}\)

State-run consumer goods enterprises were to shift from state subsidization to economic accounting\(^ {13}\) and ensure that their business operations were profitable. Those enterprises remaining inefficient and incapable of improvement were to be dissolved or be shifted to other forms of ownership.\(^ {14}\) The imposition of business accountability on state-run economic units and making them responsible for their own loses was one of the most important managerial innovations. Vo Van Kiet pointed out

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\(^{11}\) Communist Party of Vietnam, n. 1.

\(^{12}\) Vo Nhan Tri, n. 4, p. 199.

\(^{13}\) The concept of socialist business precedes the Sixth Congress. Such policies and practices were defined as giving more independence to state enterprises - abandoning costly state subsidies in the process. The essence of previously adopted "socialist accounting practices" meant that enterprises should engage independently in local economic ventures, raising capital from operations (profits) as well as using funds allocated to them in the formal state budget. In return, provinces and enterprises were given more freedom to make decisions about setting prices and salaries, and permitted to use part of their income for importing raw materials and spare parts. Further, to carry out socialist transformation of private industry and trade, it became essential to transform "every commodity sector of private trade, expanding the activities of socialist trade and gradually replacing private traders so as to ensure the state's control over the market." See John H. Esterline, "Vietnam in 1986: An Uncertain Tiger", *Asian Survey*, Vol. XXVII, no. 1, January 1987, p. 95.

\(^{14}\) Vo Nhan Tri, n. 4, p. 198.
that doing so would require a clear distinction to be made between the functions of the Council of Ministers and people's committees, which carried out state administration in the economic field, and the business activities. The result would encourage greater efficiency in the use of resources, particularly equipment and machinery. In contrast to past practice, where underutilized machinery and equipment simply sat idle, business accounting and responsibility for incurred losses could be expected to enhance production potential by encouraging autonomous enterprises to rent out to collectives or private parties what they did not use.  

For shifting of activities of economic units to socialist business operations - the economic accounting, the system of autonomy in production and business for grass roots economic units - especially the state-run ones - along with renovating their operating procedures was to be ensured. or the autonomy of grass roots state-run enterprises, new regulations were formulated. According to the new regulations (June 1986), state-run enterprises which were assigned mandatory targets or which received orders for producing commodities by state agencies must receive, at least in theory, a guarantee for their inputs in terms of materials, and the sale of their products. If they conducted business profitably, they could independently use additional funds for developing their production and business. They could also, independently organize their production and decide upon their labour and wages policy, which would depend on the performance of the enterprises. The state agencies were restricted from interfering in the daily operations of the enterprises which were to be decided by the congress of workers. Relations between state agencies and grass-roots state-run enterprises were based on the plans, the socio-economic policies and the state laws which were binding to both of them. The state also encouraged direct links between the state-run enterprises, and between the latter and other economic sectors and/or foreign enterprises.  

Alongside the public sector, the Party then strongly encouraged the development of all the other economic sectors, especially the small private sectors and handicrafts. In July 1988, an important Resolution dealing with the renovation of policies and managerial mechanism vis-à-vis non-public sectors. The latter included activities carried out by co-operatives, families and individuals, joint state-private

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16 Ibid., pp.198-201.
enterprises and national capitalists in the domains of small-scale industry, industrial services, construction and small-scale transport. At the beginning of 1988 these activities were performed by nearly two million people, including rural craftsmen. They reportedly turned out 60 per cent of the gross local industrial output, and 40 per cent of the gross national industrial output. The Party acknowledged, ten years after its brutal socialist transformation campaign that its greatest mistake toward the non-public economic sectors during the past was the collectivization of production in a formalistic manner that is, collectivization for collectivization's sake without paying adequate attention to consolidating and developing the productive forces. Now onwards all prejudices, discriminations or unequal treatment with regard to these economic sectors had to be abolished. Second, it was decided to fully respect the principle of self-management and the right of the production units in these sectors to choose their form of organization decide on their plan of production and business operations, and adopt various regulations concerning labour, finance, and credit. The state had to safeguard their legitimate interests, including the right to ownership and inheritance of small entrepreneurs and national capitalists engaged in industrial production. The respect of their self-management, however, had to go together with the supervision and control over their activities. It is worth noting that besides the encouragement of individual and capitalist enterprises the Resolution also emphasized the need to transform all of them into important parts of the national economy operating along the line of transition to socialism. In other words, they were encouraged to develop their activities, but only on a small-scale and in accordance with state policy.17

**Growth of industry and handicrafts**

Although industrial production suffered a temporary decline due to both internal and external factors, it made no small progress in producing a wider variety of goods and in improving the quality of goods, especially those for consumption.18 There is variety of data on industrial growth rate. The gross industrial production - industrial plus handicrafts production - increased by 25.6 per cent in 1988 compared with 1985, the last year of the Third FYP. It should be noted that handicraft production represented 43.1 per cent of gross industrial production in 1986. Heavy industry and light industry increased by 14.1 and 31.2 per cent respectively in 1988.

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17 Ibid., p. 198-204.
18 Vu Tuan Anh, n. 10, p. 38.
compared with 1985. The specific share of heavy industry in total gross industrial production, however, tended to decrease: 29.7 per cent in 1988, compared with 32.7 per cent in 1985, whereas that of light industry tended to increase correlativelly: 70.3 per cent compared with 67.3 per cent respectively. Industrial production in the centrally managed industries increased less than that in the locally managed enterprises – 13 and 16.3 per cent respectively in 1987, compared with 1985 – reflecting the shortage of imported raw materials experienced by the former. Electricity production increased by 18.7 per cent in 1987 compared with 1985. Coal production grew by 21.4 per cent in 1987, compared with 1985, exceeding the 1983 output for the first time. After the testing period of exploitation in 1986, crude oil production at Vung Tau amounted to 0.2 million tons in 1987, and it was planned to increase that to 2 million tons in 1990.¹⁹

There is no uniform data showing the industrial growth rate in Vietnam during these years due to the shifting base years of calculation. According to one such estimate based on data provided by the SRV/CIEM (Central Institute of Economic Management) the industrial growth rates were 11% in 1987, 9% in 1988, -7.2% in 1989, 3.7% in 1990 and 3.8% in 1991.²⁰ According to the Asian Development Bank (ADB) Report 1989, the industrial growth rate was 11.3% in 1987 and 10.4% in 1988. Growth in both years was more than double the pace in 1986 which was 4.5%. The high growth rate was the outcome of the rapid expansion of production in light industry at over 12% per annum. Growth in the centrally managed heavy industry however slowed substantially because of raw material shortages.²¹ The Report of 1990 records a slowdown in growth rate from 10.9% in 1987 to 8.5% in 1988 owing to major difficulties encountered by some state enterprises in adjusting to the new economic environment and subsequently, to more austere anti-inflationary monetary and fiscal policies.²² The 1991 report notes that the sector expanded by about 5% in 1990 compared to a decline of 2 percent in 1989. Public sector enterprises overcame some of the adjustment problems which had caused the decline in production and the increase in stocks of unsold commodities in 1989. Output of private and cooperative-owned enterprises, on the other hand, fell by 2.4%. Major problems were being

¹⁹Vo Nhan Tri, n. 4, pp. 205-207.
experienced in the industrial sector owing to shortages of inputs, many of which were imported from CMEA countries, and increases in their prices. Domestic changes in the European CMEA countries also had a depressing effect on the production of some export goods, orders for which were cancelled or reduced. Industrial production was also affected by power shortages and the resulting cutbacks in operating hours, intense competition from imports, many of which were smuggled in, and loss of working capital due to the collapse of hundreds of credit funds. The 1992 report records that industrial output growth rose from 3.7% in 1990 to 4.9% in 1991 despite the virtual loss of markets in Eastern Europe and a sharp drop in the output of locally managed enterprises which had problems in adapting to market conditions. Light industries had to scale down or cease production because of the loss of the East European markets despite the growth of the domestic market. Other locally-managed industries – state owned, cooperative and private – experienced the similar problem adjustment. Thus, the output of locally-managed enterprises, which accounted for 65% of industrial production, stagnated in 1990 and fell by 3.7% in 1991. By contrast, the output of centrally-managed state-owned enterprises increased by 15.9%, compared with 15.3% in 1990, because demand for their privileged access to government financial support continued. The average annual growth rate of gross industrial output for the period 1986-90 remained 5.9, which was extraordinary in the context of the problem of adjustment of the policy reforms in 1989, the crop failure in 1987 and the disintegration of the former Soviet Union and East European countries in 1990-1991.

Overall impact was indeed positive and the party stated that at the 7th Party Congress: “Commodities on the market are more plentiful and varied, especially consumer goods, and their circulation is fairly easy. Domestically-produced goods, while still below planned targets, have increased in availability and visibly improved in both design and quality. The manufacture of certain means of production has seen a fairly large increase. Production establishments are more responsive to market demand, and State subsidies through capital allocations, prices for basic raw materials, wages, etc., have declined substantially. This has resulted from the decision to

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25 Vu Tuan Anh, n. 10, pp.51-52.
develop a mixed commodity economy and the renovation of many policies related to commodity production and circulation.\textsuperscript{26}

**Explosive Growth of Tertiary Sector**

The reverberations of the economic reforms of the previous years found expression in the explosive development of trade and services, as reflected in the higher growth rates of gross domestic product and in its structural change. What stood out in relief here was that the growth rate in services was at its highest from 1988 onward and this raised the index of gross domestic product; while growth in agriculture and industry (the basic productive sectors) in general had been poorer from 1986. That is, the average rate of increase in the non-material sector (services) reached 9.9 per cent whereas the material productive sector increased at an average of 2.8 per cent (Table 2).\textsuperscript{27}

**Table 2: Comparison of annual growth rates of gross domestic product and value added in the material and non-material sectors (in percentage)**

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<tbody>
<tr>
<td>Gross domestic product</td>
<td>3.9</td>
<td>5.1</td>
<td>8.0</td>
<td>5.1</td>
<td>4.0</td>
<td>5.2</td>
</tr>
<tr>
<td>Material sector</td>
<td>3.2</td>
<td>3.4</td>
<td>3.2</td>
<td>2.0</td>
<td>2.1</td>
<td>2.8</td>
</tr>
<tr>
<td>Non-material sector</td>
<td>5.6</td>
<td>8.9</td>
<td>17.7</td>
<td>10.4</td>
<td>7.1</td>
<td>9.9</td>
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The sustained high growth rates experienced in the service sector had greatly minimized the unstable effects and softened the vigorous ups and downs in the domain of material production, and found expression in the higher growth rates of gross domestic product. It is appreciated that the "explosion" in the service sector was the most outstanding result of the economic reforms. According to statistical data, the service sector contributed significantly to the high growth rates of gross domestic product. In fact development in the service sector was the most promising, attracting and drawing in a majority of new economic sources that were either mobilized or transferred from other areas of production. It was also a "buffer sector", which softened the effects of economic shocks to the problem of unemployment especially...
in the urban areas and also in the countryside. When industrial enterprises were operating at a loss and factories were forced to shut down or stop temporarily, wage-earners could provide other services to support themselves and their families for one-third or one-half of a month. When youth of working age lost or failed to find employment in the productive sector, they could look for alternative or part-time employment, even if temporary, in the service and trade sector. The wealth of a part of the population was derived from undertakings in this way, whether legal or not.28

Moreover the predominance of the service sector in the overall economy itself was a sign of economic development. The growing share of services in GDP can be viewed from the following table (Table 3).29

Table 3: Structure of GDP by sector, 1986-1991 in %

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<tbody>
<tr>
<td>Agriculture</td>
<td>38.0</td>
<td>40.6</td>
<td>46.3</td>
<td>42.1</td>
<td>40.7</td>
<td>39.2</td>
</tr>
<tr>
<td>Industry</td>
<td>28.9</td>
<td>28.4</td>
<td>24</td>
<td>22.9</td>
<td>22.5</td>
<td>23.1</td>
</tr>
<tr>
<td>Services</td>
<td>33.1</td>
<td>31.0</td>
<td>29.7</td>
<td>35.0</td>
<td>36.9</td>
<td>37.7</td>
</tr>
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</table>

(Source: Central Institute for Economic Management, Ministry of Planning and Investment.)

