CHAPTER 5

CHALLENGES OF REFORMS

The renovation was not a smooth linear process. It witnessed many ups and downs in which several factors including inclement weather conditions played their role. The main challenge, which the leadership faced, however was the differences between the old guards and the young reformists within the party. Since the very turn of the 1970s the divergence of views was quite visible but the conservatives held their dominant position. It was basically the change of leadership and the precipitating economic crisis, which ultimately paved the way for the reforms. Nonetheless the conservatives remained a force to reckon with and their pulls were strong enough to thwart or slacken many a reformist measures. As the reforms unfolded there emerged other challenges and dilemmas. These issues, which surfaced in the course of the reforms, are part of the thrust area of the present study, i.e., the implications of the reforms.

BASIC CHALLENGES AND DILEMMA

Vietnam launched the reforms but only by overcoming the strong pull of the conservatives who did not want to deviate from the fundamentals of Marxism-Leninism.1 The country did embark on the path of the reforms but it did not have any such precedent to guide it. It moved by following which is known as trial and error method.2 At the same time, Vietnam did all these amidst continued isolation from the West; it did not have the support of the multilateral financial institutions either, so crucial for such efforts.3 Not a lesser challenge was economic chaos Vietnam had reached by the mid-1980s with uncontrolled inflation, persistent foreign exchange deficits, cyclical agriculture problems, food shortages, and a weakening of the ability of the central government to command necessary resources through taxation.4 These were the challenges and the dilemma with which Vietnam started and which persisted during the initial years of the reforms.

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3 Ibid.
The fundamental challenge to Vietnam’s reforms originated from their lack of experience in open economic affairs. Vietnam’s history saw incessant wars waged till the mid-1970s for country’s independence and unity. Partially on account of this, many generations of Vietnamese had missed out the opportunity to learn and accumulate experience in the field of economics. North Vietnam’s centrally planned economy was based on the models of the Soviet Union and other socialist countries though this model was greatly altered by war circumstances. In South Vietnam, a liberal economy, colonial in structure, continued to survive and relied on preferential aid and assistance from the powers that participated in the war.\(^5\)

The nature of Vietnam’s reforms was not merely one of switching from an old model that no longer worked to one borrowed from another country. In fact, elements of the old model were discarded and replaced by elements deemed to be more suited to Vietnam’s circumstances, and this it did by trial and error. As there was no ready reform scenario or general “road map” available that Vietnam could use as a guide, it had to work out its own short-cut action plans, treading slowly and tentatively, and ready to shift gear when necessary.\(^6\)

**Political and Economic Isolation of Vietnam**

Vietnam’s reforms happened in the context of political and economic isolation. External economic support for the reform process was negligible. Aid and credit from the East European countries and the former Soviet Union countries were receding and were finally cut off when these countries began their own reform programmes. Powerful international financial institutions such as the World Bank, the International Monetary Fund and the Asian Development Fund had provided no assistance except for consultations. Aid from bilateral government agreement had been channelled mostly for social purposes.\(^7\) Foreign private investment could have helped solve part of the problem, but the investment did not materialize due to the US sanctions.\(^8\) Furthermore, the economic blockade and embargo against Vietnam and the involvement of the country in various political and military conflicts, had compelled it to consume many resources that

\(^5\) Vu Tuan Anh, n. 2, p. 1.  
\(^6\) Ibid., p. 9.  
\(^7\) Ibid.  
\(^8\) Q Dinh, n. 3, p. 532.
could otherwise be used to fuel its economic growth and development. The absence of a secure and friendly international environment had been a great handicap to the reforms.⁹

The Vietnamese leadership in the immediate post-war period was split between those who stood for ideological purity and insisted on an immediate transformation of the South Vietnamese economy to socialism and moderates or pragmatists who favoured making concessions and offering capitalist incentives, especially to increase agricultural production in the south. As a result, economic policies vacillated from token liberalism in 1975-76 to rigidity in 1976-79 and then back after 1980 to limited private trade and manufacturing and practical incentives to farmers.¹⁰ Throughout the 1980’s, the Politburo was divided between those who believed that the state should not maintain tight controls over production and trade in violation of objective economic laws and those who were primarily concerned with maintaining the supremacy of the state sector in the economy. Debates focused on price policy; and the relative roles of state and private sectors in industry; and the proper roles of administrative measures and of supply and demand in distribution. At the beginning, the proponents of economic liberalization were outnumbered and outranked in the Politburo. Kiet and Linh were members of the younger generation of the party leaders in the Politburo, who called for urgent and far reaching changes in the economic management mechanism. The Politburo did not accept any of their proposals and instead supported conservatives. Linh’s subsequent unexplained removal from the Politburo in 1982 coincided with this shift of the VCP leadership toward a harder line on the private sector.¹¹

From the autumn of 1979, when the Communist Party of Vietnam (CPV) adopted its Sixth Resolution, the country’s pragmatic leadership had frequently called for bung ra - an "explosion" in creative initiative to develop the economy. In the ensuing years, private initiative gave a remarkable boost to agricultural and handicraft production under the impulse of material incentives, even the traditionally stagnant state sector had shown some vitality.¹² The leadership was proud of the economic turnaround resulting from

⁹ Vu Tuan Anh, n. 2, p. 9.
¹¹ Gareth Porter, n. 1, pp. 75-76.
pragmatic policies, and clearly it had no intention of turning away from a proven path. But it was also clear that an influential section of the leadership was concerned that the unbridled growth of the private economy was threatening the socialist system. Not only was private enterprise thriving again in the south but capitalism was rearing its head even in the north which had long completed its socialist transformation. There was a serious and continuing struggle over what should be the right mix between economic benefits and ideological purity. A remarkably candid article in Tap Chi Cong San (September 1983) described the two extremes in the debate as believers in 'subjective idealism and intellectualism," and as "selfish, narrow-minded pragmatists." While the first school was overly concerned with the deterioration of socialist ideology and neglected economic interests and economic considerations, the pragmatists emphasized economic levers and economic interests and belittle the role of ideology. The article, in a fashion typical of the CPV, warned against both tendencies, but it was clear that at that stage the pragmatic school posed the greater danger since it affected both the masses and party cadres. Erroneous application of wage and price regulations were said to have caused many excessive gaps and irregularities in the levels of income among various components and domains. The working class was becoming divided and affected by the psychology of a guild and by unionism.\textsuperscript{13} Nonetheless, the 1979 programme, often portrayed as a delicate compromise between hardliner and pragmatic elements within the Party leadership, was reaffirmed at the Party's Fifth National Congress held in 1982. The economic reforms launched in 1979 would continue, but the transition to socialist forms of ownership in the South was scheduled for completion "in the main" by the end of the third five-year plan in 1985. That policy resulted in a modest but perceptible upturn in the pace of economic growth. But it also gave rise to a number of so-called negative phenomena (the official term for such social ills as profiteering, the corruption of cadres, the alienation of youth, and a thriving black market) that aroused concern among many leaders who feared that the

\textsuperscript{13} Ibid, pp. 31-32.
revival of the capitalist sector and its cultural manifestations could undermine Party rule and sabotage the effort to build a fully socialist Vietnam.\textsuperscript{14}

Despite such pressures, the regime held steady to its course, attempting to combine socialist transformation with economic construction. At first, emphasis was on the latter, as Party planners concentrated their efforts on the struggle to increase productivity, raise the standard of living, and improve the managerial ability of the state. Such concerns were addressed at the Seventh Plenum of the VCP Central Committee held in December 1984. The annual economic plan for 1985, approved at the conference, called for continuing efforts to increase the production of foodstuff and consumer goods and to stimulate exports (notably of fish and forestry products). The plenum devoted particular attention to its recent decision to encourage decentralization and remove the dead hand of the central bureaucracy on the economic sector, stressing the importance of the programme to create so-called agro-industrial districts as a means of accelerating productive efforts in the countryside. On the other hand, most crucial element of the 1985 annual economic plan, however, was to complete the socialist transformation of agriculture, industry, and commerce in the South.\textsuperscript{15}

In June 1985, Linh was re-elected to the Politburo at the Eighth Central Committee Plenum – the only Vietnamese party leader to ever make such a political comeback. The Resolution of the Eight Plenum marked a turning point in the ongoing economic policy debate. For the first time, the leadership committed itself to putting an end to “managing the economy mainly with administrative orders”. The Resolution called for “managing the economy on the basis of correctly perceiving and applying objective laws”. However, Politburo Resolution 28 on prices, wages and money, adopted a few months later, in September 1985, however, fell short of the elimination of state subsidies that the Eight Plenum had apparently mandated. The leadership was not prepared to eliminate immediately the two-tier price system, fearing that it would push market prices to levels that would be “unacceptable to society”. Instead, this resolution offered a “transitional solution”: establishment of a new system of fixed official prices for key commodities that would reduce the cost of subsidies to the state budget, while keeping

\textsuperscript{15} Ibid.
price increased to consumers at “acceptable” levels. Although the Resolution 28 endorsed the idea of gradually moving away from a pricing system under which goods were sold at two different prices, it failed to address the critical issue of which goods were to remain under the two-price system and which should be put under the one-price system at each stage of the transition. The VCP leadership’s inability to reach agreement on these issues resulted in the economic bureaucracy’s being unable to implement what should have been the most important Politburo reform of economic management up to that time.16

The VCP’s inability to implement either the Resolution of the Eight Plenum or Resolution 28 reflected fundamental ideological and policy differences among party leaders. Liberal reformists argued that reform measures had failed because the leadership continued to violate objective economic laws. They pointed out that when free market prices underwent a rapid increase, enterprises were prevented from responding appropriately because they had to wait for permission to adjust their prices, a delay that caused a serious slowdown in production and commerce. Private traders, by contrast, were free to take advantage of shortages to make more profit. The liberals also argued that the state trade system could not purchase paddy at the prices it was instructed to apply, because they were unrealistically low to attract sellers. The conservative evaluation of the situation emphasized the state’s failure to “control the market” through administrative measures aimed at private merchants. An editorial in the party’s daily newspaper drew the lesson that readjusting prices without “resolutely and continuously attacking” speculators and corrupt state personnel and without “exercising the state monopoly control of staple goods” would cause even greater escalation in free-market prices.17

In 1986, the VCP leadership turned to the issue of decentralization of economic decision making. Liberal reformers wanted enterprises to be allowed to make their own decisions about products and pricing on the basis of market demand. They also wanted purchases of goods by the state to be limited to those negotiated through economic contracts with the enterprises. This position, similar to the concept of “market socialism”, was rejected by majority. The Politburo’s April 1986 draft resolution on the autonomy of

