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**Vietnam: Towards Capitalism or  
Socialism?**

The state-owned economy: Ideological straight-  
jacket, vested interests or real social value?

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## Introduction

Vietnam has opened its previously state-controlled economy to market forces and the private sector since 1986. The ruling Communist Party (CPV) claims “the transitional development to socialism” involves

bypassing the establishment of the dominating position of capitalist production relations and superstructure, but acquiring and inheriting the achievements recorded by humanity under the capitalist regime ... that requires a long period of transition with many transitional stages and forms of socio-economic organisation.”<sup>1</sup>

As the economic basis has not yet been laid for socialism, the current system is “a multi-sectoral market economy with a socialist orientation.”

This thesis of a long “transition to socialism” – and whether it really is a transition to socialism or to capitalism, as most of the “transition debate” assumes – is not new in Marxist theory, and the CPV’s claims – whatever the reality of them – stand on a rich tradition of Marxist thought. Chapter One of this dissertation will overview this theoretical background to the transition to socialism debate.

This book will look at what elements make up this “socialist orientation” in theory and practice during this “transition.” Chapter Two will survey the extensive debate within the CPV, revealing sharply differing views on the meaning of socialist orientation and its application to a range of issues. However, it will also show that there was a general “Doi Moi consensus model” of socialist orientation. Two of the most important planks of this model were the “leading role of the state-owned economy” (though there was much variation about what this means) and the view that economic progress must lead to social progress “at every step of the way.”

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<sup>1</sup> Communist Party of Vietnam (CPV F), ‘Political Report for the 9<sup>th</sup> National Congress’, 9<sup>th</sup> National Congress Documents, The Gioi Publishers, Hanoi, 2001.

This book approaches the CPV debate as by and large a genuine one about socialist theory and practice as would be inevitable in any long transition period. This does not mean, however, that the leaders pushing certain views are not influenced by the social environment. A number of schools of thought attempt to explain the party debate in terms of either rival institutional elites within the party (military, party apparatus, government administration), regional loyalties, and/or individual power bases.<sup>2</sup> While these theories provide much useful background, they have the tendency to assume discussion is limited to the elite, though their popular bases and clientelist networks may play some role. My starting point assumes a greater role for popular voice and pressure on political tendencies within the CPV, consistent with the 'state-society' approach.<sup>3</sup> 'Society', however, is divided into classes, including those that made the revolution and those that are potentially hostile. Gainsborough looks at the influences of various social classes on state actions, providing a useful background regarding the underlying pressures on the party debate. He claims that, at that juncture (2002), none of the major classes were in an exclusively strong position vis-à-vis each other or the state, a useful starting point for understanding the Doi Moi consensus.<sup>4</sup>

This approach necessitates dispensing with the labels "conservative" and "reformer", which are often applied to what are considered to be two broad political tendencies in the CPV discussion. In reality, the discussion is far more complex than a clash between two groups, and many cadres incorporate various aspects of differing tendencies. Moreover, these terms are heavily

<sup>2</sup> The 'sectoral approach' is outlined in Thayer, C, 'The regularization of politics: continuity and change in the Party's Central Committee, 1951-86', in Marr, D and White, C, eds, *Post-War Vietnam: Dilemmas in Socialist Development*, Cornell, Ithaca, 1988; also a modified version in Vasavakul, Thaveeporn, 'Sectoral Politics and Strategies for State and Party Building from the VII to the VIII Congress of the VCP', in Adam Fforde, ed, *Doi Moi: Ten Years After the 1986 Party Congress*, RSPAS, ANU, 1997. Vasavakul's article also outlines rival approaches, pp. 81-83. Another good summary of approaches is in Koh, D, 'The politics of a Divided Party and Parkinson's State in Vietnam', in *Contemporary Southeast Asia*, Vol. 23, No. 3, December 2001 pp. 537-38.

<sup>3</sup> Kerkvliet, B.J.T., 'An approach to analysing State-society relations in Vietnam', *Sojourn*, Volume 16, No.2, 2001.

<sup>4</sup> Gainsborough, M, 'Political Change in Vietnam: In Search of the Middle Class Challenge to the State', *Asian Survey*, Vol. XLII, No. 5, September-October 2002, pp. 694-702.

value-laden: "reform" is considered self-evidently good, pushed by "younger" and "educated" people, and it means any tendency towards more market and capitalism. Any resistance to it can only be "conservative," that is, backward looking, often from ageing soldiers or corrupt elements.

Stern, for example, claimed "young officials" had hoped the 8<sup>th</sup> Congress would "clear the way for unfettered reform, loosen some of the limits that had been imposed on the market mechanism, private capitalism, and foreign economic activities, and cut through the ideological trappings to allow rapid development."<sup>5</sup> Ryan claims "managers of state-owned companies find influential allies in the military and security apparatus, which see growing economic power in private hands as a threat to the authority of the Communist Party," explaining "the party's preference for a socialist-oriented market economy."<sup>6</sup> The *Financial Times* sees progress "hindered by vested interests from the state-controlled past" including "a vast, inefficient and deeply corrupt state sector,"<sup>7</sup> while *The Economist* believes socialist orientation shows "the older generation of war veterans in the party's senior ranks has not yet been displaced by younger, more liberal and often foreign-educated members from below."<sup>8</sup>

To talk about two broad wings schematically, I prefer the labels "socialist-oriented" and "market-oriented," showing the greater degree of emphasis placed on either of the two aspects of the 'socialist-oriented market economy' by different cadres. Chapter Two will further introduce a number of sub-categories.

Certain left analysts, while using class categories, nevertheless mainly see the influence of dominant social classes on the party debate, due to their view that Doi Moi Vietnam has restored capitalism outright and the CPV's 'socialist'

<sup>5</sup> Stern, L., 'The military and politics in Vietnam: The People's Army and the 8th Congress of the Vietnamese Communist Party', *Journal of Third World Studies*, Vol. 14, Issue 2, Fall 1997.

<sup>6</sup> Ryan, J., 'Vietnam Goes Global: The government embraces capitalism, but so far only for small businesses', *YaleGlobal*, Yale Center for the Study of Globalisation, December 15, 2005.

<sup>7</sup> Kazmin, A., 'State control stops Vietnam realising its IT potential', *Financial Times*, April 24, 2006.

<sup>8</sup> 'Manh alive', *The Economist*, US Edition, April 29, 2006.

banner is merely a cover for a bureaucratic elite to maintain its rule with no content. The debate is merely between two wings of the elite over which road to take to outright capitalism.<sup>9</sup> Greenfield dismisses CPV claims that it has discovered immutable Marxist laws on the necessary role of the market, divorced from its tendency under capitalism to create inequality and private accumulation of surplus.<sup>10</sup> Instead the enthusiasm for the market is merely an ideological justification for the cadres' participation in the capitalist economy. Both see "market socialism as inherently contradictory, Kolko ridiculing the idea that a society based on social solidarity can be built using blatant avariciousness as the road to development.

While both make valuable contributions to understanding the negative impacts of the market, they tend to see capitalist restoration fully victorious in party, state and society from the onset of Doi Moi. Greenfield believes "the crushing of working class struggle and repression of the labour movement" is necessary to drive through this restoration, the trade unions acting as an agent of management, while the Labour Law effectively "criminalise(s)" strikes.<sup>11</sup> The peasants, according to Kolko, are abandoned to "a world like that idealised by laissez-faire economists over a century ago," in a land policy allowing "no compromise between total control and total freedom."<sup>12</sup> Greenfield believes the collapse of cooperatives "saw the appropriation of land and its accumulation in private hands," as advocated by "new right intellectuals" who wanted to end the "constraints on the labour market" imposed by the "autarchic household economy (which) has inhibited the commodification of the rural workforce."<sup>13</sup>

This 'finality' thesis is derived from definitive views of the pre-1986 set-up. Kolko, approaching the issue from an 'anti-authoritarian' socialist point of

<sup>9</sup> Kolko, G, *Vietnam: Anatomy of a Peace*, Routledge, London 1997, p. 64, 60.

<sup>10</sup> Greenfield, G, *From Class to Commodity: Workers and Capitalist Industrialisation in Vietnam*, PhD, UNSW, 2000.

<sup>11</sup> Greenfield, G, 'The Development of Capitalism in Vietnam', *Socialist Register*, No.30, 1994, pp. 204, 227.

<sup>12</sup> Kolko, 1997 op cit, p. 91.

<sup>13</sup> Greenfield, 1994, op cit, p. 209.

view, believes the allegedly "Leninist" concept of an authoritarian elite divorced from the masses was the inherent problem.<sup>14</sup> The political elite needed the masses to defeat imperialism, but when it came to ruling in peace the masses became a hindrance. Once this elite decided to switch to capitalism there were few social restraints on it. For Greenfield, Vietnam's party-state was already a ruling class, pursuing capitalist "efficiency" against the working class to "appropriate the surplus." The difference between before and after Doi Moi merely regarded their methods and degrees of success.<sup>15</sup>

Yet both give examples showing the situation is far from final. Kolko claims "the ultimate constraint on the Politburo is that the army could never call upon its peasant soldiers to shoot other peasants"; and he notes that despite being technically illegal, strikes "have become more frequent and evoke increasing sympathy in the official press. Above all, no prosecutions have been reported." He also speaks of "a great many" of the people he knew who "were remarkable and astonishingly brave people, incapable of playing lightly with their deepest ethical commitments, devoted to socialism defined broadly as a moral and equitable system" and who "remain a substantial share of the party."<sup>16</sup> Greenfield discusses the conflict within the Vietnamese trade union movement over its role, and he notes the critical views expressed in CPV theoretical journals on this issue, stressing "there are political interests within the VGCL which support a radical transformation of the trade unions in the direction of a genuine workers movement." Ideas about their social and ownership rights remain "amongst second and third generation workers," are "embedded in the popular consciousness," and here "the state runs up against its own socialist rhetoric."<sup>17</sup>

These aspects are not simply about the strength or weakness of workers and peasants at a particular point in struggle, but about sections of the ruling party,

<sup>14</sup> Kolko, 1997 op cit, p. 68. I would insist that this is an incorrect term, alleged to mean rule by a self-proclaimed vanguard Party without input from the masses. Thus has no connection to anything Lenin advocated.

<sup>15</sup> Greenfield, 1994, op cit, p. 208, 225-6; 2000, op cit, pp. 8-9, 28-32.

<sup>16</sup> Kolko, 1997 op cit, pp. 94, 117, 81.

<sup>17</sup> Greenfield, 1994, op cit, p. 220-3, 229.

the party-controlled media, the army, the official trade unions, and the collective consciousness of workers, pointing to a deeply embedded 'hegemony' of socialist views through sections of the ruling party and state, which contradicts their more dramatic prognoses.

These issues regarding the current strength of the workers and peasants in struggle and the tendency of the state and party to accommodate rather than confront them, and the institutional basis for this within post-revolutionary Vietnam, will be examined in Chapter Three, which will assess the reality behind the rhetoric of socialist orientation. Chapter Three will also focus on the reality behind the stated welfare goals of this orientation and the insistence upon social progress "at every step of the way." The restoration of capitalism thesis rests partly on the dire situation of the early 1990s as Vietnam experienced a systemic crisis when, in the midst of initial transition, its Soviet bloc trading partners collapsed. Kolko notes the crash in health and education conditions, and claims "undernourishment and poverty have remained essentially unchanged." This is the mirror image of the views of those on the right who emphasise, outside of any context, the persistence of a level of poverty as evidence of the evils of "socialism" and the incomplete introduction of the supposed marvels of the market and capitalism.

Yet as Chapter Three will demonstrate, the crashing social indicators of the early 1990s were reversed, and Vietnam's very high educational and health indicators, compared to countries at its economic level and of many at a higher level, are now widely noted. Poverty has since fallen at a rate the UNDP considers to be a world record, from 75 percent in 1988 to 16 percent in 2005.

These indicators of substance behind socialist orientation need to be set into the context of the post-Cold War world where the collapse of the Soviet bloc was alleged to mean that "socialism" had failed and free market capitalism would be the basis of the new world order, spreading across the "globalised" world, tearing down impediments to the free flow of goods and capital. By liberalising and privatising their economies and international economic relations, all countries would benefit from the growth and prosperity that

capitalism was bringing. In this context Vietnam is being pressured to undergo ever more "reform" and "opening up" to gain these benefits.

Yet for many the benefits have proven an illusion. The former Soviet bloc countries that rushed towards capitalism experienced massive socio-economic breakdown and regression. One statistic exemplifying this is that life expectancy among Russian males fell from 64 years in the last year of 'socialism' to 58 years in 2003, "below the level of Bangladesh and 16 years below Cuba's 74 years."<sup>18</sup>

According to the 2003 UN Human Development Report, 53 countries went backwards over the previous 10 years in terms of human development, half of them in Africa, a continent which is mired in extreme poverty "despite" two decades of carrying out neo-liberal economic prescriptions.<sup>19</sup> Africa had grown by 36 percent from 1960-1980, but in the following two decades of neo-liberalism, per capita income fell 15 percent.<sup>20</sup> In Latin America, which followed neo-liberal prescriptions to the letter, economies grew by a total of only 11 percent over the two decade period of 1984-2004 (the economy shrank by 3 percent in the 1980s), compared to 80 percent in the previous 20 years. From 2000-2004, per capita GDP grew by 0.2 percent annually.<sup>21</sup> Brazil and Argentina, top neo-liberal pupils, accounted for an enormous proportion of the Third World debt, leading to a dramatic collapse in Argentina in 2001.

<sup>18</sup> Petras, J, 'Capitalism versus socialism: The great debate revisited', *Rebellion* (periodical), June 2004, at website of The Centre for Research on Globalisation, <http://globalresearch.ca/articles/PET406B.html>

<sup>19</sup> Dibua, J.I., 'Journey to Nowhere: Neo-Liberalism and Africa's Development Crisis', Comparative Studies of South Asia, Africa and the Middle East, Vol. XVIII, No. 2, 1998; Oxfam, Kicking Down the Door: How Upcoming WTO Talks Threaten Farmers in Poor Countries, Briefing Paper, April 2005. According to Oxfam, by 1984, "20 out of 28 sub-Saharan African countries undergoing structural adjustment had lifted restrictions on market participation, and the share of production marketed by state agencies had fallen to insignificant levels in most cases. The pattern was similar for IMF conditions: almost three-quarters of the countries covered in the 1997 review had restrictive trade regimes at the outset, but four years later the number had fallen to just one-fifth. The evidence from countries that bowed to the pressure to liberalise does not bode well," p 27.

<sup>20</sup> Global Trade Watch, *Neo-liberalism - What's behind the Global Economy?* <http://www.tradewatch.org/neoliberalism/>

<sup>21</sup> Johnson, S, 'Latin America Lags Behind', *Newsweek*, July 5, 2004; Weisbrot, M, and Rosnick, D, 'Another Lost Decade? Latin America's Growth Failure Continues into the 21st Century', *Center for Economic and Policy Research*, November 13, 2003.

In south Asia, Pakistan, Bangladesh and Nepal are pictures of desperation, economic stagnation and appalling social indicators. India has experienced high economic growth, but it still has the largest number of poor in the world.

