

VIETNAM: THE WINDS OF LIBERALIZATION

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INTRODUCTION

The subject being addressed in this collection of essays — liberalization in the Marxist-Leninist systems of the world — is based on the working assumption that all (or most) of these systems are undergoing profound change for the better. The common pattern, it is assumed, is that each is now seriously engaged in remedial self-alteration measures that are destined to have, intentionally or otherwise, important effects on the system's set of internal institutions as well as on the society's currently prevailing intellectual/ideological concepts.

That general characterization of the manifest winds of change, with certain modifications, is applicable to the three Leninist states of Vietnam, Cambodia and Laos. Within this context, the specific purpose of this essay is to examine briefly the Vietnamese economic sector, its present policies, and its future intentions with respect to the broad meaning for the society and the Vietnamese people as a whole. It asks: is there to be significant economic change soon in Vietnam? If so, what will be the effects beyond the economy, that is, on the socio-political structure of the Vietnamese society and on Vietnam's foreign relations?

The brief answer to this question is paradoxical: the Vietnamese, leaders and led alike, dearly want economic change and are determined to bring it about, but to date they have been singularly unsuccessful in accomplishing economic advance and are not likely to do so in the near future. Exploration of the nature of this paradox forms the bulk of this essay.

CAVEAT

A certain air of unreality surrounds any effort to analyze the Vietnamese economy, which partly explains why virtually nothing has been written on the subject in the United States during the past decade. There are many reasons for this: paucity of reliable data; lack of academic interest; sensitivity to the residual trauma of the Vietnam War; and the peculiarities of the Indochina scene itself. As a result, thinking about the Vietnamese economy, even by those presumably well informed — in academia, journalism, government, Congress — tends to be ill-grounded and superficial. To most of these

outside observers it appears that there is at work in Hanoi more rationality, more coherent thinking, more system, than actually is the case.

Particularly invidious is the semblance of things economic which are not actually economic at all. This is especially true with respect to reform — changes that are carried out in the name of the economy, but have mostly to do with non-economic matters. Changes in the production methods on the farm, in land tenure, in the size and patterns of light industry, may be officially proclaimed to have been designed to serve the economy, but their actual purpose is to reorder social relations — usually at the village level. A good deal of this unreality is traceable to the environment, to what might be called Hanoi's economic schizizophrenia. One of the most puzzling phenomenon in postwar Vietnamese economic matters has been the gulf between what the leaders say they intend to do and what actually is done. This kind of leadership has a long heritage and is traceable to a variety of singularly Vietnamese cultural factors. In making their economic decisions, the leaders in Hanoi are caught up in a complex process of rational and nonrational reasoning, simultaneously interweaving hard common sense — honed by centuries of Confucian traditionalism and Taoist pragmatism — and utterly credulous Marxian dogmatism.

OVERVIEW

Along the road from Hanoi's Noi Lam airport to the city stands a billboard stating in large letters: FOR THE PARTY. FOR THE STATE. FOR THE PEOPLE: ECONOMICS IS IN COMMAND. Erected in December 1976, the billboard's message was the official slogan of the Vietnamese Communist Party's Fourth Congress meeting that month. The slogan well encapsulates the thinking and intention of all at the time. The war was over and nation building was to begin. Priority was to be given to things economic. Other state issues, such as foreign policy, were to be subordinated to economic imperatives.

However the idea of putting economics in command never advanced beyond coining the slogan. Months and then years slipped by and state policy was not translated into operational programs and the good intention remained only intention.

"Economics in command" would have dictated that the "Pol Pot problem" be solved by means other than the full-scale invasion of Cambodia. It would have meant maintaining minimally amicable relations with China, difficult as that might be. Hanoi would have responded to the olive branch held out by President Carter that would have led to diplomatic relations with the United States. "Economics in command" would have planned a slow amalgamation of the northern and southern economies, not jammed them together. It would have solicited the skills and contributions of the ethnic Chinese of Cholon and of the southern Vietnamese middle class, instead of driving them into the sea as boat people. It would have facilitated the foreign oil industry's

attempts to make Vietnam rich. It would have meant accepting nominal "strings" on economic aid from non-communist countries if that was what was required. But "economics in command" never rose above the level of an abstraction. The sign still stands today along the airport road, faded, barely legible.

