



## VIETNAM: WHAT NEEDS TO BE DONE?

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### INTRODUCTION

In the modern world, where so much policy study compares ‘model with muddle’, any situation can and must be described as imperfect, with much remaining to be done, although, in essence, this often seems to amount to setting some unattainable goal, at least in this world.<sup>1</sup>

So what needs to be done in Vietnam? The country has a practice of thinking for the long-term, of ‘playing it long’, when making changes in its political and economic institutions and in their relationships with society. Vietnam in the early years of the new millennium is a paradoxical image on the world stage. If one wishes to play the role of ‘booster’, accentuating the positive, then much of what can be said appears startling since it is so infrequently uttered. It is easier to play the role of critic. But let’s start with the positives.

Here is a country whose political institutions have permitted an uninterrupted sequence of power changes at the peak that have followed the established formal procedures laid down by the rulers: the Vietnamese Communist Party. In 1986, at the VIth Party Congress, the Central Committee elected a reformist General Secretary, Nguyen Van Linh. In 1991 he was replaced by the more technocratic Do Muoi, who was in his turn replaced by Le Kha Phieu, whose somewhat old-fashioned politics led to his replacement by Nong Duc Manh at the IXth Congress in 2001. Manh is younger, a member of the Tay minority, and has some popular support drawing upon his role as Chairman of the National Assembly. He arguably reflects a return to the more adaptive politics of the 1980s and 1990s.

Political contestation at these core events was intense. Linh was only elected after drawn-out discussions to do with the positions of such eminences as Le Duc Tho and Truong Chinh following the death of old-guard leader Le Duan in mid-1986. Do Muoi came to power in the aftermath of the purge

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<sup>1</sup> M. S. Grindle and J. W. Thomas, *Public Choices and Policy Change: The Political Economy of Reform in Developing Countries* (London: Johns Hopkins, 1991).

from the Politburo of Tran Xuan Bach for alleged ‘Yeltsinist’ tendencies. Le Kha Phieu entered the IXth Congress as the front-runner, supported by the Politburo, and was only removed after intense infighting. Yet, formal procedures were followed, leaders changed, and no blood was spilt. These three characteristics, clearly, are not common throughout most of the developing world or indeed Southeast Asia.

Here, again, is a country with the deeply textured political machinery of a post-Stalinist if not quite post-Leninist regime: Mass Organizations, a mass Party, a security apparatus, deep influence over the mass media, and so forth. Yet, it is far from the case that policies are set arbitrarily and then enforced—despite many ongoing issues between rulers and ruled, political control is arguably weaker than in countries such as Singapore, where the willingness to openly criticise the government is in many cases less.

### **MANY PROBLEMS: COMMUNIST RULE, CORRUPTION AND POLITICAL INSTABILITY**

It is even easier to point to ‘negatives’ (notwithstanding the World Bank’s strong enthusiasm for Vietnam, expressed in its \$3 billion lending agreement).<sup>2</sup>

By comparison with many definitions of what constitutes a well-governed modern state, Vietnam comes out rather badly. She is given very bad scores in international rankings on such things as corruption, the business environment, human rights and so forth. The US State Department website recently characterised the political regime as a ‘Communist People’s Democracy’. Despite much effort from international NGOS, there is no clear law that defines the position of civil-society organizations, and most bodies that carry out activities of that type tend to operate in the ‘shade’ of formal organizations under the Vietnam Fatherland Front or some such body. Indeed, the Leninist Mass Organizations remain in place, given responsibility for a range of tasks to do with monitoring state bodies, yet their funding largely comes from the state budget, and they are still organically linked to the Vietnamese Communist Party (VCP) through the ‘popular mobilisation’ sections of the Party at various levels (the ‘*dan van*’). The Party maintains organic control over the state through various parallel structures such as the ‘*ban can su*’ at Ministry and other levels. Thus, according to much western thinking, the relationship between politics and state has not developed into a separation that allows for popular

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<sup>2</sup> IMF/IDA, *Vietnam: Joint Staff Assessment of the Poverty Reduction Strategy* (Washington DC: IMF/IDA, 2002).

control over the state's activities. Though change is under way, nobody would argue that Vietnam's judiciary is at all independent of political interference, and so most activities to regulate social interactions are governed by societal rather than state or other extra-societal structures.