The most successful region has been east Asia. The NICs owe their success not to neo-liberalism but to strong state regulatory regimes and protectionism. Even this regulated capitalist development was seriously challenged, or temporarily yet dramatically collapsed, in the Asian crisis of 1997. Vietnam largely escaped this crisis, and “delivered by far the best performance in ASEAN during 1998” due to the strength of its “still protected and ‘unreformed’ economy.”<sup>22</sup>

Among the countries that have combined rapid economic growth and rapid poverty reduction most successfully have been China and Vietnam, countries officially committed to a ‘socialist-oriented market economy’. A study conducted by the UNDP of fourteen Asian countries shows that over 20 years, poverty reduction in China, Vietnam and Laos was far and away superior to other countries in the region.<sup>23</sup> While global poverty fell from 1.45 billion to 1.1 billion over 1980-2000, when China is excluded, poverty rose from 845 million to 888 million.<sup>24</sup>

As for Cuba, despite the major crisis in the 1990s following the collapse of its former east European bloc markets and an intensification of the US embargo, the 2003 UN Human Development Index put it ahead of Singapore (Cuba at 5

<sup>22</sup> Fforde, A, *Vietnam: Monthly Economic and Social Analysis*, in Aduki newsletter, February 1999, <http://www.aduki.com.au>.

<sup>23</sup> Pasha, Hafiz A. and Palanivel, T. *Pro-Poor Growth and Policies: The Asian Experience*, UNDP, Jagadanga Press, Katmandu, 2004. It shows poverty falling in Vietnam from 75 percent in 1988 to 32 percent in 2000, in Laos from 53 to 31 percent, and in China from 31 percent in 1978 to 3 percent today. The fall in India and Bangladesh was more modest, in Thailand and the Philippines a few percent, and in Malaysia, Indonesia, Sri Lanka, Nepal, Pakistan, Cambodia and Mongolia, poverty increased. While the claim that China's poverty rate was only 3 percent is hardly believable, it is widely acknowledged to have reduced poverty by 400 million people, and the indicators are useful as an overall comparison.

<sup>24</sup> However, while China reduced poverty by 400 million people, half of this occurred in one quarter of that period, the first half of the 1980s, before deeper economic reforms bit in, World Bank Vietnam, Press Release, *Global Poverty Down By Half Since 1981 But Progress Uneven As Economic Growth Eludes Many Countries*, Washington, April 23, 2004.

and Singapore at 6 among developing countries), with lower infant mortality than the US, and impressive First World level social indicators.<sup>25</sup>

This summary is only indicative of a tendency, and is not intended as the last word on which countries are prospering. Nevertheless, the fact that Vietnam, China and Cuba, in different ways, stand out, suggests that “socialist orientation” may have real content. Vietnam's relative success in social indicators may not be the result of unbridled capitalism and market forces but rather Doi Moi's cautious approach to these forces. It is when Vietnam is compared with capitalist developing countries that its success is lauded, as Chapter Three will demonstrate. These countries with lower levels of human development do not lack markets and private sectors.

If this challenges the conclusions of the left analysts, who believe “capitalism” in Vietnam has brought about a grand decline in living standards, it likewise challenges other analysts who fundamentally accept the view that Vietnam's success is due to the market and the private sector, not the moribund socialist skeleton and corrupt state-owned rust-belt as they see it. Thayer claimed the post-1997 downturn was due to “government favouritism for the 6000 inefficient and debt-ridden state-owned enterprises,” and its refusal to carry out privatisation. This would lead to a “bleak” future, “economic stagnation at best, economic crisis at worst.”<sup>26</sup> Quan Xuan Dinh claimed “the insistence on the leading role of the state” was an “impediment to economic development.”<sup>27</sup> Abuza blamed Le Kha Phieu's refusal to carry out the advice of the World Bank to “scrap the inefficient SOE system and free up the private

<sup>25</sup> Even the World Bank has commended Cuba's health and education achievements, acknowledging that it had no relation to policies the Bank advocates, Healy, S, ‘Cuba: World Bank head praises achievements’, *Green Left Weekly*, May 9, 2001.

<sup>26</sup> Thayer, C, ‘Vietnam: The Politics of Immobilism Revisited’, *Southeast Asian Affairs*, ISEAS, 2000, pp. 312-313.

<sup>27</sup> Quan Xuan Dinh, ‘The Political Economy of Vietnam's Transformation Process’, *Contemporary Southeast Asia*, ISEAS, Vol. 22, No. 2, August 2000, pp. 363-4.

sector" for Vietnam "not cope(ing) with the (Asian) crisis well."<sup>28</sup> For these analysts, Vietnam remained "too socialist" despite Doi Moi.

The view is propounded year after year that continuous growth and poverty reduction are occurring 'despite' the 'slowness of reform'. The Economic Intelligence Unit claimed that "despite" Vietnam's "achievements in lowering poverty and maintaining robust rates of economic growth, there are concerns about its commitment to reform pledges."<sup>29</sup> According to Ryan, "despite subsidies and other state favors, most public enterprises have performed poorly even under doi moi," lamenting the lack of "full acceptance of domestic capitalism."<sup>30</sup>

While coming from the opposite angle, the 'restoration of capitalism' thesis shared the view that the state sector is moribund, which is why its continued existence is not evidence of socialism. These authors claimed, dramatically, that the state sector "will be eliminated"<sup>31</sup> or "is slipping into oblivion."<sup>32</sup>

However, more recent scholarship has moved away from entirely negative stereotypes of SOE economic performance. Painter notes "the evidence for a relatively profitable sector of larger, strategic SOEs."<sup>33</sup> While Gainsborough details the negative aspects of certain commercialised SOE sectors in Ho Chi Minh City, he points out that SOEs have greatly propelled and largely

<sup>28</sup> Abuza, Z, 'The Lessons of Le Kha Phieu: Changing Rules in Vietnamese Politics', *Contemporary Southeast Asia*, ISEAS, Vol. 24, No. 1, April 2002, pp. 127-9.

<sup>29</sup> Economist Intelligence Unit (EIU), *Country Report - Vietnam*, April 2004.

<sup>30</sup> Ryan, J, 'Vietnam Goes Global: The government embraces capitalism, but so far only for small businesses', *YaleGlobal*, Yale Center for the Study of Globalisation, December 15, 2005. Ryan was also former UNDP head in Vietnam. Another UNDP official, Jonathan Pincus, is surprised the party is "not embarrassed" about being committed to a leading role for the state sector, Kazmin, 2006. Though the anti-state rhetoric previously counterposed the hard-working small private owner to big SOEs, it now decries the fact that the private sector is small-scale, citing the need for a large capitalist class. According Kazmin, "the fledgling private sector, though dynamic, remains small. There are almost no large private companies ... a potential obstacle to technological progress." Kazmin quotes Pincus that "after 20 years of reform, you would expect to see some big private firms if there weren't real obstacles."

<sup>31</sup> Kolko, op cit, p. 63.

<sup>32</sup> Greenfield, 1994, op cit, p. 217.

<sup>33</sup> Painter, M, 'The politics of economic restructuring in Vietnam: The case of State-owned enterprise reform', *Contemporary Southeast Asia*, Vol. 25, No. 1, April 2003, p. 27.

dominated economic growth in that city.<sup>34</sup> A World Bank expert explained that, off the record, the Bank now thinks its view of the 1997 crisis "was largely incorrect, SOEs partly led the way out of the crisis, there were never 60 percent in debt. With an SOE-dominated economy consistently growing at 7 percent, they must be doing something right."<sup>35</sup>

Fforde's claim that Vietnam escaped the 1997 crisis due to the strength of its "unreformed economy," a fact "spectacularly ignored" by the IMF and World Bank,<sup>36</sup> is consistent with this view. The problem with blaming the post-1997 slowdown on a lack of 'reform' is that Vietnam did not crash like its capitalist neighbours. In the 'Asia Crisis Mark II' of 2001 Vietnam again had the highest growth in the region after China.

However, Fforde initially believed this was because underlying 'reform' had taken place, the good performance due to "the emergence of private interests from within the state sector."<sup>37</sup> His disagreement with the World Bank was that the latter did not see this underlying reform within the SOEs, due to ideological obsession with privatisation. These interests would begin leaving their SOE "shells" as the post-1997 reality increased the difficulty of getting 'insider' jobs, and as those approaching retirement desired "viable methods of transferring assets to their children." Thus the "period of 'primary accumulation', with private profit making within SOEs, may be coming to an end."<sup>38</sup>

This correlates with Gainsborough's study, which questioned the alleged contradiction between 'clean' and 'corrupt' capitalism. He disputes the usefulness of the term 'reform', because market reform has occurred within SOEs, which operate in a very market-driven way, despite 'reform' ideology's

<sup>34</sup> Gainsborough, M, *Changing Political Economy of Vietnam: The Case of Ho Chi Minh City*, Routledge Curzon, 2003, pp 3-4, 9, 17-18, 21.

<sup>35</sup> World Bank SOE expert, Interview, Hanoi, October 2005.

<sup>36</sup> Fforde, 1999, op cit.

<sup>37</sup> Fforde, A, 'A longer term perspective', *Vietnam: Monthly Economic and Social Analysis - Aduki*, January 2001, <http://www.aduki.com.au>.

<sup>38</sup> Ibid.



preference for capital accumulation outside state patronage networks in imaginary 'perfect' market conditions.<sup>39</sup>

However, since there was no "shift to accepting the logic of the situation," Fforde thought the crisis was merely being postponed, the outlook remaining "bleak."<sup>40</sup> Yet, soon after, Fforde showed the escape from the crisis was also due to effective state management of credit, exports, imports and information supply to SOEs.<sup>41</sup> As SOE performance improved, Fforde reached "the same conclusions as Greenfield" on the essentially capitalist nature of SOEs,<sup>42</sup> though for him this was an argument for their positive economic performance. There remained a contradiction between "the large and rising share of the state sector" and "the rapid GDP growth," which "could only be resolved" if SOEs were "not treated as state bodies."<sup>43</sup>

However, a year later, Fforde claimed there had been "no fundamental change in the basic structures of state-SOE relations" since Doi Moi. Even equitised SOEs remained "subject to the wider political and social intentions," as equitisation allowed "for hemming the operation of the Law of Value in many ways, consistent with the continuing socialist direction." While the Law of Value operates in Vietnam "to a far greater extent than in the early 1950s Soviet Russia ... there is no significant difference between the position taken by Stalin and that of the VCP." However, "development performance was good," so it is necessary to address the "paradox of the surprisingly positive developmental role played by that part of the economy labeled as 'state' ... an outcome almost unthinkable in other developing countries."<sup>44</sup>

<sup>39</sup> Gainsborough, 2003, op cit.

<sup>40</sup> Fforde, 2001, op cit.

<sup>41</sup> Fforde, A, 'Light Within the ASEAN Gloom', *Southeast Asian Affairs 2002*, Institute of Southeast Asian Studies, Singapore, 2002, p. 362.

<sup>42</sup> *Ibid.*, p. 371.

<sup>43</sup> *Ibid.*, p. 371.

<sup>44</sup> Fforde, A, 'SOEs, Law and a Decade of Market-Oriented Socialist Development in Vietnam,' Melbourne Institute of Asian Languages and Societies, Paper for Conference: *Law and Governance: Socialist Transforming Vietnam*, The Asian Law Centre and the School of Law at Deakin University, Melbourne Law School, 12-13 June 2003.

The fact that the state sector has played a positive economic role will be explored in Chapter Four. This short chapter will overview the sector, its size in the economy, the pressures on it and its changing nature, challenging many of the anti-state stereotypes.

While the "restoration of capitalism" and the "still too much socialism" theses are found wanting, Beresford and Fforde make a case for Vietnam as a "market socialist" phenomenon, distinguishing between the *definitive* principles of socialism (public ownership of the means of production, central planning and distribution according to labour) and mere *operational* principles (including monopoly of foreign trade, state monopoly of the domestic circulation of goods, collective agriculture, direct planning of industry, state setting of most prices etc). Vietnam had only given up the operational principles, but not the definitive principles.<sup>45</sup> It was working towards the same goals with new methods, allowing "a co-existence of central planning (suitably defined) and public ownership of the means of production with market-based domestic circulation of goods and market-based determination of industrial production," meaning "the Law of Value is not antipathetic to socialism."<sup>46</sup>

Nevertheless, the concept of market socialism is problematic precisely because of "the Law of Value." As Greenfield explains, this leads to labour also becoming a "commodity," even in state enterprises, which is inconsistent with the workers' designated role as "masters" under socialism. Pointing to the "effective economic ownership exercised" by SOE managers, he claims "reform" entails creating "the structures of power and control" of capitalist firms via "absolute managerial power" over labour and the redistribution of

<sup>45</sup> Beresford, M and Fforde, A, 'A Methodology for Analysing the Process of Economic Reform in Vietnam: The Case of Domestic Trade,' *Journal of Communist Studies and Transition Politics* Vol. 13, No 4, December 1997, p. 112.

<sup>46</sup> Fforde, 2003, op cit.

surplus.<sup>47</sup> His research describes the drive by the state coal company to lay off thousands of miners in Quang Ninh 1999.<sup>48</sup>

While the market has made inroads into the area of workers participation in SOEs, Chapter Five reviews the evidence and suggests much of the traditional structure of SOE management, including via the Workers' Congress, the trade union and other mass organisations remains in some form. This includes site visits and discussions with workers in some large SOEs in the north. Even the Quang Ninh events were not ultimately as decisive as they appeared at the time. However, the drive to "equitise" SOEs challenges this management structure, and the ongoing struggle is decisive for maintaining any socialist-oriented state sector.

Nevertheless, even if workers maintain a degree of participation in many state enterprises, the broader question of the state economy's relation to socialist orientation remains. How can enterprises that operate based on this Law of Value perform as organs of society, prioritising social needs over the needs of enterprise profit making which the market dictates? Mandel succinctly writes that pursuit of profit leads to enterprises basing their priorities on "the inequality of incomes and resources," meaning, for example, "Luxury apartments will be built before low-cost housing."<sup>49</sup> This has a familiar ring to it, as such towers for the rich keep going up in Vietnam, even though state companies still play a very prominent role in the construction industry.

Moreover, as state sector workers are a small and relatively privileged minority within underdeveloped Vietnam, with its large peasant and informal sector population, Beresford points out that their quasi-socialist managerial role in SOEs may make them partners with management in a "corporatisation"

<sup>47</sup> Greenfield, 1994, pp. 207-8.

<sup>48</sup> Greenfield, 2000, *op cit*.

<sup>49</sup> Mandel, E, *Beyond Perestroika: The Future of Gorbachev's USSR*, Verso, 1991, pp. 152-3.

of SOEs, which "effectively privatise" social wealth while the poorer sectors of society are left behind.<sup>50</sup>

This very important issue raises the question of the connection between the two main planks of socialist orientation in the view of the CPV: the "structural" aspect of a dominant state sector and the "objective" of rising welfare for all. As such, Chapters Six, Seven and Eight will deal with this decisive issue of the social role of the state economy, that is, its 'out-of-enterprise' role within the broader society. There is very little of this in the wider literature on Vietnamese SOEs, and thus this book aims to add a substantial body of knowledge to the understanding of the Vietnamese state sector.

Research was conducted via interviews with some twenty five theoreticians, academics and other members of the CPV or mass organisations, along with a questionnaire for 150 further cadres, interviews with managerial, party or trade union staff of some 20 state companies, interviews with trade unionists, with cadres from the Vietnam General Confederation of Labour and other mass organisations, with economic experts and other officials involved in related areas, such as poverty alleviation, site visits to two major state companies involving discussions with unionists and workers, and analysis of research reports by state and party bodies, SOEs, trade unions, NGOs, international economic organisations and consultants, theoretical journals, and the mass media.

Information was often contradictory, requiring re-checking and further reading and interviewing for clarification. It became clear that at times when interviewees did not know exact answers to questions, they told me what they thought to be the truth. This often appeared to represent their view of what should be.

<sup>50</sup> Beresford, M, 'Vietnam: The Transition from Central Planning', in Rodan, G, Hewison, K and Robison, R, *The Political Economy of South-East Asia*, Oxford: Oxford University Press, 2001, p. 226-7.