Thus, a great cloud of paradox hangs over the question of political and economic reform in Vietnam. For a decade and a half the world has been presented with the spectacle of a Vietnam desperate for economic improvement; a Hanoi leadership repeatedly declaring its determination to bring rapid change; a system constantly being goaded by the USSR as the underwriter and banker of economic improvement. Yet nothing happens. Programs, policies, new enterprises are announced with great fanfare, then fizzle out. Stern measures in the name of economic discipline are promulgated and enforced for a few months, then fade. Yet year after year the need remains and the professed intent continues. It is as if there were some permanent gulf between the two, between the good and needed idea and its actual accomplishment.

The Vietnamese today, understandably, are preoccupied by economic matters. Inflation savages them at perhaps its worst rate ever, chiefly because of efforts to establish a new wage scale arrangement — one that eliminated subsidies and payments in kind — which has pumped billions of new *dong* into the economy. Vietnam remains essentially on the socialist world dole, in debt to the ruble bloc by about \$6.2 billion (hard currency imports amount to about \$1.5 billion vs. \$550 million in exports).

Additional incentives in 1986 were introduced into the agricultural sector designed to improve the contract system installed in 1979, permitting higher profits to be taken on above-quota agricultural production and certain tax benefits. These measures are slowly showing an effect. Grain production in 1986 was 18.5 million MT as compared to 18.1 million MT in 1985. The 1987 crop is estimated at 18.1 million MT, but the drop is attributed to natural causes such as drought, typhoon flooding, and insect infestation, not state policies.

Industrial production continues to increase slowly, but it is not enough to meet minimal needs. Factories are still operating at about 50 percent capacity due to lack of raw materials, shortage of spare parts and poor management. The plan announced in 1985 to liberalize the industrial sector so as to tap lucrative Vietnamese emigre sources of investment capital and technical assistance remains only a plan on paper. The new investment code, promulgated in early 1988, is expected to facilitate foreign investment greatly, yet it does not seem to be very different from the 1978 code which in ten years attracted only one enterprise, a French pharmaceutical firm. Further, there is the conviction of many outsiders, particularly the Japanese, that the sense of the code — of a Vietnamese export-led, high technology strategy — is not appropriate for Vietnam. Even Soviet advisers are believed to be telling the Vietnamese economic planners that such a strategy is not merely a matter of opportunities, capital, subsidies and tariff reductions, but requires high de-

sign, quality control and slick packaging in order to compete even within the region, all of which is beyond Vietnam at present.

ECONOMIC REFORM

Now we turn to an examination of the economic reforms which are ostensibly underway in Vietnam under the guidance of the new VCP General Secretary Nguyen Van Linh. However, to do so it is first necessary to describe briefly the nature of politics as practiced in Hanoi.

The fundamental political construct remains the same. It is Sinitic-based factionalism with collective leadership, practicing Marxist-styled consensus politics. Within this framework there has emerged in the past year or so a new political line-up with most of the old guard passing from the scene to be replaced by younger, if not young, men. Almost all of the old guard is now gone. Half the Central Committee is new. The National Assembly has many more technocrats than in the past, and 60 percent of them are first-timers. There has emerged a "southern predominance" in the new line-up in that virtually all of the major figures are with long and intimate career associations in the South, if not themselves southern. This means a leadership that better understands southern ways and is better able to mobilize the economic potential represented by the South. There is also a rise in influence of what might be called "special interest" groups, such as science and technology sector cadres, economists, Party provincial secretaries and the military.