These issues result, arguably, in a situation where transactions costs are high and society largely ungoverned. The regime rules, but it does not govern. There is no clear break with the Leninist position requiring direct intervention in social organizations through the Mass Organizations and the Party itself, to one where the government 'governs' through a range of indirect 'techniques of rule'. The result is corruption, ineffectiveness in the implementation of central policy measures, and a continued tendency for the population to have to resort to direct measures (such as demonstrations) to curb officials, or to simply bypass the state in governing social regulations. While 'stable', as Vietnam increasingly participates in the storms and winds of the modern global economy, this will push the burden of adjustment more and more onto those who can least bear it, and as business grows in power and becomes more concentrated, the politics of dealing with the consequences will become more difficult.

In essence, a market economy forces the shift from 'rule' to 'government', and so far the constitutional changes required by this, which would be marked by the emergence of an independent judiciary, effective anti-corruption measures and a sea-change in attitude toward what westerners would call 'civil society', are far from happening. Risks are therefore high and the current social and political stability not likely to endure.

### **PROBLEMS, YES, BUT WITH THE RIGHT HELP QUITE SOLVABLE**

The World Bank, which has Vietnam as number 2 in its list of 'largest recipients of support' (after India), highlights positive issues, but ignores others.<sup>3</sup> Most important here is the focus upon current attempts to address key issues, and the notion of 'process': that the country is headed in the right direction. But does this amount to any more than 'jam yesterday, jam tomorrow, but never jam today'?

This chapter takes the notion of 'problem' with a large pinch of salt. I present an outline of recent change in Vietnam, and proceed to what I think is most focusing the minds of those politicians, officials, and others influencing

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<sup>3</sup> *Ibid.*

these change processes. I finish with a discussion of what now needs to be done, and where things may be headed.

### **COPING WITH POVERTY AND WAR: COMMUNIST VIETNAM BEFORE 1975**

Before 1975, the area ruled from Hanoi was one with important elements of wartime 'laissez-faire', with the system of rural cooperatives being one where peasants 'usually' managed to avoid central directives,<sup>4</sup> where SOEs and the planning system were far from matching any of the models to be found in Soviet textbooks,<sup>5</sup> and where the issue of the management of socialist construction in the north in the early 1970s was not so much one of reform, but of the re-establishment of the norms of democratic centralism in a situation where they had become, partly in thanks to high levels of aid-financed imports from the Soviet bloc and China, normally flouted. Despite the rather rapid growth of industrial output in the north after the late 1960s, the planning system never managed to create that self-powering dynamic of 'expanded accumulation' that, as other neo-Stalinist systems showed, would for a while produce fast but inefficient and uncompetitive growth.<sup>6</sup>

Thus, at reunification in 1975-76, the 'problem' facing the north was one of the re-establishment of order along conservative lines. Contradictorily, this meant that the apparatus that was responsible for the management of the south was itself ill disciplined and weak. Would this be capable of imposing its control over the south in a way that could match the requirements of rapid neo-Stalinist growth?

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<sup>4</sup> Adam Fforde, *The Agrarian Question in North Vietnam 1974-79: a study of cooperator resistance to State policy* (New York: M. E. Sharpe, 1989).

<sup>5</sup> N. Tri, ed., *Về tổ chức sản xuất trong công nghiệp miền Bắc nước ta (On the Organization of Industrial Production in the North of Our Country)* (Hanoi: NXB Đại học và Trung học Chuyên Nghiệp, 1972).