I have assembled a picture of the operations of the state sector and its role within a socialist orientation and in relation to societal welfare. In general, the conclusions from the findings are cautiously positive about the overall role of the state sector within a socialist orientation. Since this dissertation is a study of socialist orientation, the word "positive" here means "in accordance with the stated aims of a socialist orientation," and does not imply a value judgment.

One possible problem is that as this research searched for evidence to balance the largely negative portrayal of the Vietnamese state sector in the majority of analyses, my "cautiously positive" conclusions could have been reached due to the bias of my starting point. However, I have not approached this issue from the point of view that the negative analyses are wrong, but incomplete. Since negative descriptions of the state sector are widely available, *they* form the starting point, and hence are only restated here in summary form.

Partly, it is a question of extent: how do all the widely discussed negatives weigh up in relation to the positives, and do they impact on the socio-economic reality to the extent necessary for the state sector to be playing an overall negative role? The conclusion here is that, while extremely contradictory, and far from ideal, the state sector has, overall, played a socially dynamic and progressive role in Vietnam's successful 'Doi Moi consensus model', which dominated the political economy between the early 1990s and the middle of the first decade of this millennium. The apparent contradiction – in "orthodox" economics – between years of socio-economic and developmental progress, and a model based on a dominant state sector, is treated here as no contradiction.

Therefore, the discourse which posits this stubborn lingering of a powerful state sector, despite years of ideological offensive against it and significant legislative change, as due to a "conservative" wing either attached to antiquated ideas removed from reality, or profiting from corrupt connections with a moribund state sector enhanced by its only "half-reformed" nature, is rejected. Rather, the insistence by socialist-oriented wing of the party on a

leading role for the state sector reflects the real presence within society of the positive, if contradictory, role of that sector within the socio-economy, and of the social classes which benefit from its continued presence.

Changes, however, have been rapid, and by the middle of the first decade of the 21<sup>st</sup> century were arguably burying the basic features of the Doi Moi consensus model. If this book argues that Vietnam's sweeping success during the 1990-2005 period was congruent with a semi-socialist, state-dominated economy, then the deep economic crisis that began to engulf Vietnam from around 2007 is also consistent with this conclusion. While many factors undoubtedly led to the crisis, it was at least partially a direct result of the release of any controls over the free flow of the market, including legislation that "freed" state enterprises from a great deal of regulation. A brief epilogue at the end of my Conclusion will further elaborate on this.

This is further reflected in the underlying socio-economic processes, as the market commodifies everything and eats away at the social solidarity that necessarily underlies a project as conscious as the development or even retention of socialism, replacing it with a bland economic pragmatism and rampant commercialism and individualism. This is not meant to imply that the ascendant market-oriented wing of the party are conscious proponents of capitalism or representatives of the rising elite – like their opponents, most see themselves as socialists, but see no alternative to a greater amount of capitalism in the mixed economy in order to raise the productive forces.

Nor is it meant to imply that the CPV has not attempted to continue promoting solidarity and socialist ideals – the question of how to do that is a difficult one. While many valid criticisms of the CPV in this regard can be made, the ultimate problem remains the relative isolation of Vietnam's experiment in a poor country within a capitalist world of which it is necessarily a part.

The following theoretical background will highlight this ultimate conflict, within the "transition" phase, between the necessary use of market mechanisms and the question of socialist consciousness.

### Chapter 3 Assessing Socialist Orientation: Vietnam as "Development Model"?

The basic tenets of socialist orientation, according to CPV leaders and theoreticians, revolve around a structural component - the leading role of the state sector - and an objectives component - that economic growth must be tied to social progress "at every step of the process." This chapter will weigh up the validity of some of the claims to socialist orientation.

The purpose of discussing social objectives is to ascertain what substance there is to socialist orientation. A state-dominated economic structure alongside terrible poverty and inequality would not demonstrate socialist substance. If the system were private-sector dominated with such poverty and inequality, the talk of socialist orientation will appear mere rhetoric to justify a 'socialist' party maintaining power. Finally, if the system were private-sector dominated, but with rising social indicators and falling poverty, while this may demonstrate a social commitment, it would be an argument in favour of capitalism.

The critiques of the CPV concept of socialist orientation come from different directions. We will begin with the tendency to downplay Vietnam's social successes.<sup>1</sup> On the left, some believe that capitalism rules undiluted, and apparently non-capitalist elements being mere excuses for a corrupt elite to maintain power under a 'socialist' banner with no content.<sup>2</sup> Rather than claim that capitalism has brought about Vietnam's social successes, they see this as responsible for the continuing poverty and other social injustices. A right-wing mirror of this believes Vietnam is still too socialist. While the market has brought some social success, they believe the still high levels of poverty are due to the lack of radical economic "reform," not moving fast enough towards capitalism.

This dissertation agrees with the left that the existing social inequality and injustice is largely attributable to the market and capitalism. The view of the right will be shown below to not hold up when we compare Vietnam to capitalist countries. Yet such comparisons call into question the left's view

<sup>1</sup> The opposite tendency, to play up Vietnam's social success but attribute it all to the market, will be discussed beginning on page 115.

<sup>2</sup> Gabriel Kolko, *Vietnam: Anatomy of a Peace*, Routledge, London 1997, p63-64; Greenfield, G.

<sup>3</sup> The Development of Capitalism in Vietnam, *Socialist Register*, No.30, 1994, esp. pp. 206-8, 216-7.

that Vietnam is fully capitalist. Despite the many injustices in the market, the discussion below suggests that the CPV's attempt to walk the fine line between encouraging private investment and material incentives, and being swamped by capitalism's profit-driven incentives, has been shaky but partially successful.

#### Social indicators

Vietnam has experienced some of the world's highest economic growth, doubling its GDP in the 1990s. Its growth has been second only to China's almost every year since the Asian crisis of 1997.

Many countries have experienced periods of rapid growth, but in Vietnam this was accompanied by a fall in poverty from 75 percent in the late 1980s to 28 percent in 2002, and 18 percent in 2006, one of the most rapid reductions in poverty on record in the developing world.<sup>3</sup> A World Bank report claims Vietnam reduced "extreme poverty" from 51 percent in 1990 to 14 percent in 2002.<sup>4</sup> Vietnam's score on the UN's Human Development Index (HDI) is 16 points better than its GDP per capita level. Whereas Guatemala's 2003 purchasing power parity (PPP) was twice Vietnam's, its HDI ranking of 117 was lower than Vietnam's 108.<sup>5</sup>

While Vietnam's take-off began after Doi Moi, the old socialist model claims pluses, even in conditions of war and embargo: educational and health indicators were already far better than would be expected for a poor and

<sup>3</sup> The figure of 18.1 percent is from Vietnam's General Statistics Office (*Poor household rates by poverty line standard applied for period 2006-2010*, 09/08/2005, [http://www.sso.gov.vn/detail\\_en.aspx?table=508&itemID=2963](http://www.sso.gov.vn/detail_en.aspx?table=508&itemID=2963)), based on the Vietnamese poverty measure corresponding to World Bank standards. The number living on less than one dollar a day PPP fell from 50.8 percent in 1990 to 10.6 percent in 2004. However, those on less than two dollars PPP per day stand at 53.4 percent in 2004. Vietnam's 2002 rate of one dollar PPP (13.6%) put it in a better position than China (16.1) and the Philippines (14.6). Joint Donor Report to the Vietnam Consultative Group Meeting, *Vietnam Development Report 2004: Poverty*, Hanoi, December 2003, p. 15.

<sup>4</sup> World Bank, *Press Release: Global Monitoring Report 2005*, April 13, 2005, <http://www.worldbank.org/globalmonitoring>, which also claims that between 1981 and 2001 China cut the number of extremely poor from 40 percent to 21 percent of the population - 400 million people. The wording implies the Bank considers the proportion of "extremely poor" to be higher in China than in Vietnam. While the distinction is not spelled out, the UNDP defines "extreme poverty" as "indigence and destitution, the inability to satisfy even minimum food needs," as New York, 1998, p. 16.

<sup>5</sup> Guatemala's PPP is US\$4148, Vietnam's \$2490, United Nations Development Program, *Human Development Report 2005*, <http://hdr.undp.org/reports/global/2005/>, p. 21.

devastated, country<sup>6</sup> Primary enrolment rates were 88 percent in the 1980s,<sup>7</sup> and infant mortality fell from 160 per 1000 live births in 1960 to 45 in 1989,<sup>8</sup> and life expectancy "exceeded that of the low income countries In 1980, life expectancy "exceeded that of the low income countries (excluding China and India) by 13 years, and its infant mortality rate was almost half that of the low-income countries."<sup>9</sup> Vietnam's child immunization program was launched in 1982, coverage for measles rising from 39 to 87 percent in 1986-90.<sup>10</sup>

With the onset of the market, Vietnam introduced user fees and private sector entry into health and education. Unlike in China, this blow against socialist fundamentals was arguably forced by necessity: Vietnam's per capita GDP was only \$110 in 1989, after a decade of war and embargo and the end of Soviet aid.<sup>11</sup> The cooperative-based health care network collapsed. The resulting inequalities and the great difficulties that these indisputably *market-oriented* changes have caused the poor contradict the claim that the market has worked wonders.

Neither Vietnam's nor China's post-reform education and health systems can be called socialist, which implies that social control of the economy enables the state to direct sufficient resources at such basics of life so that access is not dependent on wealth. The stark inequalities and injustices in these areas are incompatible with socialist orientation. Even accepting the market and small fees, a socialist orientation would require the growth unleashed by "reform" to be coupled with strongly rising health and education spending, yet neither country spends above the developing country average.

Cuba presents a socialist model of health and education, spending 6.1 percent of GDP on public health, compared to 2 percent in China and Vietnam, and 8.5 percent of GDP on education, compared to 2.1 percent in China and 4.4

<sup>6</sup> According to the UNDP *Human Development Report 2005*, even before its economic take-off, Vietnam's key social indicators were "far higher than the average for countries at a similar income level," *ibid.*, p. 121.

<sup>7</sup> UNDP, *Human Development Report*, 2003.

<sup>8</sup> World Bank, Sida, Aasaid, Royal Netherlands Embassy, in cooperation with Vietnam Ministry of Health, *Vietnam: Growing Healthy: A Review of Vietnam's Health Sector*, Hanoi May 2001, p. 5

<sup>9</sup> Septhit, A., Chennoms, R., Akran-Loch, A. H., "If they get sick, they are in trouble: Health care restructuring, user charges and equity in Vietnam", *International Journal of Health Services*, Vol. 33, No. 1, p. 138.

<sup>10</sup> *Ibid.*, p. 45. It rose to 96 percent by 1996. In 1975, the number of people per health centre stood at 3,749 compared to 68,400 in 1955), people per nurse at 512 (1,353), people per doctor at 3,816 (10,257), hospitals per 100,000 people at 3.17 (0.4), hospital beds per 100,000 people at 276 (105), pp. 137-138.

<sup>11</sup> GSO, "Average GDP at current prices per capita," Accessed May 31, 2008, <http://www.gso.gov.vn/default.asp?lang=EN&nav=EN127>.

percent in Vietnam.<sup>12</sup> This is equivalent to the wealthiest western countries and well ahead of anywhere in the developing world. All health and every level of education are free. Cuba records adult literacy rates of 97 percent, life expectancy of 77, and an infant mortality rate of 7 – the same as the US.<sup>13</sup> It has 590 doctors for every 100,000 people, the highest in the world,<sup>14</sup> and 99 percent of births are performed in health facilities by skilled specialists.<sup>15</sup>

Vietnam's road is markedly different to Cuba's, yet it stands out in its own way from most Third World capitalist countries. Vietnam is a 'low income' country (\$US\$430 per capita GDP in 2002), but its education and health indicators are on a par with, or better than, 'middle income' countries such as Thailand (\$2000 GDP per capita), China and the Philippines (around \$1100), and far above those of countries with similar per capita GDP, such as Bangladesh, Pakistan, Kenya and Tanzania. The UNDP's Millennium Goals report states that "some countries have registered an extraordinary rate of advance towards the MDGs, often from very low levels of income. Viet Nam is one."<sup>16</sup>

Primary enrolment rates initially fell from 88 percent in 1988 to 78 percent in 1993, but rose to 97.5 percent by 2003.<sup>17</sup> By contrast, in China they fell from 97 to 93 percent between 1991 and 2001,<sup>18</sup> and in "the East Asia and Pacific region" overall "net enrolment in primary education declined from 97 percent

<sup>12</sup> UNDP, *Human Development Report*, 2003.

<sup>13</sup> WHO, *World Health Report*, 2002.

<sup>14</sup> By comparison, Australia has 240 and the UK 164, UNDP, *Human Development Report*, 2003.

<sup>15</sup> WHO, *World Health Report*, 2002. In 1988 Castro became the only head of government to be awarded the Health for All medal by WHO, as the only country to attain WHO goals established in 1988 for Third World countries to achieve by 2000. The award was given again in 1998. Cuba had more doctors serving in the developing world than WHO itself, Jane Franklin, "Looking For Terrorists In Cuba's Health System", *Z Magazine*, June 2005.

<sup>16</sup> <http://www.zmag.org/ZMagSite/jun2005/franklin0503.html>, James Wolfensohn, then head of the World Bank, said "If you judge the country by education and health, they've done a terrific job." "Thought 'It was not with our advice ... we just have nothing to do with them,'" Sean Healy, "Cuba: World Bank head praises achievements", *Green Left Weekly*, May 9, 2001.

<sup>17</sup> UNDP, *Human Development Report 2005*, <http://hdr.undp.org/en/data/statlist/2005/>, p. 45. UNICEF claims "Costa Rica, Cuba, Sri Lanka and Viet Nam" show that "consistent policies aimed at providing a solid foundation of social services pay off in better health conditions and higher literacy rates than those found in many countries with greater economic resources," *State of the World's Children*, 2000.

<sup>18</sup> Socialist Republic of Vietnam and World Bank, *Vietnam: Managing Public Expenditure for Poverty Reduction and Growth*, Vol. 2: Sectoral Issues, Hanoi April 2005, p. 10

<sup>19</sup> UNDP, *Human Development Report*, 2003.

in 1991 to 92 percent in 2001.<sup>19</sup> Junior secondary enrolment in Vietnam shot up from 41.9 percent in 1994 to 80.6 percent in 2003.<sup>20</sup>

Vietnam's literacy rate of 93 percent is close to that of Thailand, and much better than that of China, Indonesia and even Malaysia, which have literacy rates of around 83-87 percent.<sup>21</sup> Average class sizes dropped from 30.4 to 23.1 in primary school, and 28.7 to 23.4 in lower secondary school, between 1998 and 2004.<sup>22</sup>

Health indicators are equally impressive, although Vietnam spends less on health than on education.<sup>23</sup> The country has cut child mortality to 23 per 10,000 live births, and infant mortality to 19, lower than Thailand, China and the Philippines and dramatically lower than India and Indonesia. The numbers in Bangladesh are 69 and 46, and in Pakistan, 103 and 81.<sup>24</sup> Vietnam's life expectancy of 71 is equivalent to wealthier China, Thailand and the Philippines, higher than in Indonesia and India, and a decade higher than the low-income country average. Maternal mortality stands at 130 cases per 100,000 births, well below the Philippines (200), Indonesia (310) or India (540).<sup>25</sup>

<sup>19</sup> World Bank Vietnam, Press Release, *Global Poverty Down By Half Since 1981 But Progress Uneven As Economic Growth Eludes Many Countries*, Washington, April 23, 2004.

<sup>20</sup> Socialist Republic of Vietnam and World Bank, op cit, p. 10. Senior secondary enrolment has shown a more modest increase, from 12.7 through 23.7 to 36.6 percent, from 1994 through to 2003.

<sup>21</sup> UNDP, 2003, op cit. This masks a bigger difference: China's female literacy is only 78 percent (UNICEF, *Information by Country*, 2000), in Vietnam, female literacy is only a few points behind male, United Nations, Statistics Division, *Millennium Indicators*, 2003, op cit.