It is clear that there is no longer much argument in Hanoi about the imperative need for immediate economic reform. The casual sacrifice of the economy to other interests, such as parochial Party interests, will no longer be permitted. It is also clear that the doctrinal dispute of the past twelve years labeled by outsiders (for convenience's sake but somewhat inaccurately) as Ideologue vs. Pragmatist, no longer applies. It has not been won by the Pragmatists as much as it has metamorphosed into a new set of arguments over the nature and pace of changing policies in the economic sector and the meanings these have for national security and foreign affairs. The pragmatists have become "renovationists" (and might fairly be called "reformers") while the ideologues have become ultra-cautious pragmatists (and might be termed "conservatives"). What separates them primarily is the question of orthodoxy in economic change, specifically the degree of willingness to bend long-standing doctrine to fit new needs. The reformers are more willing to innovate and take risks in the economic sector, while the conservatives see the reformists as rashly pressing programs that do not fully take into account the effects they will have outside of the economic sector.

However, the shift of power from the conservatives to the reformers, if these be the correct terms, has not been as rapid or as decisive as many had expected. Compromises have been forced on Nguyen Van Linh, in personnel appointments as well as in policy decisions, which have had the net effect of slowing down but not fundamentally altering the reforms.

The "reform look" in the Vietnamese economy officially began with the Sixth Party Congress (December 1986) although many of the instructions set down by the Congress for the economic sector date back to 1979. The intent has long been a limited reduction of state intervention in the economy. The purpose from the start is to solve the more pressing short run economic problems and eventually to launch the country onto the path of true economic development. Nor does this represent a philosophic change in economic thinking. Central planning and the spirit that doctrine represents — not the marketplace — remain the society's chief economic beacon. The Party and its cadres continue to intrude as required even into technical economic decision-making, thus remaining one of the chief impediments to rapid economic progress in Vietnam.

The buzzwords fashionable in Moscow — *glasnost* and *perestroika* — have found a place in Hanoi. The spirit of change introduced by Nguyen Van Linh is often described as *cong khai* (translated as openness) and resembles the concept of *glasnost* as introduced into the USSR. Editorials in Party journals explain that openness is an integral part of the process of changing the "style of Party leadership" and that within the general society it will help limit "negative manifestations" (a code term for antisocial behavior). The all-encompassing term used to describe this campaign of change is *canh tan*, or renovation. Party journals emphasize that renovation requires eliminating the rising tide of Party corruption. It also involves renovation of cadre attitude, poetically described as "abandoning the old ways of flags, lanterns, trumpets and drums." More to the point, renovation justifies full use of revolutionary violence against "those whose self-serving misdeeds sabotage Vietnamese society in alliance with imperialism and expansionism-hegemonism." It is a labor of many parts, the essence of which is that the Party must lift itself by its moral bootstraps.

Such are the specific and affective dimensions of the economic change underway in Vietnam. How much of this is reality is impossible to determine at the moment. Despite the measures ordered and the progress made during the past year or so, most of the basic dilemmas remain: between economic need and ideological imperatives; between Party and State; and between domestic programs and foreign policies.

Externally, Hanoi's problem remains whether to retreat from overextended positions, as in Cambodia, so as to facilitate domestic programs, or to defend those positions by making minimal concessions and retreating only inch by inch. The new leadership inclination is toward seeking some sort of settlement in Cambodia, to reach a *modus vivendi* with China, and to make forthcoming gestures to the Association of Southeast Asian Nations (ASEAN), Japan and the United States in the pursuit of economic aid. Increasing the difficulty in decision-making is the ambiguity in assessing the price of regional accommodation; that is, in determining precisely what would be involved in an acceptable Cambodian settlement, or what exactly China would demand for a marked improvement in relations. Set against this is the fact that Linh's

leadership position is not fully secured. His faction must deal with still powerful conservatives who, though not flatly opposed to his reforms, question their pace and scope, fearing that precipitous actions will usher in unanticipated secondary effects.