<sup>6</sup> It is worth pointing out that the logic of failure to implement neo-Stalinism 'pur et dur' was apparent, arguably, *before*, the start of the Vietnam War, in the events in the early 1960s as the First Five Year Plan was implemented. A. Fforde and S. Paine, H., *The Limits of National Liberation: Problems of Economic Management in the Democratic Republic of Vietnam* (London: Croone Helm, 1987); A. Fforde, "From Plan to Market: The Economic Transitions in Vietnam and China Compared," in A. Chan, ed., *Transforming Asian Socialism: China and Vietnam Compared* (Canberra: Allen and Unwin, 1999).

### **COPING WITH STALINIST ECONOMICS: BREAKDOWN OF THE OLD SYSTEM, 1978-79**

In what has been described as the hubris of victory, the ambitions of the first Five Year Plan of the reunited country were very great. Access to the rice surplus of the Mekong delta, should, theoretically, have eased the central constraint to such ambitions when played out upon the stage of the poverty-stricken and population-saturated north. In classic Stalinist thinking, these resources would be extracted through the mechanisms of forced cooperativization and control over the rice trade.

The problem facing the country at this stage was how to cope with the consequences and strains of this historical push, to realise Stalinist development in a reunited Vietnam. The problem was solved by strangling the attempt at birth. As Melanie Beresford has put it so well, the ‘procurement strike’ in the Mekong delta in the late 1970s, coming as it did with the loss of Western and Chinese aid, pushed hard for change.<sup>7</sup>

In the early autumn of 1979, with the system collapsing (and important actors shaking the roof pillars), the VCP Central Committee met to discuss economic problems at a scheduled Plenum (the ‘Sixth Plenum’). At the start of the discussions, political positioning by the top leadership remained conservative, requiring ‘more efforts to implement agreed policies’. By the end, after senior politicians were bombarded by provincial and other leaders, the somewhat opaque resolution argued that almost anything could be done that allowed production to ‘break out’ (*bung ra*). And so the problem of coping with Stalinist economics was solved by recourse, not to directives and guided change, but by ‘going with the flow’: the spontaneous marketisation of the economy was legitimised.

### **COPING WITH BROKEN ICONS: SPONTANEOUS CHANGE AND POLITICAL RESPONSE, 1979-80**

But of course, if the very nature of politics is the ‘creation and maintenance of order, then what then needed to be done was to read order into what had been done: to look at ‘life’ (*cuoc song*), to apprehend the ‘law’ (*quy*)

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<sup>7</sup> M. Beresford, *Vietnam: Economy and Society* (New York: Pinter, 1988); M. Beresford and A. Fforde, ‘A Methodology for Analysing the Process of Economic Reform in Vietnam: The Case of Domestic Trade’, *Journal of Communist Studies and Transition Politics* 13/4 (December 1997), pp.99-128.

*luat*) governing this, and then to produce policies and human laws that corresponded. And this was what was done. This is discussed in greater detail elsewhere.<sup>8</sup> From the other side of the coin, that of Western analysis, what this implied was a need to understand Vietnamese change processes as *essentially* endogenous, coming not from policy change, but from processes deep within the society and economy. But these could be observed through local apprehensions of them, that is, in the policy response.

Through 1980 an important element of Vietnam's international situation was the replacement by the Soviet Union of the lost Chinese and Western aid. This gave them an enhanced position in the policy dialogue, conditioned, of course, by the military issues to do with the Sino-Vietnamese and Vietnamese-Khmer conflicts.

By the beginning of 1981 the spontaneous breakdown of the neo-Stalinist system had been addressed politically by the creation of 'reform policies'. These largely solved the problems of the moment by permitting, well before most other socialist countries, all SOEs to trade on markets in list goods (outside the plan) and also allowed farmers from cooperatives to sell surplus goods in (free) markets. Also, the attempt to collectivise the Mekong Delta was abandoned, and various elements (especially in Ho Chi Minh City) were allowed to import and export freely. This legal 'transitional model' could be and was presented as preserving socialism, but yet (helped by Soviet aid) went with increases in output and incomes.