<sup>22</sup> Joint Donor Report, op cit, p. 15. Nevertheless, the World Bank-IMF-led Donor Working Group recommended "increasing pupil/teacher ratios at all levels," Joint Report of the Government of Vietnam - Donor Working Group on Public Expenditure Review, *Vietnam, Managing Public Resources Better, Public Expenditure Review 2000* - Vol. 1, December 2000, p. 66.

<sup>23</sup> One source of this discrimination in spending appears to be the IMF and World Bank. A joint report by the government and international "donors", led by the IMF and WB, calls for a "gradually increasing public education spending," yet gives no such suggestion for health, but only advice on how to cut health services by "reducing the per capita number of hospital beds," "further reducing public subsidies to hospitals, especially at provincial and central level" and, "raising hospital fees to reduce its subsidies to hospitals," Joint Report of the Government of Vietnam - Donor Working Group, op cit, pp. 66, 52, 55-56.

<sup>24</sup> UNDP, *Human Development Report 2005*, <http://hdr.undp.org/reports/global/2005/>, Vietnam has overtaken China in child mortality. Between 1970 and 2003, China improved from 85 death per 1000 live births to 30 for infants and from 120 to 37 for the under-fives, while Vietnam progressed from 55 to 19 (infants) and from 87 to 23 (under-fives). Even much richer Thailand had only brought infant and child mortality down to 23 and 26 respectively, both higher than in Vietnam. In the Philippines, the figures were 36 and 27, and in Indonesia, 41 and 31.

<sup>25</sup> United Nations, Statistics Division, *Millennium Indicators*, 2003.

Comparing Vietnam to countries with similar per capita PPP, for example, Ghana, Guinea, Pakistan and Bangladesh, reveals how different a country it is. In 2002, the figures for Vietnam followed by these countries for life expectancy were 68, 57, 47, 60 and 59; for adult literacy rates, 93, 71, 41, 43 and 41; for infant mortality (per 1000 births), 30, 58, 112, 85 and 54; for maternal mortality (per 100,000 births), 95, 210, 530, (no figure) and 350.<sup>26</sup>

In the 1990s, Vietnam eradicated polio, neo-natal tetanus and leprosy, and cut malaria fatalities by 97 percent, in a campaign praised by WHO as "a story to be shared."<sup>27</sup> In 1997, it was one of only two countries in the world to meet WHO targets of diagnosing over 70 per cent of TB infections and curing over 85 per cent of patients; in 2004 it remained "the only high-burden country" to achieve this goal. While Vietnam diagnoses 85 percent of TB cases, Thailand manages 75 percent, the Philippines 58, India 47, China 33 and Indonesia 21 percent. Vietnam also has the highest cure rate at 93 percent.<sup>28</sup>

In 1999, Vietnam had "170 primary health clinics at the village level per million population, compared to 32 in Indonesia, 63 in China and 141 in Thailand".<sup>29</sup> There was "a hospital bed for every 389 Vietnamese, compared to every 465 Chinese, 665 Thais, 910 Filipinos and 1,743 Indonesians."<sup>30</sup> Nearly every of Vietnam's 10,000 communes has a primary school and a commune health centre.<sup>30</sup> While Vietnam's 52 doctors per 100,000 people is far lower than Cuba's 590, even this is higher than in Thailand (24) or Indonesia (16).<sup>31</sup>

<sup>26</sup> UNDP, *Human Development Report 2002*, [http://hdr.undp.org/en/media/HDR\\_2002\\_EN\\_Indicators.pdf](http://hdr.undp.org/en/media/HDR_2002_EN_Indicators.pdf).

<sup>27</sup> World Bank, Asian Development Bank, *Vietnam: Delivering on its Promise*, Hanoi 2002, p. 58.

<sup>28</sup> Roll Back Malaria Inspiring Reports: Viet Nam, *Bulletin Medicus Mundi*, No. 78, October 2000.

<sup>29</sup> WHO, *Global Tuberculosis Control - Surveillance, Planning, Financing, 2004*, "High-burden" Sanyaji Singh. Vietnam shows the way to health with little wealth, *Asia Times on Line*, April 10, 1999; these figures are consistent with those of the World Bank, *World Development Indicators*, 1999. The Joint Donor Group wrote "the only countries having a lower ratio of population to hospital beds than Vietnam (in the region) are Taiwan, Hong Kong, South Korea, Singapore and Sri Lanka, all of which have considerably higher GNP per capita than Vietnam," Joint Report of the Government of Vietnam - Donor Working Group on Public Expenditure Review, op cit, p. 52.

<sup>30</sup> Current Vietnamese figures show 2.4 beds per 1000 people (192,300 beds), i.e. 416 people per bed. General Statistics Office, *Hospital beds as of 31/12/2002 by management level and by province*, Accessed April 2005, <http://www.gso.gov.vn/Default.asp?Tabid=74&dirid=3&ItemID=117>.

<sup>31</sup> Ibid shows 13,095 health establishments in the country, of which 10,396 are in villages; the Joint Donor Report says "96,604 health staff are working in 116,359 villages nationally, and only 1.4 percent of communes lack a medical station," op cit, p. 16.

<sup>32</sup> UNDP, *Human Development Report*, 2003.

In 1999, Vietnam had the highest rate in the region for free child immunisation against six major infectious diseases.<sup>32</sup>

While these indicators are not spread evenly among the population, such inequality is likely worse in countries where social inequality is sharper overall than in Vietnam. For example, the high maternal mortality in Vietnamese mountainous regions is equivalent to the *national average* in many poor countries, meaning the worst rates in these countries are much worse than in Vietnam.<sup>33</sup>

Regarding overall inequality, the UN's 2005 *Human Development Report* claimed that if the poorest 20 percent of Guatemalans had "the same share of income as the poorest 20 percent in Vietnam," their average incomes would rise from \$550 to \$1560. While average income in Mexico is five times that of Vietnam, the poorest 10 percent of Mexicans share 1 percent of the income, while its richest 10 percent share 43.1 percent. Vietnam's poorest 10 percent receive 3.2 percent of income and its richest 10 percent get 29.9 percent. Mexico's Gini inequality coefficient is 54.6, while in Vietnam, it increased from 35.7 in 1990 to 37 in 2000.<sup>34</sup>

Finally, Vietnam boasts a number of other outstanding points. In 1999, Vietnam won the UN Population Award for its population and family planning efforts, conducted at a grassroots level by the Women's Union. Some 78.5 per cent of women aged 15-49 in Vietnam use contraceptives, one of the highest rates in the Third World.<sup>35</sup> In 2005, Vietnam's 27 percent female representation in the National Assembly was the highest in the Asia-Pacific

<sup>32</sup> World Bank, *World Development Indicators*, 1999. Notably, it was ahead not only of Thailand, Malaysia, Indonesia and the Philippines, but also South Korea, Hong Kong and Singapore.

<sup>33</sup> For example, one Health Ministry study (Ministry of Health (MOH), *Research on Maternal Mortality in Vietnam 2000-2003*, Hanoi, 2002), of 21 districts in the seven ecological regions of Vietnam indicated a MMR of 411 in Cao Bang in the northern mountains, compared to only 45-46 in Ha Tay (Red River Delta) and Binh Duong (southeast). Such inequality is obviously unacceptable to socialist orientation. However, it 411 is the worst figure in one of the poorest regions in Vietnam, it is close to the national average for Bangladesh (380) and Peru (410), and far lower than the national figures in India (540), Haiti (680), Yemen (570) or Kenya (1000). World Bank, *World Development Indicators*, 2005, pp. 108-110.

<sup>34</sup> United Nations Development Program, *Human Development Report 2005*, <http://hdr.undp.org/reports/global/2005/>, p. 121-122. Vietnam's Gini score of 37 compares regionally to Thailand's 43.2, China's 44.7, Philippines' 46.1 and Malaysia's 49.2. Moreover, this contradicts the usual pattern of richer countries have lower Gini scores, with the exception of the United States (40.8). World Bank, *World Development Indicators*, 2005, p. 72-4.

<sup>35</sup> Committee for Population, Family and Children / Population and Family Health Project (CPFC/PFHP), *Vietnam: Demographic and Health Survey 2002*, GSC, Hanoi, 2003; CHIP et al. op cit, p. 40-41. There is almost no difference in rural areas (78%), and use of modern methods stands at 56.7 percent.

region and ranked number 18 in the world,<sup>36</sup> while ethnic minorities, some 13 percent of the population, have 17 percent of NA seats.

Vietnam presents a specific case. While Cuba combines a more fully socialist economic structure in a *middle income* country with social indicators rivaling the capitalist First World, Vietnam can arguably be seen as an example of a partially socialist economic structure in a *low income* country with social indicators rivaling middle income capitalist countries.<sup>37</sup> Therefore, despite many aspects irreconcilable with socialist orientation, these *relatively* good social indicators suggest there is much beyond rhetoric when the CPV stresses social objectives as part of socialist orientation.

Nevertheless, the challenges of maintaining a socialist orientation in a poor country within global capitalism are enormous. Drawing the line between incentives for private investment and crass displays of wealth is not easy. The commercial environment leads to corruption, individualism and acquisitiveness rising at the expense of the moral and collectivist incentives required for socialism. Despite *relative* social successes, 'socialism' looks distant given the rapid growth rate of a class with great wealth to lavish on big cars and mansions, while many remain desperately poor. While less unequal statistically than many countries, the inequalities appear stark. Containing this confident new capitalist class within any kind of socialist framework will be extremely challenging.

Despite its achievements, Vietnam remains poor. Some 19 percent of the population remains undernourished.<sup>38</sup> Only 73 percent of Vietnamese have

<sup>36</sup> Inter-Parliamentary Union, *Women in National Parliaments*, February 2005, <http://www.ipu.org/wmn-e/ato/classif280205.htm>. I found this figure when originally drafting the chapter in 2006, and I am keeping it here as my dissertation concerns the 1990-2005 period.

<sup>37</sup> However, the May 2009 figures show Vietnam's position has dropped to number 34 in the world; nevertheless, this remains second highest in the region after east Timor, and actual female representation only dropped one percentage point, to 26 percent, in the new 2007 National Assembly. Ibid. May 2009, <http://www.ipu.org/wmn-e/ato/classif310509.htm>.

<sup>38</sup> It is difficult to get figures for Cuban GDP. Nominal GDP is related to the exchange rate with the US dollar, so one problem is the US embargo. Nominal GDP per capita estimates range from \$628 (US Department of Energy, <http://www.iaea.org/infocentre/data/CLU-gdpic.html>) in 2003, to \$2605 (International Atomic Energy Agency, [http://www.iaea.org/Textbase/statelndicators.asp?COUNTRY\\_CODE=CU](http://www.iaea.org/Textbase/statelndicators.asp?COUNTRY_CODE=CU)) in 2004, both significantly higher than Vietnam (\$480 in 2004, World Bank, *World Development Indicators*, 2005). Estimates are more common for Cuban PPP, ranging from \$3900 (CIA, *The World Factbook: Cuba*, <https://www.cia.gov/library/publications/the-world-factbook/docs/cuba.html>) to \$7176 (IAEA), both much higher than Vietnam's PPP of \$2490 in 2004 (World Bank).

<sup>38</sup> UNDP, *Human Development Report*, 2005, p. 8. Note however that even this figure does not look so low when compared to figures of 20 and 22 percent for richer Thailand and the Philippines respectively, p. 7.

access to improved water sources, though this is a 20 percent leap since 1998.<sup>39</sup> The rising inequalities show up as street children, prostitution, drug abuse and crime. While tremendous re-greening has healed many scars from the war, rapid growth leads to further environmental destruction. Despite the position of women described above, the market economy eels away at women's equality, and domestic violence is rising.<sup>40</sup> Ethnic minorities have free health and education, but their health and education situation is well below average.

The inequalities plaguing Vietnam must be set in context. The lack of US reconstruction aid has lasting legacies. Some 2 million people are affected by Agent Orange, resulting in a plague of cancers and horrific birth defects. Some 84,000 people have been killed by unexploded ordnance since the end of the war, 150,000 tons of which remains in fields and forests. The Hanoi-based NGO Resource Centre claims that some 10 per cent of the population – seven million people – are disabled.

#### What accounts for Vietnam's accomplishments?

If the left and right analyses which downplay Vietnam's social success are thus shown to be wanting, the opposite tendency is that of neo-liberal experts who accept that Vietnam has carried out massive poverty reduction and has high social indicators, but explain it as the result of the market and other pro-capitalist elements introduced since Doi Moi.<sup>41</sup> Socialist orientation, in their view, is irrelevant.

However, the capitalist countries Vietnam compares with favourably above do not lack free markets and private sectors. Moreover, a problem with this view is that Vietnam has made more social progress than 'normal' capitalist countries not only under "market socialism" since Doi Moi, but also under "state socialism," as shown above. Furthermore, the latter occurred

<sup>39</sup> Most of this advance was in rural areas, where access to improved water sources rose from 32 to 54 percent between 1998 and 2003, Socialist Republic of Vietnam and World Bank, *Vietnam: Managing Public Expenditure for Poverty Reduction and Growth*, Vol. 2, Sectoral Issues, Hanoi April 2005, p. 111.

<sup>40</sup> These post-Doi Moi inequalities are well elaborated in FAO/UNDP, *Gender Differences in the Transitional Economy*, Hanoi, August 2002.

<sup>41</sup> For example, the country's World Bank representative, Ajay Chhibber, calls Vietnam a "poster child" of market reforms and of the "Washington Consensus," boasting "free enterprise, free trade, sensible state finances and so on" while also achieving the UN's Millennium Development Goals, quoted from Collins, P., "Half-way from rags to riches," *The Economist (US)*, April 26, 2008, p. 4. This is ironic, given how fiercely the Bank was criticising Vietnam until recently for not carrying out this Washington Consensus, see Chapter 4, pp. 155-6.

concurrently with decades of war, destruction and embargo until 1989, which would have greatly exaggerated the state of poverty under any social system.<sup>42</sup> Other analysts have a more nuanced view, emphasising that it is not simply the market, but also the successful "management" of the market and the CPV's social commitment that have made Doi Moi successful. This is still often, though not always, within a pro-market critique, which sees little use in "socialist" elements.<sup>43</sup>

In assessing factors leading to Vietnam's social progress, we can first look at state social spending, from the viewpoint of whether Vietnam's is a kind of "social-democracy."<sup>44</sup> That means a government based on a capitalist economy but with a commitment to taxing it to spend on social sectors, to make basic social goods and welfare equally available. In this scenario, there may arguably be no need for a second possible factor, a socialist economic structure.

Classical social-democracy exists in certain highly developed countries with the wealth to be able to distribute a significant proportion to social sectors (and the commitment to do so). No poor country looks anything like classical social democracy. Even a very socially committed government will still need to put a large proportion of investment into economic growth. Given the difficulties of underdeveloped countries achieving 'socialism' as discussed in Chapter 1, a poor country with a very high commitment to social spending, within a market economy, might be as 'socialist-oriented' as its possible.

<sup>42</sup> Kolkho, op cit, situates Vietnam's pre-Doi Moi poverty in the context not only of the American war but also the Cambodian war and embargo of the 1980s, pp. 25-26. Van Arkadie and Mallon provide a breakdown of the massive fall, relative to the rest of Asia, that began in Vietnam with the onset of war around 1980 (when Vietnam's per capita GDP was 80-85 percent that of South Korea and Thailand), then plunged more dramatically between 1960 and 1975, continuing as a much slighter but still clear relative decline during the Cambodian war of the 1980s. The new rise began about the time peace was established in 1989, *Vietnam: A Transition Tiger*, Asia Pacific Press, ANU, 2003, pp. 4-5.