16 Gareth Porter, n. 1, pp.76-77.
17 Ibid, p. 78.

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state economic installations fell well short of the autonomy sought by ‘reformers’. Most importantly, enterprises still had to submit a plan for production and finance to the next management echelon for approval.\(^\text{18}\)

**Initial Challenges to the Reforms**

The take-off of the reforms was severely hampered by the reversals caused by uncontrolled inflation, persistent foreign exchange deficits, cyclical agriculture problems, food shortages and a weakening of the ability of the central government to command necessary resources through taxation. Linh spoke of efforts to untangle the country’s most immediately consequential problems by the end of 1987 as first step deferring major systemic reforms until after the urgent issues underlying the current chaotic situation were addressed. Linh reaffirmed the basic overarching and structural context of the reform programme, forbidding a reversion to the habit of bureaucratic centralism and the practices of state subsidization of enterprises.\(^\text{19}\) Linh’s support stemmed from the grass-roots where he was praised for battling the aging, corrupt civil service and entrenched party’s leadership. Economic reforms were initially stalled or blocked by the resistance efforts of a strong conservative coalition of party leaders made up of ideological conservatives, bureaucrats, and members of the military establishment. Their differences with reform advocates centred on the pace of change and the extent to which the party’s institutional role and prerogatives would need to be altered to accommodate change. To the ideological conservatives, relinquishing the party’s tight hold on the economy to the vagaries of the marketplace was perceived as an invitation to chaos and anarchy; to the bureaucrats, reform meant changing the status quo and threatening the established and often corrupt power hierarchy; and to the military, it represented a threat to national security because it diminished the importance of military strength in favour of economic development. Both Defence Minister Le Duc Anh and Chief-of-Staff Gen Doan Khue publicly expressed their concern that economic reform was being emphasised at the expense of national security and that emphasis on the economy could demoralise the army.\(^\text{20}\)

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\(^{18}\) Ibid.

\(^{19}\) Lewis M. Stern, n. 4, p. 26.

The adoption of the renewal programme at the Sixth Congress in 1986 did not result in the cessation of all resistance to reforms. Moreover, a clear-cut dilemma persisted with regard to the content and direction of reforms. Reformist agenda of the Secretary General Nguyen Van Linh for the party as an organisation and overall changes in the power structure of the country which basically involved the position of the party itself also faced resistance from within the party. The divide was not only between the conservatives and the reformists but also within the ranks of reformists over the speed and range of reforms.

The Plenary sessions of the Central Committee of the CPV addressed pressing strategic issues and defined policy direction for the party organization often in highly charged environments at critical junctures between National Congresses of the party. At first, Linh used plenary sessions as a showcase for his policies and his skills as a spokesman for the new policies. He made strong speeches and took a highly visible, active role in representing his views on key issues at plenary meetings. Linh preferred a regular, predictable and more frequent schedule of plenary meetings in order to maximize his opportunities to lobby for his policies. He carefully outlined disputes over reform strategies and tactics that divided the Central Committee, and tabled his own means of resolving problems at these plenary sessions. However, by 1988 Linh was increasingly stymied by the closing ranks of the Party conservatives. This was clearly reflected by the Linh's performance in the plenary sessions and declining importance of the plenary sessions themselves. It was evident by the glacial speed with which party organization responded to pokes and prods intended to start the job of reshaping the organization and the extent to which ineffective leadership, poor organizing habits and venality had saturated the core of the Party. Though he was able to shift the balance of ministerial power more towards the advantage of non-Central committee specialists, change provincial party leadership to a significant degree, and modify monopolies and regional policy cliques in at least small ways, by 1988 his ability to dominate the process of central party decision-making had slipped. In 1988 the schedule for plenary sessions reverted to the irregular calendar for meetings and decreased number of plenary meetings in 1988 suggested the party required additional time to discuss sensitive issues before public statements representing consensus could be presented, and in some instances could
not come to agreement on the pressing issues, all of which pointed to Linh's diminished ability to maintain strong control over the organization and its policy processes in the second year of his rule. 21

In 1988 the warning had been served that there would not be any political reforms. It was after the economic programme began to spill over into politics. Inflation and unemployment were spreading, and corruption had become rampant as officials tried to augment their low pay. Hanoi responded with a "purification" campaign. It carried out crackdowns on crime, corruption and pornographic books and videos as anti-communist influences were blamed for the socio-economic crisis. Linh attacked "imperialist" forces for trying to undermine socialism. Party meetings debated reforming politics and came out firmly against it. 22

Further, at the sixth plenary session (20-29 March 1989), Linh was reminded that his formula for remaking the economy and the party-state structure of power was limited by the reluctance of at least a plurality of party decision-makers to accept major departures from the political, ideological and organizational core of the revolution. Linh's speech to the Seventh Plenum (15-24 August 1989), which focused on the impact of world currents on socialist revolutions and Vietnam's role in the socialist community, had an uncharacteristic ideological stiffness about it. Linh urged adherence to party discipline, respect for the unity of the socialist community, and continued attention to internationalist responsibilities. Linh made the orthodox case in language that sounded somewhat alien in his voice, and while he urged avoiding rigid attitudes, he mapped out a rather determinist course for the economic and social reforms that hinged on inevitable progress of socialism and the inexorable process of imperialist decay. 23

In fact, implementing economic change had been subject to the limitations of Vietnam's communist ideology, which had not been sufficiently revised to reflect new economic policies. Although the level of ideological dialogue concerning the integration of capitalism had been raised, and Linh had advocated drawing the boundaries between capitalism and socialism, there remained the question of how far the party was willing to go. The party, for instance, was not quite ready to accept the concept of profit because it

21 Lewis M. Stern, n. 4, pp. 3-4.
23 Lewis M. Stern, n. 4, p. 174.
was unsuited to the ideals of social egalitarianism. Although rhetoric on the subject supported the idea as a theoretical means to rescue the economy, the bureaucracy continued to stand in the way of entrepreneurs because of concern that they might become rich in the process of contributing to production. In 1989 no Vietnamese leaders stood against the idea of reform. To the contrary, the commonly held view among senior party leaders was that economic reform policy was correct. Vietnam observer Douglas Pike suggested that the feature separating factions within the Politburo was less a distinction between reformers and conservatives than between risk-takers and non-risk-takers. Even the strength of the risk-takers and non-risk takers was not less. The drive to move rapidly continued to meet with their resistance. Nonetheless, the old ways appeared to have been sufficiently discredited to suggest that the course of change was irrevocable. The popular slogan then, doi moi hay la chet (renewal or death), was taken seriously. One Vietnamese source was quoted as saying that "it's no longer a question of taking one step back to leap two steps forward. If we take another step back, we're dead."24

Since the Sixth Congress in December 1986, Vietnam adopted the Soviet example of glasnost (openness) and, like the Soviets, had moved more quickly on political than economic reforms. In shifting direction and concentrating more on economic change, Vietnam deliberately discarded the Soviet model in favour of the approach to reform that had been pursued by China. Experience might have led Vietnam's leaders to reason that Soviet-style openness was inappropriate to an Asian nation coping with one of the highest levels of poverty in the world, and the example set by China might have appeared better suited to Vietnam's immediate needs - namely, the rapid implementation of free-market reforms. China had achieved some success at raising rural incomes, introducing free-market incentives, and improving agricultural production, but had done so while maintaining a tightly controlled political system. The Soviet approach to reform (glasnost followed by perestroika) won public support for change by initiating political reforms before turning to economic restructuring. In reversing this approach, first Chinese and then Vietnamese leaders might have reasoned that the economic problems of their respective countries were more immediate and required solutions first.25

25 Ibid., pp. 793-794.
The change in approach was consolidated and hardened by the political turmoil in Eastern Europe and crackdown on pro-democracy movements in China in 1989. Those earth-shattering events, which threatened the very foundations of communism, alarmed Hanoi's leaders to the other not-so-palatable aspects of the capitalist-style economic reforms. They became concerned with the need to see which aspects of reforms threatened the cardinal principle of central planning and central control in Vietnam's socialist economy and which ones actually complemented it. They were particularly concerned about changes, whether potential or real, brought about by *doi moi*, which had been too fast for Hanoi to cope with. If unchecked, the leadership perceived, the catalytic role played by the economic reforms could bring about political turmoil which would destroy the very fabric of communism in Vietnam. The probability of the workers latching on to *doi moi* as a convenient excuse to back up their demand for a better life was not discounted. By acceding to the demands for better working benefits, the communist authorities feared that the appetite for even more radical reforms would further whetted and worse extended beyond the realm of economics. This would lead to, the leadership feared, situations similar to the upheavals in Eastern Europe or China.²⁶

Political reform in 1989, unlike economic reform, was thus more vulnerable to conservative opposition. Concern over pro-democracy demonstrations in China and genuine alarm over events in Poland and much of Eastern Europe strengthened the hand of Hanoi's political hard-liners. Unlike the Soviet Union, Vietnam did not congratulate the new Polish government headed by noncommunist Prime Minister Tadeusz Mazowiecki. Instead, mass meetings were organized to condemn Poland's "counter-revolutionaries." Similarly, Vietnam was one of the few countries to initially praise rather than condemn China for crushing its democracy movement. Though there were few signs of a popular movement calling for democracy or pluralism in Vietnam, the party's strong reaction to events in Poland and China suggested that it feared such a movement might get started. The few demonstrations of dissent known to have occurred appeared to be isolated incidents stemming from single issues, which were addressed by local authorities. Student protests at several Hanoi colleges in May, for example, were quickly calmed by acceding

to demands for better stipends and conditions. Vietnam's leaders claimed in 1989 that economic reforms were accompanied by democratization, but they opposed pluralism and a slowdown in political reform could be detected as early as February when General Secretary Nguyen Van Linh urged newspapers to moderate their criticism of the government because it encouraged a loss of confidence in the party. However, the real crackdown on political reform did not occur until August when the Central Committee officially rejected a multiparty system and insisted that only minor steps toward liberalization be taken. Linh's September 2 National Day speech confirmed that democratization, at least for the time being, was to be directed at the economic domain and not toward renovation of the political system. He held that democracy in Vietnam was a socialist democracy requiring the guidance of a firm leadership. The party's theoretical journal, *Tap Chi Cong San*, had argued earlier that Vietnam's goal was socialism and that all reforms undertaken were in the interest of furthering socialism's objectives. 27