This required no major political change in terms of the top leadership (Le Duan remained General Secretary), but there were certain adjustments that marked the underlying shift away from hard-line certainties.

### **COPING WITH THE BABY TIGER: CREATIVE CHAOS AND POLITICAL RESPONSE, 1981-88**

The period from 1981 to 1988 can be seen as one of coping with the dynamic consequences of the changes that had taken place in 1979-81, for markets came with private interests and the increasingly powerful forces that supported them (even if these interests remained largely clothed in red SOE fabrics).

The way in which this was done was at root to 'play it long'. It became increasingly clear that these underlying trends were strong and, despite various

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<sup>8</sup> *Ibid.*

attempts to rein them in (which tended to backfire),<sup>9</sup> the Party shifted to first an ideological acceptance of these trends with the *Doi Moi* VIth Party Congress of 1986, and then followed this up with the beginnings of a far more proactive support to these forces with various policies that reduced planners' powers over SOEs, and the power of district-level officials over cooperatives.<sup>10</sup>

The late 1980s were characterised by high inflation and great distributional tensions. As the tax base of a planned economy collapsed, and (as in many other areas) a new fiscal base was yet to be created, important areas requiring state resources (education, health, pensions, state wages) were squeezed hard. Political concerns about the economy led increasingly to short-term measures in addition to the slower-paced move away from a planned economy and towards some as-yet unclear market alternative.

Along with this more active politics in the area of the economy could be seen (again 'played long') a process of effective de-Stalinization closely linked to the reformist General Secretary Nguyen Van Linh, who was elected at the VIth Congress. By 1990, it was clear that the regime was on track for widespread but cautious liberalisation in areas such as foreign travel, ideological purity, contact with foreigners and so on, and by the early 1990s these trends were rather strong.

#### **COPING WITH THE BREAK-OUT TO A MARKET ECONOMY, 1989-90, AND THE POLITICAL RESPONSE**

In the very late 1980s, however, the strategy of 'playing it long' was put under great pressure by the collapse of the Soviet Union, and especially the loss of its supply of economic assistance. But the essentially short-term measure taken to attack inflation had important systemic effects, pushing to one side the remaining elements of planning, so that the problems posed by the residual elements of the planned economy were, in the winds of the moment, simply blown away. By 1990 Vietnam had a market economy, but without recognisable markets in land, labour or capital. The certainty that these would come soon, however, yet again allowed the politics of this to be 'played long': there was time to adapt and adjust to what was coming.

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<sup>9</sup> One of most interesting was the so-called 'Price-wage-money' reforms of 1985, which were followed by rapid inflation and major welfare problems for state wage earners, as well as the termination of the political careers of To Huu and Tran Phuong, who had up to then been in the saddle of economic management over this dynamic situation. S. de Vylder and A. Fforde, *From Plan to Market: The Economic Transition In Vietnam* (Boulder, CO: Westview Press, 1996).

<sup>10</sup> *Ibid.*

**‘TIGER ON A BICYCLE’: STABILISATION AND RULE, 1990-1996**

An illustration of the situation facing the VCP in the very early 1990s, as it found itself ruling over a landscape lacking both the mother planners—the Soviet Union—and any planned economy through which to finance the military or state sector and act as a foundation for socialist construction) is that of the first Tudor King, Henry Plantagenet (Henry VII). After killing Richard III at the battle of Bosworth Field and crowning himself, Henry based his rule upon nothing other than his own act, and thereafter, his first priority was to stay on the throne—no easy task after the upheavals of the previous decades. The basic political problem facing the Tudors was not so different from those facing the VCP from the early 1990s:

One of the most delicate tasks that faced the Tudors, therefore, was the creation and education of a new ruling class and the retention of its loyalty. The new men had to be prevented from moving up too fast or too far. The drive and efficiency in economic matters which brought them their wealth and power also made them harsh to their tenants and contemptuous of the common people.<sup>11</sup>

This sense, of a ruler on the throne, surveying a dynamic situation that could easily, by threatening popular opposition to a new ruling class, menace the crown, is suggestive. The Tudor monarchs operated from the position of being on the throne, with new and evolving rules of the game that they could both influence and react to. If they were wise and lucky, they could prosper, but under such conditions perhaps the central issue, after staying in power, was to cope and adapt to events. The situation called for a mixture of tactics, all tending to a shift from rule to government, and to a search for political outcomes that institutionalised and developed rule in ways that secured the position of the crown.