THE REASONS WHY

The Hanoi system of government, with its unique form of Leninist institutions and its singular kind of leadership, performed well in the service of its golden cause: unification of North and South Vietnam under its banner against a formidable foe over a long time. However, it proved to be totally unequal to the lesser peacetime challenges of binding up the wounds of war, launching a nation-building and economic development program and establishing reasonably good relations with its neighbors and the world. Instead, a shroud of failure settled on the survivors, victor and vanquished alike, measurable in any term one chooses to employ — economic, sociopolitical, diplomatic, military or psychological.

Various explanations have been offered, by the Vietnamese themselves and by outsiders, for this postwar failure. The explanation most commonly heard in Hanoi and from left-wing critics around the world has been the "Evil Enemy" thesis. It propounds that Vietnam is beset by enemies: at home by counter-revolutionaries and recalcitrant Southerners; in its immediate backyard by the Pol Pottists and the Lao revanchists; on its borders by the Thais and the Chinese; at a somewhat greater distance by other ASEAN states, the United States, Japan, multinational corporations and the international lending agencies. All are in this conspiracy, it is asserted, to punish Vietnam and deprive it of the opportunity to develop economically.

Vietnam, it is true, is isolated by regional hostility, and in fact has only two fully supportive friends anywhere in the world (USSR and Cuba), but this condition as part of the Evil Enemy explanation tends to beg the question: why is this so? Any economic system, in any society, in order to succeed must overcome all sorts of challenges, including internal problems and external opposition and competition. There is no free lunch in the world of international economics, and whatever one can gain there one more than earns. So the question remains, why could Hanoi not compete well — or even cope — in this arena of competition? Its position at the moment of victory in 1975 was one of strength and of certain advantages. Yet the opportunities presented by peace, won at such a high cost, were thrown away in a seemingly casual manner, which the Evil Enemy theory does not explain.

I believe that the central reason for Vietnam's postwar failure is traceable to the dozen men, wielding substantial political authority in Hanoi, who have proved themselves incapable of dealing with their postwar world, despite their unchallenged monopoly of political power. What the leadership should have done, as it acknowledged later, was to map out plans for massive overhaul of the wartime economic system in the North, restructure the production system in the South, establish a firm national financial policy, and devise a strategy

for economic development. It did none of these things. Theirs has been an unrelieved record of failed leadership. Mistakes and errors in judgment led to the invasion and subsequent military bog in Cambodia, to the cold (and sometimes hot) war with China; to the loss of valuable human assets as boat people.

In the attempt to recoup losses, Vietnam blundered into an intimate relationship with the USSR which has become a military alliance in all but name, with extensive Soviet military facilities at Cam Ranh Bay and elsewhere. It is a relationship built on dependency, as far as the Vietnamese are concerned, and opportunism on Moscow's part. It is a relationship neither entirely likes. But it will last at least as long as the dependency and the opportunism last. In turn, the Soviet presence has tended to polarize the region strategically, pitting the three Indochinese states backed by the USSR against the six ASEAN states and China, associated with the United States and Japan.

The conditions this leadership fostered will continue, I believe, until we see a generational transfer of political power in Hanoi. This is underway, but moving with glacial speed.

However, an inadequate, or more correctly, an inappropriate leadership in Hanoi cannot by itself explain this postwar failure. There is truth in the Politburo's complaint that it is a victim of circumstance, though one that the Politburo has the authority and the responsibility to change. And while we may conclude that the wrong people tried to run postwar Vietnam, there was a more fundamental reason for the failure; it is what the French love to castigate as *le systeme*. The Party-State *apparat* created in wartime was a fighting machine — totally hierarchical, tightly knit, disciplined — exactly what was needed, but in peacetime these virtues become vices. The Party-State institutional structure is over-organized, excessively centralized, and full of cross purpose. It smothers initiative, prevents flexibility and militates against innovation. Good intentions are there, but stagnation dominates. Thus, the pessimistic conclusion one is forced to reach is that this circumstance — the wrong system being run by the wrong people — will not be changed voluntarily by those in command and cannot be changed by others. Therefore, time and human mortality are Vietnam's best hopes.