Together with the retreat from further political liberalization, the Politburo instituted a new policy to limit contact with Western political ideas. Visitors to Vietnam in late August and early September (1989) reported that the trend toward more rapidly growing contacts with the West slowed following the August Central Committee meeting. American and Vietnamese participants in academic exchanges were told that fewer Americans would be welcome in Vietnam and fewer Vietnamese would be permitted to visit Western countries. The introduction of such a policy less than a month before the withdrawal of troops from Cambodia was scheduled to be completed seemed oddly juxtaposed with the promotion of goodwill with the West that the withdrawal was attempting to achieve. The fact that two such antithetical goals were permitted to coexist suggested that the leadership remained unsettled over its policy choices and, for the time being, was particularly prone to vacillation over what, and how much to change. 28

The party meanwhile stressed that the policy of renewal was irreversible but the conservatives wanted to avoid giving the impression of acting hastily or appearing to respond directly to the changes in Eastern Europe. Officials who were openly critical of

28 Ibid., p. 94.
Soviet leader Mikhail Gorbachev's reform policies, events in Hungary and "the reactionary coup d'état by Solidarity" in Poland changed their tune after the Rumanian revolution and the dissolution of East Germany's Communist Party. They tried to evoke nationalist sentiment by advocating Vietnamese-style socialism, which Hanoi alone could produce. The sources said that the situation among socialist allies in Eastern Europe did not prompt an extraordinary meeting of the Party; however it caused sharp friction at Politburo meetings between reformers led by Linh and conservatives led by the former party boss Le Duc Tho and his protégé, Mai Chi Tho, the then Interior Minister. The question of how to deal with possible public discontent was broached during these meetings and prompted heated exchanges between the two sides. Linh though later asserted, "We must renew the political and economic domains simultaneously and put the accent on economic renewal.” The path appeared decided, he said, “Political renewal should be conducted in an active but sure way to avoid creating political instability.” He went on saying that it was important to spell out the functions of the Party, the State and mass organizations, and that the Party’s role was one of controlling implementation of policies and helping to correct any deviations. “Only the CPV (the Vietnamese Communist Party) was able to accomplish a national revolution. It was that way in the past. It is the same today, and it will always be so in the future. There is no objective need to create political opposition parties,” he said. He acknowledged “divergences” within the party between reformers and conservatives and denounced individualism and opportunism and called for the maintenance of unity and solidarity and said “divergences need not lead to division.”

Linh's influence further waned at the eight plenary session (12-27 March 1990), which discussed the draft platform for the National Party Congress. He gave the opening and closing speeches at the plenum, neither of which were given a great deal of attention in the media coverage of the meeting. The eighth plenum marked a continued retreat to orthodoxy, underscored by his criticisms of “pluralism” as an unacceptable compromise with non-party interests. At the Ninth Plenum (16-28 August 1990), which took up the two basic draft strategic planning documents commissioned by the Party and the five year

29 The Strait Times, February 3, 1990.
plan that would guide the economy through the year 2000, Linh's opening and closing speeches were acknowledged in the communique in only the most perfunctory way. He derived more status from his chairmanship of one of the two planning committees, and in that context was given equal billing with Do Muoi, representing a net gain for the more conservative Central Committee interests. By the tenth plenary session (17-26 November 1990), Linh's speeches were overshadowed by Do Muoi's address on the socio-economic plan which was highlighted in the communique issued at the plenary meeting, and was in fact the main working document of the session.\(^{31}\)

The Seventh Congress confirmed the Chinese model. It considered two comprehensive plans for Vietnam's future. The first, related to the party itself and titled the "Program for Construction During the Period of Transition to Socialism," was a plan to return the party to the centre of the Vietnamese universe and restore its wartime lustre. Through revitalized institutions, better recruitment policies, improved cadre training, and augmented self-criticism, the party was to lift itself up by its bootstraps. The second plan, titled "Strategy Year 2000: Socio-Economic Stabilization and Development," was an extremely ambitious effort to address all of Vietnam's major social, economic, educational, and foreign relations problems. The instrument to be employed was termed "market mechanism economy:" which essentially meant capitalist economic methods but not labelled as such. However, it specifically excluded any political pluralism and it did not call for much change or reform even within the Leninist political construct.\(^{32}\)

As with Vietnam itself, the Congress was at the mercy of influences and forces over which it has little control. The Revolution of 1989 was the uninvited wedding guest; upheavals in the "socialist" world that continued even as the Congress was in session. The historical events unrolling in the USSR and East Europe were seen to have obvious and profound meaning for Vietnam but meaning as imprecise and difficult to measure as it was significant. The spectre of anarchy hung over Vietnam, in part deliberately induced by its enemies, in part inadvertent. This threat of bat an (instability) must be resisted at all costs. Vietnam's population might be willing to risk the destabilizing forces of revolution, but Vietnam's leadership was not. The Congress largely ignored all sugges-

\(^{31}\) Lewis M. Stern, n. 4, pp. 174-175.  
tions for political change, either to a multiparty system or toward any lesser form of political pluralism.33

THEORETICAL ISSUES: DILEMMAS AND CHALLENGES

Though the Party abandoned the path of political pluralism midway and geared up for only the economic reforms, there were many theoretical issues which needed to be settled or adjusted. In their declared policy they remained committed to the socialism however in a different way which required to be restated.

The basic theoretical problem concerned the state. The moot question was: What should be the proper domains of the state and market respectively? Even though socialist economic theory saw the state as an absolute necessity and a decisive factor in development, other economic theories provided no insight as to whether state intervention promoted or inhibited economic development. Most of the policy-makers and the leadership in Vietnam showed great interest in the economies of its Asian neighbours such as Japan, South Korea, Taiwan, and Singapore, where the state played an active role and economic performance was excellent. But this did not explain why other Asian interventionist states such as India and Myanmar had lagged behind. On the other hand, countries such as Hong Kong and Thailand, where the level of state participation in the economy was low, attained fast economic growth in the last decades, although many others where the state had a small hand in the economy had stalled in underdevelopment. Hence the theoretical concern was paramount during the period under study.34

In Vietnam the role of the state as planner and regulator also posed problems. The direct planning, previously done for all important production, distribution, consumption, saving, investment targets, was replaced by an indicative one. This caused theoretical as well as practical problems. The first was the lack of a theoretical concept clearly defining the state's role in planning and regulating economic activities to strengthen economic restructuring and development. The second was the poor ability of the state apparatus to manage because of the lack of knowledge and experience and a number of its staff were only familiar with managing based on previous administrative methods. The existing

33 Ibid., pp. 75-76.
34 Vu Tuan Anh, n. 2. p. 24.
legal and institutional framework was not able to respond to market forces, and the economy had to fight against the chaos, imperfect competition, corruption and smuggling, and so forth, of an almost spontaneous free-market economy. Another problem was related to the role of the state as an entrepreneur. In this respect following questions were debated. Which public goods and services should be produced and supplied by the state sector? What were the "commanding heights" the state should support? How should the state regulate and accelerate the development process? Although some people in the academic or policy-making circles put figures to the ideal proportions of state and non-state sectors in the economy, those data were not based on the role of the Vietnamese state as entrepreneur.35

A similar debate concerned the role of the state in the redistribution of national wealth, although the decisive role of the market in the distribution of productive resources was accepted. The share of gross domestic product in the state budget and therefore public expenditure was low in Vietnam. In the reform process the state would like to have the power to regulate and correct market failures, for example, to redistribute income and alleviate poverty, but was constrained by its ability to allocate a bigger share of the gross domestic product to the state budget. Theoretical concepts and the practical experiences of such models as the welfare state or the social market economy attracted much attention in Vietnam.36

The Dilemma over Democratization

The process of "broadening of democracy" was never intended by the CPV leadership to lead to genuine pluralism or multiparty democracy as envisioned by some Communists in Poland and Hungary. The thinking of the Vietnamese Party was akin to that of the Chinese Communist Party leadership. Despite their decision in 1986 to broaden freedom of opinion and encourage more public debate, most Politburo members had a deep fear of the public's becoming too assertive and slipping outside the party's control. Demands for more freedom clearly implied the end of the CPV's political monopoly. The party leadership responded by putting the concept of pluralism beyond the bounds of acceptable discourse. By late 1989, the party leaders pulled back from the

36 Ibid.
limited openness embraced at the Sixth CPV Congress. At a Congress of the Vietnamese Journalists' Association in October, Premier Do Muoi significantly amended the concept, first presented at the Sixth CPV Congress, that the press should be a forum of the people as well as a tool of the party. He noted that people are not a homogenous group, and that bad elements had to be prevented from using the press to create trouble and disturb internal security. Now onwards the party organs would not control the press by ordering journalists to write specific articles but they would hold regular meetings with journalists to notify them of the party's policies and guidelines for each specific period. Predictably, the draft press law submitted to the National Assembly in December 1989 rejected the possibility of privately owned newspapers and reflected a renewed emphasis on centralized party-state control over the press.37

At the Sixth CPV Central Committee Plenum in March 1989, Linh advocated "broadening democracy and reaching a consensus through debate," but added that "we do not tolerate pluralism." But "pluralism" as a topic of debate would not go away. Taking their cues from Soviet documents that referred to "socialist pluralism," some in the party argued that pluralism could refer to the coexistence of several economic sectors and interests, to a diversity of socialist models, to a system in which parties other than the communist party exist but accept the latter's leading role or even to a system with more than one communist party. Implicit in their argument was the notion that pluralism was compatible with the interests of socialism. Some party members argued that the "negativism, disorder, and sluggishness" that was admittedly occurring in socialist countries could be explained by the fact that the ruling parties of these countries permitted no real political competition. Other pointed out to the fact that Vietnam was now committed to the long term existence of a multisectoral economy and should therefore allow pluralism in political parties and ideology as well.38

These arguments were not well received by the CPV leadership. The party's preference was to deal with such proposals either by arguing that they would lead ultimately to "turmoil and anarchy" or by linking such notions to putative efforts by imperialists to undermine socialism in the world. When the Polish and Hungarian parties

37 Gareth Porter, n.1, pp. 85-86.
38 Ibid.
gave up their control over their respective governments to non-Communists, CPV leaders made it clear that they believed that pluralist ideas had played into the hands of imperialist schemes seeking to undermine socialist regimes. To the pro-pluralism argument posited that since a multi-sectoral economy existed, so should a multiparty political system, Secretary General Linh replied that the state sector still played the dominant role in the Vietnamese economy and that all sectors were in the process of being “transformed by the state in the direction of socialism.” As the rest of the ruling communist parties gave up their monopoly of power in Eastern Europe in the autumn of 1989, the CPV party newspaper took an even broader theoretical approach to problem: the existence of multiple parties in capitalist systems reflected the conflicts of interest among factions of the bourgeoisie as well as between capital and labour, while in a socialist society, there were no fundamental conflicting interests. But the party’s main argument remained the same: that there was no need for a multiparty system in a socialist society, because a single party can still be “truly democratic.” However the CPV leadership failed to silence calls for a multiparty system. In early 1990, the first evidence of support for a multiparty system within the CPV Central Committee itself surfaced, when Linh publicly attacked “opportunists” in the body for advocating the concept. The sudden emergence in late 1989 of Politburo member Tran Xuan Bach, who was formerly known as one of the body’s more conservative members, as an advocate of bolder steps toward democratization suggested that he saw a significant constituency within the party for political pluralism. Bach’s ouster from the leadership at the Eight Plenum, in March 1990, for violations of “organizational principles and discipline” was only a temporary setback for the growing movement in the party for pluralism. Party members who had hesitated to voice their voice in the past were certainly encouraged by the acceptance by Mikhail Gorbachev and the CPSU of the principle of a multiparty system in February 1990.  