**External Sector**

Besides economic policy reforms, Vietnam also took decisive measures to make the economy more outward-oriented. The open-door policy in trade relations with the world and regional markets was effected through trade liberalization and export promotion by abolishing most import and export quotas, reducing or even exempting taxes, and encouraging the import of raw materials and other inputs of production as well as basic necessities. Citizens were also exhorted to make remittances of earnings from abroad. The government allowed large economic units to negotiate directly with their trade partners in the international economy. All these measures reflected positively on Vietnam's trade balance. In the years 1986-88, the deficit in trade balance was about US$1.3 billion to US$1.6 billion per annum. This was gradually cut down through the years since 1989: it stood at US$160 million in 1991 and was annulled in 1992. Earlier Vietnam's trade with countries lying within the rouble area was greater than its trade with the remaining part of the world. In 1986 Vietnam's exports were valued at 439 million roubles and US$350 million to these areas respectively. In 1990 the corresponding figures were 1,111.5 million roubles

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28 Ibid., pp. 57-58.
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and US$1,292.5 million. The disintegration of the CMEA deprived Vietnam of an important export market, and in 1991 Vietnam exported only 80 million roubles worth of goods. The increased exports to the convertible area (reaching as much as US$1,890 million in 1991) could in no way compensate for the losses from the rouble area countries. The reverse process was also seen in Vietnam's imports from those two groups of trading partners. In 1986 Vietnam's imports from the rouble area countries and the convertible area totalled 1,660 million roubles and US$496 million, respectively. The corresponding figures in 1991 were only 290 million roubles and US$1,950 million.30

This radical shift in the direction of Vietnam's trade was confirmed by the increasing domination of Asian markets in Vietnam's trade. In the year 1992, 79.4 per cent of Vietnam's exports went to Asian countries and 77.5 per cent of its imports came from these same areas. At the same time, Western Europe was the market for 9.7 per cent of Vietnam's exports and it supplied 14.9 per cent of Vietnam's imports. The former rouble area bought 8.6 per cent of Vietnam's exports and sold 4.9 per cent of its imports to Vietnam. Among the Asian countries, Singapore, Japan, and Hong Kong were Vietnam's leading trade partners. The shares of these countries in the total export and import values of Vietnam were, respectively: Singapore - 26.7 and 33.7 per cent, Japan - 20.0 and 7.8 per cent, Hong Kong - 17.0 and 11.8 per cent.31

Along with the diversification and expansion of foreign trade relations, reforms were initiated for attracting foreign investments. A new law on foreign investment was promulgated in December 1987. This law was considerably more liberal than the foreign investment decree of 1977: wider areas of investment, fewer restrictions in ownership of foreign investors, lower tax rates, and a longer tax holiday. Compared with similar laws in neighbouring countries, Vietnam's terms seemed relatively attractive. From the promulgation of the foreign investment law up to the end of 1992, forty countries in the world had applied for 556 investment projects in Vietnam. Of these, eighty-six projects had been abandoned or had their licenses withdrawn, leaving 470 projects with a capital value of US$4.106 billion in operation at that time. More than US$1.8 billion had been released. Three sectors - industry (35.5 per cent of capital), oil and gas (27.9 per cent), and hotels (16.3 per

30 Vu Tuan Anh, n. 10, pp. 38-40.
31 Ibid., p. 40.
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cent) accounted for 79.7 per cent of the total capital value and 70.9 per cent of the number of projects (Table 4).

Table 4: Foreign investment in Vietnam

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<tbody>
<tr>
<td>Number of licensed projects</td>
<td>37</td>
<td>69</td>
<td>108</td>
<td>150</td>
</tr>
<tr>
<td>Number of operational projects</td>
<td>23</td>
<td>43</td>
<td>76</td>
<td>138</td>
</tr>
<tr>
<td>Registered capital (US$ million)</td>
<td>362.8</td>
<td>537.7</td>
<td>600.0</td>
<td>1,220.6</td>
</tr>
<tr>
<td>Realized capital (US$ million)</td>
<td>232.2</td>
<td>356.0</td>
<td>4436</td>
<td>1,132.4</td>
</tr>
</tbody>
</table>

(Source: State Committee for Co-operation and Investment, 1993.)

The achievements were encouraging. The 7th Party document noted the achievement, “External economic relations have developed quickly, broadening their scope and form, and making an important contribution to the achievement of socio-economic objectives. The value of exports has increased from 439 million roubles and 384 million dollars in 1986 to 1,019 million roubles and 1,170 million dollars in 1990. We have substantially cut excess imports and subsidies on deficits in export income. Since 1989 our exports have included items of value such as rice, crude oil and other new products.”

The overall growth

The economic reforms that unfolded progressively in the 1980s brought changes in all domains of society. The favourable effects were numerous and higher economic growth is obviously the most important one. Cited here are growth rates by two main indicators, namely: (a) national income, as given by statistics on the material production system (MPS), which is the system used in Vietnam; and (b) gross domestic product, which is mainly the national account in United Nations statistics and adjusted for conditions in recent years in Vietnam.

The average annual growth rates attained by the main sectors of the economy in five-year plans are made available by the General Statistical Office of Vietnam, which are given in the table below (Table 5). The figures, however, appear anomalous as the production growth rates in the second half of the decade were in fact smaller than those in the first half. The figures may be misleading as they show that there was

32 Ibid., pp. 40-41.
33 Communist Party of Vietnam, n. 1.
34 Vu Tuan Anh, n. 10, p. 45.
a considerable decline in economic growth after the launch of reforms. This is because of the base year chosen, 1980. This was the year in which the economy was at the bottom because of the 1979-80 economic crisis. The growth rates of most indicators for that year being were obviously low. Hence using 1980 as the base year for calculating the average growth rates would make the figures larger for the period 1981-85 than they should be.\footnote{Ibid., pp. 51-52.}

### Table 5: Average annual growth rates of main economic indicators

<table>
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<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Population</td>
<td>2.33</td>
<td>2.26</td>
<td>2.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Labour force</td>
<td>3.8</td>
<td>3.1</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>Gross social output</td>
<td>1.4</td>
<td>7.3</td>
<td>4.8</td>
<td>3.2</td>
</tr>
<tr>
<td>National income</td>
<td>0.4</td>
<td>6.4</td>
<td>3.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Gross industrial output</td>
<td>0.6</td>
<td>9.5</td>
<td>5.9</td>
<td>5.3</td>
</tr>
<tr>
<td>Gross agricultural output</td>
<td>1.9</td>
<td>5.3</td>
<td>3.6</td>
<td>-0.1</td>
</tr>
<tr>
<td>Exports</td>
<td>11.0</td>
<td>15.6</td>
<td>28.0</td>
<td>-8.1</td>
</tr>
<tr>
<td>Imports</td>
<td>6.4</td>
<td>7.2</td>
<td>8.2</td>
<td>-8.1</td>
</tr>
</tbody>
</table>


Figures on the growth indices of Vietnam's gross domestic product are available only from 1986 and opinions vary as to the degree of accuracy of the data so far released but what is important is that an international comparative analysis as well as a structural study of all economic activities are now available. The growth rates of Vietnam's gross domestic product averaged 5.2 per cent per annum from 1986 to 1991, not bad compared with those of other developing countries (Table 6).\footnote{Ibid., p. 53.}

### Table 6: Comparison of annual growth rates of gross domestic product and national income

<table>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross domestic product</td>
<td>3.9</td>
<td>5.1</td>
<td>8.0</td>
<td>5.1</td>
<td>4.0</td>
<td>5.2</td>
</tr>
<tr>
<td>National income</td>
<td>2.7</td>
<td>4.2</td>
<td>3.8</td>
<td>3.7</td>
<td>2.5</td>
<td>3.4</td>
</tr>
</tbody>
</table>

A comparison of the growth rates of national income arising from material production with those of gross domestic product shows that the latter exceeds the former by about 30 to 40 per cent in absolute and relative terms. This is because unlike national income, gross domestic product includes the value added of the non-material sector and the growth rate of gross domestic product exceeded that of national income for the reason that the non-material sector was growing faster than material production.\(^{37}\)

**TOWARDS A MULTI-SECTOR OR MIXED ECONOMY**

Above-mentioned description of the different branches of economy sufficiently indicates to the structural changes as a result of the reforms. A re-look at the economic structure of Vietnam is pertinent here. In Vietnam’s economic ideology, the national economy could be divided into several economic sectors on the basis of ownership and means of production. The following main sectors were officially recognised:

- the state sector, based on public or national ownership;
- the collective sector, based on voluntary contribution of capital by a group of people to set up joint enterprises and using the labour force of the collectives’ members and their relatives;
- the private sector including the family or household economy, individual economy, private capitalist economy (the last form hires a certain number of labour, while the two use own labour);
- the joint economy of the state sector together with other sectors, known as the state-capitalist sector.\(^{38}\)

Previously, the state and collective sectors constituted the main part of the national economy. The private sector, especially the private capitalist economy, was not encouraged to develop but was instead the target of nationalisation, collectivisation, or transformation to state-private joint ventures. With reforms, enterprises of all ownership forms received equal treatment before the law; all were accorded business autonomy; and all competed equally in the market. It became difficult and also unnecessary to distinguish among the various sectors.\(^{39}\) Again, earlier driven by dogma the heavy industry received the highest priority. The

\(^{37}\) Ibid.

\(^{38}\) Ibid., p. 10.