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<sup>11</sup> C. Morris, *The Tudors* (London: Fontana/Collins, 1955) 25-26. See also C. Carpenter, *The Wars of the Roses: Politics and the Constitution in England, Ca 1437 - 1509* (Cambridge: Cambridge University Press, 1997) for an analysis of the triadic relations between population, and central/local political powers in pre Tudor England which is very thought-provoking, not least the discussion of ‘pretending there is an effective king’ when the poor man was quite incapable of ruling. In many ways contemporary Vietnamese, in retaining so much of the ‘pre-modern’, has a thoroughly Elizabethan flavour.

The sense of a combination of power and threat is well encapsulated by the expression ‘Tiger on a Bicycle’,<sup>12</sup> which also points to the growing comparison at this time between Vietnam and its foreign competitors—the sleek and well-supported ‘Tigers’ of the region. Whether institutionally or financially, Vietnam increasingly appeared weak compared with the formidable accumulated investments in human and physical infrastructure of the emergent ‘third tier’ of export-oriented Tiger economies of this period, well before the 1997 regional crisis and the seismic shift of FDI away from Southeast Asia and towards China that occurred by the end of the 1990s.

The problem, then, was to cope. Initially, this was done by a political reaction, where the sacking of Politburo member Tran Xuan Bach for ‘serious violations’ in 1991 marked a termination of any Yeltsinist tendencies to seek political power through elections. Rapidly, the resource base of the state was re-established through the recreation of a tax base, a relative re-closing of the borders (initially to secure import revenues), and imposition of some monetary discipline. As foreign resources started to pour in, FDI and ODA (Official Development Assistance) mounted, and there was little alternative to the state sector as a site to receive them. After the World Bank’s strategic decision in 1991 to shift its Vietnamese interlocutor from the leading pro-market and reformist Central Institute for Economic Management Research (CIEM) to the (then) reactionary and anti-private-sector State Planning Commission (SPC), it was clear that some of the major *dramatis personae* of the international system were not going to be major players in this process.<sup>13</sup>

The early and mid-1990s saw important changes to central elements of a country with a market economy. Urban land, for example, went through the process of ‘commoditization’, shifting from being ownerless to being bought and sold, with middle-class families ending up holding assets worth hundreds of thousands of dollars. It became ideologically and practically normal to buy and sell labour (labour power as a category became acceptable to Party

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<sup>12</sup> A. Fforde, "Vietnam: A Tiger on a Bicycle," *Vietnam Investment Review* (16 August 1993); A. Fforde, "Vietnamese Commerce: The 'Tiger on a Bicycle' Syndrome," *The Columbia Journal of World Business* (Autumn 1993).

<sup>13</sup> See D. Dollar and L. Pritchett, *Assessing Aid: What Works, What Doesn't* (New York: Oxford University Press, 1998) for the fine statement that by 1995-96 (when World Bank resources could finally come in) Vietnam’s development policy stance was ‘good’, which using the standards of that body at the time is outrageous. Dollar had been in charge of relations with Vietnam at the Bank since the early 1990s. The failure of conditionality in the mid-1990s credits is quite clear, but was well covered up. A. Fforde, "What Works, What Doesn't. Donors Face Dilemmas, But, As Always, Vietnam Will Find Vietnamese Solutions to Its Problems," *Vietnam Economic Times* (December 1999), Hanoi.

ideologues). It also became increasingly clear that SOEs were tending to operate as *de facto* 'Virtual Share Companies' (especially the smaller ones), thus reducing economic efficiency and helping to explain the 'Vietnam Paradox' of rapid economic growth, relative macroeconomic stability and a rising state share of the economy (an outcome that would have been impossible in archetypical Latin American or African countries). All this accompanied the focus upon the state sector that characterised the times.<sup>14</sup> But the overall dynamic was dysfunctional.