<sup>43</sup> Former World Bank head, Joseph Stiglitz, is now very critical of rapid privatisation. He favourably compares the Chinese to the Russian road to capitalism, and has similar praise for Vietnam, particularly in facilitating new private firms rather than privatising SOEs, Stiglitz, J., interview by Le Duc Tan, *Vietnam Economic Times*, 2001; *Globalisation and Its Discontents*, New York, Norton, 2002, pp. 125-6, 184. A stronger critique of the neo-liberal approach which points to positives in the socialistic elements of Vietnam's socio-economy is Weeks, J., Thang, N., Koy, R., Lim, J., *The Macro-Economics of Poverty Reduction: The Case of Vietnam, Seeking Equity Within Growth*, independent report commissioned by UNDP's Regional Program for Asia, 2003.

<sup>44</sup> The term "social-democracy" refers here only to socio-economic aspects, and does not imply anything about the question of political democracy.



However, *Vietnam does not spend more than average on health and education*. Education and health spending began rising from the early 1990s, but only in recent years has the education budget begun to look high by regional standards – 4.4 percent of GDP by 2002 and 18 percent of the budget by 2005.<sup>45</sup> State spending on health doubled in real terms in the 1990s, but then stagnated for years at about 1.7 percent of GDP. This was a lower proportion than many developing (albeit richer) countries, though even this placed Vietnam among the top five countries of the region in health spending.<sup>46</sup> Health spending then rose to 2 percent of GDP by 2004, reaching the level of China and Thailand.<sup>47</sup>

However, countries with larger budgets may simply spend more on luxury health services. Vietnam's better spread of primary health centers and hospital beds, the high level of child immunisation and the relative efficiency of its TB program, are examples noted above that suggest Vietnam has spread health spending more evenly than many, even with a lower budget.

Moreover, a 'Social Protection' budget accounts for 3.5 percent of GDP, so overall social spending is high, at some 10 percent of GDP or 35-40 percent of the budget.<sup>48</sup> This covers disaster relief, war-affected assistance, and, partially, poverty alleviation programs.<sup>49</sup> The war affected category includes benefits to

<sup>45</sup> Joint Donor Report to the Vietnam Consultative Group Meeting, *Vietnam Development Report 2005: Governance*, Hanoi, December 1-2, 2004, p. 12.

<sup>46</sup> World Bank, Sida, Ansd, Royal Netherlands Embassy, in cooperation with Vietnam Ministry of Health, *Vietnam: Growing Healthy: A Review of Vietnam's Health Sector*, Hanoi May 2001, pp. 170-171. The report notes that "all of the countries spending a higher proportion of their GDP or total government expenditure on health have significantly higher levels of per capita GDP than Vietnam" (meaning Thailand, China and South Korea). Other countries with higher per capita GDP than Vietnam spent less on health.

<sup>47</sup> Between 2003 and 2004, the health budget rose 34.8 percent, from 1.58 to 1.92 percent of GDP, and from 5.91 to 7.34 percent of the state budget. Ministry of Health, Planning and Finance Department, *Health Statistics Yearbook 2004*, p. 14. There was a 31 percent rise in state health spending per capita, from 127,000 VND to 167,000 VND. Health Minister Tran Thi Trung Chien stated she wants the health budget to rise to 3 percent of GDP by 2010, or some 12 percent of the budget. *Viet Nam News*, September 9, 2005.

<sup>48</sup> United Nations Viet Nam, Ministry of Labour, War Invalids and Social Affairs, *Basic Social Services in Viet Nam*, Hanoi, December 1999, p. 42. According to the Donor Working Group, "total spending on these 'social subsidies' made up 13.2 percent of the budget in 1997 and 11.9 percent in 1998. For a country at Vietnam's level of economic development that is impressive," noting that there are also "a significant number of social safety net programs not included in the social subsidies item in the budget." Joint Report of the Government of Vietnam – Donor Working Group on Public Expenditure Review, *Vietnam: Managing Public Resources Better, Public Expenditure Review 2000* – Vol. 1, December 2000, p. 78.

<sup>49</sup> These programs also get funds from departments, mass organisations, enterprises and international aid.

families of martyrs, disabled veterans, veterans who contracted a disease during service, heroic mothers, those who supported war effort in other ways – several million people – cushioning the effects of poverty within extended families and communities. The poverty programs include free education and health insurance for the poor, building schools, clinics, roads, clean water systems and infrastructure in remote areas, and delivering a large amount of subsidised, low interest credit to the poor.<sup>50</sup>

Thus, the now high education budget, the steady improvement in the low health budget, and the addition of the social protection budget do indicate significant social spending.<sup>51</sup> However, it is still hardly *exceptional*. Even the social protection budget probably falls short of covering the minimum extra need Vietnam has due to war.

An important issue is the small user fees for health and education introduced in 1989. While, officially, fee-paying does not involve primary school education<sup>52</sup> or community health centres (CHCs),<sup>53</sup> there can be no denying that the fees throughout all other levels most affect those least able to pay. However, to judge their relationship to Vietnam's *relatively* good social indicators, it is necessary to summarise their extent and severity.

Firstly, the cost of a simple hospital visit for consultation, examination or small health problems, ranges from 500 to 3000 VND (3c to 20c).<sup>54</sup> The cost

<sup>50</sup> In 2001, the Vietnam Bank for Agriculture and Rural Development and the Bank for Social Policies provided credit for 8.3 million rural households, Tran Thi Que, 'Formal sources of credit for the poor', *Vietnam's Socio-Economic Development*, No. 43, Autumn 2005, p. 65.

<sup>51</sup> Between 1998 and 2003, total government spending rose at the remarkable average annual rate of some 16 percent in nominal terms, 'Socialist Republic of Vietnam and World Bank, 2005, op cit, p. ix.

<sup>52</sup> The Education Law reads "pupils at public primary schools are not required to pay tuition." Other "contributions" are banned in all schools. "Apart from tuition and enrolment fees, learners' and learners' families are not required to make any other pecuniary contributions." No. 38/2005/QH11, June 14, 2005. However, in practice, unofficial fees of \$1-2 remain common even for primary schools, except for ethnic minorities and the very poor, based on my discussions with people from rural areas. The actual unofficial 'fee' is very small, out-of-pocket spending is largely on uniforms, books, school tools, and unofficial "contributions." For the poorest quintile, an average annual out-of-pocket spending per primary school child was 130,000 dong (\$US 9), or 1.9 percent of household expenditure; two thirds were for uniforms and the like, while only 4700 dong (30 cents) was for "tuition fees." UN Country Team – Vietnam, *User Fees, Financial Autonomy and Access to Social Services in Viet Nam*, Hanoi, 2005, p. 25-26.

<sup>53</sup> The fees were officially introduced for only the three higher levels (district, provincial and national) of public health, while Commune Health Centers officially remained free. However, all evidence suggests that while unofficial fees at CHCs are very low, they have never been actually free.

<sup>54</sup> World Bank, Sida et al, op cit, p. 166. The difference depends on hospital, from "first class" (2-3000 dong) to "fourth class and polyclinic" (300-1000 dong). This corresponds closely with my

of delivery throughout rural areas is some 30,000 VND (\$2).<sup>55</sup> Secondly, not all health services are user-pays. Free services include reproductive services such as antenatal examinations, tetanus-toxoid shot, and contraception, treatment for target diseases, and child vaccinations.

Third, there are large exemptions from fee paying. The very poor were supposedly exempt from the outset, though in practice this undoubtedly varied greatly. A 1998 study indicated that 42 percent of public hospital users, and 82 percent of CHC users, reported "no out of pocket payments" (this was 90 percent for the poorest quintile).<sup>57</sup>

Currently, fee exemption covers several categories:

- ethnic minorities, some 10 million people, or 12 percent of the population.
- people defined as "poor", who receive free health care cards under the Health Care Funds for the Poor (HCFP) program;<sup>58</sup> this covered 11 million people, 13 percent of the population, in 2003, which was 84 percent of the target group (13 million people, 17 percent of the population).<sup>59</sup>

discussions with people from Ninh Binh and Ha Tay, who say it costs "about 2000 VND" (13¢) to visit the doctor or the district hospital for a general check or "something small." A report on North Central communes put the fees at 500 VND (3.5¢) for a "simple examination" and 1500 VND (10¢) for "referral to higher level health facilities." Consultation of Investment in Health Promotion / Population and Development International / ISI Research and Training Institute (CHP/PDI/ISI), *Impact of Cairo POA: Gender, Women's Empowerment and Reproductive Health in a Vietnamese Communes*, 2002, p. 79. When I visited the district hospital in Bai Tu Long in June 2000 after an accident with a rusty nail in my scalp, I was charged nothing when nurses tended and bandaged the wound. A local with us claimed there was no fee for such simple procedures. The next day I went back for a tetanus shot, and was charged 30,000 dong (\$2).

<sup>55</sup> According to reports from foreign research teams, discussions with people from WHO and the Hanoi University of Public Health, and with individuals, in the fee schedule in World Bank, Sida et al., op cit, "delivery and two days after delivery" is said to cost from 3000 to 18,000 dong, depending on the type of hospital, p. 167. Also CHP et al., op cit, puts the figure at 30,000 VND (\$2) for delivery, p. 79.

<sup>56</sup> Committee for Population, Family and Children / Population and Family Health Project (CPFC/PFHP), *Vietnam, Demographic and Health Survey 2002*, GSO, Hanoi, 2003; CHP et al., op cit, p. 78; National Committee for the Advancement of Women in Vietnam (NCAW), *Gender Mainstreaming Guidelines in National Policy Formulation and Implementation*, Hanoi, 2004.

<sup>57</sup> State Planning Committee, *Vietnam Living Standards Survey 1997-98*, Hanoi, 1998.

<sup>58</sup> Decision 139 in 2002 (139/2002/QĐ-TT) set up the Health Care Funds for the Poor (HCFP) program, to build on and coordinate existing targeted fee exemption policies.

<sup>59</sup> Joint Donor Report to the Vietnam Consultative Group, *Vietnam Development Report 2005: Governance*, Hanoi, 2005. It is unclear to what extent this crosses over with ethnic minorities who already had free health care. Between the 2 groups, allowing for some crossover, we are perhaps talking about 20% of the population. This corresponds to media reports and discussions with

▪ children under six, 9 million people.

▪ heroic mothers' and other war-affected categories.

Other components of the health insurance system include:

- Compulsory health insurance, paid by the employer, covering 10 million workers (in state, foreign or registered private firms), or 12.5 percent of the population. Retirees are also covered by the compulsory 'social insurance' the company pays for workers, which also covers pensions.
- School children are covered by health insurance with an *annual* parent payment of 15,000 dong (\$1). This is voluntary, but a number of people from northern villages spoke of it as a compulsory part of enrolling.
- Voluntary health insurance is available for 5,000 dong (33¢) per month. Some 6.4 million people (8 percent of the population) had bought voluntary insurance by 2005.<sup>60</sup>

In early 2005 the Politburo issued Resolution 46, which called for:

... rapidly increasing the proportion of public financing sources (including government budgets and health insurance) and gradually reducing direct payment of hospital fees from patients ... the State needs to make strong investments and create a leap forward to upgrade healthcare facilities ... (prioritising) ... networks for basic healthcare, preventive medicine, provincial and district general hospitals. Formulate and implement the roadmap towards universal health insurance coverage by 2010.<sup>61</sup>

This was followed by concrete measures. Previously, health insurance covered only 80 percent of the cost of service, but Decree 63 in 2005 raised it to 100 percent; previously a number of expensive hi-tech services, such as eye operations and advanced scanmings, were not covered fully, but now the majority are; an extra four categories of people became eligible for free health

experts in 2005, who assessed that the free health care system by then covered some 17 million people (21.3 percent of the population), of whom most get free health cards, but 2.3 million are given free health insurance instead.

<sup>60</sup> According to Hoang Kien Thiet, head of Viet Nam Social Security, "Self-employed to benefit from voluntary health insurance plan", *Viet Nam News*, June 9, 2005.

<sup>61</sup> Communist Party of Vietnam, Central Committee, Resolution of the Political Bureau on the protection, care and promotion of people's health in the new situation, No 46- NQ/TW, February 23, 2005.

insurance; and the cost of voluntary health insurance was halved from 66c to 33c per month.<sup>62</sup>

In addition, compulsory enterprise-based health insurance was extended from firms employing over 10 people to every enterprise, even if employing one person, covering the entire petty private sector.<sup>63</sup> Officially this means that health insurance coverage should jump from 18 to 30 million people, or 37.5 percent of the population.<sup>64</sup>

It is unclear whether this figure includes voluntary insurance, and whether the figures for voluntary insurance include the schoolchildren scheme. If we assume that the figure of 30 million includes all health insurance – compulsory, voluntary, schoolchildren and the poor with free health insurance, then add 15 million poor provided free health cards and 9 million children under 6, the total free coverage is now theoretically 54 million people, or 69 percent of the population (if the voluntary and/or schoolchildren schemes are extra, it may be close to 80 percent). Thus Vietnam is now closer to having universal health cover than at any time since 1989.

The effectiveness of these schemes is another question. On the one hand, WHO field visits observed that fee exemptions, free essential drugs, health insurance and hospital funds for the poor have been launched "on a large scale since 2001" and "greeted enthusiastically by both patients and health workers."<sup>65</sup> The World Bank claimed "initial reports show that a sharp up-tick in facility utilisation is occurring ... At an additional cost of VND 700 billion (some US\$0.5 billion) per year, this is both a major increase in health spending" and one "tightly targeted at the poor."<sup>66</sup>

On the other, there remains much evidence of the hardships that many people still experience. Any scheme involving exemptions has a problem of where to draw the line, so many marginally above the official "poor" get left out. Corruption and nepotism can also result in the wrong people getting health cards. Moreover, as health workers' salaries are low, they have an incentive to

<sup>62</sup> State insured get more benefits', *Vietnam Investment Review*, June 27 – July 3, 2005.

<sup>63</sup> Government policy to offer insured patients more medical benefits', *Viet Nam News*, June 23, 2005.

<sup>64</sup> While the move is astonishingly important, there is little evidence or data regarding the extent to which this has been effected; empirical evidence suggests little has been done.

<sup>65</sup> World Health Organisation (WHO), Health and Ethnic Minorities: A Progress Report on the Country Assistance Strategy of the World Bank Group 2003-2001 in Viet Nam, Hanoi, 2003

<sup>66</sup> World Bank, A Progress Report on the Country Assistance Strategy of the World Bank Group 2003-2006, January 2004, Annex A6, p. 4.

charge unofficial fees, or give preferential treatment to paying rather than insured or free patients.

The main problem for those not covered is not basic health, but major operations and expensive medicines.<sup>67</sup> Few third world countries can afford to cover such services, given the cost of equipment and medicines controlled by the global pharmaceutical cartel. Even for those covered, not all costs are always covered. The equipment and expertise often do not exist in local hospitals, so the sick must go to a higher level facility, but to get insurance, they have to be referred by their local one. This can involve unofficial fees.<sup>68</sup>

Such major operations can ruin the poor. The number of people classed as poor in the 1998 Vietnam Living Standards survey was estimated to be greater by 3.4 percentage points, or 2.6 million people, due to this.<sup>69</sup> Many go into debt to pay, and if they cannot borrow from the range of subsidised credit agencies (Bank for Social Policies, Women's Union etc), they must rely on private lenders, who charge very high interest.