\(^{39}\) Ibid.
development strategy shifted from giving priority to the heavy industry to concentrating resources on the promotion of agriculture, the production of goods for consumption and for export. It changed the economic structure considerably.\textsuperscript{40}

Policy changes brought structural changes to the economy. Although there were only minor modifications in the structure of national income, the structure of the labour force began to change, with an increasing number of the labour force going into the private sector (Table 7). Although the restructuring was brought about by policy changes, it was also aided along by market forces to overcome obstacles that get on the way of the restructuring. Implications of reforms were different for different sectors.\textsuperscript{41}

Table 7: \textbf{STRUCTURAL CHANGES OF ECONOMY ON ECONOMIC SECTORS}

<table>
<thead>
<tr>
<th></th>
<th>State Sector</th>
<th>Non-state sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>National income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>29.8</td>
<td>70.2</td>
</tr>
<tr>
<td>1991</td>
<td>29.0</td>
<td>71.0</td>
</tr>
<tr>
<td>Labour in whole economy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>14.7</td>
<td>85.3</td>
</tr>
<tr>
<td>1991</td>
<td>10.4</td>
<td>89.6</td>
</tr>
<tr>
<td>Gross output of industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>56.3</td>
<td>43.7</td>
</tr>
<tr>
<td>1990</td>
<td>58.6</td>
<td>41.4</td>
</tr>
<tr>
<td>Labour in the industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>30.0</td>
<td>70.0</td>
</tr>
<tr>
<td>1990</td>
<td>33.0</td>
<td>67.0</td>
</tr>
</tbody>
</table>


The state sector

Role of the state sector remained crucial in Vietnam's economy. It was the major tool for economic management of the Party and the State. The 7\textsuperscript{th} Congress document noted its vital role in the economy, "The State-run sector is now in control of key areas and holds a dominant position in the economy, allowing it to regulate the market and control prices to a certain extent. Nearly one-third of State-run industrial

\textsuperscript{40}Ibid., p. 38.
\textsuperscript{41}Ibid., pp.10-11.
enterprises have succeeded in their business activities and in adapting themselves to the new system. There are now a number of efficient State farms engaged in agriculture and sylviculture."\(^{42}\)

In 1991 the state sector made up 29 percent of the national income of material production, and produced 69.7 per cent of the value of industrial output. However in the past the state-owned economy took shape and expanded without consideration being given to economic efficiency, and when state subsidies were withdrawn from them, a considerable number of businesses in this sector found themselves in great difficulties. As much as 38 per cent of the 12,084 state-run businesses were operating at a loss in early 1990. The firms that suffered losses in their undertaking accounted for 38 per cent of the total assets value and 33 per cent of the total work-force in the state economic sector.\(^{43}\)

The reforms aimed at reorganising the state sector with a view to decide the areas of activity to remain under state control and ownership. Businesses providing public goods and services and the necessities of life such as electricity, coal, cement, railway, and civil aviation were to be further developed and consolidated. In order to help them function on a self-governing basis, the state revaluated their assets and left them in their charge on condition that they would preserve and multiply those assets. The business management apparatus was restructured with the founding of an administrative council and executive managerial board. All enterprises had cost-accounting and book keeping and the records were kept under the strict control of the state. With regard to enterprises that the state deemed unnecessary to keep under its ownership, for instance light industrial factories, the process of privatisation was effected by selling the whole business, or selling shares of it, or leasing the business out to collectives and individuals. With regard to businesses that the state deemed unnecessary to keep under its ownership, and that were suffering losses, it was considered preferable to close or dissolve them if such businesses were facing obsolescence and their products were no longer competitive in market. About 2,500-3,000 such enterprises were disbanded during roughly the period under study and manifold were on the card for the same fate.\(^{44}\)

\(^{42}\) Communist Party of Vietnam, n. 1.
\(^{43}\) Vu Tuan Anh, n. 10, pp. 11-13.
\(^{44}\) Ibid., pp. 13-14.
The collective sector

Vietnam laid great emphasis on the formation of collectives in all economic sectors in pursuance of the socialist development. In the middle of 1980 there were 1,518 agricultural co-operatives with an average size of 312 hectares of cultivated land, 529 households, and 1,000 workers. There were also 9,350 mutual aid teams, each with a few dozen households. The massive collectivization had not received the support of the peasants and adversely affected social life in rural areas. The situation became so bad that various co-operatives in the Mekong delta finally collapsed.⁴⁵

The contract system widely used in agriculture co-operatives from the end of 1980 immediately halted the dispersion of co-operatives as it reformed the distribution system into co-operatives and at the same time led to a deeper privatization of production and businesses, which inevitably resulted in a reduced role for co-operatives in the economic as well as social life of rural communities. In contrast to the cooperatives, household involved themselves in more business activities and grew to become the main productive unit. In such circumstances many agricultural cooperatives could not continue to function as economic units. Some became equitized; others that continued to exist performed fewer economic activities.⁴⁶ In fact de-collectivisation following reforms almost ensured near ownership of land to the peasant households. In April 1989 farmers were given freedom to join and not to join co-operatives according to their choice.⁴⁷ The ⁷th Congress noted that the collective sector in agriculture had shifted to a wide application of the system of contractual output quotas under which each member household of a co-operative was an autonomous economic unit with full rights to land utilization, thus initially releasing productive forces and tapping the people's potential in manpower and capital.⁴⁸

By 1988, in industry and handicrafts there were 32,034 collective units utilising about 1.2 million workers and producing 23.9 per cent of the total value of industrial output. About 15000 goods and drugs collective stores dealt in, sharing more than 20 percent of the retail value of industrial output. Unlike in agriculture, where collective units were of primary importance, in industry and other sectors, these

⁴⁵ Ibid, pp.15-16.
⁴⁶ Ibid, p. 16.
⁴⁸ Communist Party of Vietnam, n. 1.
units occupied only secondary position in the so-called dual economy, with state enterprises in the lead. Industrial collective units acted mainly as intermediaries for state enterprises, producing simple items and spare parts for industrial use or as retail agents in trade and services. They relied on state subsidies received directly in the form of cheap credits and low-priced raw materials and indirectly through contracts signed with state enterprises. Policy changes before 1989 did not negatively affect the growth of the collective economy as the state subsidy system staying in operation guaranteed a stable supply of raw materials and other inputs of production at prices fixed by the state, and the market to take up the output of co-operatives had also been worked out before hand. Moreover, market liberalisation encouraged co-operatives to diversify their mix of production, and many of them made huge profits in the market, selling at higher prices products made from materials brought at low prices from the state. When low-interest loans and low priced materials were withdrawn from state and collective enterprises in 1989, all businesses had to compete in the market, and the collective economy shrank considerably. Many co-operatives were forced to shut down or privatised. By 1991 the number of collective industrial units had decreased by 70.7 per cent, the collective labour force by 72.3 per cent, and the value of this sector’s output by 70 percent. The proportion of the output of the collective sector in total industrial output had decreased from 27.1 to 6.8 per cent. A similar situation was seen in the collective economy in trade, services, and other sectors. During 1986-91 the ratio of the value of cooperatives’ retail goods and services to that of the whole trade sector decreased from 14.6 to only 1.8 per cent.\(^49\) The 7\(^{th}\) Congress noted that in small industry and handicrafts production, about 20 per cent of co-operatives succeeded in adapting themselves to the market. A large number were facing serious difficulties; about 20 per cent, including nominally collective units, had broken up or turned into private businesses.\(^50\)

**The Private Economy**

Eighty percent of the country’s total population resided the countryside, where privatization proceeded at a fast pace. Going by the new policy, the household was recognised as an independent economic unit; previously however, only agricultural co-operative could be a self-governing economic unit. This change led to a series of major socio-economic transformations in rural areas. Land was apportioned to

\(^{49}\) Vu Tuan Anh, n. 10, pp. 16-17.

\(^{50}\) Communist Party of Vietnam, n. 1.
farming households for different periods of time: wet paddy land was usually
distributed for twenty years’ use and forestry land for fifty years to seventy years’ use,
depending on the kinds of trees cultivated. While formerly the co-operatives
organised labour and made business decision, now households also took these tasks.
Buying and selling between farm households on the one hand and co-operatives and
state-run businesses on the other were no longer regarded as commercial dealings on a
vertical basis, between levels of hierarchy, but rather treated as dealings on a
horizontal basis, between equals, and based on market principles. Except in the high
mountainous areas, the household economy in most rural areas grew and flourished. 51

In the non-agricultural sector, reforms allowed the private sector to operate
within socialism oriented commodity economy. Not only the private sector could deal
in any production and trade activity except those forbidden by the law of the land, but
also licenses were being issued to foreign business organizations. 52 However, in the
absence of the clear rules of the game, the private sector suffered initially. In
principle, the private sector was encouraged but questions like how big a private
company could become before it was regarded as ‘politically inconvenient’ had not
been resolved. To put it differently, the limits to the range of economic change were
not defined and this led to insecurity among entrepreneurs and reluctance to make
long-term investments. This was to a great extent rectified in 1989 and 1990. The
Vietnamese leadership introduced a more comprehensive legal system in order to
regularize the economy and eliminate insecurity. The seventh session of the Eighth
National Assembly, held in June 1990 adopted new laws on business and taxation
which increased the security for investors. 53 The measures removed legal restrictions
whatsoever concerning the founding and promotion of private businesses, irrespective
of the scale of the undertaking or the number of hired labour, and these businesses
were free to decide on how to use their respective assets and profits after paying their
tax dues. By the end of 1992, there were 2,585 licensed private enterprises with total
capital valued at 1,032 billion Vietnamese dong (US$ 100 million) but most of the
private enterprises were located in the bigger urban centres. There were 488
enterprises in Ho Chi Minh City, 362 in Hanoi, 297 in Dongnai, 165 in Quangnan–
Danang, 85 in Haiphong. And the average scale of an enterprise remained small. The

51 Vu Tuan Anh, n. 10, pp. 17-18.
52 Ganganath Jha, n. 47, p. 379.
53 Duong Quoc Thanh, “Back to the World: Recent Changes in Vietnamese Domestic and Foreign
average capital per enterprise was US$91,700 in the whole country, US$92,200 in Ho Chi Minh City, US$91,700 in Haiphong, US$ 27,000 in Hanoi, US$19,700 in Dongnai, and US$12,100 in Danang. In trade and services private businesses expanded rapidly. In 1985 the number of private traders stood at 636,800 and in 1991 as many as 891,900 were registered as such. The proportion of the private sector in retail sales increased from 41.2 per cent in 1985 to 73.1 per cent in 1991. In industrial production, the number of private enterprises did not stabilise. In 1986 there were altogether 565 private enterprises, in 1988 only 318 operated, in 1989 the number increased to reach the 1,284 mark, and in 1990 the number decreased to only 770. However, households engaged in handicrafts and small industries continued to diversify their activities, and their numbers increased. In 1988 there were only 318,557 such units, but by 1990 as many as 376,930 units were registered.\textsuperscript{54}

According to a survey conducted in 1991 by the Ministry of Labour, War Veterans, and Social Affairs, involving 1,008 businesses in five provinces, 80 per cent of them were private ones. In both urban and rural areas, about 60 percent of private businesses were founded after 1988. The average number of workers in a private business in urban centres was 13.7 persons, of whom 11.4 persons were hired workers. The value added by them amounted to US$12,600 annually. Family-based businesses were of a smaller scale: an average of 4.8 persons worked in such businesses, of whom 3.7 persons were unpaid household members adding value per annum of about US$3,600.\textsuperscript{55} The family economy, though having a low productivity, expanded rapidly as it offered good possibilities for creating jobs and providing a decent income to the poor. It used raw materials abundantly available in the locality, and most (60-80 per cent) of its goods and services were sold on the local market. Furthermore, the capital outlay required was small. The importance of the family economy lied more in ensuring immediate subsistence for the population than as a means for the latter to get rich and employ a stable future. Although in the long-term future, native private productive entrepreneurs foretold of a dynamic engine of economic growth in Vietnam, at that time they were not much of a force to reckon with.\textsuperscript{56}

\textsuperscript{54} Ibid., pp. 20-21.  
\textsuperscript{55} Ibid.  
\textsuperscript{56} Ibid., p. 22.
The state-private joint economy

In Vietnam’s economic reforms, the state had been encouraging joint ventures between state enterprises and businesses of other forms of ownership and seeing them as an effective tool to regulate the non-state sector. In 1988 the government decree on joint business and economic integration officially accepted and stimulated the diversification of domestic joint ventures. At the same time the law on foreign investment defined “joint venture” as one of three main forms of business organisation. Despite the prevailing ambivalence, this kind of business showed clear sign of becoming increasingly important in the future mixed economy.57

CHANGEOVER TO THE MARKET ECONOMY

Reforms in essence implied the changeover from a centrally planned economy to a market-oriented economy. This changeover required wide ranging initiatives with regard to macro and micro level perceptions, policies and guidelines.