By around 1996 or so these tactics were running into trouble, but the crown had stayed on the government's head. In general the populace had been quiet and, more interestingly, that fraction of Vietnam's commercial class (the state sector) that had dominated the economy in the early 1990s had shown its shortcomings. Flooded with credits and tax breaks, stuffed with privileges, local monopolies and access to export markets, SOEs as the solution to this historical period were, increasingly clearly, very limited. They created little employment, either for the general population or those 'coming up', they did not create assets that were sufficiently easy to appropriate so they could be passed on to children and other relatives, and they could not be defended easily enough against predations from outsiders (whether true outsiders or simply other elite groups).<sup>15</sup>

Thus Vietnam went into the 1997 Asian monetary crisis with many pigeons coming home to roost. Additionally, there was also a failure to cope with local power in rural areas where, without landlords, rents were there to be appropriated by those well placed to do so. Corruption in the communes of the north created discontent, and in that year Thai Binh province (as well as others) saw an effective local putsch against the local administration.

### **THE EMERGENCE OF GOVERNANCE, GOVERNMENT AND BEING GOVERNED, 1997-2002**

The most penetrating analyses of the meaning of the Vietnamese political context of the late 1990s are by Thaveeporn Vasavakul.<sup>16</sup> His arguments come

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<sup>14</sup> A. Fforde, "The Vietnamese Economy in 1996 - Events and Trends - The Limits of Doi Moi?" in A. Fforde, ed., *Doi Moi - Ten Years After the 1986 Party Congress*, Political and Social Change Monograph, vol. 24 (Canberra: Australian National University, 1997).

<sup>15</sup> M. Gainsborough, *Changing Political Economy of Vietnam: The Case of Ho Chi Minh City* (London: Routledge Curson, 2002).

<sup>16</sup> T. Vasavakul, "Politics of the Reform of State Institutions in Post-Socialist Viet Nam," in S. Leung, ed., *Vietnam Assessment: Creating a Sound Investment Climate* (Singapore: ISEAS, 1996); T. Vasavakul, "Rethinking the Philosophy of Central-Local Relations in Post-Central-Planning

down to the need to respond to the penetration and seduction of state power by emergent 'new forces'; and that this was done in Vietnam both by recognising the problem and (as has happened many times before) shifting fundamentally in the overall concepts governing rule.

Associated with this process, which remains unfinished, were various extremely interesting developments. The first (which appears linked to the local leadership of the UNDP in the early and mid-1990s and its relations to various *eminences grise* in the reform community) is the shift in focus to the provinces and Public Administration Reform (PAR) as key issues. By the late 1990s, the provinces (led politically by local people as they historically always had been) were entering into development partnerships with donors (especially INGOs and bilaterals), and were furthermore becoming the sites for a range of experiments in the exercise of state power. In many ways, this brought politicians, willy nilly, closer to the people, and so prevented many of the normal mistakes of central government. There were, arguably, no successful examples of centrally initiated 'development'.<sup>17</sup> And PAR and the associated notion of the 'Law Governed State' (*Nha nuoc Phap quyen*) focused attention on the need to enhance state capacity per se, again linking politicians to local outcomes. Parallel with this can be seen the emergence of the National Assembly as a forum for improving both the quality of legislation and for exposing ministers to criticism as sessions were televised and became increasingly lively.

Second, the economy was rather successful. Growth continued, there was little inflation, and the tax base remained solid enough to finance both social services and infrastructure. Corruption remained, but transactions costs were falling and social development indicators improving. Poverty statistics showed rapid improvement, and it started to become possible to talk of an 'economic miracle'. This surprised many people.