Nonetheless the Party leadership continued launching radical reforms in the economic domain and implementing moderate political reforms, but it was adamant in preventing developments that might be linked to what happened in China in June 1989 or in the East European countries in the autumn of 1989. The gradual approach of political

39 Ibid., pp. 86-87.
reforms had popular support too in Vietnam. The basic assumption of the Vietnamese leadership was simple that economic development could be obtained only within a stable political environment.  

**Dichotomy of the central planning and market economy**

The programme of doi moi represented a sustained attack on the old central planning model; and thereafter, market-type relations existed alongside the central planned economy throughout Vietnam. In this sense, the Congress clearly represented an important retreat by the Communist Party of Vietnam as the latter was forced to admit that central planning had been a failure. On the other hand, it insisted on retaining party rule even as it adopted as its goal economic reform along market lines.  

There was much discussion on the type of market economy Vietnam wanted to build. Privatisation, destatization and marketization were going on, mostly to meet the short term objectives as the concepts for the long term had not been worked out. Vietnam’s choice of development model was in the process of churning. There was the possibility of combining public ownership, the planning mechanism, and the market system. There was also the choice of selecting from existing models with differential level of state intervention in the market economy viz. the *laissez-faire* policy, the policy of minimal supply of public goods, the policy of correcting market inefficiencies, the welfare state policy, and corporate state, and so forth or the wider choice of searching a new growth path for Vietnam.  

Also dilemmatic with determining a model of development was the prioritisation of resources for development. In this context developing countries usually considered two extreme historical prototypes of successful economic growth: growth based on natural resource endowments and growth based on human resource development. Vietnam’s policy-makers seemed to be at the crossroads of decision making. On the one hand, visibly increased income from the export of oil, rice, marine produce, coal, and other natural products in the last few years made people feel positive about the first prototype, which impinged directly on economic growth targets and real living standards. On the  

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41 R B St John, n. 10, p. 307.  
42 Vu Tuan Anh, n. 2, p. 63.
other hand, an abundant labour force that was highly skilled and hard-working made the second prototype the choice for future development. ‘Vietnam should take off with both those engines’ was the more reasonable policy the ‘National Socio-Economic Development Strategy until the Year 2000’ raised. But how to achieve this objective remained unanswered.43

The answer to this question again presented the choice of an industrialisation strategy from among the export oriented, the domestic market oriented, and the combination of both orientations of development. The well-known successful export-led growth model of Asia’s newly industrialising economies (NIE) certainly looked fascinating to Vietnam and the significant export increase and foreign capital flows into Vietnam in those years had created optimism among some circles. However there was little likelihood of replicating the NIE model in Vietnam in the contemporary international environment, and with Vietnam’s population of about 70 million people, the domestic market-oriented model looked more promising in meeting the basic needs of the population. That being the case, agriculture, forestry, and fishery, and labour-intensive industries were the focus of such a strategy.44 So, at the end Vietnam’s biggest challenge was to choose from numerous existing development models or come up with something else that was more appropriate to it and set its own pace to propel itself forward in this fast changing world.

Lastly, the dilemma surfaced over the future development model. Vietnam had in the past been through a painful period under colonialism. The ideals of socialism – such as economic growth with social justice and equality, the sensible use and management of common property, a society in which no one is poor and where there is no exploitation of man by man, the provision of public welfare and job insurance for all citizens – attracted not a few of the past generations because of their intimacy with Vietnamese traditional moral values based on a genuine appropriation of community and humanity. The collapse of the socialist bloc in the East European countries and the former Soviet Union as well as the failure of the Socialist model adopted by Vietnam in previous decades led to the search for a new model of development. The leadership was of the view that the path of

43 Ibid., p. 64.
44 Ibid.
economic growth should be entirely anthropocentric, which means that it should happen for the welfare of all citizens, all generations. This anthropocentric ideology was in contrast to the so-called growth model pursued by a number of industrialising countries. “Growth for growth” had its fascination, attracting quite a few people in countries at a low level of development, such as Vietnam. Its proponents argued that some needs of the present generation or even some groups of the population might have to be sacrificed temporarily to enable the country to attain economic growth quickly. Belt tightening and accepting big inequalities between the rich and the poor might be part of the price to reach these ideals. This posed a dilemma in the course of the future development of the country. The following propositions regarding economic growth theory were subjects of debate in Vietnam:

- Economic growth versus basic needs of people;
- Economic growth versus equitable distribution of national income;
- Capital accumulation versus human resources development.\(^{45}\)

THE POLITICAL SYSTEM: PROBLEMS OF RESTRICTED REFORMS AND GOVERNANCE

In the spirit of renovation and in pursuance of the same, the stat apparatus was also subjected to change. However, the Party which had initiated political reforms in the direction of pluralism reversed its course in 1989. Despite the reforms, the party remained a rigidly formal conglomeration of rules and relationships whose activities and authority conditioned by the mechanisms invented to ensure democratic centralism. Control work, inspection procedures, and some of the other organisational reforms were essentially a way to cut across those regimes, without departing from the system itself.\(^{46}\)

On the whole, though forced to live by new rules, the party remained a stiff and distant organization. Leadership change was still centrally determined according to the discretion of a small inner circle of party elders. Corruption and malaise remained blots on the Party's record. Media scrutiny, internal control and vigorous prosecution of offenders made only partial headway towards eradicating party scofflaws. Membership rolls were cut by 20 per cent to eliminate the most egregious violators of party laws and

\(^{45}\) Ibid., pp. 62-63.
\(^{46}\) Lewis M. Stern, n. 4, p. 8
the least desirable cadre. In the end the party suffered a serious shortage of recruitable young, technically able, educated and - most of all - willing candidates.\textsuperscript{47}

The 7\textsuperscript{th} Party Congress indeed noted the problems with the Party and obviously it did so considering it as challenge.

"However, changes in Party building work have been slow. The leadership capacity and combat strength of Party organizations at various levels have not caught up with the requirements of renovation. Many theoretical and practical issues emerging from the renovation process have not been clarified; some approaches and major decisions of the Party have not been smoothly transformed into action. In the face of the requirements of the renovation process, the Party's organizational system has shown illogicalities in different aspects; the apparatus remains cumbersome and operations are less than efficient. A number of grassroots organizations of the Party are too weak, some are almost paralyzed. Party officials and members are in general poorly qualified in terms of knowledge and of leadership and managerial skills. There has been a very grave deterioration of ethical qualifications among a section of Party workers and members. Internal disunity has occurred in many Party organizations. Within the Party, there are manifestations of conservatism and resistance to renewal on the one hand, and tendencies towards hastiness in renewal or imitation of other countries' methods on the other. There are, also manifestations of inconsistency and political opportunism. The leadership mode is slow in being renovated, the old practices of Party committees (especially in the countryside) doing the job of administrative bodies have not been completely done away with; there are also cases where the Party's leadership has loosened in a number of fields and at a number of grassroots units (such as enterprises, offices, schools, etc.).

Many Party committees have failed to provide in-depth guidance in Party building work. A number of resolutions and directives related to Party building have not been thoroughly implemented. Ideological work

\textsuperscript{47} Ibid, p. 177.
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has at times been lax, lacked initiative and lost its effectiveness. Ethical education and the removal of negative manifestations among Party workers and members have not been carried out with resolve and efficiency. The enhancement of organization and streamlining of personnel have achieved little success due to lack of overall and scientifically-based plans and of centralized guidance. The recruiting, training and nurturing of Party workers have been inadequate. A rational mechanism for the identification and selection of talent is still lacking. Individualistic, localistic and feudalistic mentalities have hindered the evaluation, deployment and promotion of officials. The training and nurturing of workers have failed to meet the demands of the new mechanism and new tasks.48

Although the National Assembly became a forum for lively debate and occasionally got divided sharply on a draft law, a close vote was more likely to indicate conflicts between the interests of the party leadership and those of the party-state bureaucracy than to reflect genuine autonomy from the government. On issues that pitted the power of the state against non-party interests, the number of truly independent voices in the Assembly remained small, as reflected by the 354 to 33 vote in December 1989 in favour of a provision of the press law prohibiting privately-owned newspapers.49

Real autonomy, which would be manifested in the Assembly’s assertion of control over the legislative agenda, would require an electoral system in which candidates of the assembly were selected without the intervention of the CPV. However, the party always “recommended” the candidates for the 100 electoral districts around the country. Although party membership was not a requirement of candidacy, the process of candidate selection had been dominated in the past by the Party committees at the province or city and district level. As a result, the vast majority of the candidates who were selected by party committees for inclusion on the lists submitted to the mass organisations which supposedly chose the candidates had always been party members. In the Eighth National

49 Gareth Porter, n. 1, p. 82.
Assembly, only about 25 percent of the deputies came from outside the party. Although former Assembly Chairman Nguyen Huu Tho in 1989 called for an end to the practice of the party recommending candidates there was no evidence that the VCP had decided to give up its control over candidate selection and risk the election of a predominantly non-party National Assembly.50