Recognition of the market economy as a superior system

The power of market as a medium of economic development was ultimately recognised and even it was acknowledged. It was an important change following the launch of Renovation. Nguyen The Phan, head of the theoretical department of the Marxist-Leninist Institute, told a January 1989 meeting of high-ranking officials that by following the Soviet economic model, Vietnam had developed a centralised and subsidised economic system “inferior to capitalism,” and “had abolished motivation in people and society.” He called on party leaders to learn from capitalist countries about marketplace competition and science and technology development, and to discard old theories of Marxist-Leninism that promote the inevitability of conflict between socialism and capitalism and the importance of class struggle to social development. Goals established and reinforced at the meeting of the National Assembly in December 1988 were consistent with those themes. The primary goal of reform was described as the development of a commodity economy that would be more subject to the rules of the marketplace than to government regulation.58

Redefinition of the role of the state in economic sphere

The first and foremost implication was a new definition of the role of the state in the economic development. The role of the state as planner and regulator of economic development was restated. The state had to give up unrestricted direct

57 Ibid.
58 Ronald J. Cima, n.15, p. 791.
intervention in economic activities. The direct planning previously done for all important production, distribution, consumption, saving, investment targets were replaced by an indicative one. The 7th Congress assured, “Planning has switched from mandatory plans to mainly indicative plans, coupled with the initial use of economic levers and material incentives to ensure an overall supply-demand balance in the economy. We have drawn up a socio-economic strategy and sectoral and regional scheme, expanded economic information and boosted the role of financial contracts.” And the state was expected to depend on macro-level policies and instruments for orienting enterprises to follow plan targets. The Congress affirmed, “The State apparatus has gradually switched over to assuming the function of administrative management appropriate to it and abstained from interfering in the conduct of business by grassroots enterprises. The drawing up of economic laws has been accelerated.” Commercial dealings changed from mainly vertical relations (with the state managing organs) to relations on a horizontal basis (between themselves and with consumers).

At another level the role of the state as an entrepreneur was deemphasised. In Vietnam’s multi-sector market-oriented economy, enterprises in all sectors were ensured complete equality before the law and were allowed to control their finance and to compete freely with one another in the market. The role of the state as the monopoly entrepreneur was curtailed and its diminishing role was clearly visible during the period under study. The annual average growth rate of state investment outlays decreased from 9.2 per cent in 1981-85 to -4.6 percent in 1986-90. Comparing the years 1990 and 1985, the share of the productive sector in total state investment outlays was reduced from 90.2 to 78.4 percent. The role of the state in the redistribution of national wealth was reduced. The decisive role of the market in the distribution of the productive resources had come to be accepted.

The change was also construed as the abolition of central planning. It has been noted that the Sixth National Party Congress officially called for the abolition of central planning and the coexistence of state and non-state economic sectors under a

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59 Vu Tuan Anh, n. 10, p. 25.
60 Communist Party of Vietnam, n. 1.
61 Vu Tuan Anh, n. 10, p. 25.
63 Vu Tuan Anh, n. 10, p. 25.
64 Ibid., pp. 25-26.
new policy of economic renovation. In 1989, a comprehensive economic reform plan was launched, marking the end of the central planning system.\textsuperscript{65}

However it was not to be a market economy of the capitalist system. Economic renovation led to, the 7\textsuperscript{th} Congress noted, "\textit{...the initial establishment of a mixed commodity economy operating according to a market system under State management.}" The Congress further stated, "Drawing up the economic policy of the 6th Congress, the 6th Plenum of the Central Committee affirmed that the development of a mixed commodity economy is a long-term strategic decision for the period of transition to socialism. That policy has enjoyed broad support from the people and was quickly translated into action. It has contributed to promoting the people's right to mastery in the economic sphere, developing the potential and creativeness of the people in undertaking production and services, creating more jobs and products for society, accelerating the establishment and growth of the commodity economy, and fostering lively competition in the market."\textsuperscript{66}

\textbf{Structural Changes}

The switch over to the market economy model necessitated wide-ranging changes in the economic structure of the country. Some important reforms which were in fact norms enforcement for market economy to operate are discussed below.

\textbf{Price Reforms}

The ideas of eliminating the gap between state-fixed prices and market-determined ones led to price reforms in 1981, 1985, 1987, and finally in 1989. Since 1989 prices ceased to be fixed by the state, except in the case of items such as electricity, coal, and cement used in major state construction projects. And 1991 onwards only the price of electricity remained with the state to fix. Home market prices moved more in line with world market prices. The decentralisation of the price decision making process and the introduction of a free-market price system gave rise to a better balance between total demand and supply in the entire economy and between different regions, encouraging a rapid expansion in commodity production and external economic exchange. The system of price management changed from one extreme of total monopolised control to the other extreme of prices set by free market forces without state intervention. The prices of some main items such as rice and gold

\textsuperscript{65} Thaveeporn Vasavakul, “Politics of the reform of state institutions in the post-socialist era,” in Suiwah Leung, n. 29, pp. 45-46.

\textsuperscript{66} Communist Party of Vietnam, n. 1.
could not be freely adjusted by market forces because of specialised trade enterprises and national reserves. Therefore some failures of the market price mechanism, such as wide range of fluctuations, unfavourable prices of agricultural products compared with industrial goods and so forth persisted.\(^{67}\)

According to the 7\(^{th}\) Nation Congress, "In the whole set of measures to renovate the management system, the transfer from an administrative pricing system to a market pricing one has assumed a central role. Along with price reform, the renovation of the policy on distribution and the expansion of external economic relations have accelerated the establishment of a nationwide unified market linked in with the world market, thus helping to regulate the supply-demand relationship and to reduce the differences in commodity prices between different areas of the country. As prices now reflect more accurately value and the supply-demand relationship on the market, the selling and buying of basic materials and goods are carried out normally, ration cards have been abolished and an important component of wage has been monetized, a sharp reduction has occurred in false demand for and hoarding of basic materials and goods in production and consumption, as well as in budgetary price compensation and cases of false profit but real losses."\(^{68}\)

**Financial Reforms**

The withdrawal of foreign aid necessitated larger budgetary allocations to social sector, defence and subsidies. As a result, the budget deficits increased and inflation escalated. The price-wage-financial reform in 1985 was the first comprehensive financial readjustment aimed at decreasing the state budget deficit and the inflation rate. The reform aimed at trimming subsidies, switching to prices fixed by the market, the wage system determined by market forces and readjusting the revenue and expenditure policy to reduce excessive expenditures and curbing inflation. Further by 1988-89, the national financial policy focused on active mobilization of personal savings, a reorganization of the taxation system so as to secure more receipts, a separation of the national finance from that of businesses in the state economic sector, and further curtailment of state expenditure to reduce the budget deficit. The new tax laws promulgated included agricultural tax, turnover tax, tax on profit, profit, special commodity tax on cigarettes and alcoholic products,

\(^{67}\) Vu Tuan Anh, n. 10, pp. 26-27.

\(^{68}\) Communist Party of Vietnam, n. 1.
import-export tax, tax on the use and exploitation of natural resources, tax on housing and the use of land and personal income tax. 69

Economic reforms resulted in other financial gains. In 1989 Vietnam's external debt stood at about US$3.4 billion in convertible currency and 10.5 billion transferable roubles to the CMEA area. Large amounts of external debt in convertible currencies were contracted in the post-war period of 1976-79, mostly to finance food imports, fuels and required materials and spare parts for reconstruction. With increased exports, Vietnam managed to clear a part of its short-term loans and interest payments, so that its external debt came down to US$13.5 billion. The year 1990 onwards, the state reduced its reliance on issuing new paper money to compensate for the budget deficit. Instead, it circulated state treasury bonds to borrow from domestic sources. Thanks to the increase in exports and also the cutting off of external loans, the debt/export ratio got reduced significantly. 70

Broader trend can be gauged from the observation in the 7th Congress document. It was noted that in the financial sphere, the tax system had been amended and expanded and a decree had been promulgated on book-keeping and statistics resulting in accumulation of higher budget revenue; reduced expenditure on subsidies, broadened financial autonomy of grassroots enterprises, restricted investment grants and expanded investment through credits. 71

Reform of the banking system

Until 1988 only three banks - all state-owned - operated in Vietnam. The Central State Bank played the role of both the central emission bank and the commercial bank, supervising the circulation of money including issuing of money, supplying short-term loans, and so forth. The Bank of Investment and Development financed long-term public projects. The Bank of Foreign Trade provided loans and payment services for all international economic activities, including foreign currency exchange. The net of the Central Bank extended only to the district level. A large number (about 7,500) of rural credit co-operatives, usually small in size, had been established to collect the savings of the population and to provide small loans to peasants. The system was subordinated to the national plan targets. Long-term credits granted by the Bank of Investment and Development were planned by the Ministry of

69 Vu Tuan Anh, n. 10, pp. 27-29.
70 Ibid., p. 31.
71 Communist Party of Vietnam, n. 1.
Finance, while the cash plan was worked out separately for receipt and payment operations by the Central Bank.\footnote{Vu Tuan Anh, n. 10, pp. 32-33.}

Reform in the banking system was initiated in 1988 and the decree on commercial banks and credit co-operatives was passed on 1 October 1990, dividing the banking system into two categories: the Central State Bank and commercial banks. The latter developed rapidly. In addition to two commercial banks, two new banks, Industrial and Commercial Bank and Agricultural Development Bank were established. The four state-owned banks received primary funds from the state budget, but were duty-bound to operate on a commercial basis.\footnote{Ibid.}

Dozens of share-holding banks were established in urban centers such as Hanoi, Haiphong, and Ho Chi Minh City. Some of them were based mainly on the participation of state units, others on a mixture of state and private units, while the rest were entirely private. At the end of 1990 the first Indonesian-Vietnamese joint-venture bank was established in Vietnam, which was the beginning of the opening of foreign and joint-ventures banks. As a result of reforms the commercial banking system comprised trade and development investment banks, foreign banks branches, joint-venture banks, share-holding banks, credit organizations, and financial companies. All the banks were self-managed and functioned as business enterprises. Gradually the system of state subsidization providing low interest rate credits had to be phased out and interest rates were expected to stabilize at higher than the rate of inflation. The foreign exchange market also began to take shape.\footnote{Ibid., pp. 32-34.}

\textbf{Reform of monetary policy and counter-inflation measures}

A series of devaluations brought the official rate of the dong closer to the free market rate. The national government also changed its official policy to encourage the importation of gold, which was formerly forbidden.\footnote{Ronal J. Cima, n. 15, p. 793.} To overcome the prolonged inflation in the economy, from March 1989 the monthly interest rate was raised to 9 per cent. This higher interest rate strongly attracted the savings of the population and businesses, and bank deposits increased. Parallel to the sudden raising of interest rates, the state carried out a strict control of the expansion of bank credits and allowed state-owned businesses to remunerate their personnel in accordance with the results of their undertakings and other means. These measures checked the galloping inflation. At the