Moreover, there exists a countercurrent to the Politburo push for universal health care. In 2002, the government issued Decree 10, allowing hospitals, health units and schools to "self-finance" by providing special higher quality services (e.g., larger hospital rooms) to wealthier users.<sup>70</sup> This widens the dangers of a two-tier health system, though it is argued that it creates extra

<sup>67</sup> It is difficult to estimate the expense of operations and medicines. The 1998 VLSS claimed one visit by a poor person to a public hospital cost the equivalent of 22 percent of annual non-food spending in fees and drugs (World Bank, Sida et al., p. 54). However, most of the poor use CHCs and polyclinics, not central or provincial public hospitals, and here the figure falls to 3-6 percent (ibid). Most of the cost was for drugs – a CHC visit in 1998 only cost 2800 dong in fees, but 12,000 dong in drugs; in a public hospital, the figures were 32,000 and 82,000 dong. Ibid, p. 50, 51. Based on the 2002 VLSS, the average out of pocket expense for health per ill person was 298,000 dong per year for the poorest quintile (456,000 for the next poorest quintile). This was estimated at only 4.31 percent (and 5 percent) of household expenditure, an estimate that appears too low given the incomes of the poorest, but a better estimate would still be well down on the 1998 estimates.

Moreover, this was before Decree 139 of 2002. Nearly all the 298,000 dong was for treatment (151,000) and medicines (137,000), whereas "contribution" was only 2,400 dong. "Treatment

however would be an average of small inexpensive treatments and major operations, thus those who underwent the latter spent more. Joint Donor Report to the Vietnam Consultative Group Meeting, *Vietnam Development Report 2004: Poverty*, Hanoi, December 2003, p. 67.

<sup>68</sup> World Health Organisation (WHO), *Health and Ethnic Minorities in Viet Nam*, Hanoi, 2003; plus

my discussions with people in 2005. WHO also notes that in the Central Highlands the fee exemptions for minorities were enforced, whether they were poor or not, but all Kinh had to pay, whether poor or not.

<sup>69</sup> World Bank, Asian Development Bank, op cit., p. 61.

<sup>70</sup> Decree 10/2002/ND-CP, January 16, 2002. Notably, this was introduced the same year that the HCFP was introduced, a policy in the directly opposite spirit.

finance from the rich to buy better equipment and increase funds for poor patients.

More drastically, in 2005 *Viet Nam News* reported the government plans to "reduce the number of students at public day-care centers to 20 percent (of the total), 30 percent for kindergartens, 60 percent for senior secondary schools, 70 percent for vocational secondary schools, 40 percent for vocational training centers and 60 percent for universities and colleges"<sup>71</sup> (notably the list does not include primary or junior secondary schools, or basic health).

Dr Banh Thien Long, Deputy Minister of MoET, explained that cutting the number of students at state universities would involve not only new private universities, but also "the ministry will decide on institutions that can go private." Similarly, *Viet Nam News* reported that "most public and semi-public vocational training schools will be changed into private ones."<sup>72</sup> Deputy Minister of Planning and Investment Phan Quang Trung assured that "subsidies for vocational training will be slashed."<sup>73</sup> This was combined with a push for massive fee increases at universities, senior secondary schools and training colleges. Deputy Minister of MoLISA, Nguyen Luong Trao, boasted that "the biggest success" was that "last year, more than 90 percent of vocational school students paid for their tuition."<sup>74</sup>

This neo-liberal countercurrent was set back in late 2005 when the university fee rise was blocked by popular pressure.<sup>75</sup> Combined with the advances in health care, this allows a cautious estimate that steady advances in state social spending, have begun to overcome the darkest period, when 'socialist orientation' in these areas often seemed a tragic farce.

Nevertheless, such a cautious appraisal remains inadequate to fully account for the outstanding gap between Vietnam and other countries in social outcomes. State spending may be improving, but is still far from outstanding; the exemptions from fee policies are growing, but capitalist third world countries can also have exemptions. The next issue then is to look at socialist aspects of Vietnam's socio-economy, and whether they have any relation to the social outcomes.

<sup>71</sup> State to relinquish control of services', *Viet Nam News*, May 5 2005.

<sup>72</sup> MoLISA submits plan to develop, socialise vocational training schools', *Viet Nam News*, July 28 2005.

<sup>73</sup> Social sectors need diverse funding', *Viet Nam News*, August 24 2005.

<sup>74</sup> *Ibid.*  
<sup>75</sup> See below in section on mass organisations, regarding the role of the Youth Union in blocking this.

### What is 'socialist' in current Vietnamese society?

Before focusing on the leading role of the state sector, the main structural element of socialist orientation, other structural elements which may contain seeds of the future socialist vision might include:

- A relatively egalitarian land distribution, and the promotion of various cooperative initiatives in agricultural production
- A significant role for the working class, and of labour unions in protecting workers' interests in the transitional era
- Given the CPV is the only legal party, some control over party members and leaders by workers and peasants
- The role played by formations which arose out of Vietnam's socialist revolution, such as the mass organisations and the Vietnamese People's Army

#### Agricultural land

The first issue is how agricultural land is owned and allocated. Kolko claimed that under Doi Moi, "total freedom" had replaced "total control" in land ownership,<sup>76</sup> and Greenfield believed the collapse of cooperatives "saw the appropriation of land and its accumulation in private hands (usually) local cadres or their relatives," as advocated by "new right intellectuals" who wanted to end the "constraints on the labour market" caused by "the anarchic household economy (which) has inhibited the commodification of the rural workforce."<sup>77</sup> However, Hy V. Luong claims the battles over land in the early 1990s prevented the open restoration of private landlordism and pro-rich peasant policies from the north down to the south central coast, where landlessness remains low and local people have been reasonably effective in fighting corrupt encroachments.<sup>78</sup>

<sup>76</sup> Kolko, 1997, *op cit*, p. 91.

<sup>77</sup> Greenfield, 1994, *op cit*, p. 209.

<sup>78</sup> Hy V. Luong, 'Wealth, Power and Inequality: Global Market, the State and Local Sociocultural Dynamics', in Hy V. Luong (Ed), *Portrait Vietnam: Dynamics of a Changing Society*, ISEAS and Rowman and Littlefield Publishers Inc, Singapore, 2003, p. 86-88, 98-101. This view is backed by the Joint Donor Group which observed "the distribution of land to rural households ... was remarkably egalitarian ... the observed allocation of land roughly amounted to giving every household in the commune the same irrigated land equivalent. This result suggests that a decentralized allocation of resources was not hijacked by local elites, as could have been feared," Joint Donor Report to the Vietnam Consultative Group Meeting, *Vietnam Development Report*

The maintenance of relative equality of ownership is an indicator of a socialist orientation within a market economy, when the alternative is concentration of landholdings into fewer hands and massive landlessness. The ability of Vietnamese peasants to hold onto land despite debt, corruption and the market may ironically be connected to the fact that they do not "own" it. The constitution declares land the property of the "whole people." Land is leased for 20 years, long enough to allow for some planning by the farmer, but restricting its value to buyers or creditors; land bought during the lease period can be reallocated at its end. Farmers' leases are renewable and inheritable.<sup>79</sup> There is a ceiling on the size of land holdings. Diversification is combined with a focus on food security, to ensure the poor are not fully exposed to market volatility.<sup>80</sup> The state provides subsidies on fertilisers, seeds and other inputs, and a large amount of subsidised credit to help peasants avoid selling land.<sup>81</sup> Government policy advocates redistributing land to those who lose it, particularly minorities in the Mekong and Central Highlands.<sup>82</sup>

However, such rural organisation, where millions of peasants own tiny plots, cannot be called socialist, which suggests greater collective ownership. Moreover, it is widely seen as not the ultimate solution. While peasants have

<sup>79</sup> 2004: *Poverty*, Hanoi, December 2003, p. 38. However, see below (note 86) for the group's advocacy of abolishing this equality in favour of "efficiency."

<sup>80</sup> Villagers saw use rights rather than ownership as a way to avoid land being accumulated by a few people and to help assure that all families who rely on farming have fields to plant. "It enabled periodic land reallocation," according to the number of people in their household and other factors, Kerkvliet, B. J. T., *The Power of Everyday Politics*, Ithaca, NY: Cornell University Press, 2005, p. 228.

<sup>81</sup> Phan Tuong Vi, *Community, State and Markets: The process of agrarian transformation in upland villages in Vietnam*, Unpublished seminar paper, KMAAP, Australian National University, August 2004, which provides an account of the control that local communities and the state have over paddy land, which remains redistributed every few years, and on which high production (the main cash crop in Lué Ngam in Bae Giang province studied) is barred, only taking place outside the main paddy fields.

<sup>82</sup> The *Comprehensive Poverty Reduction and Growth Strategy* (SRV, 2002) pledges to "provide integrated support in the form of credit, seeds and knowledge to help the poor avoid selling or mortgaging their land," and to "allocate unused land to rural dwellers."

<sup>83</sup> Government of Vietnam, *Socio-Economic Development Tasks in 2004 and Major Contents of the Socio-Economic Development Agenda in 2005* calls for "implementation of the policy on land for the Kmer people and native ethnic peoples in the Central Highlands." Report to the Sixth session of the 11<sup>th</sup> national Assembly, October 25, 2004. Media reports indicate land is being distributed to landless households, particularly in the Central Highlands and the Mekong (e.g., "Loans put the landless farmers of Tra Vinh back on solid ground," *Viet Nam News*, July 26, 2002; "Government provides land to ethnic minorities in Central Highlands," *Viet Nam News*, October 11, 2002). The Joint Donor Group note that "in response to" the uprising of minority peoples in the Central Highlands in 2001, "the government vowed to allocate residential land to all ethnic minority households in the region," Joint Donor Report, 2003, op cit, p. 147.

relative security, they have little chance of escaping poverty, given the lack of economies of scale. Though the system limits the tendency of the land market to create landlessness, it does not prevent it – poor and debt-ridden peasants still sell, and corrupt officials and land merchants cheat peasants.<sup>83</sup> Even when the government distributes land to poor farmers, they may sell it again when they need cash. In the Mekong, landlessness has reached levels typical of neighbouring capitalist countries.<sup>84</sup> Many among the minority population in the Central Highlands have also lost land; thus free health care for minorities can be combined with an appalling health situation due to lack of food.<sup>85</sup> As long as poverty and technical backwardness exist, the best intentions can be undermined.

Therefore, the discussion is about whether to move in a more socialist or capitalist direction. Even proponents of economic liberalisation point to Doi Moi land policy as a source of Vietnam's success. They believe that since de-collectivisation was beneficial, deeper liberalisation of land ownership would be more so. The removal of every one of the country's key land policies is advocated by the World Bank, which demands "further liberalisation" of land and 'land markets', i.e. privatisation, land concentration to allow 'efficient'

<sup>83</sup> For example, a research team came across ethnic people in the very poor districts of Gia Lai province in the Central Highlands who had been cheated out of land at bargain prices (for the buy) with the promise of jobs on the buyer's coffee plantation. The jobs came and went with the coffee crash of 2000-2001. RRA Research Team, IUCN Vietnam, *Resource Use, Environmental Degradation and Poverty: Rapid Rural Appraisal of Two Communes in the Se San Watershed*, Presented to ADB/RETA 5771, Hanoi, 2000.

<sup>84</sup> The 2002 VLS suggests landlessness jumped from 9 to 18 percent from 1998. However, the figures show it is the rich who give up land (to invest in business or buy property in cities). Only one percent of the poorest quintile in the northern mountains is landless, compared to 25 percent in the richest quintile; this was the pattern in most regions, even the Central Highlands (3 compared to 11 percent). Two regions had very high landlessness among the poorest quintile, the southeast and the Mekong. In the southeast, 31 percent of the poorest quintile were landless, rising to 59 percent of the richest. While this likely correlates to the powerful industrial growth and availability of industrial jobs in that region, the Mekong shows the reverse pattern to the rest of the country – while 39 percent of the poorest quintile are landless, only 28 percent of the rich are; in this region, the rich can have truly large landholdings, and thus make money from agribusiness, employing the army of landless, Joint Donor Report, 2003, op cit, p. 39.

<sup>85</sup> RRA Research Team, IUCN Vietnam, op cit, which found that "the health situation in the researched communes borders on extreme depravity. The greatest health concern is severe food shortages. The child malnutrition rate in the district is 71 percent. The infant and child mortality rates were not recorded although they were stated as being the highest in the country." This was a district with severe landlessness.

farmers to get larger plots, and landlessness, which they argue is necessary for greater "efficiency" and economies of scale.<sup>86</sup>

The Market Orienters in the CPV hold similar views. According to then Deputy Prime Minister Nguyen Tan Dung, arguing for "large farms", "land accumulation is a process which is part of the development of agriculture."<sup>87</sup> Reacting to criticism that this was the farming model the CPV shed blood to get rid of, Prime Minister Phan Van Khai responded "the farmland owners of Vietnam today are much different from the landlords of the past ... we are making money for ourselves and for the wealth of society."<sup>88</sup> An attempt to extend land leases from 20 to 50 years and abolish ceilings on plot sizes failed to get Politburo backing in 1997, but was endorsed by the Central Committee. However, it was then voted down in the National Assembly.<sup>89</sup> Khai's "large farm" bill of 2000 stressed mainly those farmers who put in extra work to clear "wasteland."<sup>90</sup>

However, de-collectivisation – which returned land to the peasants on the basis of the earlier land reforms – has arguably been beneficial due to the *limitations* on liberalisation. The socialist orientation consists of encouraging voluntary cooperatisation, so that small-holders can collectively achieve economies of scale, invest in irrigation, market products and buy inputs with better bargaining power, or combine food security with cash cropping. However, putting this into practice is more difficult, given what is viewed as the mistaken form of collectivisation pursued in the past.

<sup>86</sup> World Bank, *Advancing Rural Development*, Hanoi, 1998. The Joint Donor group makes a particularly blatant advocacy of "forcing" peasants off the land to create inequality: "... distributing land on an egalitarian basis is not necessarily good for efficiency. If more had gone to the most productive (presumably wealthier) households, the overall productivity of agriculture would have been higher." It then notes hopefully that "market forces could gradually make the initial egalitarian allocation drift in the direction of the efficient one. As land transactions become easier, less productive (presumably poorer) households could gradually be forced to sell some of the land they received, while more productive households would stand a chance of acquiring more land." Joint Donor Report to the Vietnam Consultative Group Meeting, *Vietnam Development Report 2004: Poverty*, Hanoi, December 2003, pp. 147-8.

<sup>87</sup> "Landless: Survival of the Fittest for the Delta's Farmers", *Vietnam Economic Times*, December 1997.

<sup>88</sup> "Large-Scale Farms Plan Causes Dread", *Vietnam Investment Review*, January 2000.

<sup>89</sup> At the October-November 1998 session of the National Assembly, Nathan, M. "Is Globalisation a Friend or Foe?", *Southeast Asian Affairs*, ISEAS, 1999, p. 340.

<sup>90</sup> It is somewhat ironic that some social scientists found the fact that "the market for land-use rights is particularly vibrant in the Mekong Delta and the Central Highlands," yet later suggest one reason for Vietnam's high relative rate of human development may be the relatively low level of social inequality. The "vibrant" land market they land in these two regions is having precisely the opposite effect. Do Hoai Nam, Vu Quoc Huy, Vo Tri Thanh, Tran Dinh Thien, "The Doi Moi process and human development", *Vietnam's Socio-Economic Development*, No. 29, Spring 2002, p. 8.