Third, and prior to any significant formal policy shift, a private sector started to emerge with confidence and vigour. Possibly forced by realisation among 'younger sons' (and southerners far from the centers of influence and privilege) that there were no more opportunities in the state sector, and helped by an understanding that money could be made, this major historical step

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Vietnam," in Mark Turner, ed., *Central-Local Relations in Asia-Pacific: Convergence or Divergence?* (New York: Martins, 1999).

<sup>17</sup> The only counter-example that springs to mind (of success) was the 500 KV North-South power line, condemned by the technocrats and pushed through by Prime Minister Vo Van Kiet.

caused no great ructions on the part of the party's old guard. By the early years of the new decade, the private sector was the fastest-growing sector, soaking up employment; finding dynamic outlets for its energies (such as exploiting the recently signed Bilateral Trade Agreement with the USA); working out how it would address classic problems such as its relationships with the Vietnamese working class; whether state support was good or bad; whether it was a good idea to do business with relatives; and so on.

Finally, the foreign-invested sector, predominantly Chinese of various origins, managed to grow to a very high proportion of the modern economy without leading to any major social or political tensions. Various events pointed to the rules of the game, such as the imposition of an early decision to ban street signs that displayed foreign language more prominently than Vietnamese, and also early publicity given to the government's very negative attitude toward 'traditional' labour management practices by foreign employers (examples were made of South Koreans who beat workers). It has been argued that the emergent labour regime was more 'pro-worker' than in China.<sup>18</sup>

## CONCLUSIONS

Vietnam's recent political-economic history allows certain conclusions in terms of the current and medium-term context. First, in Vietnam, simply changing systems has not and does not threaten greatly any significant elites. In time, through relationships and other tactics, new wine is put in old bottles. To put it another way, the successful transformation of the origins of the power of the powerful has *not* greatly changed the families and personalities involved. Some rise, some fall, but on the whole the basic lesson is that it is unwise to be too conservative for too long, because opportunities are missed. The trick is to adapt to change in ways that preserve and enhance local particular interests. Thus it is the changing pattern of interests associated with change processes, rather than interests per se, that is the key.

Second, at times of stress, when certain groups do feel particularly threatened, resources are made available through the system to compensate and support, rather than to force exit or loss. Vietnam's politics are thus, correctly, seen as 'softer' and more flexible than others (the comparison is often made with China). Fewer people are killed, jailed or beaten up; the security forces tend to be used to keep bounds on tensions so that coping

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<sup>18</sup> A. Chan and I. Norlund, "Vietnamese and Chinese Labour Regimes: On the Road to Divergence," in Anita Chan, *et al* eds., *Transforming Asian Socialism: China and Vietnam Compared* (Canberra: Allen and Unwin, 1999).

measures can be put in place. Where the local state is, for dysfunctional reasons, incapable of doing so (for example, because of corruption), we can see other strategies adopted.

Third, within the wider process, we can see, ‘fast’ and ‘slow’ change. Here, it is clear that the two central issues (which are themselves nested into other complex knots of puzzles) are *corruption*, and the *nature and status of popular associations and groups* (the essence of the post-Leninist conundrum). And both of these are related, in ways that can be debated, to ‘the economy’ and the benefits of growth.

These conclusions lead to some further questions.

### **Globalisation: can Vietnam compete?**

This question is impossible to answer. So far, the economy seems to be growing at a speed that suggests that Vietnam can compete. Further, there is clearly scope for obtaining better competitiveness through rationalisation (such as of SOEs). Yet it is simply unclear whether this will be adequate. What is certain, however, is that Vietnamese are acutely aware of the need to compete, and actively seeking ways of doing so. This needs to be done. Without it, what?