\footnote{Vu Tuan Anh, n. 10, pp. 32-33.}
\footnote{Ibid.}
\footnote{Ibid., pp. 32-34.}
\footnote{Ronal J. Cima, n. 15, p. 793.}
same time the exchange rate was liberalized and allowed to find its own level in the currency market. Moreover, three different official dollar exchange rates for external trade, for inward remittances by Vietnamese living abroad, and for non-commercial transactions such as tourism, remittances of foreigners were unified in March 1989 and the rate applied to international trade was devalued from 900 Vietnamese dong per U.S. dollar in 1988 to 4,500 Vietnamese dong per U.S. dollar in 1989. The two rouble exchange rates (the transferable rouble for trade with CMEA countries, but the clearing rouble for non-commercial transactions were also adjusted accordingly. Such changes greatly increased incentives for export and import. They also provided for the smooth transferability between the Vietnamese dong and foreign currencies within the country.76 In fact, in 1989, Vietnam introduced convertible currency and despite that the inflation rate was only 35% which was 547% in 1986.77

Curbing inflation to a considerable extent was a major achievement of the Renovation. The 7th Congress noted, “Another important achievement is the initial steps taken in curbing inflation. This has been brought about by the combined results of the implementation of the three economic programmes, renewal of the management system, renovation of price and interest rate policies, expansion of circulation, and regulation of the supply-demand relationship. The average monthly price increase on the domestic market was 2.5 per cent in 1989 and 4.4 per cent in 1990, as compared to 20 per cent in 1986, 10 per cent in 1987 and 14 per cent in 1988. More significantly, this achievement has been made at a time when external sources of aid have dwindled and we have had to fight inflation while effecting a switch from State subsidized prices to commercial ones.”78

Reform of the legal system

The facilitation of market economy required a great deal of legislations as new laws needed to be enacted and existing laws to be revamped. There was promulgated a series of legal documents such as laws on private businesses, on share holding companies, on foreign investment, on banks and credit cooperatives, and other matters relating to business activities in accordance with the spirit of the right of all citizens to do business.79

76 Ibid., pp. 35-36
77 Duong Quoc Thanh, n. 53, p. 27.
78 Communist Party of Vietnam, n. 1.
79 Vu Tuan Anh, n. 10, pp. 36-37.
SOCIO-ECONOMIC IMPLICATIONS OF REFORMS

The shift from a centrally planned economy to a market economy continued throughout the period but with lots of hackling. However by 1991 things started to firm up in favour of market economy. The concept could be seen well entrenched in the proceedings of the Seventh Congress and the subsequent Assembly sessions. They made reforms ideologically correct. In the months prior to the Congress, the long-term fate of this crypto-capitalist device appeared doubtful; now it was clear that the commitment was irreversible. This was indeed the most lasting contribution of the Seventh Congress. 80

POLITICAL CHANGES

As part of its campaign for “renovation,” the VCP carried out limited political reforms under the general rubric of “broadening democracy”. These reforms which had been directed at expanding the political role of the legislature, mass organisation, the press, and cultural life, were in large part prompted by the belief that the party’s failure to deal in a timely fashion with the deformities in its economic management system was due in large part to the bureaucratisation of the political system. The reforms sought to encourage wider and more open debate and to satisfy the widespread desire for greater freedom. It was felt that if “intellectual power” were to be mobilised to solve vexing questions of economic development there would have to be freedom of thought and free debate both within the party and in the rest of society. 81 The observation in the 7th Party Congress document is pertinent here which defines the general trend of political reforms and implications thereof:

“One of the achievements of renovation has been the initial exercise of socialist democracy in different spheres of social life. The new mechanisms and policies have increased the autonomy of economic enterprises, developed the potential of the various economic sectors, and created the right conditions for everybody to freely do business in conformity with the law.

Activities in the fields of culture, information, the press and publishing have moved forward in terms of content and methods of information, research and creation, democratic discussion of differing opinions, criticism and self-criticism, and the fight against negative phenomena.

In the life of the Party, in the activities of State bodies and people's organizations, and in society at large, there has emerged an atmosphere of open and straightforward discussion, of criticism of shortcomings and errors, and manifestations of superficial democracy have been gradually overcome. Many major decisions, policies and laws have been subject to discussion by the people before being finalized.\(^8\)

Key to the understanding of the political implications of renovation is the changes within the CPV, which really occupied the driver's seat in the whole exercise.

**Reforms within the Party**

The Vietnamese Communist Party (VNCP) had been preoccupied with renewal and reorganization ever since the unification of the country. Its regimen of self-reform had included efforts to eliminate inefficient, ineffective and corrupt cadre; recruit younger, skilled and better educated members; improve party chapter-level leadership and organization; and select and train a generation of party secretaries at all levels. These reform efforts limped along since the late 1970s with an inconsistent momentum and have taken several forms, including the sustained attempts to reclassify party chapters and organized efforts to expel dead wood from the rank and file. However during 1987 and 1988 Nguyen Van Linh fashioned a comprehensive package of party reforms that was more ambitious and potentially more far-reaching than the reformist goals of his predecessors. The Political consequences of economic transformation prompted the Vietnamese leadership to shape a parallel reform within the interiors of the party.\(^8\)

During 1987-90 under the leadership of Linh, party reforms proceeded alongside reforms in economic sector. That package included efforts to empower local organizations to take on more responsibilities, parallel with the increasing economic autonomy afforded to enterprises. Linh also introduced a more flexible style of management, and increased sensitivity to modern organisational skills and management techniques, and a concomitant active support for the training of a skilled class of party managers. He sought to confine the party to a more limited role as the conscience of the revolution responsible for fashioning social and political direction

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\(^8\) Communist Party of Vietnam, n. 1.

and maintaining the integrity of the revolutionary inheritance, while allowing responsibilities for daily governance to pass to a body of qualified technicians and elected and appointed officials. Linh's aim was to guide the party towards a quality control in operational matters and membership policy, emphasizing responsiveness to direct, critical complaints against party personnel and organizations.\(^\text{84}\) The reform also focussed on confining the party to a more limited role as the conscience of the revolution responsible for fashioning social and political direction and maintaining the integrity of the revolutionary inheritance, while allowing responsibilities for daily governance to pass a body of elected and appointed officials. The reforms attempted to guide the party towards quality control in operational matters and membership policy in a manner that emphasized responsiveness to direct, critical complaints against party personnel and organisations.\(^\text{85}\)

Linh's approach to party reform was unique in several respects. He relied less on mobilisational instruments - campaigns, exhortation, symbols - and more on bureaucratically co-ordinated programmes with distinct organizational ends. Linh utilized combinations of resources to attack specific party-related problems, often calling on instruments hitherto considered external to the process of party reform to undertake the changes he set as his goals. He placed a special emphasis on restoring balance to the political trinity of the "party, the state and the people" and stressed the necessity of disaggregating the party and governmental functions - separating the church from the state.\(^\text{86}\)

In addition, under Nguyen Van Linh the effort was made to make the party more publicly accountable for policies and personnel choices, both through the activation of internal control mechanisms and empowering a long dormant media to aggressively watch party behaviour. The party sought to reinvigorate control department mechanisms at all levels with the aim of using them as ombudsmen-like structures to process the mass of complaints and accusations triggered by Linh's policy of public scrutiny of the sacred. Mass organizations were enlisted as adjuncts to the process of monitoring party discipline. The party took steps to factor itself out of the equation on issues of governance. It appeared to have supported the revision of the

\(^{84}\) Ibid., p.176  
\(^{85}\) Ibid., pp.1-2.  
\(^{86}\) Ibid., pp. 175-176.
candidate selection process in advance of the National Assembly elections, advocating a minimal role for the party in determining candidate lists.  

Linh's actions initiated the process of sharing power between members of the polity. He strongly argued that party building should properly include non-party entities. He stressed the division of state and party labour, in a manner intended to prohibit the party from tampering with governance. The adjustment of the plenary and National Assembly schedule to allow the Parliament to convene prior to the usual end-of-year Central Committee plenary session was intended to portray the Assembly as being vigorous and independent. But while Linh continued to seek means to broaden political participation by non-party entities and to maximize the independence of mass organizations, he also took pains to stress the extent to which the party would remain central to the process and would continue to exert a strategic influence.  

Linh's efforts, however, received a setback after the collapse of the Communist regimes in Eastern Europe one after another and rise of pro-democracy sentiments in China in 1989. The conservatives close their ranks and a lid was put on political reforms. Nonetheless the crisis in Communism led a rethinking within the Party. Linh asserted his party's commitment to world socialist revolution but said reforms of the country's one-party system would go on. He said, "Socialism is the inevitable path of our nation." It was made clear that Vietnam would strongly resist the pressure that swept away communist rule in many of its East European allies. "To make the party strong politically, ideologically and organisationally, we have to renovate party leadership in both contents and method." "This is the decisive factor to ensure success for our renovation." The Party newspaper Nhan Dan reported at the end of the year, "The party has interfered too deeply in state management, has reduced the effectiveness of state management and at the same time caused its leadership quality to decline." And a radio editor said, "A number of socialist countries are facing many difficulties. Our party is courageously detecting its weaknesses, shortcoming and mistakes, including serious ones, in order to effect changes for the better." A symposium convened on the "backward" Vietnamese Communist Party (VCP) urged to change the leadership and seek more democracy.

87 Ibid., pp.176-177.
88 Ibid., p. 177.
89 *The Strait Times*, January 30, 1990.
within constitutional guidelines. Participants at the symposium — organised by the Nguyen Ai Quoc National Institute in Hanoi on the VCP's 60th anniversary — said that the party was weakened by bureaucracy, corruption, and abuse of power. Determining it was imperative to improve the party's leading role and relations between the party and the people. Participants called on the VCP to "return to its origins" and remain "a Marxist party accustomed to the communist and international workers' movement".

There should be more freedom of information and speech as well as in the adoption of party resolution, participants added. The party "must lead democratically .... within the framework of the constitution and not beyond the constitution", they said. It also asked for a reappraisal of party members' moral values, and for a redefinition of the party's relationship with people's organisations. Several of the 80 speeches were devoted to "weaknesses" and "causes that diminished the confidence of the people in their party", the newspaper said. Speakers referred to bureaucracy, corruption, "the isolation of the masses", "infringement of the party on public services", and the 'false notion of a party's governing role'.

The party, on the whole, became a very different creature than it was under Le Duan. To a large extent, that was due to Linh's own activism and reformist agenda, and his distinctive operational code that placed a primacy on experimentation, openness, and problem solving.

The direction and the achievements of Renovation with regard to the Party can best be summarized by the 7th Party Congress document itself.

"The period between the 6th Congress and the present has been a time of great challenges to our Party's leadership. Faced with rapid and complex developments in the domestic and international situation, the Party has firmly held to the line of renovation, put forward and led the people to successfully implement a number of major decisions and policies related to internal and international affairs, opened a new direction for the country's development, and striven actively to overcome the shortcomings pointed out by the 6th Congress. In the process, the Party has further matured, and accumulated new knowledge and experience notably in economic and State leadership.