When the old collective sector collapsed, peasants in many areas returned to spontaneous cooperative development. In 1993, there were 35,000 cooperative organisations in Vietnam, separate to surviving official coops.<sup>91</sup> Some minority regions reduced collective agriculture to the point where it corresponded to their own semi-collective structures, but then did not go as far as the Kinh mainstream in the 1990s.<sup>92</sup>

The 1996 8<sup>th</sup> Congress encouraged the household sector to get together in some form of cooperatives, leading to a 'new cooperative' law in 1998. Party leaders continue to stress the leading role of state "and cooperative" sectors.<sup>93</sup> The CPRGS has a strong orientation towards cooperatives which are voluntary, democratic and of mutual benefit.<sup>94</sup> Many, however, may be making the same mistakes as the old ones.<sup>95</sup> MARD increasingly works with more spontaneous forms of farmer cooperation,<sup>96</sup> and the government has introduced various incentives to encourage cooperatives.<sup>97</sup> However, they play a minor role in the economy,<sup>98</sup> though some leaders claim the "collective sector" (not only agricultural) contributes 10 or 15 percent to GDP.<sup>99</sup>

The possible nexus between continued control of some land by most farmers and wages in industry is an interesting issue. While rural poverty may push

<sup>91</sup> Tran Thi Van Anh and Nguyen Manh Huan, "Changing Rural Institutions", in *Vietnam's Rural Transformation*, Ed. Benedict J. Tra Karkvliet and Doug Porter, Westview Press, 1995, p. 203.

<sup>92</sup> An account of this among Black Thai villagers in Son La is given in Dao Minh Trung and Sikor, *T. Luan Nop, Ruong Top The (Sticky Rice, Collette's Field)*, Nha Xuat Ban Nong Nghiep, Hanoi, 2000. The collective sticky rice field persisted as the centre of the community, while households have separate plots for other crops or activities. A contrast is given by Pham Tuong Vi, who studied the more individualistic strategies of Kinh immigrants in the region, Sikor, T and Pham Thi Tuong Vi, "The dynamics of commoditization in a Vietnamese uplands village, 1980-2000", *Journal of Agrarian Change*, 5 (3), 2005.

<sup>93</sup> For example, Party leader Nong Duc Manh, opening address, Vietnamese Communist Party Central Committee 5<sup>th</sup> Plenum, February 2002, former Party leader Le Kha Phieu, interview, *Vietnam Economic Times*, August 1997, p. 20-21.

<sup>94</sup> Socialist Republic of Vietnam, *Comprehensive Poverty Reduction and Growth Strategy*, Hanoi, May 2002, pp. 51, 72.

<sup>95</sup> Forde, A and Huan, Nguyen Dinh, Vietnamese Rural Society and its Institutions: Results of a Study of Cooperative Groups and Cooperatives in three Provinces. Final Report, Hanoi, 2001; the 5<sup>th</sup> Plenum in 2002 also criticised the "errors of party organisations and authorities" in developing cooperatives.

<sup>96</sup> Personal communication with Brian Doodan, CARE Country Director, January 2003.

<sup>97</sup> "The government action program", *Viet Nam News*, September 23, 2002.

<sup>98</sup> Van Arkadie and Mallon cite the figure of 1 percent of GDP for agricultural coops (p. 171), but the collective sector as a whole, including in industry and crafts, is usually presented in the Vietnamese media as accounting for several percent. The real figure is vague because what cooperatives are is vague.

<sup>99</sup> *Nhan Dan* made the unlikely 15 percent claim according to an October 24, 2005 dispatch of *Asia Pulse*.

peasants to accept exploitative wage levels, there is evidence of its limitations – bosses in garment and footwear factories and 'large farms' complain that workers leave jobs rapidly as they do not accept the wage levels.<sup>100</sup> This may be connected to them having the option of returning to the farm, which the landless do not have. According to Floride and de Vylder, "the widespread land access guaranteed by the land allocation practices was important in helping to provide income entitlements to poor farmers, whose bargaining position as migrant workers was thereby enhanced."<sup>101</sup> Thus "the looming threat is of a flood of farmers coming into the cities," but "so far, this has not happened."<sup>102</sup>

### Trade unions

This leads to the question of the role of workers in society. Their role in the state economy will be discussed in the following chapter. However, socialist orientation is a difficult concept for workers employed by the private sector. While the Labour Law regulates working conditions, requires employers pay extensive benefits in the formal sector, and mandates that any company with 10 workers must have a union, violation of these laws is widespread. Only

<sup>100</sup> For example, from *Viet Nam News*, 'Garment industry urged to shape up', July 30 2002 (which reports that the Sat Gon Garment Company spent 1.1 million Dong to advertise but could hire only one worker), Binh Duong desperate to fill factories', June 20, 2003 (re industrial zones in the province needing 38 000 workers), 'Factories face shortage of women labourers', June 25, 2003, about garment and seafood processing plants which employ women because they are good with their hands and can peel shrimp very fast, but they cannot find enough; 'Hospitals and garment mills shout out for qualified and skilled employees', July 30 2002, reporting that at bad times, as many as 900 workers quit their jobs at the same time; 'Southern farmers call for help to stave off growing labour crisis', December 19 2002, about large suburban farms in HCMC needing 2000 workers; 'Woolly vision costs textile trade US deal', *Vietnam Investment Review*, August 5-11 2002, which reports that 1100 of 1700 workers trained by the Viet Ten garment company quit for better paying jobs straight after training finished; 'Footwear marches in step', *The Saigon Times Weekly*, June 21 2003, which reports that many workers do not accept the current level of pay, so change jobs ... the ratio of workers changing jobs in the footwear industry is 30-40 percent.

<sup>101</sup> Floride A. and de Vylder, S., *From Plan to Market: The Economic Transition in Vietnam*, Westview press, 1996, p. 262. Further: "The tricky issue of the relationship between the state and SOEs was further eased by the way in which the labour market helped by better than expected rural incomes growth and rather good land access, shifted in a healthy direction. Real wages grew, and job creation was rather fast and was good enough to soak up those losing their jobs in the state sector," p. 273.

<sup>102</sup> Floride, A. 'Light Within the ASEAN Gloom', *Southeast Asian Affairs 2002*, Institute of Southeast Asian Studies, Singapore, 2002, p. 366. China's 'floating population' is estimated to be some 150 million people.

some 20-25 percent of private firms and 50 percent of foreign firms have unions, compared to most state firms.<sup>103</sup>

Greenfield claims the conditions for strikes in the Labour Law virtually criminalise them,<sup>104</sup> but Chan and Norlund find it far more pro-worker than the Chinese Labour Law.<sup>105</sup> Both Vietnamese and Chinese workers actively fight against violations of their conditions.<sup>106</sup> However, repression against striking workers is routine in China,<sup>107</sup> whereas in Vietnam, though nearly every strike is a 'wildcat strike' led by spontaneous workers' groups rather than official unions, and although most "did not follow proper legal procedures, they were tolerated by the government with no reports oftribution against the strikers."<sup>108</sup> The Vietnamese General Confederation of Labour (VGCL) claims while 'every one' of the 1500 strikes in the last decade has been technically illegal, they have all been justified.<sup>109</sup> In most cases reported, the official unions intervene and force the bosses to relent to the workers' demands.<sup>110</sup> The manager of Nike Vietnam complained that when workers strike unlawfully, officials support them!<sup>111</sup> State proclivities also aid

<sup>103</sup> According to Chau Nhat Binh, Vietnam General Confederation of Labour, Interview, May 2003.  
<sup>104</sup> Greenfield, 1994, p. 228.

<sup>105</sup> Anita Chan and Irene Norlund, 'Vietnamese and Chinese Labour Regimes: On the Road to Divergence', in *Transforming Asian Socialism*, eds. Chan, A., Kerkvliet, B. and Unger, J., Rowman and Littlefield Publishers, 1999.

<sup>106</sup> For example, the Hong Kong-based Information Center for Human Rights and Democracy reported 60,000 protests in China in 1998 and 100,000 in 1999, as former SOE workers demanded unpaid pensions and wages – often from firms whose assets were stripped by their managers and officials. 'Hu, Wen and Chinese SOE Reform', *Stratfor*, February 16, 2004.

<sup>107</sup> For example, in 2002, two leaders of workers' protests were charged with "subversion," a charge that could result in execution if convicted. Zhang Junjun, deputy chair of the pro-government All China Federation of Trade Unions, took the side of the state in this. Eva Cheng, 'Workers' leaders could be executed', *Green Left Weekly*, January 15, 2003.

<sup>108</sup> US Department of Commerce, *Anti-dumping Duty Investigation of Certain Frozen Fish Fillets from the Socialist Republic of Vietnam - Determination of Market Economy Status*, November 2002, p. 11.

<sup>109</sup> According to the VGCL, of the 879 strikes between January 1995 and May 2003, 565 (65 per cent) took place at foreign-invested enterprises, 237 (27 per cent) at domestic private firms, and 77 (or 8 per cent) at SOEs. 'Violations of Labour Law on the rise', *Viet Nam News*, May 25, 2003.

<sup>110</sup> Reports are extremely numerous. A few examples from *Viet Nam News*: 'Labour officials resolve strikes', January 10 2002; 'Clothing factory workers stage wildcat strike', August 19 2002, 'Workers strike against impossible quotas', May 8 2003; 'Paper company relents to striking workers', April 16 2003; 'Wildcat strike forces workplace reforms', May 9 2003; 'Labour dispute resolved at plastics company', May 16 2003; 'Hai Phong garment workers end strike', June 27, 2002; Chau Nhat Binh, Head of International Relations Division, International Department, VGCL, Interview, August 2003, who claims '100 percent' of strikes are resolved by the VGCL in the workers' favour.

<sup>111</sup> *VDC Business Newsletter*, December 21 2004. Indeed, rhetoric about "democracy" from western governments aside, the US Chamber of Commerce demanded the Vietnamese government crack

workers: the US Department of Commerce claimed that "labour rights sentiments in Vietnam are backed by a conciliation system and a judiciary sympathetic to labour demands."<sup>112</sup>

Chan Nha Binh, from the VGCL's International Department, explains that recent rural immigrants initially have little consciousness of unions, see themselves as temporary and "do not want trouble." However, once they experience naked exploitation, they often join unions following VGCL intervention in wildcat strikes on their behalf. However, this is complicated by the fact that the actual workplace unions often work with management, despite intervention in support of workers from higher up in the union hierarchy.<sup>113</sup>

Taiwanese bosses complain they cannot beat Vietnamese workers, or force them to work long hours, while this was a matter of course in China. Vietnamese workers want one day off a week and a maximum of 12 hours overtime. "If the managers pushed them too far, they would just go on strike," whereas in China extremely long working hours were more common.<sup>114</sup> The difference lay in the relative activism of Vietnamese unions, and the government's toleration of this, whereas the Chinese government heavily restricts worker activism, making unions a tool of management in enforcing labour discipline.<sup>115</sup>

Thus while Vietnam is a "low-wage" country, the combination of the role played by the VGCL, with the support of the Government, in fighting the most brutal exploitation, the fact that SOEs are leading the way on wages and

<sup>112</sup> down on the massive strike wave of early 2006, which it did not. Thomas Siebert, AmCham, "Letter to Prime Minister re Industrial Relations in Vietnam," May 20, 2008, <http://www.amchamvietnam.com/2232>.

<sup>113</sup> US Department of Commerce, op cit, quoting The Economist Intelligence Unit, *Risk Wire, Vietnam risk: Alert: Labor Reform*, April 2, 2002.

<sup>114</sup> According to Chan Nha Binh, VGCL, interview, August 2003, op cit. Binh calls the enterprise unions which collaborate with management "pocket unions."

<sup>115</sup> Chan, Amin and Wang Hongzhen, "The Impact of the State on Workers' Conditions: Comparing Taiwanese Factories in China and Vietnam," *Pacific Affairs*, Vol. 77, No. 4, Winter 2004, pp. 629-646, especially pp. 632-635. On Chinese working hours, they claim "During busy seasons workers often work for a few months without any days off," in Taiwanese footwear enterprises, hours averaged 11 hours a day; "in the export toy industry in Guangdong in the busy season workers laboured for up to 14-18 hours with no days off." Similar claims are made by some Vietnamese workers, though not of such long hours or sustained over such long periods, and this does lead to often very militant strikes, as this research suggests.

<sup>116</sup> Ibid. The report also says that Vietnamese workers generally do not live in dormitories on the factory site, and migrant workers had less trouble with their legal position than their Chinese counterparts.

conditions,<sup>116</sup> the degree to which land reforms have remained intact, and strong labour legislation, has undermined Vietnam's 'comparative advantage' of 'cheap labour'. Wages are higher than in Indonesia, and according to some estimates approaching Thai and Chinese levels.<sup>117</sup> One study of foreign-owned "sweatshops" in 11 developing countries found that a Vietnamese worker working 40 hours a week earns almost 200 percent of the average national income, and almost 100 percent of an average wage. Even in the sweatshops that had been specifically protested, Vietnamese workers were earning 120 percent of average national income. These proportions were superior to those in China, Costa Rica, Dominican Republic, El Salvador, and much higher than in Bangladesh or Indonesia.<sup>118</sup>

Nevertheless, the rapid proliferation of small private firms leads to many violations of workers' rights that unions are often slow in busting, either due to shortage of staff or to enterprise unions acting as agents of management. Workers' situation in Vietnam is far from rosy. However, the issues are, firstly, that the situation compares well with many poor countries, and secondly, that the CPV-led union movement, often described as a "phantom" tool of the government,<sup>119</sup> plays an active role in defence of workers' rights.<sup>120</sup>

<sup>117</sup> Navidi K. and De Armas, E.B. *Globalisation and the Vietnamese Garment Industry*, Paper at DHD Workshop on Globalisation and Poverty in Vietnam, Hanoi, September 2002, report wages in SOE garment factories are one third higher than in private or foreign firms. See Chapter 5 for more details.

<sup>118</sup> The World Economic Forum (2002) reports monthly wages for unskilled garment workers in Jakarta of \$64, in Hanoi and HCMC \$103 and in Bangkok \$176, for skilled workers the figures were \$190, \$236 and \$378. Thorburn, J. Ha, N.T.T. Hoa, N.T. (*Globalisation and the Textile Industry of Vietnam*, Paper at DHD Workshop on Globalisation and Poverty in Vietnam, Hanoi, September 2002) claimed Vietnamese garment wages were closing in on Chinese wages, p. 24.

<sup>119</sup> Powell, B., Skaronek, D. *Sweatshops and Third World Living Standards: Are the Jobs Worth the Sweat?* The Independent Institute, Working Paper Number 53, September 27, 2004, [http://www.independent.org/pdf/working\\_papers/53\\_sweatshop.pdf](http://www.independent.org/pdf/working_papers/53_sweatshop.pdf). "Average income" includes all formal sector workers, while "average wages" only includes wages in the formal sector, so even the

average wage is being compared to is higher than the real average wage.

<sup>120</sup> For example, the January 28, 2006 *Economist* claimed that Vietnamese "workers are allowed to join only a plant, party-affiliated union," the irony being that the same article accuses the "phantom" union and the government of being secretly behind the huge strike wave at the time, and goes on to ask "why didn't Vietnam crush the illegal strikes?" Karadjis, M. "Vietnam: The big strikes: Did the government 'cave in' to workers or did it lead them?" *Asian Analysis*, Asian Focus Group, Faculty of Asian Studies, Australian National University, September 2006, <http://www.assessments.com/asiananalysis/article.cfm?articleID=984>.

<sup>121</sup> Van Tuan Anh (VASS), interview, Hanoi, March 2005, discussed a strike against a foreign company underway at the time in Vietnam, and noted that the VGCL newspaper, *Lao Dong*, owned by the CPV, was "supporting the workers." He said this showed that "Vietnam has even more democracy than other countries." While there is a free press and trade union rights in the West, he



### Mass organisations

Another revolutionary inheritance is the 'mass organisations', the women's, farmers', youth and veteran's unions, which encourage solidarity and mobilise funds for poorer members.