The State's executive and management operations at the macroeconomic level generally remained confused, with many shortcomings and weaknesses. There were overlaps in the division of functions and responsibilities between the legislative, executive and judicial arms and in their relationship to each other. The delineation of management powers and responsibilities between the central and local levels was inadequate and did not conform to the changes in the management system. Many laws were needed. Quite a few laws and decrees already promulgated lacked strict and uniform implementation.51

Government apparatus was still too cumbersome in terms of organization and staff, and failed to meet the needs of a renovated management system and the mode of operation of the State. Organizational restructuring and streamlining of staff numbers was superficial and ineffective in some cases. In short, a major shortcoming remained as the Party failed to carry out a fundamental organizational reform of the State apparatus as put forward by the 6th Congress. Faced with the demands for renovation, many organizations failed to define clearly their functions and tasks, and were confused about the mode of operation and organizational development. The body of State employees had undergone only limited training in legal and professional knowledge. they lacked experience in State organization and management, especially as a new socio-economic management system was replacing that based on bureaucratism and state subsidies; their working efficiency remained at a low level.52

Problems of managing the mixed economy

According to the Seventh Nation Congress, in the process of switching over to a mixed commodity economy operating according to the market system, besides positive aspects, there emerged many new negative phenomena. These included reckless chasing

50 Ibid.
51 Communist Party of Vietnam, n. 48.
52 Ibid.
after profits at any price, leading to violations of the law, deception, bribery, counterfeiting, smuggling, tax evasion, serious encroachment upon socialist and citizens' property, bankruptcy and capital misappropriation, etc. These also included the tendency to engage in commerce rather than in production, the indiscriminate commercialization even of cultural, health, educational and State administrative institutions, the slackening of State regulation, discipline and laws, and an increase in social injustice. There was the lack of co-ordination among sectors and levels concerned; each going its own way became the common practice. 53

There was a shortage of competent cadres to meet the requirements of technocrats and economic managers. The abysmal condition of the training establishment directed toward preparing a new generation of technocrats and economic managers was a big challenge. Although the Vietnamese had always been pragmatic, Marxists never fully conforming to the red-vs.-expert conceptualisation for advancing their revolution; ideological considerations nevertheless played and important role in governing past economic decision-making and, in some cases, encouraged the substitution of ideological purity for economic competence in choosing cadre destined to fill managerial roles. 54 The problem was expressed by a European investor, “There are very few [business] professionals and you are dealing mostly with military people. The mentality is very complicated and added to that is communism, corruption and a rundown country.” 55

Difficulties of the Defence Establishment

Many defence enterprises were beset with difficulties in the process of switching over to the new management system. The Politburo’s Resolution of national defence had not been deeply instilled into personnel at all levels and in all sectors. In certain respects and at certain times, the leadership and guidance of the Party's Central Military Committee and the National Defence Ministry lacked active and uniform measures. There was slackness in finding the way to combine a national defence strategy with the socio-economic strategy. The Party committees and commanders of a number of units had not been strict enough in the supervision of their soldiers. The security forces, on the whole, had not been built into a truly solid force and still fell short of adequately meeting

53 Ibid.
54 Ronald J. Cima, n. 20, p. 790.
the demands of the new situation. There were numerous cases of negative behaviour, bureaucratism and authoritarianism. Inadequate attention had been paid to ensuring the infrastructure and living conditions of the security force.56

The mass organisations were not allowed the autonomy they were touted to get. The problem was laid by the policy line itself. The problem emanated from the contradiction between the two principles put forward by the Sixth VCP Congress. On one hand, party committees were supposed to “respect the organizational independence of mass organizations”, on the other hand they “must assume close leadership over mass organizations’ by setting objectives and assigning cadres.57

As a result of the collapse of the central planning system, the economic and political power of middle ranking cadres increased substantially. They undercut the hierarchical authority structure of the orthodox socialist era. The weakening of the organised hierarchy resulted in what was often characterised using such terms as ‘departmentalism’, ‘mandarinism’, ‘bossism’, or ‘provincialism’; abuses of state power and isolation from the masses were seen to be its main features. This also adversely affected the ability of the central government to regulate relationships among government agencies, between government agencies and businesses and between government agencies and society.58

Curtailment of the Freedom of Press

In the run-up to the Sixth CPV Congress, as part of the run-up to renovation, there were calls to end blatant propaganda and to allow a more critical press, with more expression of contrasting views. Linh carried the policy with enthusiasm by liberating the press and making media a tool of reforms. The independence of the press, nevertheless, continued to be circumscribed by high-level political interference. Prior to the 1988, journalists could not publish a specific story without first getting the approval of the Secretariat of the Central Committee and of the Press Division of the Central Committee’s Propaganda and Training Department. Journalists who with apparent impunity had been investigating and publishing stories about corruption on the part of Ha

56 Communist Party of Vietnam, n. 48.
57 Gareth Porter, n. 1, p. 83.
Trong Hoa, the CPV secretary of Thanh Hoa Province, were ordered to stop publishing such articles once it was decided to elevate Hoa from candidate member to full member of the Central Committee. However, when Hoa continued to abuse his power, newspapers were permitted to publish reports of corrupt practices of the province committee, signalling that the party leadership's patience had been stretched too far.59

The new relative freedom of the press, including the ending of prior consultation with party censors in 1988 encouraged some journalists to call for the removal of the remaining constraints on their freedom to report and comment. At a debate organised by the CPV Secretariat, the chairman of the Vietnamese journalists' Association complained about interference by party leaders in the coverage of individual cases of abuse of power. And the VPA general who was the editor of the Army daily Quan Doi Nhan Dan expressed regret that the press was allowed only to debate "the means of applying policies" instead of the correctness of the policies themselves.60

The freedom of the press was further constrained in early 1989 when it was decided that acceleration of economic reforms required that further promotion of political openness be temporarily halted. A clue to this change in direction was provided in a speech given by Linh early in the year to a meeting of journalists. His message was that the press should moderate its criticism of the party, a reversal of the role he had encouraged the press to play following the Sixth Congress when he had urged journalists to be vanguard of the campaign against corruption within the party and to explore controversial issues.61

The dilemma was expressed by the Party itself. At the Seventh Congress it was stated that overall the progress in political reforms had remained limited. The people's right to mastery had not been fully respected or developed. There remained in society quite a few manifestations of lack of democracy or superficial democracy, and in certain areas these were very serious. Bureaucratism and the feudalistic and paternalistic mentality remained serious problems. At the same time, there also emerged tendencies towards extreme liberalism or democracy unrestricted by discipline or the law. A

60 Ibid, p.84.
61 Ronald J. Cima, n. 20, p.793.
sufficiently detailed system and legislation guaranteeing the exercise of democracy were still lacking. 62

SOCIO-ECONOMIC STRAINS, PROBLEMS AND CHALLENGES

The socio-economic consequences of the Reforms were indeed impressive but at the same time troublesome. They indeed eased lives but at the same time created many problems for the people. The growth was slow and was combined by gross inequalities. Particularly the decline of cooperatives created a lot of difficulties for the people covered by them as alternatives means of social security did not develop.

The Problem of Slow and Unstable Growth

On the whole, the growth rate was positive but not adequate. If population growth is taken into consideration, the economic growth could hardly compensate for even the low consumption needs of the population. During the fifteen years from 1976 to 1991, Vietnam's national income increased by an average of 3.8 per cent per annum while the population growth was more than 2 per cent a year. Even this growth rate was not stable. There were periods of crisis in 1979-80, 1986 and 1989-90. During 1979-80 as is obvious the shortcomings of the central planning mechanism and state subsidy based system took a heavy toll on economic productivity. Secondly, the economy was successively struck by natural calamities in 1977, 1978, and 1979. Thirdly, the sudden reduction in foreign aid directly led to a serious decline in the economy. The second crisis, in 1986, was due to the failure of the price-wage-money reform initiated at the end of 1985. The third crisis, in 1989-90, resulted from a series of measures implemented in early 1989 to adapt economic activities to the needs of the market and to improve the monetary-financial environment. Interest rates were raised to a level that exceeded the index of inflation. The prices of nearly all goods and services except for electricity, petrol and oil, and transport freight were determined by the market. Exchange rates of foreign currencies and prices of precious stones, gold, and silver were allowed to float on the market. State-owned businesses had their finance cut off from the state budget. The state also relaxed its restrictions on direct dealings between local businesses and foreign countries. These measures engendered a crisis in production, especially in the domain of industry and construction. The higher prices of inputs of production in addition to the higher interest

ratemant that enterprises faced a shortage of circulating funds and costs escalated. Meanwhile the state's open-door policy exposed the home industry to foreign competition. Foreign goods were freely available in shops and market stalls at prices much lower than homemade ones and the goods were also better in quality. Actually there was no true economic development in Vietnam during the whole 1990s. The strain on the society was eased by increased food production and more abundant consumer goods, much of them were smuggled in from abroad. Earlier discontent over unavailability of consumer goods gave way to discontent over inflated prices, the inflation rate running at about 80% per annum.\textsuperscript{63}

\textbf{Crisis of Agriculture}

Despite primacy being given to agriculture, the share of agriculture and forestry in gross state investment was only 24.5% in 1986 whereas that of industry was 35.5%. The share of agriculture per se, i.e., excluding forestry, was only 19.7 % of gross state investment in 1986. Moreover this relatively small investment was not allocated rationally and generally yielded poor economic results. Besides, as a result of all kinds of overt and disguised taxes, members of cooperatives ultimately generally got only 13 or 15 per cent of the crops while even in the former semi-feudal regime they got about 20 percent of the crop after paying the land rent and other contributions. The unequal terms of trade between the agricultural products sold by the farmers and the industrial inputs bought by the latter-from state-trading agencies also got worse. This shortage of industrial inputs particularly due to an acute shortage of foreign currency was one of the main causes of stagnation in agricultural production. Another important cause of agricultural stagnation was the "end-product contract".\textsuperscript{64}

All these factors dampened the peasants' enthusiasm for work. Agricultural production decreased by 4 per cent in 1987. Following the decline of food staples production, a famine broke out in the northern provinces of the country in the first semester of 1988 affecting 10 million people and claiming at least 26 lives. During the second semester of 1988 the food staples situation improved significantly. Overall, food staples production reportedly amounted to 19 million metric tons in

\textsuperscript{63} Vu Tuan Anh, n. 2, pp. 46-52.
1988, that is, an increase by 7.6 per cent compared with 1987. In 1988, the average per capita food staples production was below the amount required for human consumption, which was officially set at 300 kg - a bare minimum that approached the limits of hunger. The problem persisted for the rest of the period under study. At the 7th Congress it was admitted that the country's per capita production of staple foods remained low, regulation of the food supply had been at times less than satisfactory, management of national reserves was fraught with shortcomings, there had been sharp rises in the prices of staples and non-staples for different reasons, and periodic food shortages occurred in many localities.