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91 The Strait Times, February 2, 1990.
92 Lewis M. Stern, n. 83, pp. 177-178
An outstanding feature is that within the Party there has been a renovation of thinking, especially of economic thinking. In a spirit of independence and creativeness, the Party has put into concrete terms and developed the 6th Congress Resolution, forming to an initial degree a system of concepts and principles guiding the cause of renovation in our country. In face of the complete developments in the world situation, the Party has asserted in good time the principled issues of renovation, and ensured political stability so as to successfully carry out the cause of renovation. Achievements in different areas prove that the policies and steps followed by the Party are correct, and that progress has been made by various levels and sectors in transforming resolutions into action and giving guidance in their implementation.

Ideological work has been accorded importance and has contributed to the renovation of thinking, ideological direction and the instilling of correct ideas into Party members and the people thus creating a unity of views with the Party's direction and approach. Attention has been paid to the expansion of information, use of variety of information sources and dissemination of information or new factors in the renovation process; and good experiences; while actively combating negative manifestations and erroneous concept and perceptions, and defending the Party's viewpoints.

As regards organizational and personnel work, a number of organizations have been restructured, and many key top figures of different bodies and sectors at different levels have been redeployed or replaced. A number of Party commissions, ministries committees and general departments have been streamlined, with numerous intermediate departments, sections and sub-sections being abolished. The grassroots administrative apparatus has been streamlined in many localities, as have the management boards of many enterprises and cooperatives. Party cells in the countryside have been rearranged in a more rational way, mainly on the basis of demographic areas (hamlet and the like). Among newly appointed staffs, many have played their roles effectively. Personnel work has been improved in some respects.
in the direction of broader democracy and collective-mindedness. The combining of different age groups within every leading body has been a good experience, ensuring continuity within the body of officials.

The implementation of resolutions on Party building, the *rectification campaign to purify the Party ranks*, especially the recent round of political discussions and congresses of Party organizations at different levels, have promoted inter-Party democracy, consolidated the Party's grassroots organizations and increased the knowledge and working capacity of Party members. Till now, although a section of the Party membership has become retrogressive and corrupt and some others are ineffective, the majority of Party members of whom the nucleus are the corps of key personnel from the central to grassroots levels continue to preserve their political quality, agree with the Party's direction and approach, endure hardships and overcome difficulties, and strive to put the Party resolutions into action.

There have been improvements in the *leadership mode* on the basis of a clearer perception of the Party's leadership functions, the State's management functions and the functions of people's organizations, and of respect for the role and rights of State bodies and people's organizations. There have been fewer cases of work overlap and confusion of functions.93

The first remarkable thing about the reforms process in Vietnam was that it very clearly and consciously eschewed the path of pluralist party system. The party maintained its sway like it was done in China. And the approach towards reforms within the party and reforms in the party did continue but with lot of vacillation. The conservative pull is discussed in detail in the next chapter. Nonetheless the year 1991 marked the consolidation of the ongoing process. The guidelines under which the commission revising the Constitution was operating, according to its chairman, Vo Chi Cong, were, first, the party remained the "leading force" of the state and society, i.e., it was supremely sovereign; second, the government was to be unilocular in that there was to be no legal division of administrative power among executive, legislative, and judicial branches; third, the political "form" of the Vietnamese

93 Communist Party of Vietnam, n. 1.
society was as a "socialist democracy"; and fourth, all changes in the Constitution must be in harmony with the doctrine of do; mo; (renovation). The closest the document came to defining socialist democracy was to describe that as a political system in which the People were the master, the State was the manager, and the Party was the leader. The sense of this was that the party was policy planner, monitor of programs, and moral goad; the state was the implementing instrument.94

Renovation of the State apparatus

While the reforms within the Party was the crucial and key to reforms in each sector of the society, polity and economy, the commensurate changes in the government structure were corollary to those reforms but at the same time necessary in order to actualize the spirit and form of the reforms. Prime importance among the political institutions was indeed the National Assembly, supposedly the highest representative body of the people.

Changeover of the National Assembly

A major objective of democratisation was to turn the rubber-stamp National Assembly into an active legislative and representative body. In theory, the Assembly is the supreme authority in the Vietnamese state structure, but until the 1980's, its legislative function was discounted by VCP leaders. Its two annual sessions were purely formal affairs at which deputies unanimously approved measures adopted earlier by a plenum of the Party Central Committee.95 The Assembly was an instrument for mobilizing public opinion and motivating rank and file to support party plans and programmes. Its operational instruments were the mass organisations, primarily the Fatherland Front. In the mid-1980s, the party realized that it and its elitist cadre corps acting alone could not manage all, control all, solve all problems. Hence, at the Sixth Congress in 1986, the party began a concerted effort to transfer some of the burden of rule to the National Assembly. The Assembly leadership responded by asserting that if the Assembly was to assume new duties and responsibilities it also must have greater authority. Concessions were made and the increased responsibility was matched by new political latitude for the Assembly. The favorite jargon used by the press for this change - the Assembly's role of converting party line into action programs - was concretize, as in "to concretize major lines and

94 Douglas Pike, n. 80, p. 77.
95 Gareth Porter, n. 81, p.81.
policies set forth by the Party and turning them into legal documents to serve daily life in the spirit of renovation."  

After the Sixth Party Congress, National Assembly deputies began to question and criticise individual government ministers in public for failing to halt the skyrocketing prices of essential goods. At the first session of the next National Assembly, in 1987, former National Assembly Chairman Nguyen Huu Tho made it clear that henceforth the party’s leadership over the Assembly would be through persuasion on the part of the party members within the body, i.e., that the party’s views would no longer be imposed on the entire membership. He announced that unanimous votes would no longer be required on some substantive issues, and that secret balloting would be used for the first time, so that deputies could exercise their own judgement. General Secretary Linh criticised the “formation and bureaucratism” of previous Assemblies and insisted that elected bodies must no longer be presented with “faits accomplis” that required a ‘rubber stamp’.  

Election of the chairman of the Council of Ministers (i.e., the premier), which had previously been a pro-forma affair, began to take on a competitive dimension. In the 1987 election of Pham Hung to the post, some deputies for the first time supported candidates other than the winner. And the following year, press observing the entire session for the first time, the Assembly moved closer to a real contest for the leading state position: acting Premier Vo Van Kiet (Pham Hung had died) received 168 votes to Do Muoi’s 296, despite the fact that Do Muoi was clearly supported for the post by the Council of Ministers. Kiet and Nguyen Co Thach, both of whom were nominated, asked to withdraw from the election to make it unanimous, but many delegates insisted that there be at least two candidates from whom to choose.

At the December 1988 session of the Assembly, the newly accepted principle that the party would set only general orientations on policy issues and allow the Assembly to legislate without direct interference was put into operation for the first time. In fact there was no Central Committee meeting preceding the session and therefore there was nothing really to rubber stamp, and the Assembly proceeded to debate issues in an unprecedented frank manner. By 1989, all group meetings as

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96 Douglas Pike, n. 80, p. 76.
97 Gareth Porter, n. 81, p. 81.
98 Ibid.
99 Ibid., p. 82.
100 Ronald J. Cima, n. 15, p. 788.
well as plenary sessions of the Assembly were being reported live on radio and television, and there were heated debates on such controversial issues as whether or not private newspapers were necessary to ensure press freedom and who might appoint or dismiss a newspaper's editor. The Assembly voted separately on each of the controversial articles in the press bill. The Assembly also voted to postpone final passage of a trade union bill, recommending further consultation with the unions and revisions before its resubmission in the next session.\textsuperscript{101} National Assembly was no longer regarded as rubber stamp of the Party. No more unanimity was required in the decision making and secret balloting was introduced. The National Assembly was to represent people in order to solve their problem. In 1987 many non-Communists were elected to the Assembly.\textsuperscript{102}

The 7th Nation Congress noted, "Law-making activities have been stepped up. Over the past four years (up to the end of 1990), 24 laws and 33 decrees were promulgated by the National Assembly and State Council. The sessions of the National Assembly have given a clearer expression of democracy and the rights and responsibilities of people's deputies. The National Assembly's supervisory functions have been strengthened and made more efficient."\textsuperscript{103}

The momentum kept on building. Finally at the Ninth Session of the Eighth National Assembly (July 27-August 12, 1991) really acted like an orthodox legislature than agitprop instrument. Party Secretary General Do Muoi himself outlined what the party then expected, making two basic points. First, the Assembly was to establish a fully codified system of government based on the principle of constitutionalism, replacing what had been, in effect, government by party fiat. Rule of law was to prevail. While governing in Vietnam would remain authoritarian in nature, but be under a clearly enunciated, firmly installed set of laws and administrative regulations. The mechanism for this, Do Muoi said, was to be the Constitution, amended as to be virtually become a new document. Second, administrative authority was to be shifted from party to state, through the National Assembly. The party would continue to fix policy (the party line) but the Assembly would have full responsibility and the necessary authority for implementing it. It was to have great latitude in determining how programmes were to be implemented and considerable freedoms in enforcing

\textsuperscript{101} Gareth Porter, n. 81, p.82.
\textsuperscript{102} Ganganath Jha, n. 47, p. 382.
\textsuperscript{103} Communist Party of Vietnam, n. 1.
changes in policy. In practical terms, this was political power that the Assembly had never had before.  

*The Council of Ministers*

The Council of Ministers and people's committees at various levels took basic steps in renewing their mode of operation, performed better in governing and managing the State by means of the law, and succeeded in solving many major economic and social problems. The Council of Ministers and different ministries attached importance to guiding operations at the macroeconomic level, and restructured the organizational apparatus of ministries, general departments, and specialized bodies at provincial and district levels.

*Armed Forces*

In implementing the 6th Congress Resolution and that of the Political Bureau on the task of national defence, military and national defence work underwent important changes. Starting from the concept of the people's war, a major strategic readjustment was effected, including a redeployment of forces on a nationwide scale, creating a rational defence posture, strengthening of the defence capabilities in crucial regions, and step-by-step establishment of provincial and city-level defence zones. The armed forces had been streamlined to a substantial extent with a reduction of more than 600,000 to the standing army; at the same time, attention had been given to consolidating reserve forces and enhancing the quality at the militia. Defence enterprises and the army's economic organizations had taken initial steps in switching over to the new management system, made efforts to fulfil the annual plan, thus contributing to ensuring national defence and participating in national construction.

The reforms also implied reflection of peaceful intentions in the international relations. The unconditional withdrawal from Cambodia in September 1989 was the decision in that direction and decided to reduce its armed forces drastically at least by 50 per cent.

Results obtained in the military and national defence sphere had a positive impact on the carrying out of strategic tasks in national construction and national defence, and created favourable new conditions for economic construction.