### **Internal changes and political adaptation: Will a state-regulated civil society emerge?**

Despite many pointers, there is as yet no clear conceptualisation of just how a post-Leninist and plan-less Communist Party will express the basic norms of its own rule over an increasingly diverse and dynamic country. Here one can start to see deep-rooted tensions created by the rise of the private sector. The private sector is seen by Western development doctrine as vital to success (and now by party reformists as essential to international competitiveness), yet there are profound questions posed by the presence within Vietnam of powerful businesses, employing, firing, dealing and so forth, that are only weakly connected to existing social structures, both visible and hidden. It is worth recalling that the rapid growth of the 1990s was largely mediated through SOEs and the farming family sector; SOE managers were NOT in control of their businesses, but had to negotiate with others, including workers, through the complex and highly fixable structures that Vietnamese find so very normal. Some argue (perhaps from a Central or Northern Vietnamese position) that, culturally the Vietnamese simply do not like free markets. They do not like the uncontingent powers associated with private property, in its strict sense. What will happen when private businessmen insist

on their legal rights to foreclose on loans, sack workers, relocate and so on? We will have to wait and see.

**How many ways to skin a cat? Corruption and the state-society metaphor**

Finally, corruption is in many ways the King Charles' Head of these discussions. It needs to be stopped. We have the example of Hong Kong and Singapore as countries that managed to address the issue, but in neither was the position of the government quite the same as in Vietnam, coping with a dynamic and shifting society. But this needs to be done. Without it, the people will continue to see so many local examples of state activities as illegitimate and extractive, and, as we saw in Thai Binh in 1997, they are not likely to remain quiescent.

**VIETNAM IN SOME COMPARATIVE PERSPECTIVE**

Vietnam is of course both unique and simply another developing country. Vietnamese farmers sell their rice and their coffee, and these then command prices on world markets that are influenced by global factors. Vietnamese officials negotiate with officials from organizations such as the World Bank whose knowledge base and careers are profoundly global in character. Yet both farmers and officials come from a country whose history, it is clear, has many specific features.

One thing that seems of interest, within a discussion of 'transitions', is the way in which the historical theatre since 1975 has tended to be one where, for all the massive extent and speed of change, the basic tactic of 'playing it long' has been common and feasible. This tends to result in a sense of adaptation, of an evolving understanding and cognition, and a competitive politics that follows changing rules, both institutional and informal. While 'understanding is certainly limited and misunderstanding limitless', this history, and the current reality, seems orderly. The basic political task, of the creation and maintenance of order, seems to have been carried out.

Following from this, or rather parallel to it, is the sense that the basic fact of victory in 1975 created space for this evolving order to be very local; not very much of the above-sketches history is to do with the outside world. The VIth Congress of 1986 had little to do with Gorbachev and a group of reformist Soviet advisers. No foreign guru can be found to explain the emergence of the private sector in the late 1990s. And so on. 'What needs to be done' is a Vietnamese question, first and foremost, and this statement is

based upon analysis of what happens, rather than upon some model of what should happen to a newly emergent Southeast Asian economy.

Finally, one can note that the extent of Vietnamese involvement in the world is now very great. The economy is very open, with perhaps fifty percent of GDP exported. Vietnamese businesses start to pop up in interesting places (not counting the well-established wheelers and dealers in Eastern Europe and Russia). The country remains very poor, and its market penetrations usually insignificant. Yet in areas where it is an important player (rice and coffee), Vietnamese plays are significant. When this is placed beside the extensive levels of spending on social areas, and the highly positive results in terms of social development indicators, then this is hardly surprising. Producers bear, and are able to bear, high levels of business risk, and this is a good platform for further development of trade. Land holding remains very widespread, given that this is a market economy. Continuing inefficiencies in various parts of the economy (such as SOEs) offer scope for rationalisation.

So, what needs to be done? This is clear. A more robust politics, with a clearer understanding of the nature of government over a market economy, will result in measures to curb corruption, probably within the next decade, and, more interestingly for an East Asian country, in a regulation and governing of society that meets the complex and frequently contradictory needs of rapid change and economic transformation. This will involve a clearer definition of state-society relations as that paradigm of political science becomes apparent. Again, this will be 'played long' and be a precondition for dealing with corruption in ways that enhance change, development, and growth.