The rural household economy continued to face a number of difficulties despite and also because of the Renovation. The rural economy remained basically. Agriculture contributed about 75 per cent of the gross social product and absorbed 80 percent of the labour force. While the rural population was increasing relatively fast, at the rate of about 2.5 per cent, the scale of cultivation was limited by the land available. There was on average only about 0.5 hectares of cultivated land for a household of four to five. The gap between supply and demand concerning rural labour was worse and the problem of underemployment remained acute. Secondly, in spite of the larger state outlay in infrastructure development (main roads, electricity networks, irrigation systems), the poorly developed infrastructure remained a considerable obstacle to rural development. Thirdly, most of those who changed their occupation from being wage workers in agricultural co-operatives to self-governing producers lacked the necessary technical means to carry out non-food crop cultivation, breeding and non-agricultural industries and services leading to further losses of income and employment opportunities. Measures were taken to provide support to rural households to develop agricultural forestry production, to diversify economic businesses, and to generate income and the government worked out a special development programme of job creation. But to develop more than 10 millions households in rural areas was one of the key problems of development strategy.

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65 Ibid., pp. 194-197.
67 Vu Tuan Anh, n. 2, p. 18-19.
Difficulties of industry and handicrafts

The consumer goods industry along with handicrafts had been accorded highest priority next only to agriculture but this was not seen in actual implementation. The share of light industry in state investment outlays in 1986 was only 9.1 percent compared with 7.3 in 1985 whereas that of heavy industry amounted to 26.6 per cent compared with 22.2 per cent in 1985 in total gross state investment. Secondly, the renovated mechanism of state economic management and autonomy provided to state-run enterprises was difficult to implement given the prices were irrational and highly unstable as a result of a four-digit inflation which made the application of economic accounting in individual enterprise extremely difficult. Despite repeated exhortations to shift from state subsidization to economic accounting, as Nguyen Co Thach, the then Foreign Minister, admitted in 1988 that 37 per cent of the budget expenditure had gone on subsidies.68

In spite of the significant increase in gross industrial production during the period under review, the per capita output of the major industrial products was still very low.69 Premier Do Muoi in a speech delivered at the Sixth Trade Union Congress (October 1988) confessed, “I have a headache because at present equipment and machinery have been operating at only 50 per cent of their capacity, and workers’ labour productivity is very low.” The under-utilization of capacity was due to a shortage of energy, raw materials, spare parts and means of transportation whereas the low labour productivity was due particularly to “the worsening of the living conditions of the working people” whose “wages cannot ensure the minimum living standard.”70

The 7th Party Congress itself admitted shortcomings of the economic management. The new economic management system, which had initially taken shape, remained incomplete, short of many laws and policies to ensure that production and business operate in the right direction. There was slowness in drawing up programmes for the further renovation of economic management in a systematic way. Besides achievements, macro-economic management and regulation by the State at all levels also revealed many weaknesses, failing to discharge consistently and effectively the function of directing, controlling and regulating the economic sectors. Industrial production

68 Vo Nhan Tri, n. 64, pp. 198, 201.
69 Ibid., p. 207.
70 Ibid.
including consumer goods production, had not fully utilized its potential. Many production establishments, especially those in small industry, handicrafts and local State-run industry, were beset with difficulties, mainly due to outdated technical equipment, low-quality produce, and high production costs, lack of markets and capital, and competition from foreign goods.\(^{71}\)

The development of the private industrial capital suffered from a very fundamental handicap, i.e., the absence of an entrepreneurial class, the best of whom had been associated with the former Saigon regime and had fled.\(^{72}\) The slow development of the private economy was testified by the fact that the gap between the private business (company) and family-based business (household and individual economy) remained narrow. Moreover half of private businesses in three major cities, namely, Hanoi, Ho Chi Minh City, and Haiphong, were started out with an average capital investment of over US$6,300, while nearly one-half of family-based businesses operated with assets valued at less than US$900 each. In the countryside, private businesses were much smaller in size compared with those in urban centres.\(^{73}\)

The problem with the private sector too had its theoretical dimension. 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.\(^{74}\)

The observation at the 7\(^{th}\) Party Congress testified that many large owners of capital had shown a certain reluctance to invest, especially in production, for lack of a guaranteed business environment and, to some extent, of confidence in the stability of State policies. While many private economic units had made positive contributions and

\(^{71}\) Communist Party of Vietnam, n. 48.
\(^{72}\) Ronald J. Cima, n. 27, p. 91.
\(^{73}\) Vu Tuan Anh, n. 2, p. 21.
\(^{74}\) Duong Quoc Thanh, n. 40, pp. 26-27.
made profits legitimately, some others had perpetrated unlawful acts, dupery and tax evasion.\textsuperscript{75}

The failure of private industrial businesses to achieve rapid development was related to other problems. First, the macro-economic environment was unstable with a high inflation rate, restricted credit, and unstable prices. Secondly, measures to encourage a buoyant economy were still insufficient in the legal area. Banks were not able to provide long-term loans to private enterprises because of limited financial resources. Most private enterprises operated on their own capital, with only a small number taking loans from banks for business purposes. Thirdly, another factor limiting the development of the private sector was the competition posed by foreign goods imported and smuggled. Imported goods had a competitive advantage in the internal market through their better quality and lower prices compared with goods produced locally using backward technologies and out-of-date equipment.\textsuperscript{76}

The state sector continued to be in the problem. The weakest aspect of the state-run sector as a whole remained its efficiency in business operations. A fairly large number of state-run industrial enterprises, especially those under district management, were beset with difficulties. Many state-run trading enterprises continued to make losses; quite a few had been misused by private businessmen for illegal activities.\textsuperscript{77}

The collective units also got into crisis as the most economic resources got transferred to the private sector. Previous small-scale collective producers returned to become small private entrepreneurs or chose to work for others. Although the state maintained that the collective sector was important in the long-term development of the socialist-oriented economy, the fact was that this sector was stagnating.\textsuperscript{78} The 7\textsuperscript{th} Congress noted the predicament of the cooperative sector,

"But the majority of management boards of cooperatives and production groups are now at a loss as to how to carry out their work, failing to organize services catering for production and consumption and other managerial duties and to participate in the implementation of social

\textsuperscript{75} Communist Party of Vietnam, n. 48.
\textsuperscript{76} Vu Tuan Anh, n. 2, pp. 21-22.
\textsuperscript{77} Communist Party of Vietnam, n. 48.
\textsuperscript{78} Vu Tuan Anh, n. 2, p. 17.
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policies in the country; cases of co-op members being left entirely on their own are widespread. Land disputes have been solved, but many complex problems remain.

The bulk of marketing co-operatives is doing badly and is at a loss as to which direction to go in. A big mistake was committed when we let urban credit organizations mushroom without proper guidance and control, leading to fairly widespread bankruptcies which involved quite a few cases of fraud. Credit co-operatives in rural areas have in general existed in name only while private usury is expanding.”

Adjusting to economic reforms: hitches and glitches

The Party was indeed candid about the shortcoming in economic reforms with regard to moving towards the market economy. The Party noted at its 7th Congress,

“It is important to note the inadequacies in the financial, banking and State-run commercial sectors. Our financial policies have failed to create favourable conditions for boosting production and generating revenue; tax evasion and budget deficits remain a big problem, the State has exerted only loose control or almost no control over the distribution of incomes in State-run economic enterprises.

The management of the market shows many weak spots, smuggling and counterfeiting are rampant and persistent, and the State has been slow in enacting effective policies to protect domestic production. Still inadequate are our economic analysis and forecasting and the preparation of measures to cope with newly-emerging situations. Inspection and control is slack. Violations of the law have not been detected in time and duly punished (typical were major cases at the National Reserves, in banking and credit organizations, import-export companies, tax departments, and capital construction service).”

79 Communist Party of Vietnam, n. 48.
80 Ibid.
As a result of the price reform, the system of price management changed from one extreme of total state-monopolized 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 were not freely adjusted by market forces because of specialized trade enterprises and national reserves. Therefore some failures of the market price mechanism, such as a wide range of fluctuations, unfavourable prices of agricultural products compared with industrial goods and so forth persisted. Owing to shortcomings in the drawing up of the financial reform, disunity in implementation, and other inadequacies in the mechanism, the reforms engendered a galloping inflationary spiral that led to price escalation. As a consequence, living standards of the population sharply deteriorated, especially that of wage earners.81

Increasing the size of the state revenue and to change its structure remained a pressing problem. Despite a slight increase in the past years, the tax revenue remained extremely low - only a little more than 4.5 per cent of gross domestic product. There were a number of flaws in the tax system. Firstly, the theoretical basis of taxation including the major principles of equity, incidence, structure, effects on the output of production, on consumption and savings, on people's lives, and so forth was not clearly defined. Secondly, the lack of a theoretical basis meant that the current tax system did not take in all possible categories and sources of taxation and some kinds of taxation did not seem to have a rational basis. A typical case of this was the turnover tax, which was based on the repeated taxation of product value. The feasibility of implementing value-added tax was also being discussed. Thirdly, the effects of the changed tax system on economic output and its social consequences were not sufficiently investigated, so frequent readjustments and fine-tuning continued to be required.82

Public expenditure had to be reapportioned in line with changed priorities and for reducing the budget deficit. In the previous years, two important items in the list of expenditures had been cut off, these being subsidies for state-owned enterprises and defence expenses. The outlay on state economic investment had been slightly trimmed, notwithstanding the higher requirements on infrastructural improvement and the

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81 Vu Tuan Anh, n. 2, pp. 27-28.
82 Ibid., pp. 28-30.
enlargement of key industries. The share of funding for health care and education in principle remained as before, but it could not satisfy the increasing demand of a fast growing population. And the dilemma Vietnam's decision-makers faced was how to prioritise between economic investment and welfare. In this overspending created another problem. During the period 1986--89 the budget deficit was more than 5 per cent of the gross domestic product. This deficit was generally compensated by two measures - issuing new paper money and borrowing. The first measure had been applied a little too strongly and it reinforced the already high inflation. 83

Yet another problem was restructuring the national financial apparatus and management. Vietnam's financial system operated at two levels: central and local. Earlier, financial decision-making was strictly concentrated at the central level. Policy reforms with decentralization and liberalization tendencies strengthened the decentralized tendency of the financial system too. There was a certain amount of competition between local jurisdictions and the central government for the control and distribution of the budget revenue. A clear division of fiscal responsibility was not determined. The rules of fiscal operations were still very lax, and were freely modified by every jurisdiction and every competent person. Problems of contrast between, on the one hand, decentralization, which stimulated the flexibility and dynamism of local jurisdictions, and on the other hand, the need to establish one "strong" central state with sufficient financial power to encourage and regulate development. 84

The administration and utilization of investment capital was also thinly spread, failing to concentrate on essential projects and being wasteful and inefficient. Besides, due to very limited budgetary resources, constraints had been imposed on additional allocations to the three economic programmes, to infrastructure and in-depth investments for technological renovation as well as to certain key sectors and areas producing rapid results. Many State-run industrial and commercial establishments had not been reorganized quickly enough; some trade and service activities had grown in an irrational and disorderly manner; agricultural, forestry and aquatic produce processing industries

83 Ibid., pp. 30-31.
84 Ibid., p. 32.
had been slow to develop; the economic structure of mountainous regions had not
definitely switched over to commodity production."\textsuperscript{85}

Banking sector reforms encountered the following problems.