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104 Douglas Pike, n. 80, pp. 76-77.
105 Communist Party of Vietnam, n. 1.
106 Ibid.
107 Ganganath Jha, n. 47, p. 383.
The People's Security Force, the shock brigade and key core in the struggle to safeguard security and order, went through the first stage of consolidation in the political, ideological and organizational fields. The force had been renovated in its concept of serving the people and the tasks of socio-economic development. Their combativeness, work style and sense of organization and discipline had been enhanced; grassroots and part-time forces had been further consolidated and strengthened.\textsuperscript{109}

\textbf{Bureaucracy and justice delivery system}

Corrupt bureaucracy working under party umbrella was dealt with firmly. Bureaucracy was to be more accountable and responsive.\textsuperscript{110}

The work of courts and procurators' offices has been further enhanced. Many organizations which complement the work of the tribunals have come into being.\textsuperscript{111}

\textbf{Mass Organisations}

Mass organisations in the Vietnamese political system had served primarily as means to persuade various social and economic groups to carry out party lines and state policies. Each of the mass organisations - the Federation of Trade Unions, the Ho Chi Minh Youth Union, the Collective Peasants’ Union, the Women’s Association, the Fatherland Front - long remained under firm party control. Party Central Committee members held key leadership posts in these organisations, and ‘party groups’ dominated their executive committees. In addition, they were explicitly required in their statutes to base their activities on the party’s line and policies. Naturally when the “renovation” campaign started, mass organizations were held bureaucratized and undemocratic institutions that had lost touch with their constituencies. Nguyen Van Linh noted that trade unions were actually ridiculed as “the fifth wheel” in enterprises.\textsuperscript{112}

The VCP sought for ways to reform the structures and roles of mass organizations and their relationships with the party and the state without losing control over them. Party officials suggested that the youth union needed to “organize independent bases capable of carrying out activities on their own initiatives”. Noting that the Federation of Trade Unions was originally set up on a “wartime configuration” as a highly centralized “command system”, a party official proposed in

\begin{flushright}
\textsuperscript{109} Ibid.
\textsuperscript{110} Ganganath Jha, n. 47, p. 380.
\textsuperscript{111} Communist Party of Vietnam, n. 1.
\textsuperscript{112} Gareth Porter, n. 81, p. 82.
\end{flushright}
August 1988 that the system be reorganized along occupational trade union lines, with a “central council” whose members would be elected by the occupational unions themselves rather than at a central congress. The official organ of the federation, Lao Dong, called for the elimination of “an incorrect notion of one-way unity between the federation and the state,” i.e., complete subordination of the labour union organization to the state. And writers in that newspaper challenged the traditional notion that the role of trade unions was to be a “school of socialism,” arguing that their role should be to defend the interests of their members, because the state was inevitably bureaucratic. The law on trade unions passed in 1989 declared both roles legitimate, but did not specify which the priority role was. ¹¹³

One concrete result of the criticism of “formalism” in mass organizations was the transformation in 1988 of the former Collective Peasants’ Union into a “National Peasants’ Union” (NPU) open to all farmers, whether members of cooperatives or not. At least one cadre of the NPU claimed that its purpose was to “protect poor peasants from exploitation by local cadres.” At the organization’s first congress, held in March 1988, delegates argued that peasants should be guaranteed at least 40 to 50 percent of their crop, and that the cooperative management apparatus should be reduced by at least half. Delegates further complained about the prices paid by state commercial enterprise and the failure of the latter to make payments promptly. But party chief Linh made it clear in his speech to the congress that the organization would not be allowed to make demands that would conflict with the overall national interest in keeping down food prices. ¹¹⁴

And the ⁷th Congress on the new spirit within the mass organization, “Since the ⁶th Party Congress, and especially since the ⁸th Plenum of the Central Committee, the Fatherland Front and people's organizations have attempted to renew their organization and activities. The congresses of many organizations have been held in a spirit of renovation, democracy and unity. The people’s and social organizations have attached importance to uniting and mobilizing their members to join efforts to solve problems of practical interest. A step has been taken in restructuring the apparatus of such organizations at various levels. Many new social and professional organizations
have come into being, attracting large memberships and taking an active part in social activities especially at grassroots level.\footnote{Communist Party of Vietnam, n. 1.}

**Decentralisation**

The new economic order that emerged in the 1980s was one in which state cadres in the middle levels of government rather than the state planners at the top gradually became the agents for mobilising and allocating resources. It was at this level that capital accumulation took place, with economic benefits also trickling down to lower levels. Since party cadres held key positions in state institutions, members of the VCP became the chief beneficiaries of the new order. One such group was the directors of profitable and economically viable SOEs. A second group comprised state officials at all levels of government at the central level; they were in ministries responsible for key production sectors (energy, transportation, forestry, industry and commerce); locally, they were in key positions in all three tiers of local government. Finally, the endorsement in 1986 of the concept of a multisectoral economy gave rise to new economic groups and economic activities in the non-state sector. Economic reform in the 1990s further fostered the horizontal relationship between state and non-state sectors, with this alliance referring to both actual exchanges between the sectors and the increasingly mixed nature of state and non-state capital.\footnote{Thaveeporn Vasavakul, n. 65, p. 46.}

The demise of the central planning system and the rise of a new market-based economic order gave rise to a new pattern in Vietnamese politics. With diminishing resources coming from the centre and with the relaxation of some aspects of administrative control over production activities, the existing vertical administrative and economic ties disintegrated. Politics during the period of transition from central planning was characterised by high local autonomy devolving on middle-level cadres, the expansion of horizontal connections, and the bypassing of existing rules and regulations imposed by the central government. The policy-making process gradually switched from a top-down approach featuring negotiations among Politburo members at the top, bargaining between planners and production units, and mobilisation of the masses at the local level to achieve policy implementation, to an approach characterized by initiative from middle-level units. These cadres solicited endorsements for projects from high-ranking officials, whose support in turn was conditional on the potential for success. They also succeeded in integrating parts of
the state and non-state sectors by allowing some trickling down of economic benefits. The collapse of the central planning system created an administrative vacuum that then allowed state cadres at all levels to use their administrative positions to mobilise and reallocate incoming resources. These government officials became the main actors in the process of law-making and law implementation in their areas.\textsuperscript{117}

Thus there was a process of political rearrangement in the spirit of renovation and for the sake of renovation, which meant delimiting the functions of the Party, expanding the role of the government, decentralisation, enacting a body of proper statutes, ensuring the rule of law and enlarging the scope of freedom. The political reforms had in fact wider ramifications some of which have been discussed below under the subheading social implications.

\section*{SOCIAL IMPLICATIONS}

The social implications of reforms both positive and negative started to appear along with the evolution of the market economy, though they were not as direct as the economic implications. The period under study clearly reflected the social changes taking place and consolidating. This chapter deals with the positive social outcomes of the reforms whereas the negative fallouts have been discussed in the next chapter.

\subsection*{Enrichment of social life}

The 7\textsuperscript{th} Congress marked considerable enhancement in people's life in general. The document stated,

"Life has become more stable and somewhat improved for a considerable section of the people as compared with the five years ago, but generally speaking it is still hard. Since late 1988, the staple food problem has been better solved on a nationwide basis. The market in non-staple foods is better supplied. Demand for clothing is being better met. A section of the population, both in towns and villages, has had better housing. Household conveniences are now more available for many families. People find that travel is easier. Some aspects of intellectual life have improved, such as the freedom to carry out business in accordance with the law, the right to ownership of legitimately earned income, participation in the making of major

\textsuperscript{117}Ibid., pp. 46-47.
decisions by the Party and the State, broader access to two-way information, etc.

A section of the population has legitimately-earned high incomes thanks to business skills or the export of labour. Over the past four years and more, to meet people's living needs, we have mobilized and utilized the energies of the whole society, encouraged working people to increase their incomes and prosperity through legal means, and accepted the existence of gaps in income resulting from differences in labour productivity and efficiency. That is a correct cause which has created a driving force for development and raised the general living standards of society. In the field of education and training, there has been some progress regarding the clear definition of the aims, contents; methods and structure of the educational system. Initial results are shown by the gradual diversification of education and training models, democratization of school management and the greater integration of schools with society. The contents of general education have been partly renewed; the quality of the first and second grades and of specialized schools and schools for the gifted has improved. University education and vocational training have been reorganized and somewhat improved. Thanks to the efforts made by the teaching profession, investments by the State contributions from the people, the work of education and training has been maintained and in some respects stabilized of developed. The total number of school pupils and students has reached 15 million, accounting for nearly a quarter of the population.

The public health service and the enhancing of the people's physical strength have been maintained despite numerous difficulties. Primary health care has made progress. Extended immunization programmes for children have been successfully carried out on a national scale by the health service, showing encouraging results, bringing down the mortality rate among children under one year old. We have also obtained initial results in the implementation of the decision to protect the people's health aimed at solving fundamental and urgent problems, especially the fight against infectious diseases
and malnutrition, and the maintenance of environmental health, while dealing with diseases peculiar to a country embarking on industrial development. The popular drive for physical education and sports have been sustained and expanded in many localities.

Cultural, literary and artistic activities are now richer in content and more varied in form and genre. Some good works of literature and arts have been produced. Writers and artists, from different generations have made contributions in the cause of renovation. The initial promotion of democracy in cultural, literary and artistic activities has brought about favourable conditions for creative work.\footnote{Communist Party of Vietnam, n. 1.}

\textbf{Creeping Pluralism}

According to Gareth Porter Vietnamese society underwent a process of "creeping pluralism" different ways. In 1989, the SRV's first private university, Thang Long University, was permitted to be established in Hanoi. Several state-run universities in South were permitted to elect their own rectors rather than having them imposed by the state as in the past. There were also plans to open other private schools for medicine and social work in Ho Chi Minh City. When in May 1989, as Chinese youth occupied Beijing's Tiananmen Square, university students in Hanoi organized "teach-ins" to air complaints about their curriculum as well as their living conditions. The government responded rapidly with an increase in food allowances for students.\footnote{Gareth Porter, n. 81, p. 84.}

Although SRV politics was not pluralistic in the sense that political groups could freely organize, the germ of one independent political organization started to emerge in the form of the "Club of Former Resistance Fighters," an association of former officers of the revolutionary army, all of whom were party members. It first organized in Ho Chi Minh City in 1983 and later set up branches in surrounding provinces led by Gen Tran Van Tra, a zone commander in the South throughout the resistance wars against both France and the United States and the military governor of Saigon immediately after conclusion of the latter, the organization began requesting official recognition in 1985, but was ignored by the government. In 1988, the club sent a letter to the Central Committee and the National Assembly urging that a
genuinely democratic election - free from pressure from party leaders - be held for premier. The club’s leaders hoped to help Southern reformist Vo Van Kiet defeat the party leadership’s choice, Do Muoi. They implicitly accused Muoi of having committed “serious errors which have had long-term disastrous consequences” – a reference to his role in the harsh campaign for the socialist transformation of trade in the South after 1978. In 1988, the club did not call for pluralism, since it regarded itself as a “pressure group” within the VCP. It did, however, attack the party for failing to practice openness and for various socio-economic policies. In March 1990, the government finally gave the organization official recognition as the Vietnam Veterans’ Association.120

Relative freedom for publication and cultural activities

Before the mid-1980s, newspapers were used by party leaders and bureaucrats to make themselves look good. However, in the run-up to the Sixth VCP Congress, as part of the ‘renovation’ process, there were calls to end such blatant propaganda and to allow a more critical press, with more expression of contrasting views. The press was now conceived as “the voice of the party” which also “reflects the voice of the people. Journalists were encouraged for the first time to investigate the cases of wrong-doing by prominent state and party cadres, to reveal the oppression visited on the public by the state apparatus, and to expose the unvarnished social and economic realities of Vietnamese life. Newspapers began publishing in-depth investigating stories and critical analyses; interviewers even peppered party officials with embarrassing queries regarding questionable practices in their localities. And there were lively debates on major political issued in many newspapers.121

Linh was adamant about the need to end secrecy and to subject the entire policy-making structure and leadership to an open, public process of inspection. He urged full media coverage of attempts to root out corruption, and endorsed a prying style of journalism in sensitive and hitherto sacrosanct realms including the process of cadre selection and personnel advancement within the party and the government. Linh defended his style by arguing that essentially unrestrained publicity was one means of accelerating the reforms. An open media would prompt an outpouring of complaints and confessions and bring to public and official attention cases of organizational and cadre deficiencies and policy weaknesses that otherwise would have remained hidden.