Any woman over 18 can become join the Vietnamese Women's Union (VWU), as long as she participates in one of its community based programs to empower women.<sup>121</sup> Organised from the grass roots to the highest levels, the VWU has 10 million members.<sup>122</sup> Its key campaigns are poverty alleviation, women's health, HIV/AIDS, anti-trafficking, domestic violence, and encouragement of political representation. Others include 'encouraging poor women to save' and 'building charity houses for poor women'. "Millions" of women take part in a microfinance program, which mostly funds small household or cooperative businesses, especially in handicrafts and cash crop production. With this experience, women can subsequently "get loans themselves from Vietnam Bank for Agriculture and Rural Development (VBARD)," and the VWU helps by using its reputation as "collateral" on their behalf.<sup>123</sup>

The VWU leads the Committee for Population Control and Family Planning, which helps make the government's free campaigns for the poor more effective, avoiding problems like unofficial fees. The CPCFP announces specific days and times for free health checks and free medicine provision in each locality. The VWU is active in reproductive and preventative health campaigns, and directly distributes free health services, including contraceptives, medical check-ups, and simple drugs.<sup>124</sup> It provides advice to

said it is unlikely that a mass distribution daily, owned by a ruling party, would campaign in favour of a workers' strike.

<sup>121</sup> According to a report in some northern provinces, "after getting married, most women automatically move their membership from the Youth Union to the Women's Union. In one site, the chairwoman of the commune YU revealed that about 90 percent of women in the commune were YU members," although membership is voluntary, Consultation of Investment in Health Promotion / Population and Development International / ISI Research and Training Institute (CHP/PDI/ISI), *Impact of Castro POA: Gender, Women's Empowerment and Reproductive Health in 4 Vietnamese Communes*, 2002, p. 91.

<sup>122</sup> Tran Thi Hoa, Deputy-Head, International Cooperation Dept., Vietnamese Women's Union, Interview, November 2005.

<sup>123</sup> Ibid. By May 2004, Women's Unions at all levels had guaranteed loans of 3.9 billion VND for 1.5 million women, through the Social and Policy Bank and VBARD, with women organised into tens of thousands of credit cooperatives, "Ten year implementation of the Beijing Platform for Action by the Vietnam Women's Union", *Women of Vietnam Review*, No. 1, 2005, p. 10.

<sup>124</sup> Nguyen Thi Hoa Binh, Vice head of Family and Social Affairs Department, Vietnamese Women's Union, Interview, March 2005.

Pregnant women regarding reproductive health, conducting door to door work with pregnant women in each neighbourhood.<sup>125</sup> It also disseminates information about voluntary health insurance, and lobbies for free health cards for the poor.<sup>126</sup>

The Ho Chi Minh Communist Youth Union, part of the Vietnam Youth Federation,<sup>127</sup> is open to all aged between 15 and 30 who "voluntarily work in its grassroots organisation." It has some 5 million members, organised at every level from grass-roots to central levels, with 200,000 branches in villages, hamlets and schools.<sup>128</sup>

The YU reintroduced the 'volunteer spirit' in the 1990s. According to a head of the Vietnam Students' Union (VSU), "after the collapse of the USSR, socialism was in crisis, so it was necessary to have some movement to stimulate the socialist spirit in new situation."<sup>129</sup> Every summer, the YU recruits youth volunteers, mostly campus students, to go to rural areas to help the poor with agricultural activities, house and road building, literacy classes, health campaigns and clinics, help with entrance examinations (including accommodation in cities), environmental activities, educational camps for drug addicts, and information about government policies.<sup>130</sup>

It also organises computer courses for rural and poor urban youth in outlying areas. The YU trains volunteers to set up computer centers in rural areas and

<sup>125</sup> My wife, Pham Thuong Vi, when pregnant in 2005, was visited by an old friend from her neighbourhood, who she had not seen for many years. The friend began asking detailed questions about nutrition and other issues. It turned out she was the head of the neighbourhood VWU, and it was her duty to visit and advise pregnant women in the area. However, a young pregnant woman from the province of Ninh Binh, living and working in Hanoi, had been eating as little as possible in her first term of pregnancy, believing that little food is needed during early pregnancy, as the fetus is small, and it is not good to put on much weight at that stage. She had not been visited by the VWU (who advise against this widespread misconception) because she is away from her registered neighbourhood in Ninh Binh where she would be visited. In Hanoi she is not an official resident, highlighting problems with the residence system.

<sup>126</sup> Nguyen Thi Hoa Binh, 2005, op cit.

<sup>127</sup> The Youth Federation is broader than the Youth Union, and includes as collective members the Youth Union, the Vietnam Students Union, the Young Pioneers, the Vietnamese Young Entrepreneurs Association and various professional associations of young people. It reportedly has some 5.6 million members, including 5 million from the Youth Union and 600,000 from the Students' Union.

<sup>128</sup> Ho Chi Minh Communist Youth Union, International Department, *General Information About the Ho Chi Minh Communist Youth Union*, Brochure, 2005.

<sup>129</sup> Nguyen Van Phong, Chairman, Municipal Students' Association, Ho Chi Minh Communist Youth Union, Interview, September 2005.

<sup>130</sup> Ibid. Nguyen Thi Hoang Van, Deputy Director, International Department, Ho Chi Minh Communist Youth Union, Interview, March 2, 2005.

provide free training. Computer companies loan computers for three months of summer. The YU also acts as a 'broker' guaranteeing collateral-free loans to poor youth. Cadres approach street kids and try to enroll them in a college they run, which provides free, full-time 3-month courses in vocational areas, free accommodation in a hostel behind the college, and free meals.<sup>131</sup>

The number of volunteers is unclear. The head of the VSU claimed just from Hanoi 200,000 students take part in volunteer campaigns annually; the Youth Federation claims the volunteer campaigns have "rallied nearly 20 million incidences of CYU and VYF members, students and youths" over 5 years.<sup>132</sup>

The Vietnam Farmers' Association is open to all farmers to join, and has 9 million members, of whom 20-25 percent are ethnic minorities. It combines grass-roots campaigns with work on policy at every level.<sup>133</sup> One campaign is called "Farmers solidarity to help each other in poverty reduction." Each year it holds a meeting, and if for example, 20 farmers in the village are poor, they decide to reduce this number by five the following year. They appoint specific wealthier people to help specific poor members, who sign a memorandum. This could involve providing them a number of small farm animals, which can be "paid back" without interest when they give birth, or providing money for hospital treatment, or for seeds. The VFA also provides some cheap credit to poor farmers.<sup>134</sup> Other activities include literacy campaigns, information on nutrition, volunteer work on local infrastructure, and political campaigns.

<sup>131</sup> According to Bui Quec Hung, Program Officer, International Department, Ho Chi Minh Communist Youth Union, Interview, February 26, 2005. Hung claimed that "the youth very much appreciated the courses, though occasionally some run away back to the street."

<sup>132</sup> Vietnam Youth Federation, Promoting Glorious Traditions, Vietnamese Youth Union, Volunteer and Emulate with Each Other in Creative Labour, Self-Establishment and National Construction, Report of the Central Committee, 4<sup>th</sup> tenure, to the 5<sup>th</sup> National Congress of the VYF, Hanoi, January 2005. This report gives specific figures, for example, 226,583 volunteers have donated blood, 150,000 young volunteers have "given daily care to needy children," there have been "1.5 million incidences of inhabitants of the hinterland and remote areas having accessed free health care," that "290,000 scholarships worth over VND 60 billion have been granted," and that the VYF has been "nurturing the cooperative spirit" with "members' shared funds for production, hunger eradication and poverty alleviation," including "mutual assistance funds which have provided 361,000 VYF members and young people with grants worth VND 206 billion."

<sup>133</sup> Nguyen Dieu Tuyet, Vice-President, Vietnam Farmers' Association, Interview, Hanoi, August 2005.

<sup>134</sup> According to Tuyet, a "rich" farmer may have 10 piglets, so gives a poor farmer two, and when they grow the poor farmer sells them and gives back "the equivalent amount of kilos of pig the original piglets weighed with no interest", or otherwise, waits for the two piglets to give birth, and returns two of the litter to the rich farmer. "Very poor" farmers do not have to return the piglets. A VFA congress in 2005 decided "every household earning a good income would help from two to

While the Vietnamese Peoples Army is not a mass organisation, its activities combined with its origins as part of the revolutionary process make it convenient to include here. The VPA runs significant health, education and infrastructure programs in poor and minority regions, funded outside the state budget. This includes building schools and clinics, dispensing health care, and providing teachers to 80,000 pupils.<sup>135</sup> Evidence suggests they are effective and well-received.<sup>136</sup> The Defense Department runs 335 SOEs, employing one-sixth of the army, and the profits – some \$600 million in 1998 – can be used for social programs.<sup>137</sup> These industries also provide jobs for veterans' families, with the 'iron rice bowl' of life-long employment, pensions, benefits and health insurance.<sup>138</sup>

There are many social groups which do not belong to the large mass organisations, so the CPV founded the Fatherland Front as a broader umbrella. As well as the mass organisations, its membership includes 300 "social organisations" such as the Red Cross, Agent Orange Victims Association, cultural and scientific associations, religious groups, Viet Kieu groups, business organisations, and ethnic groups, along with "special individuals from remote areas who represent their regions, and who have high prestige."<sup>139</sup> While the major mass organisations are "led" by the CPV, these other organisations need not be.

All member groups are represented on the board. The CPV has only one vote. All 52 ethnic minority groups each have a representative. As one of the three components of the political system, alongside the government and the CPV, the Front is a means by which the CPV "plays a leadership role via negotiation and discussion with broad sectors, not by imposition. When it presents new policies, the organisations question them. Here the CPV tries to play a leading role by winning support politically."<sup>140</sup>

five poor families improve their living standards," Farmers contribute to the development of the nation', *Viet Nam News*, June 23, 2005.

<sup>135</sup> Tuyet, C. 'The Vietnam People's Army as a Constituency in the Political System of the Socialist Republic of Vietnam', Conference paper, *Perspectives for the Constituencies of Vietnam in Changing Times*, Vietnamese Professionals of America, Asia-Pacific Center for Security Studies, Hawaii, November 2001.

<sup>136</sup> Carl Tuyet, Professor, Strategic and Defence Studies Centre, personal communication, Canberra, 2004, plus a host of media articles and discussions.

<sup>137</sup> Tuyet, C. 'The Vietnam People's Army ...' op. cit.

<sup>138</sup> Carl Tuyet, personal communication, Canberra, 2004.

<sup>139</sup> Ha Van Nui, Director of External-economic Department of Vietnam Fatherland Front, Interview, November 2005.

<sup>140</sup> *Ibid*.

The Front plays a major role in poverty reduction, mobilising funds and labour contributions. October 17 is its 'Day of the Poor'. The Front has a 'Motivating Board' at all levels from central to commune, to mobilise for the Poor Fund. Shelter is the role of the Front, while larger Poverty Reduction programs take care of other aspects. Between 2001 and 2005, the Front mobilized 1.167 trillion dong (\$US 80 million), on top of materials and labour worth a similar amount, and built 222,969 and repaired 87,053 houses for the poor.<sup>141</sup> Funds are mobilised through member groups, from individuals, via the media and from enterprises.<sup>142</sup>

Funds can be mobilized from private firms because the local business associations are part of the local branch of the Front; in preparing for the Day of the Poor, the local Front invites local businesses to attend a meeting to campaign for them to contribute, thus "they cough up in that atmosphere." There are also sometimes direct methods, "if the Front knows that a local business is profitable, they go and knock on the door."<sup>143</sup> In the case of SOEs, both the enterprise trade union – in charge of solidarity funds – and the CPV cell are also members of the local branch of the Front.

#### Socialist democracy

Some control over the state by workers and peasants could also be considered a structural component of a socialist orientation. Rhetoric about "socialist democracy" is ubiquitous in official statements and documents. This corresponds to the views of Marx, for whom socialism was by definition more democratic than the highest form of bourgeois democracy.<sup>144</sup>

The rise of a market economy reinforces the importance of socialist democracy. If the leadership is not under control by working people, the effective fusion of state power with private capital becomes a danger. Despite

<sup>141</sup> Ủy Ban Trung Ương Mặt Trận Tô Quóc Việt Nam (Vietnam Fatherland Front, Central Committee), *Dải Hài Trì Đua Yếu Mãi Trăm Tô Quóc Việt Nam 2001-2005 (Emanation Congress of the Vietnam Fatherland Front)*, Hanoi, August 2005, pp. 153-4.

<sup>142</sup> Hà Văn Núi, op cit.

<sup>143</sup> Ibid.

<sup>144</sup> When Marx and Engels observed the direct 'Athenian' democracy of the Paris Commune they saw it as a model of 'proletarian' democracy, superior to merely representative, 'bourgeois' democracy. Marx, K and Engels, F, 'The Civil War in France', 1871, *Collected Works*, Vol. 22. Lenin made the same observations about the 'Soviets' (popular councils) that arose during the revolutionary uprisings in 1905 and 1917. He argues that they will make important decisions themselves, and the people they elect will be different to bourgeois parliamentarians because they will be subject to recall at any time, be paid no higher than an average skilled worker, and be subject to regular rotation so that all will take a turn in office. Lenin, V.I., 'The State and Revolution', August - September, 1917 (C), *Collected Works*, Volume 25.

a common view that socialism is conducive to dictatorship, here it is argued that any ability of workers and peasants to exert influence is likely to slow the pace of capitalist restoration.

The question of democracy can be viewed in a number of ways: firstly, that of formal institutions allowing people to participate in decision making; secondly, the ability of unofficial forms of popular pressure to influence state decisions; thirdly, democratic rights to free speech; and finally the right to form political organisations. Vietnam appears more democratic in the first two aspects, and less so in the last two.

The National Assembly, elected by universal suffrage every five years, is the major formal institution. It now holds debates publicly, with the media able to grill MPs. In addition there are elected People's Councils at provincial, district and commune levels: a Grass-Roots Democracy law enshrining popular participation in commune-level decision making; a similar law for workers in state enterprises;<sup>145</sup> and the mass organisations and the Fatherland Front. Even the smallest city block is an arena for regular meetings (hop to dan pho) of members of the community to discuss local concerns, where a 'people's representative' (to trung) is elected.

The 'Grass-Roots Democracy' decree, introduced in 1998, greatly expands the scope of 'direct' democracy in the communes, with regulations on what the people must be informed of, what they must decide themselves, what decisions local authorities can only make after popular input, and what the people must inspect and monitor. It covers local budgets, land use policies, infrastructure construction, peoples' contributions, selection of candidates, complaints and petitions.<sup>146</sup> The actual implementation greatly varies, but the government has made amendments to improve the law.<sup>147</sup> While the

<sup>145</sup> To be discussed in Chapter 5.

<sup>146</sup> Decree 29/1998ND-CP, Regulations on the Implementation of Democracy at the Commune Level, Government of Vietnam, May 11, 1998.

<sup>147</sup> A few of the many assessments of the workings of the decree, with both positive and negative examples, include Prohl, W, Schwartz, K, Sergeisen, T, Malmier, M, Komrad-Adenauer-Stiftung, *Strengthening Local Democracy Through Grassroots Participation: Report on Two Year Pilot Project in Vietnam*, Hanoi, August 2001; Zingeth, C, 'Grassroots Democracy and Local State Relations in Vietnam's Northern Mountain Periphery', Conference Paper, *EUROSEAS Conference*, London, 6-8 September 2001; World Bank, *Partnership to Support the Poorest Communes*, MPI, *Community Driven Development in Vietnam: A Review and Discussion Platform*, Hanoi, 2003, pp. 24-35; Joint Donor Report 2003, op cit, pp. 124-132. Some say it is easier to implement in the communes, where villagers are traditionally closer, than in urban wards; but one retired CPV veteran, who led a successful challenge to a poorly planned redevelopment of an urban housing block where he lived, using the regulations, claims it is easier where people such as himself live, who have the education to understand how to use the laws, Interview, Hanoi, September 2005.