- The lack of a framework for property and collateral debt recovery, which
  hampered the development of the credit sector.
- The interest rate policy was still inconsistent especially concerning the
  financing of SOEs.
- The weak capital base for the state-owned banks and the lack of bankers
  and competent banking staff to implement the structural change.\textsuperscript{86}

In fact, Vietnam's banking system was unprepared to handle large foreign
transactions and its legal system was incapable of enforcing contracts once the
expectations of foreign investment materialized after its withdrawal from Cambodia.\textsuperscript{87}

The 7\textsuperscript{th} Party Congress noted the problem with regard to the public sector banks,
"The banks have not become clearing houses and credit centres for society and have not
implemented appropriate mechanisms to ensure a rational supply of capital to business
establishments; there still exist much irrationality regarding credit and deposit interest
rates. The State-run commercial sector has not found yet a proper mode of operation and
is not discharging adequately the function of regulating the supply-demand relationship
and the prices of essential commodities."\textsuperscript{88}

In 1989-90 Vietnam saw an epidemic of urban credit co-operatives. More than
300 such co-operatives were already in operation at the beginning of 1990, controlling
deposits of 400 billion Vietnamese dong (= US$100 million). Not only did private
entrepreneurs compete with state saving offices for savings deposits, but they competed
amongst themselves as well. Many of them drew in deposits by offering very high
interest rates (up to 12 to 15 per cent per month). Moreover they operated in the way of
pyramid schemes. By the summer of 1990 a number of them became bankrupt, and this

\textsuperscript{85} Communist Party of Vietnam, n. 48.
\textsuperscript{86} Q Dinh, n. 3, p. 540.
\textsuperscript{87} Ronald J. Cima, n. 27, p. 89.
\textsuperscript{88} Communist Party of Vietnam, n. 48.
led to a collapse not only of almost the entire system of credit co-operatives but also of more than 2,000 small businesses. The reputation of credit co-operatives and private banks thus suffered. 89

Despite the success in curbing inflation, mistakes were made because of the lack of theoretical foundation and insufficient practical experience in monetary policymaking. The State Central Bank acknowledged that Vietnam lacked an appropriate monetary policy. Problems such as the establishment and management of financial market, the determination of the demand for paper money and demand and supply balance in the monetary market remained unresolved. The counter-inflationary measures led to declining production and employment redundancies. In addition, the high interest rate at the beginning of 1989 caused a big shortage of money in circulation by the middle of the year. 90 The inflation though curbed considerably remained a challenge; the 7th Party Congress noted, “However, inflation has not been curbed in a steady way; prices have at times risen again and fluctuated wildly. The fight to curb and drive inflation down remains an urgent and fundamental task.” 91

Despite reforms the external sector continued to pose problems. Foreign investments continued to be hampered by the US embargo. The law on foreign investment was relatively attractive for foreigners, but this was discounted by the existing trade and investment embargo imposed by the United States on Vietnam and the low standard of Vietnam's infrastructural facilities, the lack of proper legal documentation, and the bureaucracy. 92

Increasing exports remained a big challenge. The 7th Congress noted the challenges in this respect, “However, our exports need to be further increased so as to meet the demand for imports and debt servicing requirements, our access to foreign markets is still slow and unsteady, we still lack highly competitive key commodities capable of establishing themselves on foreign markets, the share held by unprocessed commodities in our exports is still high. There are still many loopholes in the management of external economic activities: wide-spread smuggling of foreign goods,

89 Vu Tuan Anh, n. 2, pp. 33-34.
90 Ibid., p. 36.
91 Communist Party of Vietnam, n.48.
92 Vu Tuan Anh, n. 2, p. 44.
lack of uniform control and efficient use of foreign currency earned through exports, especially hard currency, rivalry in buying and selling export goods causing price increases at home and price fixing by foreign buyers.\textsuperscript{93}

**Problem of weak infrastructure**

Vietnam lacked basic infrastructural amenities such as ports and roads and its existing factories produced at half capacity because of material shortages. Despite the expectation of more foreign investment following the withdrawal from Cambodia, Vietnam's banking system was unprepared to handle large foreign transactions and its legal system was incapable of enforcing contracts. In addition, the country's access to technology was minimal and Hanoi's past failure to emphasize education had left Vietnam with few technically trained personnel to manage a transition to a modern economy. An economist with the former Saigon regime observed that the two greatest obstacles to modernization in Vietnam were a lack of microeconomic managerial expertise and a missing class of entrepreneurs, the best of whom had been associated with the former Saigon regime and had fled.\textsuperscript{94}

The weak infrastructure in particularly affected the scope for foreign investments. Vietnam tried to attract foreign investments and promote market economy but the infrastructure and mindsets were not ready for the efforts. A correspondent noted, “It (Vietnam) wants foreign investment and Western-style business, but not everyone nor everything is geared up to it. The spirit of enterprise coexists with the hustle and the hassle...An almost non-existent infrastructure, uncertainties over rules and regulations and woefully inadequate telecommunications all inhibit business development. There are also blatant rip-offs: freight charges to Europe, for example, are double those ex-Bangkok, despite the distance being roughly the same.”\textsuperscript{95}

**Unemployment**

Unemployment remained a major problem, not unusual for a reforming economy undergoing structural overhaul. The total labour force of Vietnam was estimated at 29.7 million, comprising about 47 percent of the total population of 63.6 million. Because of age structure of its population, the labour force was growing at about 4 percent per

\textsuperscript{93} Communist Party of Vietnam, n. 48.
\textsuperscript{94} Ronald J. Cima, n. 27, p.91.
\textsuperscript{95} John Hoskin, n. 55.
annum, adding about 1 million new entrants to the labour market each year. In both 1987 and 1988, about 1 million jobs were created, mostly in the cooperative and private sectors, with employment in the state sector remaining virtually unchanged. As a result, open unemployment remained at a relatively low level of 0.7 million. However, the number of persons underemployed is estimated to be 4-5 million and job creation continued to be pressing problem. Problem turned worse. In the second quarter of 1989 it was estimated to be as high as 20 percent in urban areas. There were two basic reasons for growing unemployment. Reductions in subsidies forced enterprises to raise prices to cover costs of production. At the same time, greater inflow of imports from China and elsewhere led to a decline in prices of consumer goods. Consequently, many import substituting enterprises which were heavily protected could not cope with increased competition and, therefore, closed down. No exact figure was available for unemployment scenario in 1990 too but it was said to be as high as 10 percent of the urban population in 1990 and possibly higher in some centres. The unemployment problem aggravated by the continuing demobilization of the armed forces and by the return of workers from abroad after the abrupt cancellation of their contracts in European CMEA countries and in Iraq. Following the outbreak of the Gulf crisis, nearly 17,000 workers were repatriated from Iraq alone. The next year, the reduction in the size of the civil service and the fall in the number of locally managed enterprises, substantially increased open employment. During the first half of 1991 employment in non-state-owned locally managed enterprises fell by over 100,000. While the expansion of private sector activities partly compensated for public sector employment losses, such expansion was insufficient to prevent a substantial increase in unemployment that in total was possibly running at 7 million persons or about 20 percent of the labour force.

The Seventh Congress noted unemployment as a particularly acute problem. The document stated that over the last four years and more, the implementation of the policy on a mixed commodity economy created important conditions for the provision of more jobs. There developed many forms of vocational training and job finding services run by

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the State, people's organizations and individuals. Volunteer youth brigades were organized for building new economic zones or help with construction projects. More areas of economic activity undertaken by the armed forces emerged. Due to these measures, during the 1986-90 period, some 4.2 million new jobs were created. However, the efforts made and the progresses achieved met only part of the demand for jobs from society; the number of unemployed from various sources was growing rapidly. Policies and measures aimed at solving this problem were still and inconsistent in character. The problem remained a major challenge.

A visitor noted in 1993, "... the percentage of unemployment has grown over the last couple of years as the State has been unable to provide the kind of net it had provided in the past. In Hanoi alone, the unemployed number about 1,50,000 while Ho Chi Minh City has more than 3,00,000 unemployed. A similar number of demobilised soldiers are also without jobs."

Social Strain

Renovation was not without social strains. The evidence of a growing gap between the rich and poor was very glaring in Ho Chi Minh City which had never really been comfortable under the socialist sway. Hotels and restaurants did booming business against the backdrop of disco and rap music while shop windows advertised all sorts of fancy consumer goods, which were out of the reach of the average Vietnamese. While Japanese businessmen thronged Ho Chi Minh City's beautiful central squares with their cellular phones and bulging briefcases, homeless beggars and street children desperately asked for food and money from passers-by. Corruption and black marketing coupled with the gradual withdrawal of the State support in critical areas like employment, education and health care created a growing population that found difficult to survive the onslaught of market forces. The immediate impact was felt by the most vulnerable social segments; - children, poor women, the disabled and the elderly – who were most vulnerable to the rapidly changing socio-economic structure."