120 Ibid, pp. 84-85.
121 Gareth Porter, n. 81, p. 83.
He steadfastly rejected the argument, made with increasing frequency in 1988, that his penchant for public criticism of the party ran the risk of discrediting the institution.\footnote{122 Lewis M. Stern, n. 83, p. 172.}

Paralleling the enlargement of the sphere of press freedom was the emergence of greater freedom for writers and artists to reflect in their works current economic realities, as well as their personal visions. Writers are increasingly choosing themes based on their own lives rather than on the party lines and writing in styles far removed from the “socialist realism” that had been in official favour. For example, the most popular plays in the latter half of the 1980’s portrayed war heroes returning to spiritual emptiness and alienation. They also depicted party officials as petty, narrow-minded, and arrogant. For the first time, plays in Hanoi played to packed houses.\footnote{123 Ibid.}

Many of the restrictions on literary publications were dropped. Popular literary works by anti-Communist authors of the pre-revolutionary period – such as Nhat Linh and Khai Hung - that had been banned previously were later allowed to be published. And writers and artistes became more vocal in demanding freedom. At a meeting with Nguyen Van Linh in October 1987, they complained that party leadership over culture had been “undemocratic, despotic, and overbearing” and called for an “untying” of culture from party control. Linh accepted the legitimacy of their complaints and pledged to take “remedial action and institute legal documents. The Politburo resolution on cultural policy issued a few weeks later put new emphasis on freedom for writers and artists and pledged that with the exception of those works that were “anti-people, anti-socialist, or anti-peace,” literary works “have the right to be freely circulated and placed under the assessment and judgment of public opinion and criticism.” Although publishing any book or periodical without specific government license was still illegal, the new atmosphere of relatively free debate emboldened many individuals and groups to do so. In 1988 an investigation by the Interior Ministry found that of the more than 400 newspapers being circulated; one half were licensed, and that nearly 40 percent of 62 books published in 1987 were “illegal”.\footnote{124 Ibid.}

**Space for Freedom**

A new culture with the democratic content of dissent and protests also surfaced in Vietnam. In South Vietnam the unrest since the end of the Vietnam War...
and the first officially reported public protests in Communist Vietnam occurred in 1988. Beginning in July, the demonstrations were held in district and provincial capitals throughout southern Vietnam, culminating in a Ho Chi Minh City protest in November that involved 300 farmers carrying banners demanding the ouster of local "mandarins" and the return of confiscated farmland. The protests stemmed from disputes arising from landowners who were dispossessed in the 1983 agrarian reform and were taking advantage of a new agricultural management reform to reappropriate their former properties. A Central Committee decision in April 1988 to cut back state cooperatives and farms whose size made them impossible to manage and to redistribute the land to peasants, although a popular decision, touched off numerous instances of re-appropriation. Many former landowners, from whom land was seized during Hanoi's collectivization drive in the late 1970s, forcibly reclaimed what was originally theirs from peasant beneficiaries of the state's change in policy. 125

And there was marked openness about showing disaffection with the regime. The October 1988 meeting of the Congress of National Trade Unions was extremely critical of the government's economic failures, particularly low labour productivity, the inefficiency inherent in a production system where equipment operated at an average 50% capacity, and the slowness of the food transportation system where deliveries were often up to three months late. Delegates openly proclaimed that they would no longer tolerate the falsified reporting caused by higher echelon not wanting to hear about problems and difficulties, and bluntly demanded that party officials explain the reasons behind the difficult conditions of the people. 126

The voices calling for change also had been coming through. A southern-based "club" of veteran revolutionaries had been circulating a newspaper berating the government for economic bungling and corruption. Headed by Tran Van Tra, the general who led the triumphant communist assault on Saigon in 1975, the dissident group wanted a more liberal government. Its opinions worried Hanoi. In January 1990, Linh actually called on club members in Ho Chi Minh City. Among the most outspoken critics of the government was Writers' Association secretary general Nguyen Dinh Thi. At the association's congress in October 1989 he complained

125 Ronald J. Cima, n. 15, p. 787.
126 Ibid., pp. 787-788.
openly that "lack of internal democracy and erroneous, rigid, narrow-minded and simplistic viewpoints" had cramped literary development.\footnote{127}{Vietnam: Mulling Over Marx's Future,} \textit{AsiaWeek}, January 26, 1990.

\textbf{Social Change}

Economic restructuring had rather direct bearing on the social structure particularly in terms of the trades, professions and incomes. The market economy required professionals for various types of jobs. Overall there was an expansion of employment and greater variation in the opportunities available. Simultaneously there was a change in the values hitherto used in evaluating the social positions of the trades and professions as well as of individuals in society.\footnote{128}{Vu Tuan Anh, n. 10, p. 57.} The similar changes were visible in rural areas too. Rapid changes also occurred in the division of labour, trade structure, forms of economic sectors and services in rural areas to say nothing of emigration, transfer, of labour, income differentiation, and so forth. These changes were very conspicuous in areas adjacent to towns and cities and in the plains as well. Thus while in the past the rural economy moved around agricultural co-operatives, now economic activities in the countryside involved many individuals, households, and collectives, with households playing the essential role.\footnote{129}{Ibid., p.18.}

The number of people engaged in business, trade, and in the service sector, who were formerly not held in esteem by society, began to increase. Small and medium-sized private businesses received a stimulus from the state and they began to draw in young people who previously would have preferred to work in the state-managed economic sector or state-run offices. The economic activities also created greater income for many people involved in it. Their higher income brought buoyancy in the market.\footnote{130}{Ibid., p. 59.}

On the social from new idioms of social relations and emergence of new structures were clearly visible. It meant more jobs, more variety of jobs, freedom from regimentation, and more freedom. And it meant new social values and institutions.

The overall impact, which involves the implications of the Renovation, can first be seen as it was summarized by the 7th Nation Congress document.

"To sum up, after more than four years of implementing the 6th Congress Resolution, we have recorded very important initial achievements."

\footnote{133}
The political situation of the country is stable.

The economy has gone through positive changes: a mixed commodity economy has been established to an initial degree and is evolving in accordance with a market system under State management; many production sources of society have been tapped more adequately; inflation has been curbed to a certain degree, the material and intellectual lives of a section of the people have improved somewhat. As compared with past years, the crisis has been reduced.

Democratic life in society is developing more and more. The structure and mode of operation of organizations in the political system are being renovated in the direction of promoting internal democracy and the people's right to mastery, enhancing the power of elected bodies, increasing the managerial efficiency of administrative bodies, at all levels, and initially consolidating the Party while renovating its leadership over the State and society.

National defence has been firmly maintained and national security ensured. We have made gradual breaches in the economic and political blockade and expanded our international relations, creating a more favourable environment for national construction and defence.

The achievements mentioned above have proved that the line of renovation set out by the 6th Congress is correct and that the steps taken in the renovation process are basically appropriate. Through experience, we have gained new knowledge and important experience on the path of building socialism in accordance with our country's characteristics. This constitutes a very important basis for continued progress.\textsuperscript{131}

The most important implication of the Renovation was indeed what it was meant for. Vietnam underwent a remarkable and stable economic turnaround. This development was regarded as one of the more dramatic turnarounds in economic history. Vietnam moved into a new period of growth and development, successfully putting behind it the long-lasting recession and economic crises of the 1970s and 1980s unlike the economies of the former Soviet Bloc, Vietnam passed through the

\footnote{\textsuperscript{131} Communist Party of Vietnam, n. 1.}
initial years of transition without experiencing a major economic recession and with its inflation rate generally trending downwards. Developments in the early 1980 created a favourable environment for the market-oriented reforms to follow. By 1992 Vietnam and China were outstripping other transitional economies in their progress towards un inflationary rapid growth. Vietnam was able to achieve this outcome without sacrificing even short-run real growth - unlike China, which experienced episodes of recession during its post reform period.\footnote{Le Dang Doanh, "Economic development and prospect," in Suiwah Leung (ed.), n. 29, pp. 6-7.}

The Renovation indeed marked a radical departure from the earlier mode of ideology and praxis. It clearly reflected the pragmatic approach of the Party and its resolve to break the impasse created by its dogmatic approach to issues of economy and polity. Nonetheless the departure was not in the direction of market economy per se and multiparty democracy. Yet the process despite its restricted nature and uneven approach unleashed the productive and creative energies of the Vietnamese people. But at the same time the process faced a number of shortcomings and dilemmas, differences of opinion and challenges, which have been discussed in the next chapter.

The Renovation as it was intended unleashed the economic potential of Vietnam and its people in particular. There was a dramatic turnaround in economic conditions. Industries revived and agriculture moved from deficient to surplus in production. Particularly the tertiary sector witnessed an explosive growth, which speaks volumes of the entrepreneurial acumen of the Vietnamese people, as this sector involved mainly private companies and individuals in their private capacities. The growth of this sector otherwise too was an indicator of economic growth by itself.

Another remarkable aspect of the reforms during this period was that they succeeded despite hostile conditions and inclement weather conditions. Withstanding the shock of the loss of economic backing of the CMEA countries and the Soviet Union, which was the mainstay of the Vietnamese economy, was indeed the greatest achievement of Doi Moi and which established beyond doubt its legitimacy. In fact they were the reforms, which enabled Vietnam to resolve various problems.

The most important contribution of Doi Moi was the shift towards the mixed economy in which all the four sectors of the economy, viz. the state, the collective, the private and the joint received equal treatment. This was the biggest departure from the earlier dogmatic approach in which all-round socialist transformation was the
overriding concern. The new approach opened the productive capacities of the nation and its people. As a result of this policy while state sector stagnated and the collectives declined, joint and private sector received robust boost.

At the theoretical level too, the changes were dramatic. The superiority of the market economy was acknowledged and the role of the state and the entrepreneur were redefined. The State became from a controller of the economy to a regulator with restricted role. And the direct planning was changed to indicative planning. In order to facilitate the market operations, a gamut of reforms were undertaken which involved fiscal, monetary, banking, legal reforms so on and so forth. The objective was to establish the rule of the law in the country in place of the rule by the Communist Party.

At the level of the State apparatus, in the spirit of renovation and in order to facilitate renovation a whole lot of changes were brought about. The party underwent periodic campaigns in order to curb corruption and other abuses of offices. More importantly the role of the Party was redefined. It was seen as, in the words of Pike, “….. policy planner, monitor of programs, and moral goad; the state was the implementing instrument.” Now there was clarity about the separate functioning of the Party and the government. The National Assembly was resurrected from a stamping instrument to a deliberative body, autonomously functioning and even criticizing government. Other branches of the government like the Council of Ministers, courts and bureaucracy were also revamped. Centralism was reduced considerably in favour of decentralization. There was also considerable demilitarization.

Though the impact of reforms takes time to mature in social realm, the results could be seen even during the period under study. There were clear evidences of the enrichment of social life, creeping pluralism and space for freedom. There were better civic amenities and more accountable delivery system in place. There were more and variety of jobs. There also emerged a new idiom of social relations and new valuation norms of social positions. Overall it was the Vietnamese innovativeness that created a new and improbable combination of market socialism without any significant social strain and a new social order for the betterment of the people and for the better security of the nation.