The growing income disparities in the society weakened the formerly close-knit communal relations, particularly those of rural communities. Peasant households played

100 Communist Party of Vietnam, n. 48.
102 Ibid.
more active role while economic community organisations such as agricultural co-operatives and small industrial and handicraft organisations saw their role and position being getting eroded. The economic community organisations during earlier times used to perform social welfare functions such as providing health care service at the grassroots level for the welfare of workers and their families, education and care for children at crèche and kindergarten age, insurance for labourers and elderly people, as well as cultural and spiritual activities for the benefit of those living near where the organisation were set up. In fact they contributed not as pure economic units but more than that, as competent socio economic units wielding greater power than the governmental administration of the village. After the economic restructuring, economic as well as social aspects of welfare provided by such organisations gradually diminished.\textsuperscript{103}

The switch over to market economy had, on the one hand, stimulated the economic instinct of individuals but, on the other, increased the level of risks in economic undertakings compared with earlier times. Not only were private undertakings subjected to the pressures of market forces but even those employed in the state sector were worried about losing job as a result of streamlining of operations. In a context where supply exceeded demand in the labour market, job shortages constituted a potential problem that could be disruptive.\textsuperscript{104}

The Reforms threw another challenge along with inequality, i.e., regional disparity. In general, the economy is in much better shape in the South than in the North\textsuperscript{105}, a disparity that persisted.

Other important areas of social welfare such as compulsory education and public health care also encountered no small difficulties because of restricted financing by the government. Average health spending per capita in 1990 stood at only US$1.42. Although the sustainable development of human resources was dependent on the younger generation, the rate of children leaving off schooling during this period was on the rise. There were changes in policy to check this, but financial difficulties hampered development in this area.\textsuperscript{106}

\textsuperscript{103} Vu Tuan Anh, n. 2, p. 60.
\textsuperscript{104} Ibid.
\textsuperscript{105} Douglas Pike, n. 32, p. 78.
\textsuperscript{106} Vu Tuan Anh, n.2, p. 60.
The 7th Party Congress noted the difficulties in these respects:

"But our education has not emerged from its weak state due to the economic situation, lack of adequate attention at the level of strategic guidance, and at the same time, the many shortcomings and weaknesses in the managerial work of the educational and training service.

The quality of education, especially ideological and ethical education, remains low, with some pupils and students hazy about the socialist ideal. The number of pupils lacking motivation and school dropouts has continuously increased. The number of illiterates keeps growing. Although there have been some improvements in the policy regarding teachers, it still fails to attract talented youth to the teaching profession; the living standards of the majority of teachers remain too low, and in certain localities the number of teachers leaving the profession surpasses that of newly-trained teachers. The professional standards of teachers have not been raised quickly enough. Investment in education in mountainous and ethnic minority regions remains too low. Universities, colleges, vocational training schools and general education schools have been slow in getting reorganized."\(^{107}\)

"Generally speaking, however a host of problems still need to be solved in disease prevention and treatment and in health protection. The majority of hospitals from the central to provincial and district levels have been substantially downgraded. Malaria has spread in a number of mountain districts and villages. State expenditure far from covers the requirements of the health service whereas appropriate ways and measures to fill the gap are still lacking. The collection of hospital fees has been done in an irrational way, resulting in a chaotic situation. Major problems are yet to be tackled regarding environmental health, such as clean water supplies, dumping of industrial wastes, and protection of the living environment."\(^{108}\)

\(^{107}\) Communist Party of Vietnam, n. 48.

\(^{108}\) Ibid
CHALLENGES OF REFORMS

There were many difficulties which persisted in general public life, viz. poverty - material and cultural, unemployment, and rise in population.

"Thanks to new policies, the average share received by co-op members from the value of what they produce has risen considerably after the implementation of Resolution No. 10 on contractual output quotas. Nevertheless, around 10 per cent of peasant households are still in difficulty and facing chronic food shortages; and this percentage is even higher in areas repeatedly hit by natural disasters, mountainous regions and regions inhabited by ethnic minority peoples, and localities with large numbers of social welfare recipients or needy families. Peasant housing in some areas remains in a rudimentary state. Cultural life in many rural areas is still poor.

In urban areas, those working in loss-making production establishments lead a very hard life, while people engaged in services or commerce are, in general, fairly well off.

A sizable segment of the population is still living below the poverty line. There is still a large number of malnourished children. Experiencing the most acute difficulties and seeing their living standards drop considerably, are those whose main incomes consist of salaries and social benefits.

But we still lack effective policies and measures to prevent illegal earnings and regulate income levels. In spite of generally low living standards, a section of the population and workforce is inclined toward a luxurious lifestyle and wasteful consumption habits, which in some respects are beyond the level and means of our economy. Many of our economic and social difficulties stem from a population growth rate that is too high - about 2.2 per cent in 1990.

In many rural areas, no progress has been made in birth control. Our excessive population growth has placed strong pressure on living conditions and employment, and hindered our attempts to attain certain socioeconomic objectives and to raise people's living standards.
CHALLENGES OF REFORMS

However, the level of cultural and artistic appreciation among the majority of the working population remains low, especially in many rural and mountainous areas. Cultural, literary and artistic activities are usually concentrated in urban areas and inclined to cater to unhealthy tastes. There have emerged deviation tendencies, for example, to make light of national and revolutionary literature and the arts, to view society pessimistically, to let the popular masses freely choose their cultural diet.

The management of cultural activities, though renovated, still has many shortcomings and fails to maintain tight supervision of publishing work, and the import and making of films, which has led to the widespread distribution of harmful works. Active measures have not yet been taken to popularize works of value. Artistic fields such as cinema, classical opera, popular opera, etc., are beset with difficulties, which no measures have been found to overcome.  

Environmental Concerns

Economic development has its environmental repercussions and problems did start to show off. The environmental and air pollution had not acquired alarming proportions but there was concern as further development was bound to add to the pollution. Nonetheless, serious environmental deformation caused by the deforestation, soil erosion and degeneration, the lack of ecological balance in a number of pockets, and so forth did emerge as major environmental problems.

Economic reforms also resulted in greater exploitation of natural resources. With rapid population growth and high population density (200 persons per square kilometre), the threat of environmental degeneration loomed large. Deforestation emerged as a major environmental challenge. Serious concern especially in South over the prospect of environmental degradation with the open door policy of the administration became apparent. Already over two million hectares of forestland had been destroyed because of chemical warfare including 5,000 hectares of mangroves in the South. Forests were

109 Communist Party of Vietnam n. 48.
110 Vu Tuan Anh, n. 2, p. 61.
111 Ibid.
112 K. Ganapathy, n. 101.
restored in a number of localities following the promulgation of new policies on land location and use but at the country level the level of forest destruction was higher than that of the reforestation. On average, 200,000 hectares of forest were depleted yearly by human activities. The yearly addition of 50,000 to 100,000 hectares of forest was insignificant compared with the 200,000 hectares removed.\textsuperscript{113}

The indiscriminate exploitation of sub-soil resources contributed to soil erosion and to the deposition of alluvial deposits at reservoirs and rivers, creating floods or droughts depending on the season. There was also excessive fishing along the coastline and the unrestricted hunting of wild animals in the forests.\textsuperscript{114}

Without a system of appropriate institutions and protection measures, the environmental pollution caused by industrial production – first and foremost by the mining industry and in urban areas where foreign investment undertakings were situated – posed grave environmental challenge. Fortunately, Vietnam outlined a national action plan on environmental protection and sustainable development for the years 1991-2000.\textsuperscript{115}

These problems were also acknowledged by the Party at the 7\textsuperscript{th} Congress,

"...we should fully recognize major weaknesses and difficulties: our country has not yet emerged from its socioeconomic crisis; the renovation process still faces limitations, and many pressing socioeconomic problems have yet to be solved. Worthy of note are the following major problems:

Inflation is still high, many production establishments are in a prolonged state of slump, unemployment is on the increase. The wage system is illogical. The living standards of those surviving mainly in salaries and social allowances and of a section of the peasantry are declining. The population growth rate is still high.

\textsuperscript{113} Vu Tuan Anh, n.2, 61.
\textsuperscript{114} Ibid.
\textsuperscript{115} Ibid.
In the cultural and social fields some aspects continue to deteriorate. Corruption, negative phenomena and social injustice are on the rise; a materialistic way of life and superstitious practices are on the increase. Violations of democracy are numerous.

The implementation of law and State discipline are not strictly complied with. The situation regarding security, public order and public safety remains complicated. There are still factors likely to cause political instability and they should not be underestimated.

The apparatus of the Party, the State and people's organizations is cumbersome, their style of work is still bureaucratic and ineffective. A great many Party workers and members are not qualified professionally and morally for their present assignments; some have even become retrogressive and corrupt and are not trusted by the people. The heightening of the revolutionary will within the Party, the purification of the Party ranks, the selection, deployment and nurturing of the corps of key workers, and a radical reform of the organizational system are major problems in need of solution.

The decisive factor in the achievement of renovation is the Party's perseverance and firm leadership and the revolutionary spirit and efforts of the whole people. Over the past four years and more, against the background of an extremely complex situation at home and abroad, our Party and State have persevered in carrying out renovation in directions and steps that are fundamentally correct; our people, with their ardent patriotism and confidence in the revolutionary cause led by the Party, have accepted the challenges, and endured and overcome many difficulties in the renovation process, bringing about gradual changes in the situation.

The difficulties and weaknesses are partly due to the consequences of previous years, the difficulties inherent in the process forward and the adverse impact of the world situation, but we need to emphasize the subjective shortcomings in the Party's leadership and in State management. The overriding problems are that the Party has been slow in
clearly defining the requirements and contents of renovation of its mode of leadership in this new stage; it has not concentrated on research in order to provide clear-cut directions, decisions and active guidance in the reorganization of the apparatus. There is still a lack of effective measures to raise the quality of Party members and Party organizations' leadership capacity and combativeness in meeting the demands of the revolutionary cause. Party workers still have many shortcomings. Our State still lacks managerial knowledge and experience and has done things which are not in keeping with objective laws. There is still much confusion, deficiencies and carelessness in macro-economic control over and management of the market economy (especially in the fields of finance, money and wages) as well as in socio-cultural management. There are both inconsistencies in a number of decisions on renewal and a loosening of the management role vis-à-vis society.\textsuperscript{116}

Thus many problems and crises appeared in the course of the initial years of the reforms and the divide over the necessity and nature of reforms never ceased. However these issues have not been discussed in the forms of divide or conflicts. Vietnam was ultimately successful in trudging along with reforms which were indeed accepted, endorsed and implemented in great measure; hurdles and differences thus best could be described as dilemmas and challenges. However, as a compromise and concession to the conservatives, openness and plurality were put on hold and the VCP maintained its sway.

\textsuperscript{116} Communist Party of Vietnam, n. 48.